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Chapter 18

HUMAN RESOURCE MANAGEMENT IN ASIA

Understanding Variations in Human Resource Practices Using a Resource Exchange Perspective

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INTRODUCTION

“If we divide resources into material (natural and capital) and human resources, the latter are strategic in their interactions with the former as it is man who manipulates material resources through institutions. The unpredictable and sometimes capricious forces of nature can be offset by the diligence and ingenuity of man, which are a function of the human resources embodied in him.” – Oshima (1988: S107), in explaining the success of East Asia using a human resource approach.

The impressive economic growth of Asia has aroused much interest in the West to identify an Asian model, be it in the domain of macroeconomics, public policy, or organizational management. In this chapter, our focus is on one particular aspect of management that can have a critical impact on the effective functioning of the firm – human resource management (HRM). Specifically, HRM refers to functions undertaken by organizations to attract, develop, motivate, and retain employees, and comprises broad aspects such as human resource planning, staffing, appraising, rewarding and training (Jackson & Schuler, 1995).

Consequent to the sweeping wave of globalization, HRM research in the last two decades has extended rapidly beyond the boundaries of the United States and Western Europe, where the majority of theoretical and empirical work in HRM began. An Asian focus on HRM first emerged with Japan's

economic success in the 1960s, and was sustained through to the 1990s by the “Tigers” and “Dragons” of Asia, which attracted huge foreign investments into the region (Rowley, 1998). More recently, the economic potential of China and India – the most populous countries in the world, continues to provide impetus for both research and practice to acquire a deeper understanding of HRM in Asia.

Yet, despite the extensive amount of research conducted on HRM practices in various Asian countries, it remains elusive what an Asian model of HRM is. Difficulty in pinpointing an Asian model may be attributed to at least two reasons. First, Asia is a continent of great diversity, as evidenced by its myriad economic, political and geographical conditions. Kuruvilla and Venkataratnam (1996), for instance, remark that the region offers examples at both extremes in terms of geographical area, population, gross national product, political ideology, unemployment levels, poverty, literacy and so on. Given that HRM is shaped by the environment to a large extent (Jackson & Schuler, 1995; Jennings, 1994; Morishima, 1995), these diverse contextual factors imply diverse HRM practices across the continent, particularly across sub-regions such as East Asia (e.g., China, Hong Kong, Japan, Taiwan, South Korea), Southeast Asia (e.g., Indonesia, Philippines, Malaysia, Singapore, Thailand) and South Asia (e.g., Bangladesh, India).

The second reason is the lack of a theoretical framework to integrate and synthesize existing findings related to Asian HRM practices. Jackson and Schuler (1995) note that the current dominant focus in international HRM research is on the overwhelming variety of specific practices, rather than on the fundamental, abstract dimensions of HRM systems. We argue that this bias impedes the development of an Asian model because differences are inevitably more likely to emerge when comparing HR practices at a concrete, specific level. However, if we examine the abstract, fundamental dimensions of HRM, we are more likely to find some underlying patterns across Asia. In other words, comparative studies involving specific HRM practices are likely to lose the “forest for the trees,” making it easier to find divergence, but harder to identify broad patterns, in the HRM systems within regions.

Hence, it is clear that given the diversity of the region, arguing for total convergence within Asia that culminates in a unique Asian HRM model is untenable. Rather, a more reasonable approach in discussing an “Asian HRM model” is to focus on “soft convergence,” which requires only some family resemblances (Warner, 2000). This approach implies that there is variation in HRM within Asia, but such variation is smaller than the variation that exists between regions (e.g., Asia versus North America). Further, research that focuses on the more abstract, fundamental concepts underlying HRM can help identify meaningful differences or similarities amongst HRM systems within a region, as opposed to research that examines specific HRM practices.

Our objectives in this chapter are twofold. The first objective, which is descriptive in nature, aims to provide an overview of the context and HRM practices in Asia. Including a brief description of the environment in Asia is aligned with calls to take into consideration context when examining HRM. Drawing upon Jackson and Schuler's (1995) framework, we describe the context of Asia in terms of its culture, industry characteristics, politics, laws and legislations pertaining to employment, labor markets and unions. We then review practices commonly observed in Asia, classified under five HRM functions: planning, staffing, appraising, rewarding and training.

Our second objective is theoretical in focus, and aims to expound on a fundamental concept underlying HRM – the employment exchange relationship. We argue that surfacing the assumptions concerning the nature of the employment relationship is critical to understanding HRM practices, and also provides a useful approach for comparative HRM research. Specifically, we adopt Foa and Foa's (1974; Foa, 1971) resource typology to describe the nature of the employment exchange, and argue that these expectations in turn affect HRM policies. Further, we advance an integrative framework that illustrates how the context of a country can influence the nature of its employment relationship, and consequently, its HRM practices.

Consistent with our objectives, the remaining of this chapter is organized into three major sections. The first section is a literature review that describes the broader context of Asia and her HRM practices. The second section introduces a theoretical model of HRM that highlights the interplay between external context, the employment relationship, and HRM practices. Finally, we conclude the chapter by relating our theoretical model to Asian HRM practices, and discuss how future HRM research can adopt our framework to examine and compare HRM practices in the international context.

A REVIEW OF THE ASIAN CONTEXT AND HRM PRACTICES

The Asian Context

Considering the broader context in which HRM systems are embedded is imperative for a better understanding of HRM practices, particularly when different cultures are involved (Jackson & Schuler, 1995; Jennings, 1994; Morishima, 1995). Jackson and Schuler (1995), for instance, delineate six dimensions of the external context that HRM models should incorporate. In this section, we describe briefly the Asian context along each of these dimensions, focusing on aspects that are particularly relevant to employment. Specifically, *culture* refers to values and traditions that have been passed from one generation to the next; politics focus on the role of the government in the

market; *laws and regulations* highlight labor-related legislations that have significant impact on employment; *unions* refer to labor-management relations in general; *labor markets* refer to the demand and supply of workers in the economy; and finally, *industry characteristics* focus on the stage of economic development and the dominant business players in the region.

Culture

Defined as the “collective programming of the mind” (Hofstede, 1984), culture is one contextual aspect in which Asian countries share some degree of similarity. Empirical work has demonstrated that Asian countries tend to cluster together on certain cultural dimensions such as collectivism (i.e., less individualism) and high power distance (e.g., Hofstede, 1984; Smith, Dugan, & Trompenaars, 1996), and subscribe more to particularistic and ascription-based relationships with the organization or group (Smith et al., 1996). This means that Asian countries tend to place greater emphasis on group membership rather than individual identity (collectivism), more likely to accept inequality of power as an acceptable norm in life (high power distance), and have different interactions with people depending on who the other party is (particularism).

One reason for this predominantly collectivistic and hierarchical orientation across most parts of Asia may be attributed to the influence of Confucianism – a philosophy that originated from the teachings of Confucius, a sage in ancient China (551–479 BC). Central to Confucianism is the emphases placed on the moral nature of man, harmony of society, political legitimacy, order and unity, and hierarchy (Chang, 1976). Indeed, an interesting finding emerged in the late 1980s that Asians espouse a unique value termed Confucian work dynamism, a dimension that describes orientation toward the future versus the present and the past (Bond, 1988; CCC, 1987). Some specific beliefs associated with this dimension are persistence, ordering relationships by status, thrift, and having a sense of shame. Not surprisingly, East Asian countries such as Hong Kong, Japan, Taiwan and South Korea score highest on this dimension (i.e., high perseverance and thrift), and to which many have attributed their economic success (e.g., Hofstede & Bond, 1993). India, Singapore, and Thailand have moderate scores, whereas the Philippines scores relatively lower (CCC, 1987).

Industry Characteristics

Economic development has occurred in different time periods across Asia, resulting in different stages of industrialization for different countries. For instance, the four Asian Tigers are at the advanced stage of their export-orientation strategy, which focuses on high value added manufacturing that requires skilled labor. In fact, Singapore and Hong Kong are now shifting toward

being more service-oriented. On the other hand, Malaysia and Thailand are becoming advanced export-oriented economies, whereas the Philippines and Indonesia are still presently at the first stage of the low-cost export-orientation phase. China and India have only begun to shift to an export-orientation phase, after having had a heavy and capital-intensive inward-looking import substitution strategy for many years (Kuruvilla & Venkataratnam, 1996).

Another relevant aspect of industrialization is the dominant firm structures of these Asian economies. In general, small to medium-sized family-owned enterprises dominate the scene, particularly in Taiwan, Hong Kong and Southeast Asia. Their organizational structure may be typified by closed family ownership with a simple and informal structure. These firms are personal in nature as they are typically regarded as family possessions, and control is greatly associated with ownership and highly centralized. However, with increasing globalization and the economic challenges posed by the currency crisis in 1997, family businesses in Asia are slowly absorbing more professional managers into their upper echelons. For instance, Tsui-Auch and Lee (2003) argued and found some support that the currency crisis resulted in credit squeeze and national reforms that consequently increased the pressure on family-controlled businesses to relinquish family control and corporate rule.

Large locally-owned enterprises, on the other hand, play a significant role in Japan and South Korea. Known as keiretsus in Japan and chaebols in Korea, these firms account for substantial shares of their respective economies. Both types of organizations have relatively similar internal structures, but a major difference lies with the separation of ownership and management. In Korean chaebols, control is firmly retained by founders and their families, resulting in little managerial independence from dominant shareholders. Japanese keiretsus, in contrast, experience a high degree of managerial autonomy from shareholders because personal authority derived from competence is more valued in Japan than that derived from ownership (Chen, 1995; Whitley, 1990).

State-owned enterprises, where the state acts as the owner and employer, used to dominate the Chinese and Indian economies. However, with economic liberation in China and a push for privatization in India, the role of state-owned enterprises has diminished substantially in both economies over the years. In contrast, foreign multinationals, attracted by the relatively cheap and high-quality labor, are increasing becoming dominant players, particularly in Southeast Asia, and more recently, in China.

Labor Markets

Asia is highly diverse in terms of population figures, with two very small city states (Hong Kong and Singapore) and two highly populous nations (China and India). Most of the remaining Asian countries are medium-sized, with populations ranging from 18 to 60 million (Verma, Kochan, & Lansbury, 1995).

Due in part to differences in population size and different stages of economic development, unemployment rates differ rather substantially across Asia. In the 1980s and early 1990s, most of East Asia and Singapore experienced severe labor shortages, whereas most parts of Southeast and South Asia faced relatively high unemployment rates. In the former case of labor shortages, the problem was sometimes aggravated by other social-political factors, such as the greying population in Japan and Singapore, and the "brain-drain" phenomenon in Hong Kong arising from the political uncertainties associated with China's reunification in 1997. Nonetheless, these countries are currently also facing increased unemployment due to the global economic slowdown.

Politics

Unlike the West, governmental intervention is common and often acceptable in most Asian countries, though the degree and form may vary from country to country. Within East Asia alone, for example, there is considerable variation in political ideology. Although referred to as the Greater China, China, Taiwan and Hong Kong have had very different political leadership in the last three decades. The political history of China in the period after the Communist Party defeated the Nationalist Party (the latter fled to Taiwan) and the 1978 reforms may be characterized as a period of ideological oscillations between moderation/pragmatism and radicalism (Nyaw, 1995). Once under extreme communist rule, China used to be a centrally-planned economy where the political leadership of the Party played a major role in manpower policies. With her transition to a market-driven economy, there is now a shift of responsibility and decision-making from the state to the enterprise.

Hong Kong, on the other extreme, is reputed for her being a bastion of free market capitalism and entrepreneur spirit (Friedman & Friedman, 1980) after its colonization by Britain in 1841 (ceded by China under the Treaty of Nanking). Even after the 1997 reunification with China, Hong Kong continues to enjoy a substantial amount of autonomy under China's "one country, two systems" policy.

The rest of Asia lie somewhere between the two extremes. Although a democratic country, India is inclined toward a centrally planned economy with strong state regulation. For instance, state-owned firms in the public sector, and investment and production restrictions in the private sector, are widespread in India (Kuruvilla, 1996). Korea, Singapore and Taiwan are also known for their state-controlled market economies, albeit to a lesser extent compared to India. Japan's government, in comparison, is more of a coordinator of activity and mediator of conflicting interests, rather than an authoritarian controller.

Labor Unions

Labor-management relationships in Asia are generally less adversarial and more mutually supportive, with varying degree of regulatory restrictions placed on them. Countries like Singapore, China and Indonesia have only one union federation, while most of the other Asian countries have multiple union federations (ranging from two to 155), although none of these has significant influence on national policies (Kuruvilla & Venkataratnam, 1996).

There are several models of unionism in Asia. In the state-employer dominated model, the state plays a strong role and the union has little influence on national policies (Kuruvilla & Venkataratnam, 1996). Worker unions in China may be classified under this model, since they are virtually controlled by the political party and act as the "conveyor belt" between the Party and the workers. Union roles include communicating socialist goals (Goodall & Warner, 1997; Hoffman, 1981; Nyaw, 1995) and administering welfare benefits to the workers (Tan, 1989).

In the politicized multi-union model, trade unions are affiliated with political parties, thus enabling them to participate in national policy-making. Union formation, recognition, and functioning are well protected by law, and bargaining is highly decentralized. India and most of Southeast Asia may be described by this model (Kuruvilla & Venkataratnam, 1996).

The newly democratic transitory model is characteristic of Taiwan and South Korea, where the shift from authoritarian to democratic forms of government has destabilized existing patterns of industrial relations. As a result, employers who had never dealt with unions in the past are now faced with the prospect of labor-management negotiations, which they had little experience in.

The tripartite model, which involves the equal partnership of trade unions, employers and the government, is a critical and unique feature of Singapore. Although many Asian countries have attempted to institutionalize formal tripartism, none has had achieved significant benefits from the model as Singapore has in terms of national policy-making (Kuruvilla & Venkataratnam, 1996).

Another unique model in Asia is enterprise unionism in Japan, where union membership is restricted to a firm's employees. These in-house trade unions not only represent the interests of the employees, but also have the responsibility to protect the interests of the company. Because the well-being of union members is tied to the company's economic success, there is great incentive for unions to work with management to increase productivity and profitability.

With regards to union legislations, one distinctive feature of Asian economies is that there are several administrative restrictions on the right to strike. The most common restriction is the prohibition to strike in essential industries, with some countries having more industries classified under this category than

others. Not surprisingly, the number of strikes per year for each country varies within the region. According to the statistics reported by the US Department of Labor, the number of strikes in 1990 ranged from none in Singapore to 1,825 in India. Nonetheless, the region on the whole exhibits a trend of declining number of strikes over the years.

Labor Laws

Although there is remarkable similarity in the labor protection legislation in Asian economies, there is a wide variation in the enforcement of these laws. According to Kuruvilla & Venkataratnam (1996), most of the Asian countries have advanced legislation regulating leave, overtime, working hours, safety and health, terminations, bonus, retirement benefits, and in some cases, even equal employment laws (see also the Forum section in the *Asia Business Law Review*, volumes 23–26). However, very few countries have enforced these laws in full, with Singapore being one of the few exceptions. In some countries (e.g., the Philippines), labor standards laws have been revised downward because they were too advanced for developing economies. In others (e.g., Taiwan), enactment of the labor standards law has become the basis for increased union activity and the cause of increased labor-management conflicts (Kuruvilla & Venkataratnam, 1996).

As can be seen from the paragraphs above, Asia is far from a region of homogeneity. In addition to diversity in the economic, labor market, political, and legal conditions described here, the region is also heterogeneous in terms of natural endowments, ethnic composition, colonial experiences, and more. This diversity leads to an important question: how homogeneous are Asian HRM practices?

In the next section, we review the literature on Asian HRM and describe dominant practices in the region. However, it should be cautioned that our review below is biased toward East Asia because most of the existing work is conducted there. With perhaps the exception of India, Singapore and Thailand, very few studies have examined countries located elsewhere in Asia. This itself suggests a gap in the Asian HRM literature that should be addressed by future research.

HRM Practices in Asia

Adopting Jackson and Schuler's (1995; see also Schuler, 1988) framework, we describe HRM practices in Asia subsumed under five HRM functions: planning, staffing, appraising, rewarding, and training.

Planning

The functions of human resource planning (HRP) are to anticipate future business and environment demands on an organization in order to meet the personnel requirements dictated by those conditions (Cascio, 1982). Hence, HRP is a critical function particularly for economies with tight labor markets and dynamic business conditions.

Because of the prevalence of small and family-owned businesses in Asia, HRP is generally informal and unsophisticated (e.g., Lawler & Atmiyanandana, 1995). Larger firms such as MNCs or state-owned enterprises are more likely to conduct systematic HRP, such as the computation of current staffing ratio as well as predicted sales order (Kirkbride & Tang, 1989). In addition, explicit job analyses which are part of the HRP function in the West (Schuler, 1988), are less common in Asia.

Government intervention and/or assistance in HRP is quite common in Asia, albeit to varying degrees. At one extreme, virtually all forms of HRP in China under her former mode of central government planning are conducted by the state. Thus, HRP, and even staffing, are relatively new areas of personnel management for Chinese enterprises after China's economic liberation in 1978. In other Asian economies, particularly those with acute labor shortages, government initiatives are often in place to assist organizations in HRP. Singapore, for instance, has established the National Manpower Council to spearhead an integrated national manpower planning approach. This Council sets directions and oversees national manpower planning and development strategies to meet the changing needs of industries in Singapore (The National Human Resources Handbook, 2000).

Staffing

Broadly, staffing encompasses recruitment and selection practices that are aimed at getting the right people to join the company. There are several choices organizations make with respect to staffing, such as using internal versus external sources of recruitment, and adopting explicit versus implicit criteria for selection (Schuler, 1988).

Internal recruitment is generally preferred in Asian organizations, especially for high-level positions. This is not surprising, given the prevalence of family-owned businesses and Asians' emphasis on close relationships. Therefore, top positions in small to large family-owned enterprises in most Asian countries are typically filled by family members and relatives (e.g., Chen, 1998; Farh, 1995; Gopalan & Rivera, 1997; Lawler & Atmiyanandana, 1995; Sinha, 1991). Promotions and rotations within the organization are also common, particularly in large firms that can afford an internal labor market. Japan's flexible staffing practice is one example, where extensive job rotations and employee

reassignments are often implemented to redeploy manpower whenever necessary, thus enabling firms to retain their staff even in times of poor economic performance (Mroczkowski & Hanaoka, 1989).

Entry-level positions are inevitably less amenable to internal recruitment. Instead, personal referrals are frequently used by Asian firms, especially for blue-collar jobs (Chew & Goh, 1997; Farh, 1995; Hsu & Leat, 2000; Kirkbride & Tang, 1989; Koch et al., 1995; Lawler & Atmiyanandana, 1995). Advertisements are also widely used for all levels of recruiting. Other methods that are used in varying degrees include external employment agencies/head hunters, job fairs, and more recently, internet postings.

A unique external recruitment strategy in Asia is the cohort-hiring practice adopted by Japanese *kereitsus* and Korean *chaebols*, where cohorts of fresh graduates from schools and universities are recruited once or twice a year, as opposed to all-year hiring that is practiced in other parts of Asia and the US (Koch et al., 1995; Pucik, 1984). According to Pucik (1984), a major reason for cohort-hiring is to provide a reference point for the organization to evaluate an employee's performance and progress, *vis-à-vis* his/her cohort members'. As such, social comparison is one mechanism used to gauge performance throughout an employee's tenure under the cohort-hiring system.

Selection criteria in Asia are generally less explicit and objective than the West. Personal attributes such as loyalty, diligence, and the ability to work with others (e.g., Chen, 1998; Farh, 1995; Koch et al., 1995) are often important considerations for selection. In India where the caste system still exists to some extent, background characteristics based on caste considerations are sometimes accorded equal importance as work qualifications (Gopalan & Rivera, 1997). In many Asian countries, having personal connections can also substantially improve one's chances of being selected (Lawler & Atmiyanandana, 1995).

Nevertheless, one "objective" selection criterion that is commonly emphasized by firms across Asia, especially in East Asia, is educational credentials. In Japan and South Korea, for instance, graduates from prestigious universities are much more likely to find jobs with large companies than those from less well-known universities. Some scholars attribute this "credentialism" phenomenon to Confucianism, where possessing a good education is seen as one means of contributing to the society (e.g., Huang et al., 2000; Sarachek, 1990).

The sophistication of selection techniques varies across countries as well as firm sizes. In general, interviews and screening of application forms are very common techniques, whereas psychometric tests and assessment centers are rarely used by small and local firms. Reference/background checks (especially for hiring higher-level personnel) and physical examinations have also been frequently reported (Chew & Goh, 1997; Chen, 1995; Kirkbride & Tang, 1989; Latham & Napier, 1989; Shaw et al., 1995).

Appraising

Appraisals in Asia can be differentiated from those in the West along two dimensions: the content and the process. Indeed, the term "performance appraisal" reflects the ethnocentrism of the Western practice of appraising, which typically focuses on the performance of employees. In Asia, "performance appraisal" can be a misnomer since appraisal criteria typically extend beyond actual performance results to personal attributes such as moral character, loyalty and effort.

In China for instance, four broad areas are appraised: "de" (good moral practice), "neng" (adequate competence), "qing" (positive attitude), and "jie" (strong performance record), with good moral practice (such as moral integrity and political attitude) being the most important criterion (Child, 1994; Nyaw, 1995; Von Glinow & Chung, 1989). In India, loyalty to and dependence on one's superiors are likely to lead to more positive ratings (Gopalan & Rivera, 1997). In Japan, communication skills, seniority, sense of responsibility, the capability of performing the job (as opposed to the actual ability) and expenditure of good faith effort are important factors to consider in an appraisal (Morishima, 1995; Mroczkowski & Hanaoka, 1989). Likewise, Latham and Napier (1989) report a dominant use of trait-oriented characteristics (e.g., adaptability, attitude, initiative) in appraisals in Singapore and Hong Kong. However, it should be noted that there is a gradual shift in most countries to a more performance-centered appraisal system.

With regards to the process, many appraisal systems in Asia are closed-appraisals, which means that employees do not discuss their evaluations with supervisors who assess them (Latham & Napier, 1989; Lawrence, 1996; Yuen & Yeo, 1995). This one-way appraisal can be largely attributed to the Asian concept of "face," which is an important factor for achieving harmony with others (Fuller & Peterson, 1992). Lawrence (1996), for instance, observes that many Singapore managers dislike open appraisals because they involve confronting people with personal evaluations, which may lead to a loss of "face." Nonetheless, many organizations in Asia are slowly adopting "open" appraisals, since this practice is more amenable to developmental objectives.

The appraisal process in Asia is also likely to be less participative and more directive (Snape, Thompson, Yan, & Redman, 1998). Due to the high power-distance values in the region, appraisal techniques such as the 360-degree feedback system where subordinates' views and perceptions are solicited, may not be as accepted or as effective (Entrekin & Chung, 2001; Latham & Napier, 1989).

Although appraising is universally considered an important HRM function, the purpose underlying the appraisals can differ across countries. In general, appraisals are seen more as evaluative tools (rather than developmental) in Asia than in the West, plausibly due to the nature of the criteria (trait-based versus

performance-oriented), as well as the process (closed versus open) used in the appraisal systems.

Rewarding

Given that work is an exchange of labor for money, rewarding is undoubtedly a universal practice. Nonetheless, the basis for rewarding can differ substantially between the West and Asia, and even within Asia itself. The seniority-based system, for instance, is a well-established practice in Asian organizations that is clearly at odds with the Western philosophy of meritocracy. Under this system, tenure, age and educational background are significant determinants in pay and promotion systems (Gopalan & Rivera, 1997; Koch et al., 1995; Lincoln & Nakata, 1997; Ornatowski, 1998). The seniority-based system is seen as a way by management to encourage company loyalty and to maintain social harmony by minimizing competition and protecting face (Milliman, Nason, Von Glinow, Huo, Lowe, & Kim, 1995).

The extent to which seniority-based system is implemented, however, varies among Asian countries, possibly with Japan and Korea being most noted for the practice. In India, seniority-based pay is more prevalent in the public than in the private sector (Venkataratnam, 1995). Due to the influence of foreign organizations in some of the Asian nations (e.g., Singapore, Hong Kong, Taiwan), the seniority-based system is less prevalent. Nonetheless, a common trend across Asia is the gradual shift to a more performance-oriented pay system, even in Japan and Korea (Lincoln & Nakata, 1997; Morishima, 1995).

Another common feature related to Asian pay practices is the relatively egalitarian wage structure. At one extreme is the pay system under the old communist rule of China, where very minimal wage differential existed within the same category of employees, and remuneration was not tied to performance indicators, whether at the enterprise or individual level (Goodall & Warner, 1997). However, Chinese enterprises are beginning to inject performance-related components into their pay systems, such as the use of a "floating-wage" system (Nyaw, 1995). Likewise, seniority-based practices in the Japanese and Korean systems result in a relatively egalitarian wage structure for employees within the same cohort. Even in Hong Kong, Singapore and Taiwan where the culture of pay-for-performance is comparatively stronger (Kirkbride & Tang, 1989), it is likely that the emphasis is more on group performance rather than individual performance, compared to the West (Shaw et al., 1995; White, Luk, Druker, & Chiu, 1998). For instance, in a study comparing Hong Kong and Britain banks, White et al. (1998) conclude that although performance-related pay is a key component in both countries, the emphasis on individual performance is greater in the UK, whereas salary increases tend to be more uniform and determined more by group performance in Hong Kong.

Finally, it is worthy to note that Singapore has a rather unique element in her remuneration system – the involvement of a tripartite body consisting of the government, employers and trade unions. This committee, known as the National Wage Council (NWC), makes annual recommendations to organizations concerning the size of the variable payment in employees' total pay, which is largely determined by the economy's performance. Although not mandatory, the NWC recommendations are adopted by the majority of companies in Singapore (The National Human Resources Handbook, 2000). This feature is characteristic of the active involvement of the Singapore government in ensuring a competitive workforce and a viable economy.

Developing

Belief in, and commitment to, training differs rather substantially across Asia. In Japan and Korea, training and development is viewed as a critical form of employee investment, and is evidenced by the skill grade pay system where pay increments and promotions are tied to skills acquired from training (Hashimoto, 1994; Kalleberg & Lincoln, 1988; Morishima, 1995).

In contrast, training in India is viewed with greater scepticism, in part due to the local cultural belief that change is limited (human nature orientation) (Gopalan & Rivera, 1997), and in part due to financial constraints as well as the possibility of poaching by competitor firms (Sharma, 1992). Likewise in Singapore, Hong Kong, and Taiwan, training is very much deterred by the high employee turnover amidst tight labor markets. For example, Taormina and Bauer (2000) observed that training in Hong Kong is often viewed as a means for personal progression (a stepping stone to a better job elsewhere), thus explaining the reluctance of companies to offer training in these countries.

Unlike the West where training focuses highly on technical aspects of the jobs, training in Asia is typically more broad-based and focuses more on fostering positive attitudes and a fit with the company's philosophy (Koch et al., 1995). For instance, the Japanese training program in the automobile industry begins from orientation sessions in safety and corporate culture, followed by intensive technical training, followed by on-the-job training with experienced workers, job rotations, and through participation in consensus-based decision making, quality control circles and suggestion systems (Hashimoto, 1994). Likewise in Korea, the focus of training is to develop an "all-around man," a generalist (as opposed to a specialist) who understands the organization's goals and exhibits the correct spirit (Koch et al., 1995). In China, worker education used to include political courses aimed at inculcating employees with the correct political ideology, as well as scientific-cultural subjects aimed at equipping employees with basic knowledge of relevance to daily life (Nyaw, 1995). Now, with the influx of MNCs requiring a large pool of skilled work-

ers, China is also emphasizing vocational training to upgrade the skills of the Chinese labor force.

As with the West, on-the-job training (OJT) is more frequent than off-the-job training. Japan in particular, is well-known for her extensive and systematic OJT system that aims at familiarizing employees with the various operations of the organization (Morishima, 1995). Across Asia, large firms are more likely to offer in-house training than small firms, owing to their greater pool of resources. Company-sponsored education leave, a rarely observed practice in the West, is common in China and Taiwan. Such an opportunity is considered a great privilege, and employees who return from the educational training trips are typically given a raise and/or are promoted (Huang & Cullen, 2001; Nyaw, 1995).

Because of the lack of resources in small Asian businesses to offer formal training to employees, governmental intervention is necessary, even in the usually laissez-faire economy of Hong Kong (Poon, 1995). For instance, the Hong Kong government set up the Management Development Center in 1984 to provide training on managerial skills and knowledge (Poon, 1995) upon recognizing the need for supervisory training in the workforce. In Singapore, employers are required by law to contribute 1% of the monthly pay of their workers earning \$1500 or less to the Skills Development Fund, which is used by the government to set up training centers, subsidize employers' training costs, and to provide training for retrenched workers (The National Human Resources Handbook, 2000).

How does Asia's investment in training compare to the rest of the world? A study conducted by the American Society for Training and Development (ASTD; see Van Buren & King, 2000) in 1999 concludes that respondents in Asia reported spending the least on training per employee, and respondents in Japan reported spending the least on training as a percentage of total annual payroll (Van Buren & King, 2000), compared to four other regions: Australia/New Zealand, the US, Canada, and Europe. However, the finding concerning Japan merits some qualifications – certain forms of training, such as costs for self-enlightenment programs, formal OJT, and training which employees assume responsibility are not captured in the study's training index. Hence, although the study by ASTD is laudable in terms of its efforts to create a framework for comparing training investments in the world, it also demonstrates the many problems associated with standardizing the definition and operationalizations of training.

To summarize, our review has demonstrated some similarities in the HRM practices within Asia, such as the widespread use of personal referrals for recruitment, the emphasis on educational qualifications and personal background information as selection criteria, the egalitarian wage structures, and performance appraisals that include assessment of seniority and personal values and attitudes.

Yet, there are also substantial variations in the HRM practices observed within Asia, both in terms of the extent as well as the nature, of the practices. For instance, the degree of egalitarianism in the wage structure varies across countries in Asia, with perhaps China being one of the stronger adherents compared to the rest. Certain HRM practices can also be rather unique to a country, such as the cohort-hiring practice, which is observed only in Japan and to some extent, Korea. However, as we noted on the outset, the use of specific HRM practices as the basis of comparison inevitably reduces the “visibility” of some meaningful patterns underlying HRM practices. Next, we shift from a descriptive to a theoretical focus to expound on a conceptual model that can potentially provide a deeper understanding of HRM, and a new perspective for future comparative HRM research.

A MODEL OF THE EMPLOYMENT RELATIONSHIP

In essence, we argue that HRM practices are intricately linked to the employment relationship – to understand the variations in HRM practices across cultures, we need to delve further and understand the nature of the employment relationship in these cultures. The employment relationship, in turn, is influenced by the external context. We elaborate on our conceptual model, illustrated in Figure 1, in greater detail in the ensuing paragraphs, beginning with a discussion of the nature of the employment relationship.

The Nature of the Employment Relationship

Scholars from various disciplines have offered different conceptualizations of the employment relationship. Legal scholars, for instance, view the employment relationship as a set of rights and obligations that can, to a large extent, be spelled out in employment contracts binding both employers and employees. Economists view it in terms of transaction costs that can be minimized through efficient governance structures of organizations (Williamson, 1975, 1985). Sociologists, on the other hand, conceptualize the employment relationship as a set of rules and norms governing the legitimate expectations of employers and employees in a society (Bridges & Villemez, 1995). Psychologists propose the concept of “psychological contracts,” which refers to individuals’ idiosyncratic beliefs regarding the terms of the exchange agreement between employees and employers (Rousseau, 1995).

In this chapter, we adopt a sociological approach to expound on a fundamental aspect of the employment relationship: the nature of the resources expected to be exchanged in the employment relationship. It is sociological as our focus is on the “social contract” of employment – the collective beliefs of

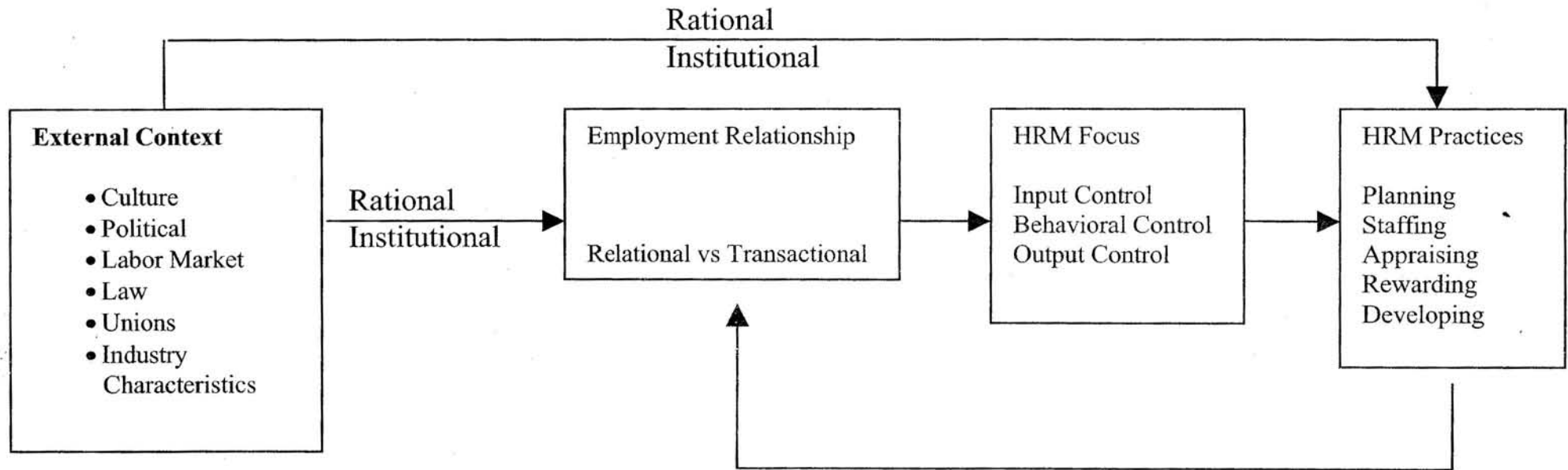


Figure 1. A Model of Employment Relationship and HRM.

a group of people regarding appropriate and legitimate transactions or expectations between employers and employees (e.g., see Rousseau, 1995). Bridges and Villemez (1995: 2), for instance, define the employment relationship as

“The typical set of terms and conditions that regulate the exchange of labor for money between an employer and a given category of employees laboring under his or her auspices. Transcending the specific quantities of work and money (or other material benefits) agreed to by the employee and the employer, the employment relationship most often extends to other matters such as grievance procedures, expectations about promotion chances, and stipulations about procedures for making any change in the relationship that might be desired by either party.”

The excerpt above highlights two points concerning the employment relationship. First, the relationship between the employer and employee is one of exchange. The most basic resources transacted are employers' pecuniary remuneration for employees' work (such as time and effort). Second, there is general consensus, at least within a certain group, of what some of the conditions governing the employment relationship are. Indirectly, this implies that the nature of the employment relationship can and does vary from group to group, such as across national boundaries (e.g., see Rousseau & Schalk, 2000).

How then, can we characterize the nature of the employment relationship in a society? Here, we apply Foa's resource exchange theory (1971; Foa & Foa, 1974), which asserts that people involved in a relationship depend on one another for material and psychological resources necessary for their well-being, to the employment context and propose that the employment relationship be viewed as an exchange of resources between the employers and the employees. In other words, the employment relationship may be defined more specifically here as the collective beliefs of a group of people regarding the appropriate and legitimate types of resources to be exchanged between employers and employees.

Foa defines a resource as anything that can be transmitted from person to person, and further develops a typology consisting of six types of resources (love, status, information, money, goods, services) that can be delineated by two underlying dimensions: concreteness and particularism (see Figure 2). Concreteness describes how tangible a resource is. Some behaviors like giving an object or performing an activity are quite concrete. Others are more symbolic, such as language, posture of the body, or a smile. Hence, service and goods are considered concrete since they involve the exchange of some overtly tangible activity or product. Status and information are more symbolic as they are typically conveyed by verbal or paralinguistic behaviors. Love and money are exchanged in both concrete and symbolic forms, and thus occupy intermediate positions on the concreteness continuum (McLean Parks, Conlon, Ang, & Bontempo, 1999).

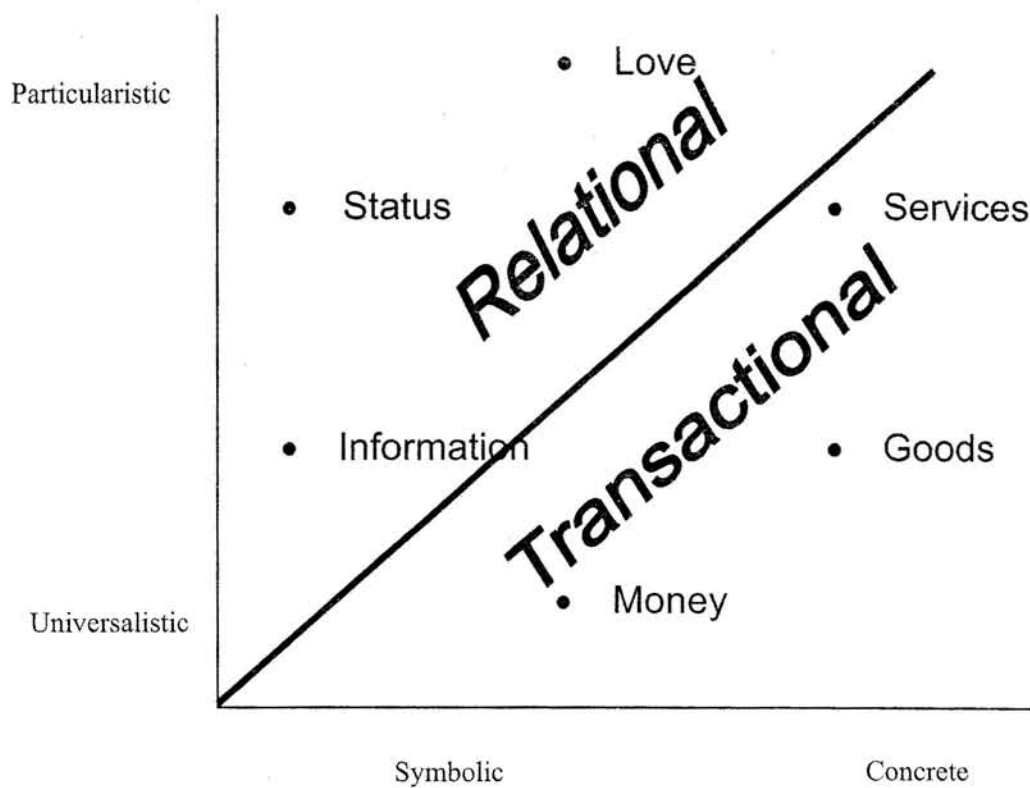


Figure 2. A resource perspective of the employment relationship: Foa and Foa's (1976) Resource Typology mapped onto Transactional vs Relationship Employment Relationship.

Particularism describes the significance of the person who provides the resource. Changing the bank teller will not make much of a difference to the client wishing to cash a cheque, but a change of doctor is less likely to be met with the same level of indifference. Hence, love is very particularistic in nature since it matters who one receives the love from, whereas money is the least particularistic, given that the value of money is unlikely to change according to the relationship between the recipient and the giver. Services and status are less particularistic than love, but more particularistic than goods and information.

Applying Foa's theory, we propose two major forms of employment relationship that can be distinguished by the types of resources expected in the employment exchange – a relational employment relationship versus a transactional employment relationship (see Figure 2). Specifically, a relational employment relationship, represented by the area above the bold diagonal line that runs through the origin, is an exchange dominated by particularistic and symbolic resources, such as love (e.g., loyalty, lifetime employment security), status (membership, seniority-based promotion), and information (e.g., advice, counseling, training). This is similar to the features of a relational contract espoused by MacNeil (1980; see also Rousseau, 1990), illustrated in Figure 3: involvement of the entire person, unique relationships, extensive communication, a large overlap between internal and external reinforcements, diffuse obligations and rights, and an emphasis on relationships. Because of the intangible and particularistic nature of the resources underlying this form of em-

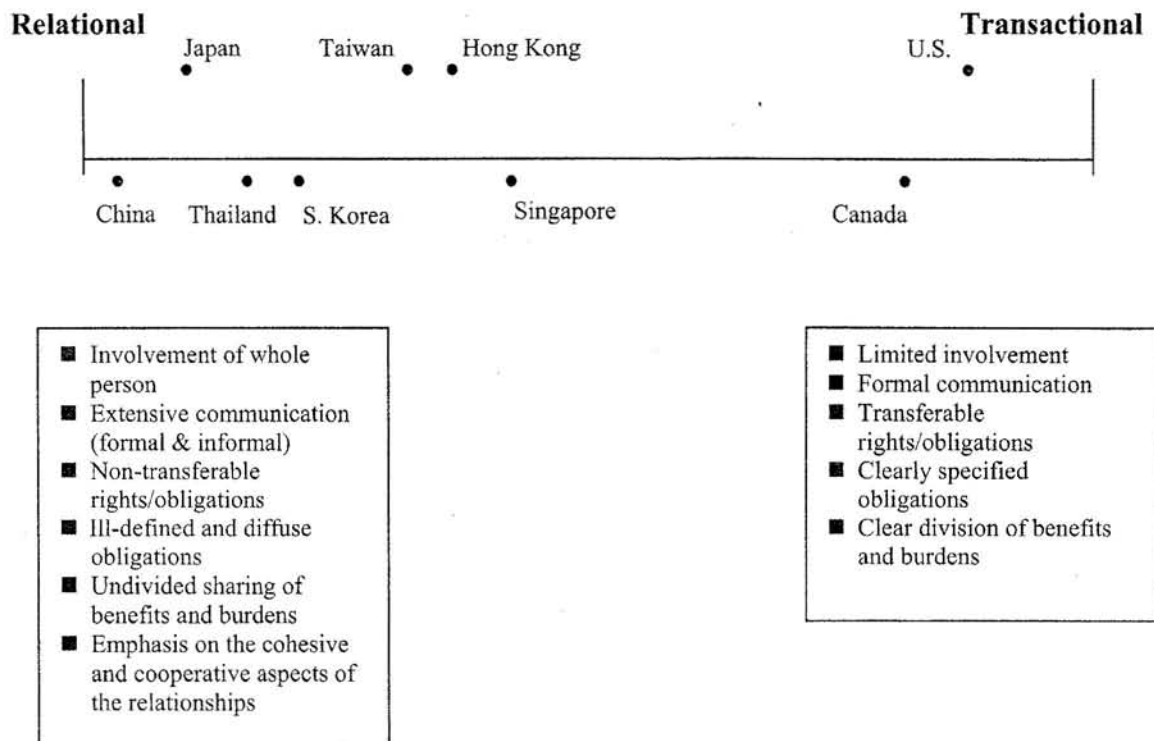


Figure 3. Employment relationships in Asia versus the West.

ployment relationship, the exchange between the employer and employee is not easily replicable or transferable to other parties. In other words, a relational employment relationship is oriented toward building a long-term relationship where employees are deeply embedded in the organization's culture and network.

In contrast, a transactional employment relationship, represented by the area below the bold diagonal line, is characterized by exchanges of concrete and universal resources between the employer and employee, such as money (e.g., wages), goods (for production employees) and services (for service-related employees and professionals). MacNeils' (1980; see also Rousseau (1990)) "discrete" contract is synonymous with a transactional relationship, where there is limited involvement of the person, formal communication, clearly specified obligations and benefits, and an awareness of conflict of interest between the two parties. In other words, a transactional employment relationship is short-termed in focus, and is guided by the goal of optimizing the economic benefits of both employers and employees.

Having expounded on the attributes of the two forms of employment relationship, we move on to discuss their influence on HRM.

Employment Relationship and HRM

While the employment relationship is about the resources employers and employees exchange (Bridges & Villemez, 1995), HR practices are rules that

arise from the need to monitor and manage these resources. Given that a transactional employment relationship differs substantially from a relational one, it logically follows that the nature of HR practices will also differ accordingly. In other words, we argue that different HR practices are more appropriate for regulating and controlling different types of employment relationship.

According to Snell's (1992) control theory in strategic HRM, there are three types of control that HRM practices can potentially emphasize: behavioral, output, and input control (Snell, 1992). Behavioral control system emphasizes the regulation of employees' actions displayed on the job, and is initiated top-down in the form of articulated operating procedures (Hitt, Hoskisson, & Ireland, 1990). Output control system focuses on setting goals for employees and monitoring their achievement of these goals (Hill & Hoskisson, 1987). Input control, or clan control (Ouchi, 1979), emphasizes the antecedent conditions of performance, such as employees' knowledge, skills, abilities, values, and motives.

Although the three types of control systems are not mutually exclusive, the relative emphasis placed on each of them depends on knowledge of the cause-effect relationship and how crystallized performance standards are (Ouchi, 1977; Snell, 1992; Thompson, 1967). Behavioral control is ideal when there is complete cause-effect relationship and ambiguous performance standards; output control when there is incomplete causal relationship and crystallized standards; and input control when there is both incomplete causal relationship and vague standards.

Accordingly, we argue that different employment relationships, with the different types of resources, will necessitate different forms of control in the HRM system. For instance, an emphasis on symbolic resources (e.g., loyalty) implies that performance standards should be more difficult to formalize, given their intangible nature. Likewise, an emphasis on particularistic resources (e.g., family ties, guanxi, connections see Bian & Ang, 1997) implies that cause-effect relationships related to work performance are less standardized, since the rules may differ from person to person. Thus, in a relational employment relationship where symbolic and particularistic resources are emphasized, input controls are likely to be more prevalent than output controls given the inherent ambiguity in the performance standards and cause-effect relationships. On the other hand, a transactional employment relationship (where concrete and universal resources are emphasized) should lead to relatively more crystallized performance standards and complete cause-effect relationships, thus resulting in both output and behavioral controls being more commonly in place.

Further, differences in the relative emphases placed on input, behavioral and output control in the HRM system are likely to lead to differences in the HRM practices (Snell, 1992). HRM systems with an input-control focus are typified by rigorous staffing, intensive socialization, training and development. Those with a behavioral focus tend to have standardized and formalized operating

procedures, with supervisors closely monitoring and evaluating subordinates' actions over time. Output-focused HRM systems, on the other hand, tend to have elaborate information systems that explicitly link appraisals and rewards to results achieved. One prevalent example of an output-focused HRM practice is "management by objectives" (Snell, 1992).

To summarize, we have argued that the type of employment relationship (transactional versus relational) will influence the type of control (behavioral, input, output) dominant in that culture's HRM system, which in turn, shapes the specific HRM practices. Next, we examine the role of context in influencing the type of employment relationship that is dominant in a particular culture.

Contextual Influence

Consistent with our focus on the national-level of analysis in this chapter, we examine only the external environment of organizations as characterized by Jackson & Schuler (1995). We acknowledge the importance of incorporating the internal environment (e.g., technology, size, structure, life cycle stage and business strategy) but exclude them in this chapter due to space constraint.

Many theoretical perspectives grounded in various disciplines (e.g., economics, sociology, organizational science, etc.) have been advanced to explain how external macro factors influence HRM (e.g., Jackson & Schuler, 1995; Jennings, 1994). The myriad theories, however, may be broadly classified into two camps: rational versus non-rational (institutional) (e.g., Bridges & Villemez, 1995; Gooderham, Nordhaug, & Ringdal, 1999).

The rational camp comprises normative theories that are based on the assumption that HRM practices that are best for the firm will be implemented. Hence, decisions on what HRM practices to adopt are presumably guided purely by the goal to maximize efficiency and economic outcomes. At one extreme, there are theories that prescribe a universal set of practices that will maximize performance. One example is Harbison and Myers' (1959) economic development model, which argues that for a particular stage of economic development, there is a corresponding management system.

A softer variant of the rational approach is offered by contingency theory, which asserts that optimum performance is achieved through a fit between structural characteristics of the organization and its environment (Lawrence & Lorsch, 1967). Studies adopting this theory examine how the internal and/or external context of the firm will influence the HRM practices, based on the notion of congruence (e.g., Burns & Stalker, 1961). Another example is Williamson's (1975) transaction-cost analysis, which rests on the fundamental assumption that organizational variety exists primarily to economize transaction costs. Hence, the organization of work and labor is governed by effi-

ciency consideration, for labor market transactions, like all other transactions of organizations, have costs that can be minimized by effective organizational arrangement (Bridges & Villemez, 1995).

In response to the widespread criticisms on the "shaky ground" of the rational approach, the second camp of theories focuses on non-rational forces that can influence organizational structures and practices. Institutional theorists view organizations as social entities that seek to gain acceptance and legitimacy from various stakeholders in the environment in order to survive (Meyer & Rowan, 1977; Selznick, 1957). Different types of institutional pressures can drive organizations to adapt to their external environment: coercive, normative, and mimetic (DiMaggio & Powell, 1983). Coercive pressures include the direct pressures of compliance exerted on the organization (e.g., employment regulation from the government), or the indirect persuasion of other actors whom the organization is dependent on (e.g., demands from trade unions). Normative pressures are those that arise from the values and expectations of a group or groups (e.g., the HR profession). Mimetic pressures refer to forces arising from the desire to copy the behavior/practices of other organizations, apart from specific coercive or normative pressures (e.g., HR fads).

The application of institutional theory to HRM research thus presumes that the adoption of specific HR practices centers on one major criterion: whether they are acceptable and legitimate (as opposed to the goal of maximizing performance espoused by the rational approach). In other words, one critical function of the HR unit is to maintain its acceptance by the rest of the firm as a legitimate function with unique insight into employment relationship problems (Jennings & Moore, 1995). Cultural theories and political theories in the field of HRM may be subsumed under this camp, since they operate through at least one of the three forces of normative, coercive, and mimetic pressures (rather than rational approach of maximizing economic benefits).

These two camps of theories arise because of a fundamental difference in one assumption: maximizing economic/performance outcomes versus gaining social acceptance. Both goals, however, exist in reality. Hence, we incorporate both into our model as illustrated in Figure 1, and argue that the external context influences HRM practices via both rational and institutional forces. Further, these forces affect HRM practices in two ways: (1) indirectly by shaping the nature of the employment relationship and the type of control dominant in the HRM system, and (2) directly without affecting the nature of the employment relationship. In the latter case, such practices (when sustained over time) may subsequently alter the employment relationship, thus forming a feedback loop. We elaborate on the indirect and direct influences of the external context on HRM practices below.

Indirect Influence

The external context can influence HRM practices indirectly via the general expectations of what type of resources are desired in the employment exchange relationship. For instance, industrialization/modernization resulting from an economic boom may incline the employment relationship toward a transactional exchange between the employer and employee. From a rational perspective, concrete and universal resources are more conducive to the goal of maximizing profits and minimizing transaction costs. From a non-rational standpoint, the culture of a modernized and industrialized society is likely to be more individualistic in orientation (e.g., Hofstede, 1984), thus favoring a transactional employment relationship over a relational one.

The cultural tradition and values of a society should by definition, exert a substantial amount of normative influence on the type of employment relationship because they shape the societal beliefs about what is good and what is bad. Hence, in individualistic and masculine cultures where individual work achievements and performance results are emphasized (e.g., Hofstede, 1984), transactional, rather than relational employment relationships are likely to dominate the exchange between employers and employees.

As advanced in our earlier arguments, the nature of the employment relationship may in turn influence the type of control (input, output, behavioral) dominant in the HRM system of that culture, thereby shaping the specific HRM practices observed.

Direct Influence

Politics and legislations, on the other hand, are more likely to operate directly on HRM practices. This is because the employment relationship is a "social contract" which is implicitly understood by the society, and hence, not subjected to explicit manipulations by laws or legislations. Nonetheless, a reverse relationship between the employment relationship and HRM may be observed here. Specifically, we argue that when coercive pressures exerted on HRM practices are sustained over time, they may become "internalized" by the society as the norm, thus altering the general expectations of the employment relationship to be more consistent with such practices. This in turn reinforces the HRM practices that were originally instituted by law.

Likewise, mimetic influences from the external context are also likely to influence HRM practices directly. Bandwagons, which refer to diffusion processes in which organizations adopt an innovation because of the sheer number of organizations that have already adopted that particular innovation (Abrahamson, 1991), are common examples of this type of influence. Here, organizations adopt a particular technology or practice not because of efficiency considerations, but because of the mimetic pressure to follow the crowd. When

sustained over time, such practices may be gradually internalized, thus altering the nature of the employment relationship.

Other contextual factors can also influence HRM practices directly through the other forces, such as rational considerations and normative pressure. For instance, a tight labor market may directly influence certain HR practices, such as reducing investments in employee training (Ang, Van Dyne, & Begley, 1999). This influence occurs mainly through economic considerations without altering the employment relationship first. However, if reduced investments in employee training persist, the employment relationship is likely to become more transactional over time, which further reinforces organizations' decisions to cut down on training costs.

To recapitulate, we have proposed a model that argues for both direct and indirect influences of the external context on HRM. In either case, the employment relationship remains an important concept underlying HRM practices. In the case of indirect influence, the nature of the employment relationship can affect HRM practices through its impact on the control focus of the HRM system. In the case of direct influence, HRM practices will alter the nature of the employment relationship over time, which will in turn serve to reinforce those HRM practices. In the next and final section, we relate our theoretical model to Asian HRM practices, and conclude with suggestions for future research on comparative HRM.

ASIAN HRM REVISITED

How can our framework explain existing findings on HRM practices in Asia presented in the earlier part of this chapter? To begin, we first speculate on the nature of the employment relationship of Asia in general. Given that Asian countries have generally been found to be more collectivistic than their Western counterparts (e.g., Hofstede, 1984; Smith et al., 1996), we anticipate that the employment relationship in Asia will be based more on expectations for symbolic and intangible resources (e.g., harmony, affection, loyalty, cooperation, etc). In addition, since Asian countries also emphasize more on particularistic obligations and ascription (rather than achievement) (Smith et al., 1996), we also expect the Asian employment relationship to revolve more around particularistic rather than universalistic resources.

Taken together, we argue that the employment relationship should be more relational in Asia than compared to the West. This is consistent with many existing findings. For instance, comparative studies examining work values have reported that Asian employees place a significantly greater emphasis on harmonious relationships, collective welfare, and cooperation, while placing less emphasis on material rewards and individual recognition compared to their counterparts from the West, usually the US (e.g., Elizur, Borg, Hunt, & Beck,

1991; Shenkar & Ronen, 1987; Weldon & Jehn, 1993). Ng and Ilgen (1999) found that Asian teaching assistants generally possessed more relational and less transactional psychological contracts than their US counterparts. Likewise, Hofstede (1993) and Yang (2000) propose that motivation in Southeast Asia and Chinese societies respectively centers on social acceptance rather than individual achievement. This is also aligned with Whiteley, Cheung and Zhang's (2000) proposition that the philosophy of the man at work is different under the Chinese system and the Western system of management. In the former, man is seen as an adaptive, family-oriented, socially responsible being. Rewards based on social approval, family honor and face are likely to be more effective than instituting calculative, individual-driven incentives. In the latter Western system, the man at work is a rational/economic being with a focus on maximizing monetary rewards and efficiency.

However, due to the diverse economic, political, legal, and labor market conditions characterizing the various Asian countries, we expect some degree of divergence in the nature of the employment relationship within the region. For instance, the four NICs (Singapore, Taiwan, Hong Kong and South Korea) are likely to have a more transactional employment relationship than countries such as India, China, Malaysia and Thailand due to their more advanced economic development, tighter labor markets, and greater enforcement of labor laws. The work of Van Dyne & Ang (1998) and Ang, Tan & Ng (2000) for instance, suggest that Singaporean employees expect a mix of relational and transactional elements in their employment relationship. Through a series of interviews with managers, Singapore employees were described as flexible and willing to take on broad and ambiguous roles in their jobs (i.e., relational). At the same time, they had a rather "temporary" outlook toward the employment relationship, preferring to remain employable in the job market rather than remaining loyal to one firm.

China's employment relationship may, at the moment, be the most relational because of her closed-door policy until her economic liberation in 1978. However, we expect this to change rapidly in the next few years to become more transactional in orientation.

Figure 3 presents our speculations of the employment relationship of the various Asian countries with that in the U.S. The figure illustrates that in general, Asian countries are more relational (i.e., symbolic and particularistic resources) in their employment relationship.

According to our theoretical model, this relational orientation in turn influences the type of HRM practices commonly observed in Asia, which may be summarized as having a strong input control focus and a weak output control focus. For instance, selection and appraisal criteria typically focus on achieving person-organization (P-O) fit, with more emphasis given to individuals' attitudes (e.g., attitude to learning, conforming) and traits (e.g., diligence) than to work experience and specialized skills. The seniority-based system common

in Asia may be interpreted as another example of an input-control mechanism, since it presumes that selecting the right people who will remain with the firm for a long time is desired. Likewise, the prevalent use of internal recruitment and referrals in external recruitment is consistent with an input-control emphasis, where it matters more who the person is, rather than his/her achievements.

On the other hand, the less widespread use of individual-based incentive plans point to a weaker output-control focus in Asian HRM practices. Another HRM practice that reflects such a weak output control focus is the broad and ambiguous job scope typical in Asia. Unlike the US where poorly-defined jobs may result in legal lawsuits (e.g., Thompson & Thompson, 1982), it is common to have less defined job boundaries in Asia (e.g., Ang et al., 2000; Lincoln, Hanada, & McBride, 1986).

CONCLUSION

This chapter reviews HRM practices in Asia, and highlights the importance of understanding the employment relationship in examining the types of HRM practices in the region. Why is it important to examine the nature of the employment relationship in furthering our understanding of HRM, particularly in a global context? To quote Jackson and Schuler (1995: 264),

“To meet this [global HRM] challenge, those responsible for the design of globally effective HRM must shift their focus away from the almost overwhelming variety of specific practices and policies found around the world and look instead at the more abstract, fundamental dimensions of contexts, HRM systems, and dimensions of employees’ reactions.”

Thus, by exploring the abstract, and often-time implicit assumptions underlying the HRM practices, research can advance to developing an integrated conceptual base for the field of HRM, which at the moment, is dominated by a disjointed set of employment practices (Snell, 1992). By probing the underlying assumptions of the employment relationship, HRM scholars can offer an overarching construct to examine the (in)consistencies of HRM practices, rather than treat different HR functions and practices independently.

Further, the need to understand the fundamental assumptions of the employment relationship is accentuated by the transcending of cultural boundaries. This is because culture, being the “software of the mind” (Hofstede, 1991), is likely to give rise to a very different set of assumptions in many spheres of life, including the employment relationship. Hence, variations in national HRM systems can be better understood when examined in the context of fundamental assumptions governing the employment relationship.

In this chapter, we have presented a very broad model that attempts to understand cross-national differences in HRM practices, and subsequently applied

it to the Asian context. Through our model, we hope to highlight three important general directions that future research in international HRM should aim toward. First, as aptly pointed out by Barrett and Bass (1976) with reference to I/O research, there is no longer a question on whether or not culture really mattered, but how culture matters. In this chapter, we have provided a theoretical model explaining *how* and *why* HRM practices can be shaped by their environmental context. Future international HRM research should move away from the current *what* paradigm and strive toward gaining a deeper understanding of the process and the mechanisms underlying culture and HRM.

Second, Kochan, Batt and Dyer (1992) lamented that much of the existing work on international HRM tends to focus on cultural explanations to the exclusion of the political, economic, institutional, and strategic context. We concur, and have hence included these other critical contextual factors in our model and highlighted their influence on the employment relationship and HRM practices. Future research should take good heed of Kochan et al.'s advice, and build broader sets of research questions that can provide greater insights into international HRM.

Third, we have proposed a dynamic framework that takes into account time. Given the rapid changes taking place in this global economy, it is imperative that future research adopt a dynamic, as opposed to a static, model of international HRM. One application of our model to a current phenomenon is to understand the impact of the recent economic downturn experienced by most Asian countries since 1997. In order to remain viable, Asian firms may retrench employees or drastically reduce their training costs, thus reflecting a direct influence of the economy on HRM practices. According to our model, such practices may alter the nature of the employment relationship in the long run, causing it to become more transactional over time.

Finally, we suggest that future comparative HRM research may take our model as a starting point to formulate more specific and testable hypotheses in cross-national HRM systems. We also urge future research to examine in greater depth, the nature of the employment relationship in making predictions about cross-cultural/national differences HRM systems. We have proposed a transactional-relational framework based on the concreteness and universalism of resources expected in the employment exchange relationship. More conceptual and empirical efforts should be expended to validate this framework, as well as to uncover additional dimensions pertaining to the nature of the employment relationship. These advances will help create overarching constructs for HRM research, and allow more systematic comparisons of HRM systems across the globe. Last but not least, such efforts can facilitate the development of parsimonious theories and the accumulation of knowledge in the field.

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