

Can Western HRM models study Eastern MNCs? The case of Taiwanese /Chinese MNCs in the UK

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Abstract

“Today, a Chinese company, Leveno, bought IBM Personal Computers lock, stock and barrel. Chinese corporations have bought the manufacturing and management operations, as well as the brands controlled by the company, including Thomson and RCA televisions, Dirt Devil etc..” (James Dyson, 2005). Despite the concern in the west about Chinese corporations acquiring western companies, Chinese/Taiwanese internationalisation has seldom been addressed. Therefore, elucidating their management style in the West is imperative to determine whether Western HRM models can be applied to study Eastern origin MNCs.

This study utilizes key characteristics in Chinese culture such as *guanxi*, familism, trust, Sun-Tzu leadership philosophy, and examines their influence on expatriate behaviour and uses this as a framework to investigate how Chinese expatriates apply and/or adjust their human resource strategy and policy in a foreign environment, and attempts to measure the possible impacts of local culture. The data is triangulated using quantitative and qualitative research methods. This work generates an IHRM model for studying Chinese MNCs.

Keywords: Taiwanese/Chinese management, international human resource management, mixed methods.

Introduction

Two approaches can be identified based on analysis of IHRM practices, and are termed the universalist and contextual paradigms. The question of the best practice – the universal paradigm - and the social model of the contextual paradigm can contribute to generating the framework to study Taiwanese/Chinese MNCs. Western cultural theory and Chinese cultural values are also discussed and can help in developing a complete picture of the model which can represent Chinese MNCs..

Western HRM models

Sparrow (2004) identified two paradigms in studying global HRM: the universalist and the contextual. A universalist paradigm assumes that there is ‘one best way’ of managerial effectiveness which can be applied in all similar situations, regardless of the international context. This approach originated in the U.S., and since most MNCs were U.S. based until the 1990s, there was a natural tendency to see its prescriptions as universally applicable (Sparrow et al, 2004, P.29).

Legge (1995) identified “soft” and “hard” models of HRM. The hard models focus on the ‘resource’ aspect of HRM and stress the efficient utilization of human resources to meet organizational objectives. Legge argued that people must be managed like any other organizational resource (Fombrun, 1984, P.11). Meanwhile, Fombrun et al. (1984) developed the model of strategic HRM, which emphasizes a ‘tight fit’ between organizational strategy, organizational structure and HRM system, where HRM policies contribute to the efficient implementation of business strategies. However, Fombrun et al (1984) conceived HR strategy, as being associated with products in the world market without considering national culture and host country institutions.

Schuler and Jackson (1987) devised the strategic model of HRM by linking HR practices to the competitive strategies framework of Porter, which organizations can use to achieve competitive advantage: innovation, quality enhancement and cost reduction. They argued that different competitive strategies imply different employee behavior (Schuler and Jackson, 1987, P.210-211). The Japanese have constantly sought to simultaneously improve quality and reduce costs through such techniques as flexible manufacturing and JIT delivery and inventory systems. If organizations simultaneously adopt the strategies of quality and cost reduction, it may be impossible to the model of Schuler and Jackson (Legge, 1995, P.116), which tends to ignore employee interests and generally fail to recognize the importance of aligning employee interests with those of the firm or of acquiescing to social norms and legal requirements (Legge, 1995, P.115; Budhwar and Debrah, 2001, P.500).

In contrast with the model of Schuler and Jackson, what Legge calls the ‘soft model’ of HRM recognizes that to achieve a HR strategy based on mutual commitment, HRM aims to develop a strong unitary corporate culture, in which organizational members share values of commitment that directly reinforce behaviors considered conducive to organisational success (Legge, 1995, P.179). The ‘human’ aspect of HRM is more concerned with the relationship between employer and employee this is ‘hard’ HRM. The “soft” HRM is associated with movements of human relations, the utilization of individual talent and the concept of a high commitment work system (Walton, 1985). Beer et al (1985) also discussed the softer issues of strategic management, and stressed the ‘human’ aspect of human resource management.

However, the universalist models of HRM tend to reflect the all-American dream, and have been described as capturing the values of the US middle class and emphasizing opportunities for progress and growth based on individual achievement (Guest, 1990, P.391), thus highlighting the value of strong leadership, support by a strong organisational culture and the strength of entrepreneurial individualism (Guest, 1990; Beaumont, 1992).

In response to the above criticism of the universalist paradigm, Sparrow et al (2004, P. 30) proposed a contextual paradigm, which is centered on understanding the differences between and within HRM in various contexts and emphasizes both the internal and external factors of an organization, with the latter including national culture, ownership structures, labor markets, the role of the state and trade unions.

As an example of a contextual approach, a European model of HRM was designed by

Brewster (1995) and includes the following factors, European Union, national culture, legislation, ownership patterns, trade union involvement, communication and influence of consultation on HRM (Brewster, 1995, P.3), management of diversity and focus on competency and human capital development (Brewster et al, 2000, P.21; Morley et al, 2000, P.208). The European model is characterized by internal interactions among HR strategies, business strategy and HR practice, and external interactions with national culture, power systems, legislation, education, and trade unions. European model positions HR strategies as integrated with organizational strategy as well as with the external environment. The principal objective of this model is to demonstrate external factors to the organization as a part of the HRM model. The model contributes to organizational studies which should consider national context to achieve a better understanding of the unique situations of, and differences between, nations in their HRM practices, and of MNC HR practices in subsidiaries (Brewster, 1995, P.13).

Cultural approach

Ngo et al (1998, P.637) indicated that the vital factor of the effectiveness of the human resource practices should consider not only contextual factors but also the “culture” of the firm and its country of origin. Clear evidence exists of a ‘nationality effect’; MNCs generally apply the work system of the parent company to subsidiaries (Brewster and Tyson, 1991; Ferner and Quintanilla, 1998). Additionally, MNCs are frequently followed by the transfer of technology and management practices through expatriates or the implementation of a certain management style, reflecting its country of origin and known as the “organizational effect” (Mueller, 1994, P.417). Maurice et al (1980) generated the “societal effect” approach for studying organizations based on a systemic analysis of social action which emphasizes the reciprocal interaction of people at work, job characteristics, systems of HRM practices, and industrial relations, which can only be explored by considering historical, economical and political factors (Maurice et al 1980, P.61). The interaction between system and actors is described as synchronicity (Maurice, 2000, P.22).

Until recently, most of these studies were based on western management philosophies and theories; Hofstede (1980) advocated the importance of cultural values in conducting cross-cultural research using social psychological perspectives. Moreover, Trompenaars and Hampden-Turner (1997) adopted social anthropological perspectives to understand culture. Meanwhile, social scientists regard cultural values as providing meaning to the behaviour of individuals, and such cultural differences can be compared across international management practice (Adler, 1997; Gilbert, 2001). Additionally,

the cultural approach of Hofstede (1980) and other writers adopting a cultural perspective, such as Laurent (1986), has been utilised to demonstrate how HRM practices can be expected to vary across subsidiaries and to argue that MNCs must adapt their HRM to the specific social and cultural norms of the host circumstances (Bjorkman, 2004, P.255).

Chinese cultural value related to HRM

Sparrow and Wu (1998) hypothesized that a cultural value study should adopt the contingent approach rather than the bipolar cultural dimension approach (Romani, 2004). Therefore, this investigation utilizes key characteristics of Chinese culture that affect expatriate behaviour, including harmony, *guanxi*, familism, trust, and Sun-Tzu leadership, and adopts them as a framework. The components of Chinese culture include the Confucian and Taoist (Sun-Tzu) philosophies (Chen, 1995, Fan, 2000), which influence managerial behavior in Taiwanese MNCs.

In Confucianism, harmony in society is achieved by following rules governing social behavior, particularly the Five Constant Virtues (*Wu-Lun*) of humanity, righteousness, propriety, wisdom and faithfulness which in turn are related to the five cardinal relationships of mutual responsibility (Fan, 2000). The ruler and subject relationship is based on loyalty and duty; the relationship between father and son is situated in love and obedience; the relationship between husband and wife is based on obligation and submission; the relationship between older and younger brothers is related to seniority and modeling subject; the friendship relationship is based on trust (Fan, 2000). As three of the five virtues are expressed in terms of relationships between family members it is not surprising that ‘Familism’ is an essential theme in Chinese business organization. The family has traditionally occupied the heart of Chinese culture, and the traditional family values and structures when transported into the business organization provide the core of a managerial ideology and organizational structure (Hamilton, 1997).

The Chinese social system is classified as a relation-based system, which focuses on the special relations between individuals (Chen, 1995), where reciprocity is seen as the basic mechanism for achieving harmony (Child, 2000). Good relationships are based on cooperation among community members (Yeung and Olds, 2000). Having trustful personal connections eases and improves social relations in conducting business activities (Orru et al 1997). Zhu and Warner (2000) explain that ‘employment relations’ can be translated as *laouzi guanxi*, which demonstrates that the social mechanism of *guanxi* extends into employment relationships. Notably, the *guanxi* involved in

employment relations is not based on reciprocity but rather on obedience, with the subordinate in the hierarchical relationship necessarily obligated to obey the superior (Hamilton, 1997).

In Taiwan, personal trust is the fundamental mechanism which makes personal relationships work (Kao, 1991), while *guanxi* and *renqing* can be seen as strategies to ease social insecurities and build trust (Redding and Hsiao, 1995). It is extremely difficult for an employer to hire a top manager with whom they are not familiar, either personally or via introduction by a trusted individual (Orru et al., 1997).

The Chinese culture value of Familism works through the social structures that affect organizations. Rules govern the stabilization and legitimisation of authority or the vertical dimension of order, as well as the stabilization of co-operation. In the case of China, the norms for vertical relationships are based on the Confucian ethic (Redding, 2000, P.42). However, when a firm evolves to become larger and more professionally managed], this form typically demands the development of decentralised decision-making and the adoption of a more structured control system (Redding, 2000, P.36). However, Hamilton (1997) argued that regardless of firm size, family control is the key characteristic of Chinese management. This study thus considers whether such a management strategy can apply to the governance of subsidiaries.

The importance of the leader maintaining harmony is also a central concept of Taoism, exemplified in the military writings of Sun Tzu. *Sun Tzu* believed that a good general should possess the five crucial qualities of wisdom, sincerity, benevolence, courage and strictness. The moral character of leadership is related to integrity, honesty and commitment to the work team (Wood et al, 2002; Hempel, 2001). Recent research has shown that, while HR practices in Taiwan are influenced by Western (and Japanese) models(Wu, 2004), they still retain significant elements related to the above traditional Chinese cultural values (Adler, 1997; Hempel and Chang, 2002; Hsu and Leat, 2000; Huang, 2000).

Research methods

This work adopted both qualitative and quantitative methods and data were collected between February and December 2003. A population of 102 Taiwanese companies operating in the UK was identified from a list provided by the Taipei Trade Center in London. Thirty-five companies agreed to cooperate and responded to questions via email, post and interview. The research questions were aimed at three groups of

informants: Taiwanese/Chinese managers in the UK, and British managers in the same Taiwanese/Chinese companies in the UK.

General company information, including the number of expatriates and employee demographic information such as gender, full/part-time, location and history (5 items), was sought for a framework of Taiwanese/Chinese MNCs in the UK. The perceptions of the British and Taiwanese/Chinese managers were measured based on decision-making, training (4 items), socialization (2 items), managing disagreement (2 items) and job security (2 times). Furthermore, the matters being appraised were obtained by using eight items such as default responsibility, MBO, individual appraisal, promotion and training needs and time orientation (4 items). Additionally, the reward questions were obtained by quizzing subjects regarding bonus, pay, seniority, part/full-time and group vs. individual orientation (8 items) and recruitment concerns were obtained by asking respondents regarding *guanxi*, recruitment criteria (7 items), training issues such as commitment, organizational performance and professional improvement (4 items), and organizational issue such as rule, order, job instruction (3 items).

Qualitative data were collected from 24 Taiwanese firms operating in the UK, of which 16 were from the IT industry (based in England and Scotland) and eight were in the financial services industry (based in London). The quantitative data were analysed using SPSS, and the qualitative data using Nvivo. While a four-point Likert scale was originally designed to identify management style preferences, to achieve maximum statistical significance with a relatively small sample, the four-point scale was simplified into a two-point scale, agree and disagree.

Findings and Discussion

According to Q1 in Table 1, Taiwanese managers in the UK and British managers are completely different. Taiwanese/Chinese managers believe that rewarding individual performance undermines harmony in the organization. In contrast, British managers exhibit a more individualistic orientation. While British managers tend to base rewards on individual performance, Taiwanese/Chinese managers are more accustomed to working in a harmonized work environment, and consider individualistic remuneration detrimental to the organization.

Table 1: Harmony

Harmony	Taiwanese	Taiwanese	British	p
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	managers (Taiwan) N=17	managers (UK) N=35	managers (UK) N=16	
Q1. To reward an individual's performance undermines harmony in the organization	70.6%	77.1%	31.3%	0.02*
Q2. A good personal relationship outside work will get the work done efficiently.	94.1%	91.4%	50.0%	0.01*
Q3. Employees should be encouraged to become shareholders in the company.	94.1%	62.9%	68.8%	0.68+
Q4. The preference of group reward	52.9%	51.7%	6.7%	0.01*

Q1-3 variables were measured using a four-point scale:

1. Strongly Disagree; 2. Disagree; 3. Agree; 4. Strongly agree

+ not significant; * p<0.05

For good performance, employees should not only get their job done, but should also help others to get their jobs done. The performance appraisal criteria focus on cooperation with other members of an organization to achieve harmony.

"A good performance means that they are not only doing their job, but also helping others to get their job done. If someone finishes their job early, he/she should help others. So everyone can go home earlier. We did it in the Taiwanese HQ". (Iris Co., interview General Manager/Managing Director, 2nd Dec. 2003)

Q4 of Table 1 indicates that cooperative values also play a role in the reward system. Half of the Taiwanese/Chinese managers prefer group rewards while most of the British managers prefer individual rewards. Because of their collectivist orientation, group rewards are considered a suitable instrument for encouraging cooperation in an organization.

"I like group rewards because everyone's effort can be rewarded. I think nobody can get a task done by him or herself, in an organization, we need everyone to cooperate to get the job done". (Rose Co., interview Managing Director, 2nd Dec., 2003)

To avoid or reduce conflicts within their organization, some Taiwanese/Chinese managers design social events. Although some of these managers do not socialize with their subordinates outside work, because such socialization is foreign to British work culture, they still think it is a good idea to socialize with them (Q2 in Table 1).

"I think debates are good for our company. This is why we have a monthly dinner party. In the office, we have to behave professionally and a dinner party can ease the conflicts caused in meetings. In private, everyone is a friend. I think harmony is very important." (Fire Co., interview Managing Director, 31st Oct. 2003)

Q3 in Table 1 reveals that 94% of Taiwanese/Chinese managers in Taiwan agree that "employees should be encouraged to become shareholders in a company", while Taiwanese/Chinese managers and British managers in the UK have very similar attitudes regarding financial participation. The levels of agreement of financial

participation of Taiwanese managers in Britain and British managers in the UK approximately 30% lower than Taiwanese managers in Taiwan. Thus, Taiwanese/Chinese MNCs in the UK adopt the position of the host country in relation to financial participation. One reason may be that Taiwanese/Chinese firms in the UK are not listed in Britain. Although some Taiwanese/Chinese MNCs run profit sharing schemes and involving share options for expatriates, such schemes do not generally apply to employees in the UK.

The promotion of harmonious employment relations requires extended use of techniques such as fostering reciprocity in an organization. Paradoxically, Taiwanese firms reject *guanxi* in recruitment, especially in high-tech organizations (Hempel and Chang, 2002, P. 93). *Guanxi* associated with recruitment is not related to organizational commitment and individual commitment. Essentially, *guanxi* in the case of recruitment can enable a group, those recruited from a *guanxi* network, to occupy certain resources in an organization. In highly competitive environments even Taiwanese/Chinese managers perceive this as a barrier to achieving organizational efficiency. In this sense, *guanxi* associated with recruitment practices displays certain similarities between Taiwanese managers in Taiwan and British managers in the UK, indicating that “Westernisation” impacts the style of the former managers.

“I think guanxi is very troublesome. We don’t like to use this kind of connection in recruitment. I don’t like them to form a small group. It’s not good for an organisation, especially in such a highly competitive era; there is nearly no profit in the IT industry.”
(Horse Co., interview, 13th May, 2003)

Table 2: Guanxi

Guanxi	Taiwanese managers (Taiwan) N=17	Taiwanese managers (UK) N=35	British Managers (UK) N=16	P
% agreeing with statement				
Q1. I prefer to recruit someone who has been recommended by friends/ colleagues/ superiors”.	17.6%	37.2%	0%	0.65+
Q2. Recruiting someone recommended by friends/ colleagues/superiors will result in higher commitment to the company	11.8%	28.6%	18.8%	0.52+
Q3. Recruiting someone recommended by friends/ colleagues/superiors will result in higher commitment to me as manager	16.1%	51.6%	18.8%	0.26+

Q1-3 variables were measured using a four-point scale:

1. Strongly Disagree; 2. Disagree; 3. Agree; 4. Strongly agree

+ not significant; * p<0.05

On the other hand, particularly in the financial service sector in London, Taiwanese/Chinese MNCs must recruit native English speakers, namely British

Chinese who are fluent in both languages. If bilingualism (in Mandarin and English) is required, the market very frequently cannot supply the required personnel. In this case, then, employers tend to seek in the traditional way, by networking.

"I don't like guanxi related to recruitment. If the employee has no good ability, it is really bad for our company. However, we need someone who can speak Mandarin and English, so recruiting overseas Chinese is the best alternative. However, I don't know so many people, thus, normally we hire someone through guanxi." (Bluebell Co., interview Managing director, 2nd Dec., 2003)

Table 3: Loyalty

Loyalty	Taiwanese managers (Taiwan) N=17	Taiwanese managers (UK) N=35	British managers (UK) N=16	p
% agreeing with statement				
Q1. Training is a cost and not an investment	17.6%	34.3%	0%	0.01*
Q2. Employees should work long-term (at least five years) for one company	47.0%	51.4%	18.8%	0.03*
Q3. The full-time employees should get more pay than part-time employees.	82.3%	68.6%	18.8%	0.01*

Q1-3 variables were measured using a four-point scale:

1. Only Disagree; 2. Disagree; 3. Agree; 4. Strongly agree; * p<0.05

As illustrated in Q1 in Table 3, training and development is accepted as an effective means of improving an organization. However, numerous Taiwanese/Chinese managers in the UK perceive training and development in the UK purely as a cost as a result of the high labor turnover in the UK.

"We have to train them before they start their job. We have to train them by sending them to an in-house training course or by outsourcing training. In manufacturing, I assign someone to teach the newcomer how to operate the machine, put raw material into the machine, clean, and categorize the products. I give them a training period, in which sometimes the production line will stop and it will reduce the productivity and increase the cost. However, the British are very smart and very realistic (and have no commitment).... Here I think training is cost." (Dragon Co., interview Technical Supervisor, 8th May, 2003)

The answers to Q2 in Table 3 illustrate that Taiwanese/Chinese managers tend to believe that employees should work the long-term, because they perceive it as a learning process and an opportunity for network building. Their own values also demonstrate their commitment to their organization, with a high proportion of Taiwanese/Chinese managers working with their company until retirement or for at least five years.

"It's a culture thing, I think employees should work for a firm for the long term. The newcomer is learning and will be familiar after the first few years." (Iris Co., interview Managing Director, 2nd Dec. 2003)

As shown by the answers to Q3 in Table 3, Taiwanese/Chinese managers claim that full-time employees should receive higher salary than part-time staff because the

part-timers exhibit less commitment than the full-time staff. Taiwanese/Chinese managers still regard commitment as an important factor that must be rewarded.

“Full-time workers should get better pay than part-time workers because the full-time worker works here longer than the part-time worker. It is good for the full-timers work’s commitment”. (Bluebell Co., interview Managing Director, 2nd Dec. 2003)

British managers have more individualistic orientations than Taiwanese/Chinese managers, because they clearly prefer more short-term employment.

Table 4: Leadership

Leadership	Taiwanese managers (Taiwan) N=17	Taiwanese managers (UK) N=35	British Managers (UK) N=16	p
% agreeing with statement				
Q1. I prefer to recruit new graduates		37.2%	6.3%	0.04*
Q2. Training needs should be determined by the individual employee	11.8%	17.2%	50.0%	0.02*
Q3. It is important for a manager to have at hand precise answers to most of the questions that his subordinates may raise about their work	100.0%	94.2%	68.8%	0.01*

Q1-3 variables were measured using a four-point scale:

1. Strongly Disagree; 2. Disagree; 3. Agree; 4. Strongly agree; * p<0.05

In relationship-based governance the information structure and the decision-making modes of firms are typically closed and centralized (Li et al, 2004, P. 63) which, in turn, significantly influences leadership style. Although Taiwanese/Chinese managers consider the opinions of subordinates, they still have the power to make the final decision, for example regarding training.

“Training should be decided by both subordinate and manager. We have to be concerned about our employees’ desire.” (Daffodil Co., interview Managing Director, 1st Dec. 2003)

Taiwanese managers generally perceive training as an investment, believing that taking good care of their employees will foster high commitment. Employees can be taken care of in several ways, including improving skills, or giving high rewards.

“I send them to training, not only to improve skills, but also to improve their views by brainstorming. It can leverage their ability in order to benefit the organisation.” (Water Co., interview Managing Director, 24th July 2003)

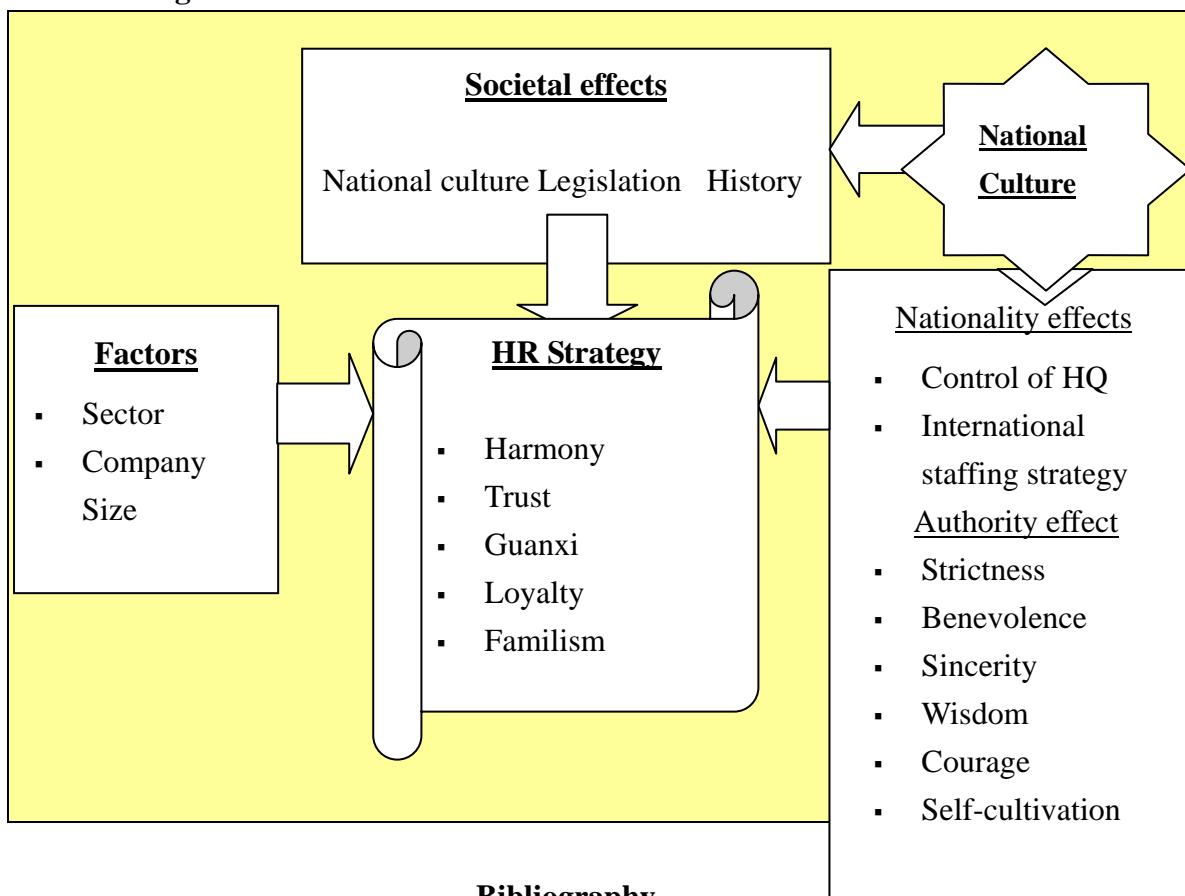
Benevolent and autocratic leadership style considers the specific relationships between superiors and subordinates (Redding and Hsiao, 1995). *Benevolent* leaders understand the problems of their subordinates and care about their well being (Chen, 1995).

“It doesn’t matter about their performance, if you still want him to work for you, employers should provide training opportunities. Someone can’t perform well, so he doesn’t have any chance to improve himself. That is wrong. Because he works here and has his value, you can guide his potential.” (Boar Co., interview Managing Director, 9th, April 2003)

Conclusion

The finding and discussion generate a framework in Fig. 1, which demonstrates how the three effects in the above discussion contribute to the HR strategy in subsidiaries and how the authority effect is influenced by a nationality effect. The other factors such as company size and industrial differences demonstrate the influence on HR strategy. This work suggests how we can see the connections between societal and nationality effects in an integrated model of international human resource management (IHRM). This study, however not a universal model but a contextual model which utilizes the variables appropriate to Taiwanese companies. Other MNCs (for example those based in Brazil or India) could use the same category headings but have different variables within those categories, for example under nationality effect, an Indian company may include attitudes to caste).

Figure 1 A model of IHRM in the context of Taiwanese MNCs



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Appendix 1

The component of the sample:

Sector	Location	Company Size (Employees)	Age of Company (Years)	Years in UK	Interview	Question naire
IT Industry						
Rabbit Co.	Scotland	50-100	21	6-10	✓	
Ox Co.	Scotland	11-50	15	6-10	✓	
Snake Co.	Scotland	11-50	33	6-10	✓	
Horse Co.	Scotland	500+	29	1-5	✓	
Gold Co.	Scotland	11-50	28	1-5	✓	
Wood Co.	Scotland	11-50	30	6-10	✓	
Rat Co.	Scotland	Under10	8	1-5	✓	
Earth Co.	Scotland	51-100	33	11-15	✓	
Monkey Co.	England	11-50	32	6-10	✓	
Rooster Co.	England	Under 10	26	6-10	✓	
Dog Co.	England	11-50	48	6-10	✓	
Boar Co.	England	11-50	48	1-5	✓	
Dragon Co.	England	500+	26	6-10	✓	
Water Co.	England	50-100	30	11-15	✓	
Fire Co.	England	11-50	7	6-10	✓	
Sheep Co.	England	50-100	31	1-5	✓	
A Co.	England	11-50	24	1-5		✓
B Co.	England	11-50	16	6-10		✓
C Co.	Wales	11-50		1-5		✓
D Co.	England	100+	83	20+		✓
E Co.	England	Under 10	31	6-10		✓
F Co.	England	11-50	31	11-15		✓
G Co.	England	100+	13	11-15		✓
Finance Sector						
Tiger Co.	London	11-50	100	11-15	✓	
Rose Co.	London	Under10	38	6-10	✓	
Daffodil Co.	London	Under10	45	15-20	✓	
Tulip Co.	London	11-50	105	20+	✓	
Daisy Co.	London	11-50	85	11-15	✓	
Bluebell Co.	London	Under 10	20+	20+	✓	
Iris Co.	London	Under 10	58	6-10	✓	
Lily Co.	London	Under 10		6-10	✓	
H Co.	England	51-100	33	6-10		✓