

The interplay between cultural and institutional/structural contingencies in human resource management practices

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Abstract In the face of globalization, organizations are concerned with how to design and implement HRM practices to fit the global as well as the local context. Based on a thorough literature review, the paper presents a systematic review of literature on cultural as well as institutional/structural contingencies influencing HRM practices in six key areas: human resource planning and career management; job analysis and design; recruitment and selection; performance appraisal; compensation and reward management; and training and development. The framework presented in this paper will, it is hoped, guide future cross-cultural research as well as the practices of multinational corporations.

Keywords HRM practices; culture; institutional/structural contingencies.

In the face of globalization, organizations strive to find the balance between global and local in designing and implementing HRM practices. This is a critical issue for both multinational and domestic organizations. While multinational corporations feel the pressure to ensure the standardization of HRM practices, on the one hand, and localization, on the other, organizations with a multicultural workforce try to accommodate cultural differences in designing HRM activities to enhance the organizational bottom-line (cf. Kochan *et al.*, 2003). Organizations in the non-Western part of the world try to create culturally appropriate HRM systems that enable them to compete globally (cf. Budhwar and Debrah, 2001).

Although the tension between global integration and local differentiation has dominated the international HRM literature for more than twenty years, the research remains atheoretical. The majority of the studies compare HRM practices in different countries (e.g. Luthans *et al.*, 1997; Von Glinow *et al.*, 2002) without providing *a priori* explanations for the cultural bases of observed differences. Cross-cultural management, which is considered to be a sub-discipline of international management (cf. Holden, 2002), focuses specifically on *how* and *to what extent* culture influences HRM practices *vis-à-vis* other institutional and structural forces (e.g. size, industry, ownership status, workforce characteristics, unionization, labour laws). This paper aims at presenting a literature review to identify the cultural and institutional/structural factors influencing HRM.

This approach will make significant contributions to both research and practice. Cross-cultural researchers must test the ‘external validity’ of their findings by

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considering a host of alternative explanations (cf. van de Vijver and Leung, 1997). For instance, suppose organizations in collectivistic cultures prefer internal (rather than external) recruitment channels. Suppose also that small (rather than large) organizations prefer internal sources in recruitment. In order to test the effect of culture, it may be necessary to control for the effect of size statistically or by design. More importantly, examining the interaction between cultural and institutional/structural factors benefits researchers and practitioners by extrapolating the conditions under which culture matters the most.

The literature is dominated by research that guides practitioners on how to implement HRM practices in particular countries. This approach does not provide an in-depth understanding of why HRM practices differ in different countries. This information is very useful for the generalizability of research findings. If the underlying cultural forces leading to such differences are known, this framework could be applied to any country or organizational context that has similar characteristics. Instead of saying 'do not administer 360-degree performance appraisal in Mexico', one would say 'do not administer 360-degree performance appraisal in a country (or organization) that has a large power hierarchy'. Moreover, when we take the interaction between cultural and institutional/structural contingencies into account, it would also be possible to say 'in high power distance cultures, do not administer 360-degree performance appraisal in small and family-owned businesses in service industry, but you may try it in large organizations in the IT sector'.

The next section will review the theoretical perspectives that contextualize HRM practices. This is followed by detailed discussions on how cultural and institutional/structural contingencies influence HRM practices in six areas: recruitment and selection, performance appraisal, human resource and career planning, job analysis, training and development, and compensation and reward management. The paper will conclude with specific recommendations for future research and practice.

HRM in context: theoretical perspectives

Numerous theoretical discussions have concurred that effectiveness of HRM practices must be congruent with the social and organizational context. Although such theories contribute immensely to the literature by explaining the variations in HRM practices by a multitude of internal and external environmental forces, none of them has *explicitly* discussed the role of the socio-cultural context. *General systems theory* (Katz and Kahn, 1978) and *institutional theory* (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) discuss the importance of interaction of the organizational practices with the larger social, legal and political context. *Societal effect theory* takes the social context into account by focusing on the education system, the system of industrial relations, the role of the state and the nature of the labour market (Maurice, 1979; Sorge, 1991). The *political-economy perspective* (e.g. Littler, 1993) and *logic of industrialization approach* (Harbison and Myers, 1959) emphasize the homogenizing effect of socio-economic and industrial development on organizational practices. *Human capital theory* (Becker, 1964) and the *Harvard model* (Beer *et al.*, 1984) assert that, in order to gain legitimacy and economic competitiveness, organizations must meet the interests of multiple stakeholders.

According to the *strategic fit models* (e.g. Chandler, 1962; Schuler and Jackson, 1987) HRM policies, practices and processes are influenced by and, in fact, become part of the organizational strategies. *Resource-based theory* (Barney, 1991) argues that variations in HRM practices are due to availability of resources in the organization, such as

technology. *Transactions costs theory* (Williamson, 1979) takes into account the cost of HRM activities and argues that organizations seek to reduce transaction costs. *Agency theory* (Jensen and Meckling, 1976) suggests that occupation and position title (e.g. managerial vs. non-managerial) determine variations in HRM practices. Hickson and his colleagues (Hickson *et al.*, 1974) further developed the *culture-free contingency theory*, claiming that the most important determinants of organizational structure and practices were the contextual elements, such as size of the organization, industry and dependence on other organizations.

Critics of the above approaches are concerned with the deterministic orientation (e.g. logic of industrialization approach) that undermines the role of culture. Within the 'culturalist' perspective, there are authors who take an interactionist position to suggest that culture influences some aspects of organizational practices more than others. For example, Tayeb (1987) argues that, while institutional variables (e.g. size, structure, technology, etc.) influence the 'formal' characteristics of the organizations (e.g. centralization, formalization, specialization), cultural variables influence the 'interpersonal' aspects such as the communication patterns. Later Tayeb (1995) suggested that the 'what' question in HRM might be universal (e.g. employee selection), but the 'how' question is culture-specific (e.g. relying on in-group networks vs. standardized tests). Similarly, others, such as Child (1981), assert that culture has a moderating effect on organizations. That is, even though contingent factors help determine the organizational structure, culturally driven preferences influence the exercise of choice between alternative practices (Child, 1981: 318).

Before advancing further, it is apt to elaborate here on the concept of culture. Culture has many faces and meanings. One of the most frequently cited conceptualizations of culture is that 'culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values' (Kluckhohn, 1951: 86). Accordingly, our working definition of the socio-cultural context includes values, belief systems, assumptions and behavioural patterns that differentiate one group of people from another. Culture is conceptualized and measured through various value dimensions (e.g. Hofstede, 1980; House *et al.*, 1999; Trompenaars, 1993; Schwartz and Bilsky, 1990). Using value dimensions in the operationalization of culture is not without criticisms, but this approach is common and convenient, because cultural dimensions show validity; they are at the right level between generality and detail; they establish a link among individual, organizational and societal level phenomena; and they are easy to communicate. The dimensions and their descriptions that will be used in this paper are presented in Table 1.

As an attempt to explicate the role of culture in HRM practices, a theoretical model, the Model of Culture Fit (MCF), was proposed by Kanungo and his associates (Kanungo and Jaeger, 1990; Mendonca and Kanungo, 1994; Aycan *et al.*, 1999). The model was tested in ten countries, Canada, the US, Germany, Israel, Romania, China, Pakistan, India, Turkey and Russia, with the participation of 2,003 managers and employees (Aycan *et al.*, 2000). The MCF assessed culture at two levels: societal (i.e. the socio-cultural context) and organizational (i.e. internal work culture). The model asserts that the internal work culture consists of managerial beliefs and assumptions about two fundamental organizational elements: the task and the employees. Managerial assumptions pertaining to the task deal with the nature of the task and how it must be best accomplished; those pertaining to the employees deal with the nature and behaviour

Table 1 *Cultural dimensions and their descriptions*

<i>Cultural dimension</i>	<i>Description</i>
Power distance (House <i>et al.</i> , 1999: 192)	The degree to which members of an organization or society expect and agree that power should be unequally shared.
Collectivism (House <i>et al.</i> , 1999: 192; Hofstede, 1980: 171)	The degree to which organizational and societal institutional norms and practices encourage and reward collective distribution of resources and collective action. The extent to which people place importance on extended families or clans, which protect them in exchange for loyalty. The 'in-group'- 'out-group' difference is salient.
Future orientation (House <i>et al.</i> , 1999: 192)	The degree to which individuals in organizations or societies engage in future-oriented behaviours such as planning, investing in the future and delaying gratification.
Performance orientation (House <i>et al.</i> , 1999: 192)	The extent to which an organization or society encourages and rewards group members for performance improvement and excellence.
Universalism (Trompenaars, 1993: 46)	The extent to which an organization or society strives for consistency and uniform procedures, institutes formal ways of changing the way business is conducted, seeks fairness by treating all like cases in the same way.
Particularism (Trompenaars, 1993: 46)	The extent to which an organization or society accepts building informal networks and create private understandings, tries to alter informally accustomed patterns, seeks fairness by treating all cases on their special merit.
Specificity (Trompenaars, 1993: 90)	The degree to which private and business agendas are kept separated; clear, precise and detailed instructions are seen as assuring better compliance.
Diffuseness (Trompenaars, 1993: 90)	The degree to which private and business agendas are interpenetrated; ambiguous and vague instructions are seen as allowing subtle and responsive interpretations.
Ascription (orientation towards ascribed status) (Trompenaars, 1993: 105)	The degree to which status is accorded on the basis of social class, family background, educational background or title, rather than merit or achievement.
Paternalism (Aycaan <i>et al.</i> , 2000: 197)	The extent to which an organization or society encourages and accepts that people in authority provide care, guidance and protection to their subordinates, just as they would do to their own children. In return, subordinates are expected to show loyalty and deference to the superiors.
Fatalism (Aycaan <i>et al.</i> , 2000: 198)	The extent to which people in an organization or society believe that it is not possible to control fully the outcomes of one's actions.

Table 1 (Continued)

<i>Cultural dimension</i>	<i>Description</i>
Uncertainty avoidance (Hofstede, 1980: 140)	The extent to which people in an organization or society consider uncertainty inherent in life as a continuous threat that must be fought. There is high avoidance of deviant and different persons and ideas.
Femininity (Hofstede, 1980: 205)	The degree to which people in an organization or society value interpersonal harmony more than money and achievement; gender roles are fluid.
High and low context (Hall and Hall, 1995: 87)	The degree to which people in an organization or society present message in an explicit manner. In high-context cultures, most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message. In a low-context culture, the mass of information is vested in the explicit code.

of employees. Managers implement HRM practices based on their assumptions on the nature of the task and the employees.

The internal work culture, in turn, is shaped by both the socio-cultural and institutional environment. On the one hand, *task-driven assumptions* are influenced by the characteristics of the institutional environment, such as size, ownership status, industry, market competitiveness and resource availability. On the other hand, *employee-related assumptions* are influenced by the characteristics of the socio-cultural context. Managerial assumptions about what employees are like and how they are socialized to behave depend on managers' perceptions of how the society is characterized. For example, it was found that HRM practices that emphasized performance-reward contingency or job enrichment were based on managerial assumptions that it was possible to change and improve employee skills and behaviour. This assumption was held by managers in non-fatalistic socio-cultural contexts where people believed that it was possible to control the outcomes of one's actions. Another robust finding was that in high power distance and paternalistic cultural contexts, managers assumed that employees expected close guidance and supervision, rather than autonomy and discretion. This assumption, in turn, led to lower job enrichment and empowerment in performance management (Aycan *et al.*, 2000).

Tests of the MCF provided a theoretical basis to illustrate the influence of the socio-cultural context on HRM practices, via the mediation of internal work culture. Included in the empirical test of the model were HRM practices in three areas: performance management, job design and empowering supervision. Future studies should expand the model to test the impact of socio-cultural context on other key HRM functions. Moreover, future research should examine the interaction between the cultural and institutional/structural factors to account for the variance in HRM practices in different countries. This paper aims at providing a framework for such analysis.

Recruitment and selection

Cultural contingencies

Criteria that are used in recruitment and selection are culture-bound. In the US, selection criteria are perceived to be relevant to the job as well as predictive of future performance. Some of the most common criteria for selection in North American context include education, past experiences, personality traits and cognitive skills. There is a paucity of cross-cultural research on the appropriateness of such selection criteria in other cultural contexts. Few studies show that criteria for selection are more interpersonal than individual. For example, in Japan, team members' favourable opinions about the candidate (Huo and Von Glinow, 1995) and right temperament and personality (Evans, 1993); in Islamic Arab countries, agreeableness, good interpersonal relations and trustworthiness (Ali, 1989); in India belonging to the same 'in-group' as the manager, e.g. the same family or homeland (Sinha, 1997); and in Latin America positive attitudes towards family life (cf. Barrett and Bass, 1976) are among the most commonly used selection criteria. Companies also feel the pressure to recruit people who have close relationships with influential officers (Bjorkman and Lu, 1999). Recruitment based on *guanxi* is widespread in collectivistic and high power distance countries where ascribed status and socio-political connections are more important than applicants' merit and credentials (Budhwar and Khatri, 2001). Korean's *yon-go* system (a special social relationship or special connection) places emphasis on the applicants' socio-economic background, including family ties, school and birthplace (Lee, 1999). Finally, age may be a criterion for selection. In Korea, there is age restriction at the entry level to prevent potential conflicts between subordinates and superiors (Lee, 1999). Because age-based hierarchy and status are prevalent in Korea, it is assumed that, if subordinates are older than their superiors, it is more likely that they will be disrespectful to their superiors or superiors will have difficulty enforcing their authority.

Proposition 1: Recruitment and selection are based on 'hard criteria' (i.e. job-related knowledge, competencies, technical and cognitive skills) in cultures that are high on performance orientation or universalism. 'Soft criteria' (e.g. social and interpersonal skills, social class, age) are used in cultures that are high on femininity, low on performance orientation, oriented towards ascribed status or particularistic.

Followed by the establishment of criteria, the next step is to determine the method of recruitment and selection. Cultural context may determine the preference for internal and external recruitment. Internal recruitment and promotions may be preferred to ensure (and also reward) loyalty to the firm (e.g. Bian and Ang, 1997; Budhwar and Khatri, 2001). It is difficult for externally recruited officers to get into strong social networks in collectivistic cultures and to cope with the resentment of and resistance to their appointment, especially if an internal candidate is supported (Bjorkman and Lu, 1999). Organizations in high uncertainty avoidance cultures prefer to maintain the status quo and support internal recruitment. Word-of-mouth is a common method of announcing job openings in cultures where in-group members (e.g. family, relatives, friends) are favoured (Lee, 1999).

Proposition 2: Internal recruitment is preferred to external recruitment in cultures that are high on uncertainty avoidance or collectivism.

Proposition 3: Recruitment channels and methods are informal and network-based in cultures that are high on uncertainty avoidance, oriented towards ascribed status or collectivistic. Recruitment channels and methods are formal, structured and widespread in cultures that are high on universalism or performance orientation.

The method of selection used in different countries has attracted some cross-cultural research attention. In studies on North America and north-western Europe (Levy-Leboyer, 1994; Shackleton and Newell, 1991, 1997; Steiner and Gilliland, 1996), use of biodata is found to be one of the least common, whereas interview is one of the most common methods of selection. References or recommendations are used in many countries for different reasons and in varying degrees. For instance, in the UK, the US and Australia, recommendations are used as a final check, whereas they are heavily relied upon in south-eastern European countries and India (Sinha, 1997; Triandis and Vassiliou, 1972). ‘Social validity’ of selection methods, which is the perceived fairness and acceptability of a particular practice, is an issue that is overlooked in cross-cultural literature (Steiner and Gilliland, 1996). For instance, French compared to American participants perceived written ability tests to be less impersonal and personality tests to be more offensive in violating their privacy (Steiner and Gilliland, 1996).

The utility of the standardized selection tools (e.g. cognitive ability tests, personality inventories) is under scrutiny in some cultural contexts (see Greenfield (1997) for an excellent critique of ability testing across cultures). For example, Ingmar and Yuan (1999) found that analytical problem-solving tests screen only a small portion of Chinese applicants because of their highly developed analytical thinking ability. Assessment centre technique (AC) is another popular tool in North America, but, because cultural context determines what constitutes good performance, its cross-cultural validity and utility is restricted (e.g. Briscoe, 1997). Depending on the cultural context, performance criteria and test contents in ACs must be modified. For instance, leaderless group discussion is less likely to be effective in high power distance cultures. Other situational exercises based on ‘what would you do if’ scenarios are difficult to relate to for Chinese applicants who are not used to thinking in hypothetical terms (Bjorkman and Lu, 1999). Finally, although interviews are common in most cultural contexts, the way in which they are conducted is culture specific (Huo *et al.*, 2002). In Korea, for instance, several executives participate in the interviews to assess personally applicants’ ability to work in harmony, moral character and potential to become part of the team (Lee, 1999).

Proposition 4: Selection methods are standardized and job specific in cultures that are high on performance orientation or universalism, whereas they are not standardized, broad-ranged and rely on face-to-face interactions in cultures that are high on particularism or femininity.

Institutional/structural contingencies

The recruitment and selection process is also influenced by many institutional factors. The presence of unions or work councils puts pressure on organizations to advertise job openings internally (Budhwar and Khatri, 2001; Windolf, 1986). Cost is another factor. External recruitment through formal channels (e.g. campus visits, newspaper ads.) incurs high costs for companies operating with a limited budget. Third, the labour-market

Table 2 *Socio-cultural and institutional environment influencing recruitment and selection*

<i>Institutional/structural contingencies</i>	<i>HRM practice</i>	<i>Cultural dimensions</i>
<ul style="list-style-type: none"> • Type of industry/job (AMT,^a CSCW,^b flexible specialization, innovation) • Size (large) 	<p><i>Recruitment and selection criteria</i> Hard criteria (technical competencies and cognitive skills)</p>	<ul style="list-style-type: none"> • High performance orientation
<ul style="list-style-type: none"> • Type of industry/job (service industry: jobs that require information processing and coordination) 	<p>Soft criteria (social and interpersonal skills, social class, age)</p>	<ul style="list-style-type: none"> • Universalism • Femininity • Low performance orientation • Orientation towards ascribed status • Particularism
<ul style="list-style-type: none"> • Size (small) 	<p><i>Internal recruitment</i></p>	<ul style="list-style-type: none"> • High uncertainty avoidance • High collectivism
<ul style="list-style-type: none"> • Presence of unions or work councils • Labour market characteristics (scarcity of talent) • Budgetary constraints 	<p><i>Recruitment source and methods</i></p>	<ul style="list-style-type: none"> • High performance orientation • Universalism
<ul style="list-style-type: none"> • Size (large) • Labour laws (e.g. EEO)^c 	<p>Formal, structured, widespread (job-related criteria only)</p>	<ul style="list-style-type: none"> • High uncertainty avoidance • Oriented towards ascribed status
<ul style="list-style-type: none"> • Size (small) • Labour characteristics (scarcity of talent) 	<p>Informal, network-based (include non-job related criteria)</p>	<ul style="list-style-type: none"> • High collectivism
<ul style="list-style-type: none"> • Public sector • Size (large) 	<p><i>Selection method</i> Standardized and job-specific tests</p>	<ul style="list-style-type: none"> • High performance orientation

Table 2 (Continued)

<i>Institutional/structural contingencies</i>	<i>HRM practice</i>	<i>Cultural dimensions</i>
<ul style="list-style-type: none"> • Size (small) • Occupational status (high-level positions) 	Unstandardized, broad-range; reliance on face-to-face interactions	<ul style="list-style-type: none"> • Universalism • Femininity • Particularism

Notes

- ^a AMT: Advanced manufacturing technologies.
- ^b CSCW: computer-supported cooperative work.
- ^c EEO: equal employment opportunity laws.

conditions determine whether or not recruitment is done internally or externally. Even in countries with a large population (e.g. China), finding qualified candidates proves to be extremely difficult (Tsang, 1994). Type of industry or the nature of the job determines the relative weights of the 'hard' or the 'soft' criteria in recruitment and selection. In industries that rely on sophisticated technologies (e.g. advanced manufacturing technology or computer-supported cooperative work), innovation or product specialization, recruitment and selection are based on narrowly defined hard criteria (Barber and Wesson, 1999; Bessant, 1993; Heijltjes, 2000; Spell, 2001; Williams, 1996). Because specialization increases with the size of the organization, large organizations use hard criteria in searching for candidates (Barber and Wesson, 1999). In organizations in the service sector or in businesses that require information processing and coordination, recruitment and selection are based on soft criteria (i.e. social and interpersonal competence) (Rémy and Kopel, 2002; Spell, 2001). Small organizations rely more on interpersonal cooperation and job sharing; therefore, they weight soft criteria more than do large organizations (Barber and Wesson, 1999).

Network-based recruitment via informal channels occurs in countries with a limited labour supply. When there is scarcity of qualified human resources and wide socio-economic variations in the country, social and educational background is among the best predictors of performance (Delany, 2001). At the organizational level, size is related to recruitment method and sources. Small organizations rely more on informal channels and networks to ensure the fit of newcomers with the rest of the team (Barber and Wesson, 1999).

Proposition 5: Internal recruitment is preferred more than external recruitment in countries where unions (or works councils) dictate such preference or there is shortage of talent in the internal labour market. On the other hand, internal recruitment is also preferred more than external recruitment for organizations with budgetary constraints.

Proposition 6: In industries that require specialization, innovation and technological sophistication, hard criteria have greater weight than soft criteria, whereas in organizations in the service sector soft criteria have greater weight than hard criteria. Also, compared to small organizations, large organizations rely on hard criteria more than soft criteria in recruitment and selection.

The recruitment process is more formal, bureaucratic and widespread in countries in which the legal context is one that requires transparency and equality (e.g. existence of the equal employment opportunity laws in the US and EU). Again, size is related to recruitment sources and methods: large organizations are under more public scrutiny and therefore their recruitment practices are more standardized and formal (Barber and Wesson, 1999; Jackson and Schuler, 1995). Moreover, larger firms attract more applicants, and the processing cost of applications is lowered if recruitment is through formal channels (e.g. the Internet). With respect to employee selection, public-sector and large-sized organizations tend to use more standardized and job-specific selection tools and methods to gain legitimacy in the public sphere (Colarelli, 1996). On the other hand, small organizations are found to use a broader range of selection methods and rely more on face-to-face interviews to ensure the fit to the organizational team culture (Barber and Wesson, 1999).

Proposition 7: The recruitment process is more formal, structured and widespread in countries where equal employment opportunity laws exist and are enforced than in countries where such laws either do not exist or are not enforced. The recruitment process is more formal, structured and widespread in large rather than small organizations.

Proposition 8: Public-sector organizations or large organizations are more likely to use standardized and job-specific selection methods compared to small organizations.

Performance appraisal

Cultural contingencies

Impact of culture on the performance appraisal (PA) process is discussed in two areas: performance criteria and method of appraisal. One of the challenges in performance evaluation is the determination of performance dimensions or criteria. Criterion development and measurement in PA generates heated discussions (e.g. Campbell *et al.*, 1996; Guion, 1997). The criterion problem is exacerbated at the cross-cultural level, because what constitutes 'good performance' is culture-bound. A performance orientation in individualistic cultures leads to an evaluation system that is based on employee productivity, timeliness, quality of output and job-specific knowledge and proficiency. Emphasis is placed upon the individual and work outcomes, rather than the group and work process. Performance criteria are more objective, quantifiable and observable (Harris and Moran, 1996).

In collectivist cultures, on the other hand, loyalty to the in-group is valued more than productivity. In fact, high-performing employees who stand out in the group are disliked because this may disturb group harmony and invoke jealousy (Kovach, 1995; Vallance, 1999). Work outcomes are important, but social and relational criteria are weighted more heavily in evaluating employees. Such criteria include good human nature, harmony in interpersonal relations, trustworthiness, a respectful attitude, loyalty and deference towards superiors, effort and willingness to work, awareness of duties and obligations, gratitude, organizational citizenship, conformity and contribution to team maintenance (e.g. Kim *et al.*, 1990; Negandhi, 1984; Singh, 1981; Sinha, 1990; Tung, 1984; Triandis, 1994). Seddon (1987) reports that, in some African countries, employees' off-the-job behaviours are also included in the appraisal process to protect company image in public. Mediocre performers are protected and tolerated as long as they have good relationship with the power holders. In fatalistic cultures, work outcomes are believed to be beyond the control of the employees, and therefore employees who are not performing at the expected level are tolerated if they exhibit effort and willingness (Kovach, 1995; Tung, 1984).

Proposition 9: In collectivistic, high power distance, low performance-oriented or fatalistic cultures, interpersonal competencies (harmonious interpersonal relations, teamwork facilitation, respect, loyalty and positive attitude towards superiors, etc.) and process (e.g. intention, effort, motivation, goal-directed behaviour) are emphasized more than task-related competencies and outcomes (e.g. successful task completion). The reverse order of priority applies in low power distance, high performance-oriented or universalistic cultures.

Table 3 *Socio-cultural and institutional environment influencing performance appraisal*

<i>Institutional/structural contingencies</i>	<i>HRM practice</i>	<i>Cultural dimensions</i>
<ul style="list-style-type: none"> • Type of industry/job (hi-tech, AMT,^a innovative) • Product-based org. structure • Private sector 	<p><i>Performance criteria</i> Narrowly defined, task-related competencies; result orientation</p>	<ul style="list-style-type: none"> • High performance orientation • Universalism • Low power distance
<ul style="list-style-type: none"> • Type of industry/job (service industry; team-based; innovative jobs) 	<p>Broadly defined, interpersonal competencies; process-oriented</p>	<ul style="list-style-type: none"> • High power distance • High collectivism • Low performance orientation • Fatalism
<ul style="list-style-type: none"> • Type of industry/job (service) • Size (large) • Size (small) 	<p><i>Method of performance appraisal</i> Multiple assessors, formal, systematic, objective, periodical</p>	<ul style="list-style-type: none"> • Low power distance • High performance orientation
<ul style="list-style-type: none"> • Size (small) 	<p>Single assessor (top-down assessment) and informal, subjective</p>	<ul style="list-style-type: none"> • Low performance orientation • High power distance • High collectivism
	<p><i>Performance feedback</i></p>	<ul style="list-style-type: none"> • Diffuse • High context • High collectivism
<p>Group-based, subtle, indirect, non-confrontational</p>	<p>Individual- or group-based, explicit, direct, confrontational</p>	<ul style="list-style-type: none"> • Specific • Low context • High performance oriented

Note

^a AMT: advanced manufacturing technologies.

The next topic of discussion is related to cross-cultural variations in the ways in which performance is evaluated. Multi-source feedback (e.g. 360-degree performance appraisal) is a method that requires low power distance and high level of participation (Fletcher and Perry, 2001). In high power distance cultures, performance appraisal is a top-down and unilateral process. The 360-degree performance appraisal method that is popular in the US is not appealing in high power distance cultures (Davis, 1998). Seeking feedback from subordinates undermines supervisors' authority in high power distance cultures (Gregersen *et al.*, 1996). In collectivist cultures, 360-degree evaluation may disturb group harmony due to constant monitoring of the behaviour of one's colleagues. Finally, self-appraisal in the 360-degree evaluation is neither desirable nor appropriate in collectivistic cultures. The emphasis on the 'self' and personal achievements is disturbing in cultures where humility in self-presentation is the norm (Wiersma and van der Berg, 1999).

Proposition 10: In high performance-oriented or low power distance cultures, performance evaluation is conducted systematically once or twice a year, and standard forms of performance evaluation are used to encourage objective assessment of employees by multiple sources. On the other hand, in low performance-oriented, high power distance or high collectivistic cultures, performance evaluation is conducted in an unsystematic way. It involves a top-down process in which superiors evaluate the performance of subordinates based on superior's impressions and opinions of colleagues.

The last topic in this section is related to the communication of performance feedback. Culture has a bearing on the way in which feedback is given and received. In collectivistic and high power distance cultures, there is reluctance to seek feedback. The process is usually initiated by the superior who is trusted for his or her expertise and wisdom (Huo and Von Glinow, 1995). An appeal process is not common in high power distance cultures, because it is considered as challenging authority (Fletcher and Perry, 2001). In collectivistic cultures, feedback is indirect, non-confrontational, subtle and private (Fletcher and Perry, 2001); face-to-face performance interviews are extremely rare (Elenkov, 1998).

Regardless of the cultural context, performance feedback, when it is negative, is not easy to give or receive. In cultures where the distinction between life and work space is blurred (i.e. diffuse cultures) (Trompenaars, 1993), negative feedback on one's job performance is perceived as attacking the person's personality. Therefore, there is a tendency to avoid giving negative feedback to save the employee from losing face (e.g. Seddon, 1987). Vallance (1999) reports that in some organizations in the Philippines, two forms are submitted: one to the HR department and the other to the employee, with the latter having a more positive tone. In collectivistic cultures, positive feedback on performance is not well received, either. Positive feedback to individual performance could disturb group harmony as it may induce jealousy and resentment among those who did not receive such feedback. Also, in collectivist cultures, positive feedback is expected to come from the outside. When a manager praises his/her own employees, it is perceived as self-serving (Triandis, 1994).

If neither negative nor positive feedback is appreciated, this implies that no feedback condition may be preferred in collectivist cultures. There is at least one piece of empirical research to support this position. Bailey *et al.* (1997) showed that Japanese and Chinese

employees did not take any initiative to seek feedback on individual performance. Seeking feedback on individual performance was perceived as 'vulgar self-centeredness' (Bailey *et al.*, 1997: 611). Feedback on *group* performance is more acceptable than that on individual performance. Moreover, in collectivist cultures, high-context communication patterns are prevalent (Gibson, 1997). Performance-related information could be embedded in contextual cues. As such, contextual cues provide indirect, implicit and subtle messages about performance to prevent the tension and conflicts that may arise as a result of direct and confrontational communication.

Proposition 11: In collectivist, diffuse or high-context cultures: (a) giving and receiving feedback on group rather than individual performance is preferred; (b) individuals avoid seeking both negative and positive feedback; and (c) the manner in which feedback is given is indirect, subtle and non-confrontational. On the other hand, in specific, low-context or high performance-oriented cultures: (a) giving and receiving feedback on individual as well as group performance is preferred; (b) individuals seek performance feedback; and (c) the manner in which feedback is given is direct, explicit and confrontational.

Institutional/structural contingencies

Institutional factors, such as type of industry or job, organizational structure, sector and size, influence the performance appraisal criteria and method. Heijltjes (2000) demonstrated that performance criteria in organizations using advanced manufacturing technologies are narrow, directly job- or task-related and result-oriented compared to those in the service sector. It was also found that product-based organizational structures (Jackson *et al.*, 1989) and private (rather than public) sector organizations (Boyne and Jenkins, 1999) utilize more specific and outcome-based performance criteria. In contrast, for jobs that require innovation and creativity, performance criteria are broadly defined and process- rather than outcome-oriented (Mumford, 2000). Finally 'soft' criteria, such as good interpersonal relationships, teamwork competence and loyalty, are more frequently used in project-based organizations where employees work in teams (Jackson and Schuler, 1995).

Proposition 12: Performance criteria are more specific, narrowly defined (i.e. job-related) and outcome-focused in organizations in private-sector or product-oriented organizations that rely on advanced technologies. In contrast, they are more broadly defined and process-oriented in jobs/sectors that require innovation. Soft criteria (e.g. competence in interpersonal relations, loyalty, etc.) are strongly emphasized in organizations in a service industry or team-based environment.

With respect to method of performance appraisal, Jackson *et al.* (1989) found that the service industry, compared to manufacturing, relies more on multiple assessors, including customers. In large organizations performance appraisal is more formal and periodical compared to small organizations where it is informal and frequent.

Proposition 13: Organizations in the service sector use multiple sources in evaluating employee performance compared to those in

manufacturing or IT sector. Performance appraisal is formal and periodical in large organizations, whereas it is informal and frequent in small ones.

Training and development

Cultural contingencies

Training and development activities are the key to organizational survival and growth in today's global competition. In cultures where there is a heavy emphasis on performance excellence and quality, there is a large budgetary allocation to and widespread application of training and development activities (Tsang, 1994; Wilkins, 2001). The importance of training and development is undermined in fatalistic cultures where managers assume that employees, by nature, have limited capacity that cannot be improved (Aycan *et al.*, 2000). In performance-oriented cultural contexts, training and development are primarily geared towards improving individual or team performance. However, in collectivistic cultures, such activities serve an additional purpose and that is to increase loyalty and commitment to the organization. Wong *et al.* (2001) reported that by providing training Chinese organizations instilled the perception that the organization treated employees well. This perception, in turn, stimulated the need to reciprocate the favour (the indigenous concept of '*pao*' - paying back those who treat you well) by working hard and stay committed to the firm. In such contexts, training and development is used as a tool to motivate employees and reward loyalty and commitment (Sinha, 1997; Tsang, 1994).

Proposition 14: Cultural fatalism or a low performance orientation correlates negatively with the level of investment in training and development activities.

The second issue concerns the ways in which training needs are determined. Training needs are determined on the basis of performance outcomes especially in performance-oriented or universalistic cultures. In low performance-oriented and high power distance contexts, decisions on who will participate in training are based on criteria other than job performance. Employees who maintain good relations with higher management are selected for attractive training programmes (i.e. training overseas or in resorts) as a reward for their loyalty (Sinha, 1997). There is also in-group favouritism based on kinship or tribal ties in collectivist cultures (Wilkins, 2001). In low power distance cultures, training needs are usually determined jointly by the employee and his/her superior. In collectivistic and high power distance cultures, training needs of the work group are determined by the paternalistic manager in an authoritarian or consultative way (Wilkins, 2001). However, this may not be resented, because superiors are assumed to know what is best for the employees (Aycan, in press).

Proposition 15: In low power distance, high performance-oriented or universalistic cultures, training and development needs are determined based on performance evaluation outcomes, and the need assessment is conducted participatively. In high power distance, collectivistic or paternalistic cultures, selection for training is not based primarily on performance, but on group membership (i.e. in-group favouritism); need assessment is not conducted in a participatory manner.

The last topic is the cross-cultural variations in the content and method of training. Earley (1994) asserted that individualism/collectivism impacted on the way in which information was used during the process of training. In his experiment on Chinese and American participants, he found that group-focused training, where the focus was on the collective self and enhancement of in-group capability, was more effective in improving self-efficacy and performance for Chinese participants, than individual-focused training. Individual-focused training that emphasized personal capability and private self was more effective for American participants. Savvas *et al.* (2001) proposed that cross-cultural variation in cognitive style has to be taken into account in designing trainings. Hayes and Allison (1998) found that managers in economically developing countries were the most analytical, while Anglo, Northern and Latin Europeans were the most intuitive. Those with an analytical style typically seek certainty, while those with an intuitive style are more likely to question norms and assumptions and hence undermine the power distance between the trainer and the trainee. This has important implications for the design and delivery of training across cultures. Analytical thinkers in high uncertainty avoidance and high power distance cultures are more receptive to one-way lecturing, rather than participative discussions (cf. Parnell and Hatem, 1999). In this cultural context, the instructor is perceived as the 'authority' who must provide definitive answers and guidelines (Laurent, 1986; Thornhill, 1993). To instil trust in the instructor, organizations in such cultures prefer high-level managers as instructors, rather than hiring external consultants or trainers (Wright *et al.*, 2002).

Proposition 16: In high power distance or high uncertainty avoiding cultural contexts, role modelling, hands-on training and in-house trainings conducted by managers are preferred to interactive, participative and computer-facilitated trainings. The latter are preferred in low uncertainty avoidance or low power distance cultures.

Institutional/structural contingencies

Despite cultural fatalism and low performance orientation, many of the economically developing nations feel the pressure to catch up with rest of the industrialized world. It is, therefore, not surprising to see a substantial investment in training and development activities. This is especially the case if the country's formal education system is not adequately preparing the workforce for the future of the country (Tsang, 1994; Wilkins, 2001; Wong *et al.*, 2001; Wright *et al.*, 2002). In countries where there is scarcity of talented workforce, organizations attract the best candidates by offering high-quality training and development opportunities (Grossman, 1997).

Organizational size and type of industry are among the most important contingencies influencing training and developmental activities. Large organizations, compared to the small ones, provide more widespread trainings (Quester and Kelly, 1999). Organizations operating with advanced manufacturing technologies give more comprehensive and continuous trainings compared to service-sector organizations where the new recruits receive training (Jackson and Schuler, 1995; Jackson *et al.*, 1989). Those in high-tech industry are able to provide more widespread trainings, because they make use of technology in training (e.g. e-learning, computer-facilitated learning and so on) (Evans, 1993; Fleming, 2001). Organizations working in the innovation industry also provide continuous training to promote skill development (Mumford, 2000).

Proposition 17: Organizational size is positively related to the level of investment in training and developmental activities. Also, organizations in

Table 4 Socio-cultural and institutional environment influencing training and development

<i>Institutional/structural contingencies</i>	<i>HRM practice</i>	<i>Cultural dimensions</i>
<ul style="list-style-type: none"> • Type of industry/job (hi-tech, AMT,^a innovative) • Labour market characteristics (shortage of qualified workforce) • Size (large) 	<p><i>Emphasis on T & D</i> (more budget, widespread application)</p>	<ul style="list-style-type: none"> • Low fatalism • High performance orientation
<ul style="list-style-type: none"> • Type of industry/job (AMT,^a CSCW,^b flexible specialization, innovation) 	<p><i>Need assessment</i> Performance-based and participative</p>	<ul style="list-style-type: none"> • High performance orientation • Low power distance • Universalism
<ul style="list-style-type: none"> • Size (large) • Type of industry/job (AMT,^a CSCW,^b flexible specialization, innovation) • Size (small) 	<p>Loyalty/seniority based; non-participative.</p> <p><i>Design of training</i> Participative, interactive, computer facilitated</p> <p>One-way lecturing; role-modelling; hands-on training</p>	<ul style="list-style-type: none"> • High power distance • High collectivism • Paternalism • Low uncertainty avoidance • Low power distance • High power distance • High uncertainty avoidance

Notes

^a AMT: advanced manufacturing technologies.

^b CSCW: computer-supported cooperative work.

the IT sector (or using sophisticated technology) emphasize widespread, continuous and interactive trainings the most. Finally, in countries with workforces with limited skill, organizations place greater value on training and development to stay competitive and to attract the best people in the labour market.

Job analysis

Cultural contingencies

Interestingly, cultural variations in job analysis have attracted very little research interest. Let us first describe the ways in which cultural context influences the description of jobs and worker characteristics. In high uncertainty avoidance cultures, jobs are defined in specific rather than broad terms in order to reduce role ambiguities (Wong and Birnbaum-More, 1994). In high uncertainty avoidance cultures, there is greater likelihood of fixed and long-lasting job requirements, rather than dynamic work assignments. In diffuse, rather than specific cultural contexts, job boundaries are more likely to be permeable. Similarly, in high power distance cultures, jobs are defined in broader terms, so that superiors have more latitude to ask employees to do a variety of different jobs. Another reason may be that, in such cultures, there is heavy reliance on supervisory guidance in performing jobs, and this may reduce the necessity to have specific job descriptions.

Proposition 18: In cultural contexts characterized by high uncertainty avoidance or specificity, job descriptions and specifications are detailed, narrowly defined and fixed for long terms. In contrast, job descriptions are not in specific terms in diffuse, low uncertainty avoidance or high power distance cultures because of the reliance on supervisory guidance.

Another variation in job descriptions and specifications may be related to individualism and collectivism. In individualistic cultures, it is expected that job descriptions are for individual workers, whereas in collectivistic cultures they are defined for teams or work groups. Individual accountabilities are blurred in the latter case, and there may be more emphasis on within-job activities among team members (cf. Sanchez and Levine, 1999). Worker requirements in such cases include teamwork and good interpersonal relationships with co-workers.

Proposition 19: In collectivistic cultures, the unit of analysis in job descriptions is the work group, rather than the individual employee.

Culture also has a bearing on the method used in job analysis. Conventional methods of job analysis include gathering information from the subject matter experts (SMEs), conducting interviews with job incumbents and their supervisors, and collecting data through structured questionnaires. Love and Bishop (1994) reported that for Japanese managers the concept of using questionnaires to solicit the opinions of individual workers was difficult to understand. This was because jobs were designed for groups, rather than individuals. Individual differences among workers that were identified and publicly announced through job analysis were feared to harm the teamwork and group harmony. Second, in a high power distance culture like Japan, it was not appropriate for employees to express individual opinions thus overriding superiors. Individual

employees rarely offer personal views to management; they let the management decide on issues concerning them, including the nature of their work and how it should be performed.

Proposition 20: Employees' direct participation in the job analysis process is less likely in high power distance cultures. Rather, supervisors and managers provide information about job duties, responsibilities and desired worker characteristics.

Institutional/structural contingencies

Organizational size is positively related to formalization and specialization of jobs (e.g. Hickson *et al.*, 1974). To increase control and coordination, the formal structure of job duties and job descriptions are well-defined in larger rather than in smaller organizations. Undoubtedly, the nature of the job or the sector also influences the process. In project and team-based organizations, job descriptions are broadly defined. Similarly, in jobs that require innovation, job descriptions and specifications allow freedom to job incumbents and increase creativity (cf. Jackson *et al.*, 1989). Finally, job descriptions are outlined in detail in organizations with unionized employees to prevent worker exploitation (cf. Jackson *et al.*, 1989). Recent literature argues that the continuous flux of institutional change and development creates a 'jobless' work context in which static jobs and fixed responsibilities no longer exist (Sanchez and Levine, 1999). In this newly emerging system, job boundaries are blurred and cross-functional teams are emphasized.

Proposition 21: Job descriptions and specifications are defined in detail in large rather than small organizations. In contrast, job boundaries are blurred in jobs that require innovation and creativity.

Proposition 22: In project and team-based organizations, there is less emphasis on specific and fixed job duties for individual employees.

Human resource planning and career management

Cultural contingencies

Despite the fact that human resource planning (HRP) is a critical initial step for other HRM functions, there is a dearth of data on how culture influences the process. HRP involves determining what positions in the organizations need to be filled and how to fill them. An effective HRP requires a systematic and rational approach in order to extrapolate the number of employees needed for each position. Career planning is a part of the HRP process in which organizations follow the career-related attributes of employees and develop plans accordingly (e.g. training, rotation).

HRP and career planning is not carried out in such a systematic and rational way in all cultural contexts. The main purpose of recruitment and selection varies across cultures. In North America, strategic human resource planning is geared towards recruiting the right number of people with the best qualifications to do the job. In India and Eastern Europe, organizations hire more employees than needed to combat poverty and unemployment (Herriot and Anderson, 1997; Sinha, 1997). The time-span of planning also varies cross-culturally. It is established in the cross-cultural management literature that culture has a bearing on time perception and planning (e.g. Hall and Hall, 1995; Hope and Muhlemann, 2001; Trompenaars, 1993). In the past-oriented cultures staffing

Table 5 *Socio-cultural and institutional environment influencing job analysis*

<i>Institutional/structural contingencies</i>	<i>HRM practice</i>	<i>Cultural dimensions</i>
<ul style="list-style-type: none"> • Size (large) • Unionization (more specific jobs) 	<p><i>Job descriptions and specifications</i> Detailed, narrowly defined, fixed</p> <p>Broad, flexible</p>	<ul style="list-style-type: none"> • High uncertainty avoidance • Specificity • Diffuseness • High power distance
<ul style="list-style-type: none"> • Job nature (process and team-based) 	<p>Job descriptions for groups or teams</p>	<ul style="list-style-type: none"> • High uncertainty avoidance • High collectivism
<ul style="list-style-type: none"> • Job nature (process and team-based jobs are broader) 	<p><i>Method of job analysis</i> With employee participation</p>	<ul style="list-style-type: none"> • Low power distance

practices are the extension of the past; in present-oriented cultures, short-term staffing plans are made based on current workforce supply and demand; and, in future-oriented cultures, long-term plans are implemented that accord with organizational strategies (cf. Lane *et al.*, 1997). Cultural fatalism and power distance are expected to impact on the HRP process. In fatalistic socio-cultural environments, work culture is reactive, rather than proactive (Aycan *et al.*, 2000). Future planning is deemed to be unnecessary when events are perceived to be beyond the control of the individuals. In high power distance cultures, systematic and participative human resource planning is rare, because, like all other decisions, the HRP decision-making process is centralized. In contrast, in low power distance cultures, HRP is conducted with the involvement and inputs of all unit managers. In hierarchical cultures, plans may change to accommodate the requests of high-level executives. For example, despite the succession plans, the nephew of a high-level officer may be unexpectedly appointed to a managerial position (see Bian and Ang (1997) for more discussion on *guanxi* networks and job mobility) or an unsuccessful family member 'promoted' to a position where he or she is given a passive role; this way he or she does not lose face.

In career management, Claes and Ruiz-Quintanilla (1998) found that proactive career behaviour (i.e. initiatives and interventions to shape future careers) was less common in high power distance cultures. Similarly, Aycan and Fikret-Pasa (2003) showed that, in paternalistic cultures, career decisions are influenced by significant others (e.g. family, friends, superiors). These findings indicate that in high power distance and paternalistic cultures, employees seek and accept the guidance of superiors who are perceived to know what is good for employees' professional development.

Proposition 23: In future-oriented, low fatalistic or low power distance cultures there is a long-term, systematic and rational approach to human resource and career planning. In contrast, in past- or present-oriented, fatalistic or high power distance cultures human resource and career planning either does not exist or is conducted with high flexibility. The HRP process is more participative in low power distance or low paternalistic cultures compared to high power distance or paternalistic ones.

Seniority-based career advancement is a controversial issue. Evans (1993) reports that in Japanese enterprises 'seniority' is the most important promotion criterion followed by performance. Easterby-Smith *et al.* (1995) reported that, in the UK, promotion criteria included 'bottom-line delivery', expertise in more than one business area and experience in another country, whereas in China they were loyalty to the organization, good interpersonal relationships, hard work and good moral practices. In a recent investigation of the impact of relational and interpersonal criteria on promotion decisions, Schaubroeck and Lam (2002) found that similarity in personality and good relationships with *peers* was a significant predictor of the promotion decision in individualistic cultures, while similarity in personality and good relationships with *superiors* was a significant predictor of the promotion decision in collectivistic cultures.

Proposition 24: In collectivistic, low performance-oriented or high power distance cultures, in-group favouritism in promotion decisions is likely to occur. In such cultural contexts, promotion criteria include seniority, loyalty and good interpersonal relationships especially with superiors. In high performance-oriented or low power

distance cultures, promotion decisions are primarily based on merit, that is, high performance and significant contribution to the organization.

Institutional/structural contingencies

There is very little literature on the ways in which institutional contingencies affect human resource planning and career management. The following relationships can be drawn by inference. The time-span of human resource planning (short- vs. long-term) is influenced by institutional contingencies, including economic, social and political stability. It is very difficult to engage in long-term planning in countries experiencing continuous economic, social and political volatility (cf. Kanungo and Jaeger, 1990). It is more difficult to perform human resource planning in countries where there is a scarcity of high-quality labour compared to those with a well-established educational system and a high-quality workforce. It is expected that the profit-oriented private sector takes human resource planning more seriously compared to public-sector organizations that promote social welfare as their primary objective. In the latter case, promotions are more likely to be based on seniority rather than performance. Seniority is an important factor also in countries or organizations with strong presence of unions supporting employees with longer service in promotion decisions (cf. Muchinsky, 2000).

Proposition 25: Human resource planning is on a short-term basis in an external environmental context that is characterized by high socio-economic and political instability as well as a low-quality workforce. Also, organizations in the private sector engage in HRP prompted by business necessities, whereas those in public sector do planning out of social necessity (e.g. to combat unemployment).

Proposition 26: A strong union presence correlates positively with seniority-based promotions and career planning.

Compensation and reward management

Cultural contingencies

Compensation management, especially determination of the base salary, begins with the process of 'job evaluation'. The worth of a job is calculated on the basis of compensatable factors. This process reflects the universalistic and performance-oriented nature of the cultural context. In high power distance and particularistic cultures, wage and salary determination is based on the subjective evaluations of managers who reserve the right to assign differential salaries to employees recruited for the same job (cf. Mendonca and Kanungo, 1994). As such, wages and salaries reflect the 'value' of people (e.g. in-group members 'worth' more than out-group members), rather than the job itself.

Proposition 27: In performance-oriented or universalistic cultural contexts, the compensation system is designed on the basis of formal, objective and systematic evaluation of the jobs' worth. In high power distance or particularistic cultures, differential compensation plans are prepared based on subjective decisions of the top

Table 6 *Socio-cultural and institutional environment influencing human resource planning*

<i>Institutional/structural contingencies</i>	<i>HRM practice</i>	<i>Cultural dimensions</i>
<ul style="list-style-type: none"> • Economic and socio- political stability (long-term) • Labour market characteristics (highly qualified workers) 	<p><i>Time span of HRP</i> Long-term planning</p>	<ul style="list-style-type: none"> • High future orientation • Low fatalism • Low power distance
<ul style="list-style-type: none"> • Ownership status (private sector) 	<p><i>Decision-making</i> Participative HRP</p>	<ul style="list-style-type: none"> • Low power distance • Low paternalism
<ul style="list-style-type: none"> • Unions and works councils 	<p><i>Succession and replacement planning</i> Seniority- or loyalty-based (rather than merit)</p>	<ul style="list-style-type: none"> • High power distance • High collectivism • Low performance orientation

management. In such cultures, people, rather than jobs, are evaluated.

The performance-reward contingency is found to be lower in cultures that are high on power distance and fatalism (Aycan *et al.*, 2000). In high power distance cultures, reward allocation is based on criteria other than performance, such as seniority or being on good terms with the management (see Hui and Luk, 1997; Leung, 1997; Smith and Bond, 1993, for reviews on distributive justice). Schuler and Rogovsky (1998) found that a seniority-based compensation system was preferred in countries with high levels of uncertainty avoidance, because such practice emphasizes predictability and certainty, whereas a performance- and skill-based compensation system was preferred in countries with low uncertainty avoidance.

Proposition 28: In high performance-oriented, universalistic or low fatalistic cultures, rewards are contingent upon performance. In high power distance or fatalistic cultural contexts, the performance-reward contingency is low. Power distance or uncertainty avoidance is positively correlated with seniority and good interpersonal relationships with higher management as important criteria for compensation and reward management.

Another key cultural dimension is individualism and collectivism. Pay-for-performance and focus on individual performance in compensation practice are used widely in individualistic cultures (Schuler and Rogovsky, 1998). In collectivistic cultures, there is a strong emphasis on group-based rewards (Gluskinos, 1988). As discussed in previous sections, individual differences are downplayed in collectivistic cultures; the 'equality' principle in compensation and reward system reflects that. Wage differentials are narrow even among the lowest- and highest-ranking officials in collectivistic cultures, whereas differentials are very high in individualistic and performance-oriented cultures (Easterby-Smith *et al.*, 1995; Huo and von Glinow, 1995).

The equality principle also applies to bonus schemes (Bjorkman and Lu, 1999; Easterby-Smith *et al.*, 1995). Quinn and Rivoli (1991) argue that bonuses based on organizational performance coupled with employment guarantee and amicable labour relations yield a high propensity to innovation in Japanese firms. In addition to salary and bonuses, employee ownership plans are popular in North American firms. Schuler and Rogovsky (1998) found that employee share options and stock ownership plans are more prevalent in cultures that are low on power distance.

Cross-cultural variations exist also with respect to indirect compensation, that is, benefits and allowances offer by organizations. Huo and von Glinow (1995) found a strong positive correlation between collectivism and flexible benefit plans, workplace child-care practices, maternity leave programmes and career break schemes. Other benefits for collectivistic cultures include welfare programmes such as housing, contribution to education of children or heating support (e.g. Quinn and Rivoli, 1991; Sparrow and Budhwar, 1997). Such programmes are also preferred in paternalistic cultures (Aycan, in press; Kim, 1994).

The last issue related to compensation and reward management is the types of rewards that are salient in various cultural contexts. Cultural context determines what is regarded as a reward, based on salient needs and values. For example, reward programmes such as 'employee-of-the-month' may not be effective in collectivistic cultures where gratification of an individual employee induces resentment among the peers in the

work team. The discussion on reward allocations in the cross-cultural literature mostly focuses on economic rewards. However, non-economic rewards that satisfy needs for affiliation and recognition may be more satisfying in collectivist and high power distance cultures (Mendonca and Kanungo, 1994). Kim *et al.* (1990) posit that 'social rewards' such as friendship outside the working group are more salient in Korea and Japan than in the US. Future research should examine what constitutes a reward in different cultural contexts. It may be that, because of the differences in definitions of reward, research cannot find a performance-reward contingency in some countries.

Proposition 29: Individual rewards based on the equity principle are valued more in individualistic or performance-oriented cultures compared to collectivistic ones, where group-based and non-economic rewards such as affiliation and recognition are valued. Also, power distance is negatively correlated with employee ownership plans (e.g. gain sharing or stock option plans).

Proposition 30: Employee welfare programmes are preferred in collectivistic, paternalistic or high power distance cultures. Employees in feminine and collectivistic cultures prefer flexible benefit plans such as child-care, maternity leave or career-break schemes.

Institutional/structural contingencies

Performance-reward contingency and equity-based reward allocations are widespread in sectors or organizations in high-tech industry or with high skill requirement (Bessant, 1993). Equality-based reward allocation, on the other hand, is administered in organizations with strong presence of unions or work councils (Bjorkman and Lu, 1999). Intrinsic rewards, such as the feeling of respect and belonging and opportunity for growth and learning, are valued more in small organizations compared to large ones (MacDermid *et al.*, 2001). When there is a scarcity of talented and high-quality workforce, organizations attract good candidates by offering housing or big bonuses (Grossman, 1997). Individual bonuses and commissions are offered in industries requiring high skills (Bessant, 1993). Services such as child-care support and maternity leave are arranged on the basis of labour laws. Large, rather than small, organizations tend to reward good performance with awards and recognitions (Quester and Kelly, 1999). Union presence and type of industry/job (i.e. innovation-based) correlate positively with employment security plans (Mumford, 2000). Finally, team-based rewards are given in organizations that adopt total quality management or in industries that require team-based project management (Mumford, 2000).

Proposition 31: Performance-reward contingency is higher in industries that require a high-skilled workforce, whereas it is lower in organizations with a unionized workforce.

Proposition 32: Intrinsic rewards are preferred in small organizations, whereas extrinsic rewards are preferred in large organizations. In team-based organizations, rewards that are given to teams rather than individuals are preferred.

Proposition 33: Employment security plans are more common in the types of industry or job that rely on innovation. They are also preferred in organizations with a unionized workforce.

Proposition 34: Labour laws and availability of qualified workforce determine the type of employee welfare programmes and benefits.

Conclusions and implications

Cross-cultural HRM is a newly evolving field that may be considered under the broader area of international HRM. The primary objective of the field is to examine the role of cultural context in design and implementation of HRM practices. More specifically, cross-cultural HRM is interested in the ways in which and the extent to which culture impacts on HRM *vis-à-vis* other contingencies external and internal to the organization. This paper aimed at providing a systematic analysis of how culture affects HRM practices in six key areas. In the literature such a systematic approach to examining the impact of culture was lacking, especially in the areas of human resource planning, job analysis, training and development, and compensation and reward management. The paper also identified 'non-cultural' factors (labelled as 'institutional/structural contingencies'), such as size, industry, job type, ownership status, technological infrastructure and unionization. The purpose of this exercise was to guide both research and practitioners in their search for HRM practices that best fit the cultural and institutional environment of the organization.

Table 8 presents a succinct summary of the impact of culture on HRM practices by grouping the cultural dimensions under three overarching value orientations. These orientations represent three continua along which societal and organizational cultures vary. In the first continuum, societies or organizations differ with respect to their orientations towards performance. On the one end, a strong value is placed upon *improving performance* (combination of cultural dimensions including performance-orientation, future-orientation, low context and specificity), while, on the other, it is on *maintaining good interpersonal relationships and in-group harmony* (combination of cultural dimensions including femininity, high collectivism, paternalism, high context and diffuseness). Although these two values do not necessarily contradict or compete with one another, being high on one value usually denotes being low on the other. In societies or organizations that value high performance, HRM practices are designed to improve employee performance and the organizational bottom line. There is strong emphasis on training and development; criteria for recruitment, selection, performance appraisal, training and development, compensation and reward management are based on performance outcomes and merit. On the other hand, in societies and organization that place higher value on good interpersonal relationships and in-group harmony than on performance, HRM practices are geared towards attracting, maintaining, developing and rewarding people who fit well in the social networks in the organization.

The second continuum concerns the degree of status hierarchy that a society or an organization likes to maintain. In societies and organizations that value *maintaining the status hierarchy* (characterized by high power distance, particularism, orientation towards ascribed status), HRM practices are designed to attract, maintain and reward only those who come from 'privileged' backgrounds or who have good relationships with power holders in the organization. Differential treatment and favouritism are commonplace in selection, performance appraisal, training and development,

Table 7 Socio-cultural and institutional environment influencing compensation and reward management

<i>Institutional/structural contingencies</i>	<i>HRM practice</i>	<i>Cultural dimensions</i>
<ul style="list-style-type: none"> Type of industry/job (high-skill requirement) 	<p><i>Criteria for compensation and rewards</i></p> <p>Performance (equity)</p>	<ul style="list-style-type: none"> High performance orientation Universalism Low fatalism
<ul style="list-style-type: none"> Unions/works councils 	<p>Equality</p> <p>Good relationships with higher management; seniority</p>	<ul style="list-style-type: none"> High collectivism Femininity High power distance High uncertainty avoidance
<ul style="list-style-type: none"> Size (small) 	<p><i>Types of rewards and benefits</i></p> <p><i>Intrinsic rewards</i></p> <p>Feeling of respect and belonging; growth, learning</p>	<ul style="list-style-type: none"> High collectivism Paternalism
<ul style="list-style-type: none"> Labour market characteristics (scarcity of talent) Type of industry/job (high-skill requirement) 	<p><i>Extrinsic rewards</i></p> <p>Housing, educational expenses</p> <p>Individual bonus/commission</p>	<ul style="list-style-type: none"> Paternalism Low collectivism Low uncertainty avoidance
<ul style="list-style-type: none"> Legal requirements 	<p>Child-care support, maternity leave</p>	<ul style="list-style-type: none"> Paternalism Femininity High collectivism
<ul style="list-style-type: none"> Growth stage (start-up phase) 	<p>Employee ownership plans</p>	<ul style="list-style-type: none"> Low power distance Low collectivism
<ul style="list-style-type: none"> Size (large) 	<p>Awards and recognition for good performance</p>	<ul style="list-style-type: none"> High performance orientation Low collectivism
<ul style="list-style-type: none"> Unions Type of industry/job (innovative) 	<p>Employment security plans</p>	<ul style="list-style-type: none"> High collectivism High uncertainty avoidance Paternalism
<ul style="list-style-type: none"> Type of industry/job (TQM,^a team-based) 	<p>Team-based rewards</p>	<ul style="list-style-type: none"> High collectivism

Note

^aTQM: total quality management.

Table 8 *Overarching values in societies or organizations and the corresponding HRM practices*

 Maintain good interpersonal relationships and in-group harmony (Femininity; high collectivism; paternalism; high context; diffuseness)	 Improve performance (Performance-orientation; future-orientation; low-context; specificity)
<ul style="list-style-type: none"> Criteria used in recruitment, selection, and performance appraisal emphasize ability to maintain good interpersonal relationships and work in harmony with others. (<i>Propositions 1, 9</i>) Subjective evaluations in recruitment, selection and performance appraisal; indirect, subtle and non-confrontational feedback. (<i>Propositions 4, 10, 11</i>) Preference for internal or network-based recruitment (<i>Propositions 2, 3</i>) Criteria used in need assessment for training, career planning and compensation and reward management emphasize loyalty and seniority (<i>Propositions 15, 23, 24</i>) Job descriptions, rewards and performance feedback are team-based. (<i>Propositions 11, 19, 28, 29</i>) Strong emphasis on employee welfare programmes and intrinsic rewards (<i>Propositions 29, 30</i>) 	<ul style="list-style-type: none"> Criteria used in recruitment, selection and performance appraisal emphasize job-related and technical competencies (<i>Propositions 1, 9</i>) Objective and systematic evaluations in recruitment, selection and performance appraisal; direct and explicit feedback. (<i>Propositions 4, 10, 11</i>) Preference for formal, structured and widespread use of recruitment channels (<i>Proposition 3</i>) Criteria used in need assessment for training, career planning and compensation and reward management emphasize performance outcomes and merit (<i>Propositions 15, 23, 24, 28</i>) Strong emphasis on training and development (<i>Proposition 14</i>) Awards, recognition and bonuses for good performance (<i>Propositions 28, 29</i>)

Table 8 (Continued)

<p>Maintain status hierarchy (High power distance; particularism; orientation towards ascribed status)</p> <p>↔</p> <p>Promote egalitarianism and participation (Low power distance; universalism)</p>	
<ul style="list-style-type: none"> • Criteria used in recruitment, selection, performance appraisal, training and development need assessment and compensation and reward management emphasize good interpersonal relationships with higher management, social class, seniority and age (<i>Propositions 1, 4, 9, 15, 28</i>) • Differential criteria and methods used in recruitment, selection and performance appraisal (<i>Propositions 3,4,9</i>) • Top-down performance appraisal (<i>Proposition 10</i>) • Non-participative decision-making in training need assessment, job analysis and human resource and career planning (<i>Propositions 20, 23</i>) • One-way lecturing; role-modelling of superiors (<i>Proposition 16</i>) 	<ul style="list-style-type: none"> • Criteria used in recruitment, selection, performance appraisal, training and development need assessment and compensation and reward management emphasize job-related competencies and merit. Equal employment opportunity is encouraged (<i>Propositions 1, 4, 9, 15, 28</i>) • Uniform criteria and methods used in recruitment, selection and performance appraisal (<i>Propositions 3,4,9</i>) • Multiple assessors and multiple criteria in performance appraisal (<i>Proposition 10</i>) • Participative decision-making in training need assessment, job analysis and human resource and career planning (<i>Propositions 20, 23</i>) • Participative, interactive training (<i>Proposition 16</i>)

<p>Table 8 (Continued) <i>Inflexibility; lack of belief in change and development (High uncertainty avoidance; high fatalism)</i></p>	<p>↔</p> <p><i>Flexibility; belief in change and development (Low uncertainty avoidance; low fatalism)</i></p>
<ul style="list-style-type: none"> • Preference for internal or network-based recruitment (<i>Propositions 2, 3</i>) • Low performance-reward contingency (<i>Proposition 28</i>) • Process-oriented performance evaluation (intention, effort, motivation to do the job) (<i>Proposition 9</i>) • One-way lecturing; hands-on training (<i>Proposition 16</i>) • Detailed, narrowly defined, fixed job descriptions (<i>Proposition 18</i>) • Employee security plans (<i>Proposition 30</i>) 	<ul style="list-style-type: none"> • Preference for external recruitment (<i>Proposition 2</i>) • High performance-reward contingency (<i>Proposition 28</i>) • Results-oriented performance evaluation (<i>Proposition 9</i>) • Participative and interactive training (<i>Proposition 16</i>) • Strong emphasis on training and development (<i>Proposition 14</i>) • Broad, flexible, dynamic job descriptions (<i>Proposition 18</i>) • Equity principle in compensation and reward management; individual bonuses/commissions (<i>Proposition 29</i>)

compensation and reward management, and career planning. There is centralized decision-making in almost all HRM practices. At the other extreme, in societies and organizations that *promote egalitarianism and participation* (characterized by low power distance, universalism), uniform procedures are administered to evaluate everyone on the basis of objective criteria, such as education, performance, work experience and so on. HRM practices are geared towards minimizing discrimination on the basis of age, gender or group membership (social class, caste, alumni, etc.). Decisions in key HRM areas are made with the participation of workers.

The final value continuum deals with the level of flexibility and change that is desired. In societies or organizations that are *inflexible and show disbelief in change and development* (characterized by high uncertainty avoidance and high fatalism), HRM practices promote stability and the status quo. In organizations that value *flexibility, change and development* (characterized by low uncertainty avoidance and low fatalism), HRM practices are designed to increase change, dynamism and novelty.

With respect to the institutional environment, it appears that size, type of industry or job and ownership status are the most likely forces affecting how HRM practices are designed and implemented. As organizations get bigger in size and rely on sophisticated technologies, their HRM practices become more standardized, formal, structured and job-related (DiMaggio and Powell, 1983; Harbison and Myers, 1959). Therefore, we expect that cultural differences will influence HRM practices less in such organizations. We also expect that cross-cultural differences in HRM practices will be more evident in private-, compared to public-sector organizations and multinational corporations (DiMaggio and Powell, 1983).

Proposition 35: The impact of culture on HRM practices is less evident in large organizations, operating in industries that make use of sophisticated technologies, public-sector organizations or multinational corporations, compared to small organizations, operating in the service industry, owned privately or by families.

The framework proposed in this paper will, it is hoped, guide future research as well as practice. Future cross-cultural studies could be guided by this framework to develop *a priori* hypotheses about the effects of culture on HRM practices. It is also beneficial to examine the interaction between cultural and institutional/structural contingencies to distil under which institutional/structural conditions culture matters the most. The cultural differences discussed in this paper can be applied to both societal and organizational levels. This approach gives researchers and practitioners a tool to assess the fit between the practice and the organizational culture. Ensuring fit between the cultural context and HRM practices is particularly important for multinational organizations, because, when management practices are inconsistent with deeply held values and expectations, employees are likely to feel dissatisfied, distracted, uncomfortable, confused and uncommitted, and this will result in lowered ability and willingness to perform well (House *et al.*, 1997; Newman and Nollen, 1996: 755).

What if there is a misfit? In this case, we recommend two strategies to follow. First is to modify the particular practice to fit into the organizational culture. The second strategy is to adopt the culture to the HRM practice. For example, if 360-degrees feedback relies on open and explicit feedback giving and receiving, then the workforce should be trained to master communication skills in feedback situations. However, changing the values in an organization is more difficult than developing a skill. Leadership and role modelling play an important part in changing values and assumptions. The most important

challenge for global leaders today is to find the best fit between organizational practices and employee beliefs, values, assumptions and behaviours. The cultural analysis presented in this paper hopes to guide global leaders in this direction.

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