Abstract

This paper reports on a study of international human resource management in the Asia Pacific region. Open-ended interviews were conducted with twenty-eight managers, consultants and academics with expert knowledge of IHRM issues in the Asia Pacific region. This study uses an exploratory design to identify themes, issues and directions for IHRM in the Asia Pacific region. Emergent challenges and critical issues include determining IHRM strategies to deal with the environmental volatility, and managing the changing role(s) for HR specialists.

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INTERNATIONAL HUMAN RESOURCE MANAGEMENT: ASIA PACIFIC CHALLENGES

INTRODUCTION

In the context of a ‘deconstructing’ world with competing demands of global integration and local differentiation (Doz & Prahalad, 1991), recent research has highlighted the need to develop human resources as a source of competitive advantage (Schuler, Dowling & De Cieri, 1993; Stroh & Caligiuri, 1998). The impact of globalization on HR practices has led to varying outcomes across different countries and industries. However, it is apparent that global trends in management strategies are being adopted throughout the Asia Pacific region. Re-structuring, re-engineering, retrenchment, recruitment and retention of employees have all been reported as significant concerns for managers in this region (Frenkel & Peetz, 1998; McComb, 1999; Zhu, 1997).

Despite significant change and challenges, conservative and traditional models of expatriate management and international human resource management (IHRM) continue to be used by many organizations, particularly with respect to practices such as performance management and compensation (Bonache & Fernández, 1997; Dowling, Welch & Schuler, 1999). To investigate current and emerging challenges for the field of IHRM, this study uses an exploratory design to identify themes, issues and directions for IHRM in the Asia Pacific region.

THE GLOBAL CONTEXT FOR IHRM

The globalization of business increases the requirement for understanding ways in which multinational enterprises (MNEs) may operate effectively (Sundaram & Black, 1992). A major aspect of this understanding is based in the field of IHRM (Dowling et al., 1999).

Understanding of IHRM emerged from research and practice in HRM, which recognizes the importance of people in relation to financial and physical resources. The assumption is that this recognition will lead to improved utilization of human resources, congruent with organizational strategic objectives (Dyer, 1984). HRM is, therefore, based on an understanding of comprehensive policies which govern human resource practices.

An early extension of HRM was the inclusion of attention to cross-cultural issues (see, for example, Laurent, 1986). Since then, the broader consideration of HRM in multinational enterprises (Dowling et al., 1999; Teagarden & Von Glinow, 1997) has been defined as IHRM. While HRM is relevant within a single country, IHRM addresses added complexity due to diversity of national contexts of operation and the inclusion of different national categories of workers. A major aspect of IHRM research has been concerned with co-ordination across national borders via the cross-national transfer of management and management practices. A related area of research has developed in comparative HRM research (Brewster, Tregaskis, Hegewisch & Mayne, 1996). In parallel with (and not unrelated to) the internationalization of HRM has been the increasing recognition of the importance of linking HRM policies and practices with organizational strategy in a domestic (single-country) context (Becker & Huselid, 1998). IHRM researchers and practitioners have paid increasing attention to more macro-level issues, such as the strategic nature of IHRM and implications for organizational performance (De Cieri & Dowling, 1999; Stroh & Caligiuri, 1998).

THE ASIA PACIFIC CONTEXT

This paper focuses on the Asia Pacific region, where there have been significant economic and political developments in recent times. Recent events in this region include the economic crisis of 1997, the end of European colonial rule in the Asia Pacific (with Macau returned to Chinese government in December 1999), security risks and continuing political upheavals in countries such as Indonesia and Sri Lanka. Political and economic difficulties in several countries in the Asia Pacific region since 1997 provide examples of the influence of external factors on various aspects of management, at national and global levels (Reid, 1999).
Estimates provided by the United Nations indicate that two-thirds of the world’s population growth over the next few decades will be in Asia. If current trends continue, India and the People’s Republic of China will account for 70 per cent of urban growth in the Asian region (Clarke, 1997). As one example, the recent relocation of Caltex headquarters from Texas, to Singapore provides an interesting indication of the strategic importance of the Asia Pacific region to global operations. It is perhaps worth noting that Caltex has located the regional ‘back-office’ center not in Singapore but in Manila (Goad, 1999). This reflects differences in national labour market characteristics across the region.

The aim of this paper is to explore the extent to which these dramatic changes and developments in the global economy and the Asia Pacific region impact on IHRM and the manner in which these are being addressed. To focus on the specific context of this research, four related research questions were postulated. Reflecting the exploratory nature of this research, these questions are open-ended, to allow for the emergence of new insights into the phenomena under investigation:

Q1. In what ways are environmental factors such as government actions, regional economic and political activity, and cultural diversity, influential for IHRM in the Asia Pacific region?

Q2. What are seen as the key current issues for IHRM in the Asia Pacific region?

Q3. What are seen as the future directions for IHRM in the Asia Pacific region?

Q4. What examples exist of innovations in IHRM in the Asia Pacific region?

RESEARCH METHOD

Sample

A total of 28 interviews were conducted with managers, consultants and academics operating in the Asia Pacific region. These include 4 general managers (job titles include: CEO; General Manager; Partner; and Managing Director); 4 HR consultants; 10 HR Managers (job titles include: Group General Manager, HR; HR Director; General Manager, and Manager, Global HR Shared Services); 2 line managers (General Manager, IT; and Director, Finance); and 8 university professors. Industries included manufacturing, resources, management or business consultancy, HR consultancy, banking, accounting, and education. Corporate headquarters locations included Australia, U.S.A. New Zealand, Germany, Singapore, People’s Republic of China (including Hong Kong), and Japan. The managers themselves were based in countries across the Asia Pacific region, the majority being in Australia (14) but including Malaysia, Indonesia, New Zealand, People’s Republic of China (including Hong Kong), Singapore, the U.S.A., and Japan.

Research Design and Procedure

The aim in this research is to provide an exploratory study -- open and receptive to new patterns, relationships and phenomena (Denzin & Lincoln, 1994; Van Maanen, Dabbs & Faulkner, 1982). This research aims to identify patterns and trends which may be interpreted as relationships between external factors (such as economic or technological developments) and IHRM issues, directions and practices. The data analysis aims to identify common themes or issues across responses.

Interviews were conducted with twenty-eight managers, consultants and academics operating in the Asia Pacific region. The interviews were a ‘scoping’ exercise to identify trends and issues for HR in the Asia Pacific region. In order to address the research questions, the interview schedule covered the following issues: (a) the interviewee’s personal experience with IHRM in the Asia Pacific region; (b) taking the Asian economic crisis of 1997 as a starting point, perceptions of the major external influences on IHRM in the Asia Pacific region; (c) perceived current issues for IHRM in the Asia Pacific region; (d) perceived directions for IHRM in the Asia Pacific region; and (e) innovative strategies used to manage trends and issues for IHRM in the Asia Pacific region.

The majority of the interviews were conducted before the events in the U.S.A. on September 11, 2001. In 2002, the author conducted follow-up interviews with a sub-sample of the interviewees. The key focus for these follow-up interviews was to ascertain whether the events of September 11 made any difference to the
comments they had made in their earlier interviews. The overwhelming response of interviewees was that security issues are now more prominent but the core IHRM issues for their attention remain the same.

A purposive sampling technique was used to select participants on the basis of their background experience and current positions as people who make decisions related to IHRM in this region. These ‘expert informants’ acted to provide advice and information based on their area of specialist expertise (Chen, Farh & MacMillan, 1993). The decision to utilize this strategy was influenced by research such as that in the strategic management field. Chen et al. (1993) have documented the use of expert informants in strategy and macro-organizational studies, noting that they may serve several purposes, including: exploratory purposes, such as exploring research issues or pre-testing instruments in new areas; or the verification of findings. These purposes are of particular relevance for the present research.

A protocol for approaching these informants was established. First contact was by communication in person, by telephone or letter of introduction. The research intent of seeking their expert views was explained. The next step was to arrange an interview at a place and time of the informant's choice. Given the geographical separation in some instances, some interviews were conducted by telephone or e-mail. It is recognised that there are disadvantages or problems often associated with the interviewing method, including response bias due to the interviewee's poor or subjective recall, or inaccuracies in communication of ideas (Harrison, 1994). Several steps, however, were undertaken in this study in order to minimize such problems. First, when each interview was arranged, the interviewee was provided with an outline of the research intent and topic area. Second, confidentiality was assured. Third, interviews were conducted at a place and time of the respondent's choice. Fourth, to increase accuracy of the transcript, interviews were tape-recorded with the interviewee's permission. All interviews were transcribed within 24 hours after completion to maintain reliability of data collection and prevent the loss of valuable information (Miles & Huberman, 1994). Interview transcripts were then content analysed and coded, using a technique that involves both deduction and induction to ensure that identified themes are representative of the sample overall. Research questions and interviewee responses are shown in italics in the following discussion.

RESULTS AND DISCUSSION

The research has identified several areas for consideration and potential further investigation. The first research question asked: In what ways are environmental factors such as government actions, regional economic and political activity, and cultural diversity, influential for IHRM in the Asia Pacific region? In responses to this question, it is evident that the developments in the external environment have implications for IHRM in the region.

In agreement with the extant literature, global management trends such as re-structuring, re-engineering, and retrenchment were all reported as significant concerns for managers in this region. Further, the impact of globalization is suggested in several respondents’ reports of work intensification, increased emphasis on labour flexibility and productivity throughout their worldwide operations.

Within the Asia Pacific region, the impact of the 1997 economic crisis has been a significant international concern. An example of IHRM issues influenced by the Asian financial crisis is provided by the perceived shortage of knowledge workers in Malaysia. “There is a ‘brain-drain’, as highly skilled, young employees are leaving Malaysia for employment opportunities in other countries, particularly in the U.S.A.” (General Manager, Malaysia). Although the Malaysian economy fared better in the crisis than did several other nations, the subsequent changes are significant.

There is evidence of economic recovery since the 1997 crisis, with stabilization of the economic and business climate. However, political turmoil and security risks continue to present concern for IHRM managers making decisions for employees residing in areas of unrest. For example, one respondent was responsible for evacuating Australian employees from a joint venture in Indonesia during the turmoil in East Timor “The MD said to me ‘It’s your decision – should they stay or go?’” (HR Manager, Australia). After May 2000, several Australian expatriates were evacuated from Fiji as a result of the uprising there (HR Manager, Australia).
MNEs with current presence or future plans for investment in Indonesia would need to evaluate the political risk associated with government instability, civil unrest, violence and threats of balkanization. Corporate security has been significantly tightened in Indonesia since the Asian economic crisis of the late 1990s, East Timor's battle for independence, the September 11 attacks in the United States, and the Bali bombing in October 2002. Several MNEs, concerned about security and corruption, have abandoned Indonesian operations.

Differences in economic development continue to be evident across the Asia Pacific region. For example, “infra-structure, housing, education, medical services and utilities are major concerns for our people in China, although things are certainly better than they were when we first entered [in the early 1990s]” (HR Manager, Australia). For local employees, occupational safety and health concerns were evident in China, despite developments in legislation and social policy [the 1994 Labour Law in the People’s Republic of China includes OHS as a priority area for attention and improvement (Warner, 1996; Zhu, 1997)]. Major concerns included a lack of safety awareness and education.

It is recognised, however, an intra-organizational focus has been reflected in most research in IHRM and many mainstream IHRM strategies and practices have been developed with large, 'stand-alone' MNEs in mind. Significant adaptation will be necessary in order to develop effective IHRM in international inter-organizational networks, or to develop IHRM strategies to deal with volatile external environments (De Cieri & Dowling, 1999).

An emergent concern in this research is that research attention should be drawn to the subtleties of the transnational context. Economic integration and the growth of regionalism leads us to look beyond national borders and to consider the development of regional strategies. At the same time, we need to recognize intra-national, and even intra-organizational, diversity (Tung, 1993). Cultural space is increasingly synonymous with areas that are smaller than nation-states – the threat of Balkanisation in Indonesia may provide a contemporary example of this. Cavusgil and Das (1997) emphasise the need to address within-country cross-cultural differences, noting, for example, that India has more than a dozen official languages in addition to numerous dialects. As De Cieri, Cox and Fenwick (2001) have argued, too often attention in international management research has been drawn at the inter-national level, ignoring the subtleties and shifts of the intra-national terrain. Respondents working in cities such as Hong Kong and Shanghai noted that “different mindsets and expectations still exist and will no doubt continue for some time” (Professor, Hong Kong). Language differences and cross-cultural differences were frequently cited by respondents.

The second research question asked: What are seen as the key current issues for IHRM in the Asia Pacific region? In response to this question, it is first noted that there are challenges presented by the diversity of national cultural, socio-economic and political contexts in the Asia Pacific region (De Cieri & Dowling, 1997). For example, Leung and his coworkers (1992) have demonstrated subtle differences in preferences for conflict resolution styles across several collectivist cultures in this region. For MNEs developing presence in this region, this diversity brings a particular requirement for IHRM functions such as selection, management development and compensation. Australian organisations face a particular challenge in increasing their international activities in this region, as Australian managers have been strongly criticised by Asian counterparts for lacking the cross-cultural skills and international managerial expertise suited to international work.

A common concern reported by interviewees related to the recruitment and retention of managers. Specific comments include: shortages of 'strategic management' skills; difficulties in identifying, sourcing and developing vital 'global leadership' capabilities; and difficulties in attracting, developing and retaining 'high potential employees' in troubled economic or political areas. These comments reinforce the findings of recent surveys (Korn/Ferry International, 2000; The Global Relocation Trends 2001 Survey Report, 2002). These perceptions have implications for IHRM research related to the recruitment and development of employees (Spreitzer, McCall & Mahoney (1997). Particular occupational groups cited as being in short supply highlighted those with expertise in e-commerce, project management, joint venture or alliance management, and call center management. Other frequently cited key areas of concern for HR specialists include compensation management, performance management, leading change, and building a workforce with cross-cultural capabilities.
Another current issue in the Asia Pacific region relates to the changing assumptions and expectations for managers and employees required to engage in frequent international travel for the purposes of work. Research attention has focused to some extent on expatriate management to the exclusion of other important forms of international employment. However, the emergence of new forms of international work highlights issues such as the need to determine the strategic objectives for organizations and the career implications (and difficulties) for employees. Respondents frequently cited increasing demands of work and related work-life conflict as issues of personal concern (Harvey, 1995; Roberts, Kossek & Oseki, 1998). Responses concur with reports of longer work hours and increased emphasis on productivity since the crisis (Slater, 1999/2000). There is greater awareness of job insecurity and a new emphasis on accountability. This is tempered by access to potential rewards for ‘high-potential’ employees. Such developments have, to some extent, led to a reduction of the ‘job-hopping’ which was rife in locations such as Hong Kong in the 1990s (Slater, 1999/2000).

There were also indications of changing employee values in the Asia Pacific region. For example, there is some evidence of the spread of ‘Kiasu-ism’ (from the adjective, kiasu, meaning “the fear of losing out”) beyond the Singaporean context. ‘Kiasu’ has been a pre-occupation of Singaporeans for some time, with much criticism coming from other countries stereotyping the “must win” behaviour of Singaporeans overseas (HR Manager, Singapore).

The third research question asked, What are seen as the future directions for IHRM in the Asia Pacific region? Overall, respondents viewed the current shortage of skilled and experienced executives as likely to continue, with continuing demand in areas such as customer service staff. Further, we note that new forms of work are emerging, related to globalization of industry and technological developments. It is evident that there is a trend towards ‘knowledge work’ and an expectation that human resources are capable of providing sustainable competitive advantage for organizations (Frenkel, Korczynski, Donoghue & Shire, 1995; Stroh & Caligiuri, 1998). One example of increasing complexity is evident in the shift in some MNEs towards operating on a regionocentric or geocentric network basis. One implication of this trend is the already apparent need for effective management of multicultural, international and virtual teams. This was reported by several interviewees, in comments such as: “I am responsible for the South-East Asian region. I am one of 5 HR Directors in an international virtual team on global HR policy” (HR Director, Australia). Several interviewees reported on the challenges of managing such international virtual teams. Issues included communication difficulties due to cross-cultural or linguistic mis-interpretations and mis-understandings, increased pressure due to the complexity of global demands and expectations of rapid responses, and difficulties in establishing and maintaining leadership in international virtual teams. Several authors have advocated further research to investigate such developments in the transnational context (Kirkman & Shapiro, 1997; Snow, Snell, Davison, & Hambrick, 1996).

The increasing complexity of and demand for communication emerged as a common characteristic of international work. Interviewees provided detail of the broad range of information technology they utilize in order to maintain global communication; they were also able to detail their strategies for switching off and filtering the apparently endless stream of communication. Travel itineraries varied across respondents, from a few interviewees undertaking international travel on a weekly basis, the majority travelling several times per year, and some conducting the majority of their work from their local base.

Emerging IHRM strategies include the development of links between the corporate sector and educational institutions. Business schools and management educators have entered global markets following much the same ‘foreign market entry’ strategies as have the multinational corporations (Benito & Welch, 1994). For universities, the Asia Pacific region has offered a range of expansion opportunities, such as the establishment of wholly-owned foreign subsidiaries (foreign campuses and research centres). This essentially means “exporting education” to students outside the parent country. Malaysia, Singapore and Hong Kong, has provided strong markets for such developments. For some universities, this is explicitly intended to provide ‘American-style’ university education abroad. They attract international students seeking a ‘Western’ education approach without travelling outside their own home country. Universities have also formed strategic alliances, partnerships and joint ventures with local firms, MNEs and educational institutions, to offer cross-institutional credit for subjects and joint degrees.
The fourth research question asked: *What examples exist of innovations in IHRM in the Asia Pacific region?* First, in light of the changing political and economic circumstances and improving skill levels in some areas, respondents reported a reduction of expatriate numbers and replacement of these by local national or regional employees. For example, “we’re replacing expatriates with local executives in finance and HR areas [in operations in China, although senior positions are likely to be held by expatriates for some time]” (Director, Australia), “we only have two expatriates here, the rest are locals” (General Manager, Malaysia), and “U.S. expatriates are being phased out. The company has a stated strategy of replacing all expatriates with local people over the next year ...local means either Singaporean or someone from this part of the world” (HR manager, Singapore). These responses reflect recent reports of increasing professionalism amongst local employees and increasing regionalization of recruitment patterns (McComb, 1999).

To address the current issue of skilled labour shortage, several respondents reported recruitment strategies to “bring people home”. For example, “recruiting overseas Chinese who have completed tertiary education in Australia, or who are second generation migrants in Australia [to employment in China]” (HR Manager, Australia), exemplifies a strategy utilised by several respondents. (The term ‘local expatriates’ was sometimes used to describe these employees.) Other recruitment strategies emphasize the need for more sophisticated staffing strategies and realistic job previews to enhance probability of employee retention (Cappelli, 2000). Several interviewees noted the need for such recruitment strategies to be supported by management development compensation, performance management, and promotion strategies that balance local and global concerns. Overall, the recognition of the trend towards configurations or ‘bundles’ (Becker & Huselid, 1998) of IHRM practices was shared by respondents.

One of the more comprehensive examples is evident in manufacturing operations in Malaysia. The emphasis in this operation is placed on development of local employees. Despite local cultural characteristics such as high power distance, “work teams have been introduced across the organization, with a strong emphasis on empowerment and autonomy. All the expats I know [at other companies operating in Malaysia] said I was crazy ... Performance has improved dramatically and I see that as a direct result of the HR strategies we have put into place” (General Manager, Malaysia).

Reported strategies to enhance employee retention or ‘talent management’ highlighted reward and recognition strategies, including performance-based rewards, incentive schemes, stock options, and achievement awards (including recognition of tenure after two years). These strategies may also include clear indication of career development opportunities. These findings concur with several recent reports in regional publications (eg. McComb, 1999). There is also some evidence of efforts directed towards developing and implementing compensation strategies that are able to ‘cope’ with potential future crises (Tilghman & Knight, 1998).

Many of the management trends and strategies well-documented in the U.S.A. are also evident in the Asia Pacific region. For example, implementation of the ‘balanced scorecard’ (Kaplan & Norton, 1996) to record productivity is wide-spread in industries such as accountancy and business consulting, and increasingly popular across other sectors (HR Manager, Australia). The ‘balanced scorecard’ seeks to measure how the organization or the HR function meets objectives in four areas: customers, financial markets, internal processes, and learning and growth. Boudreau and Ramstad (2002) have pointed out a vast array of global HR measures could be categorized into the balanced scorecard and a key benefit is that this approach is well known to many managers. There is also potential for flexibility, as software can allow users to “drill” or “cut” HR measures, to support their own analysis questions. A potential concern with the balanced scorecard, however, is that naïve users may misinterpret or mis-analyse the information.

Outsourcing of areas such as HR and information technology is widespread and growing (Partner, Australia). There is increasing use of information technology to facilitate IHRM functions. Use of the *corporate intranet* to enable speedier and more effective communication and *on-line programs for management skill development with simulations and problem solving* (HR Manager, Australia; IT Manager, Singapore) provide two examples of trends towards virtual HR (Lepak & Snell, 1998). This is also a significant area of development for corporate-university links; Wilson & Meadows (1998) examined the implications of
information technology in education, particularly with respect to Australian education providers and their strategies in the emerging Asian markets.

A final point to note: the respondents viewed the management of international human resources as an area of increasing importance. Perhaps not surprisingly, however, there were differences of opinion with regard to the role to be played by HR specialists. Future roles for HR specialists varied from “strategic partner, leading change” to “non-existent – responsibility for people management needs to be shared by everyone”.

CONCLUSION

Overall, this research has endeavoured to identify a range of IHRM perspectives and challenges. The Asia Pacific region provides a context in which to consider the challenges and to identify possible strategies for managing human resources in a volatile and diverse transnational context. This research has raised attention to emerging directions and issues facing IHRM in the Asia Pacific region. However, much remains to be done in future research; Longitudinal research is required to more effectively map the aspects highlighted in this research, the changes in IHRM strategies over time and their impact on organizations and the workforce. We also note that there are important implications for the practice of IHRM. On some issues related to IHRM in the Asia Pacific region, it is evident that a research-practice gap (Fisher, 1989) exists, with research lagging behind the current needs of managers. The gap may not be easy to fill, as there are complex issues to define, measure and address. There is also a practice-research gap, with IHRM practice in some aspects lagging behind research. In many organizations, it is no doubt the case that the state of practice trails far behind the state of knowledge.
REFERENCES


