

Chapter 2. Literature review

2-1 International Human Resources Management

Human resources management at the global level is one of the corporate activities, aiming at instilling the management process of planning, enforcing and assessing into the activity, exerting the effect of ensuring “the right person for the right position, at the suitable time and suitable place, with appropriate number of employees of appropriate skills”, for the improvement of job performance and the development potential of employees, in order to consolidate the core competency of the corporation. (Wu, bin en, 1999)

When a firm steps into the international arena, the human resources activities are preserved and then deepened into a more complex form. Two reasons contribute to such complexity. First, the multinational firm is composed of employees of different nationalities. Second, the human resources management should be adjusted in the context of the multinational environment to reflect the culture of the nation and the social system. (Cullen, 2000)

Shuler & Welch (1999) points out that there are significant differences between International Human Resources Management and the Human Resources Management in a domestic setting.

1. International Human Resources Management is the relocation of dispatched personnel and the taxation upon the Human Resources Management in a domestic setting.
2. International Human Resources Management has more heterogeneous functions: Theories of International Human Resources Management

involves the Parent Country Nationals and Host Country Nationals. They work in the same region but faced with total different compensation, taxation, the bonus systems. It is, therefore, the main challenge of the managers of international human resources to ensure the fairness of the compensation to different employees within the organization.

3. International Human Resources Management requires more involvement in employees' personnel lives. Inter-action with employees must be encouraged for related departments.

4. International Human Resources Management involves a greater level of risk. In light of the more external sources and environment, theories should take into account changing perspectives of different nations. For example, different labor relations, material benefits, employment rate and labor management.

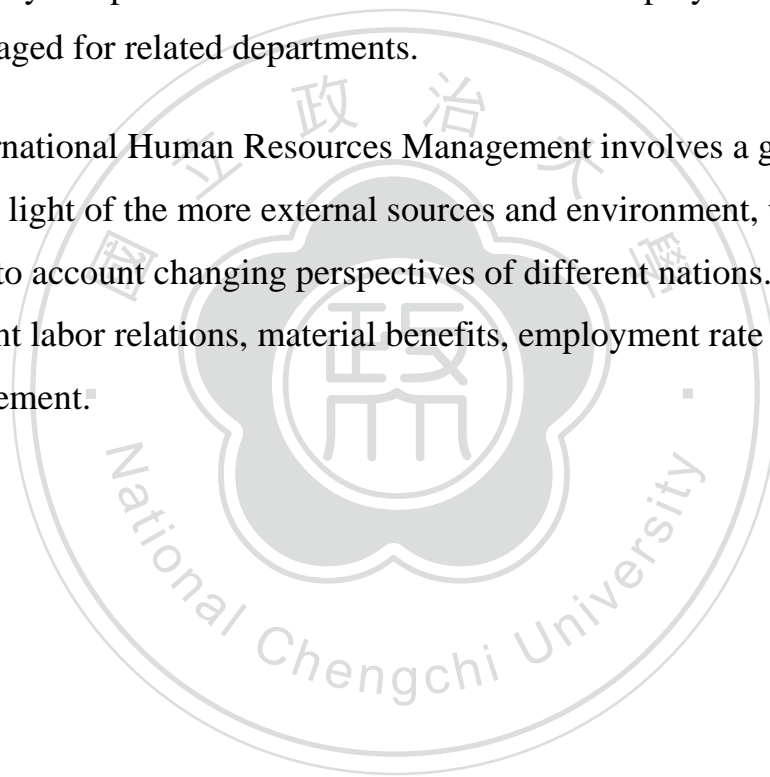


Table 2-1 : Comparison on the Human Resources Management
of International Corporation¹

	US firm	Japanese Firm	Euro Firm	Chinese Firm
Deploy of Human Resources	Detailed position analysis Highly efficient workforce Diversified recruitment channel Strict recruitment process	Recruiting fresh graduates at regular intervals Lifetime position	Free recruitment Two-way choices Detailed position analysis Long-time position, sudden dismissal forbiddance	Adjustment on a limited scope Fringe regulated, gradual marketized Regulation less emphasized
On-job training and developing	Practical on-job training Professional model Development	Training mostly within the corporation On-job training for production workers	Apprentice-type and elementary job training Re-training and re-education of employees	Unstable, low level Low degree of institutionalization and regulation

¹ 國際人力資源管理，上海交通大學出版社，2008。1，pp 222-243

Compensation System	Fairness within the system Bonus as incentives	Based on the length of service Spiritual incentives	Based on negotiation and agreement Based on job performance	Bonus based Cross reference to other competing firms
Reforms and Problems	Closely combining the human resources policy with the corporate strategy Construction of corporate culture within the human resources management From command-based model to relation-based model	Reforming the lifetime position and the length of service system Renaissance of talents Stressing the creative mechanism	Strong awareness of law protection Housemaster type Human resources management combined with other job requirements Developing cooperative labor relations Tactical role of the human resources manager	Existence of the traditional culture and sense of worth Lack in the institutionalized environment of management Weak in social security level

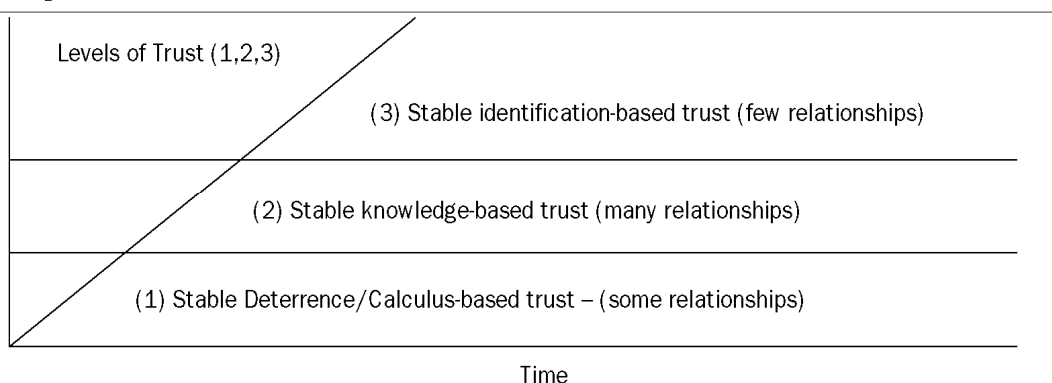
2-2 Level of Trust and Personnel Management

In the process of localization faced with cross-regional investment, the key to success lies in how to establish the trust and identity with counterparts. Professor Debra Shapiro at the Smith Business School, University of Maryland, proposes the “Business on a handshake” and points out that three levels of trust can be detected in the developing the networks: calculus-based trust, knowledge-based trust, and identification-based trust. Calculus-based trust, the lowest level of trust, utilizes calculus to threat the counterparts. 80% of Taiwan businessmen into the mainland China at the beginning stage used such way of management, but it turned out to be out-dated, less efficient, particularly giving rise to the passive mood of line of duty. The second level of trust is knowledge based, formed out of the predictability of action between people. The more knowledge he gets, the less distrust he feels. Corporations are now increasingly calling for this model in light of today’s competition for talented people. The highest level of trust, however, is based on identification. Only when counterparts get to know the needs of each other and develop the sense of worth out of the intercourse, can the identification-based trust grows. As a matter of fact, leaders in every developing market are master drivers of local talents. Ties of friendship combined with the identification-based trust grasps talents, and success will come at hands.²

²胡釗維、劉承賢，「到新興市場打天下，彎腰學做『新同路人』」，*商業周刊*（台北），第952期（2006年2月），頁86-89。

Figure 1

The stages of trust development

Source: Shapiro *et al.*, 1992**Figure 2-1 The level and characteristics of Trust**

The relationship and degree of trust dictates the operation and development of multinational firms. Japanese socialist Francis Fukuyama argues that national wealth and competitive power will be influenced by one piece of culture characteristic – degree of trust in the society. U.S. economic Nobel laureate Kenneth Arrow writes: “Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence.” In fact, the productive and cooperative relationship can not exist without the trust. Trust is an important lubricant of a social system. It creates the cooperation among strangers, remedies the unawareness of counterparts, and furthers the understanding of cognitions and motives. To approach the target aggressively, we need to try trusting those who we are not familiar with.³ Trust has a very important pragmatic value and saves a lot of transaction costs to have

³萊納德·史布萊格爾著，吳信如譯，*信任--簡化管理的藝術*（台北：時報文化出版公司，2005年2月21日），頁30-33。

a fair degree of reliance on other people's word. In conclusion, trust is the key to the performance and survival of organizations⁴



⁴在對組織效能的影響方面，信任可以有效降低管理事務的處理成本、防範投機行爲，而且亦能降低對未來的不確定性，促使組織內部的資源做更合理的運用，而能提高組織效能。除此之外，信任也可以促成組織成員之間的互助合作，使人際間的溝通更加順暢，部屬願意配合上司的決策，成員能夠認同組織目標等，不但能夠提昇團體與組織的凝聚力，而且有助於組織生存的維繫。參見鄭伯壘，「企業組織中上下屬的關係」，楊中芳主編，**中國人的人際關係、情感與信任**（台北：遠流出版公司，2001年8月1日），頁271。

2-3 Localization of Human Resources

Localization of human resources is the adoption of the local workforces at the level of production, middle and top management. The first step requires the establishment of the local and independent management system. Not only the localization of personnel, but the systematization of the management system is at the core of the localization process. Second, it possesses the thirst for nurturing local talents. Only after the education can the personnel get to know the vision and model of the firm and then rise up to the top management. Third, emphasis should be put on the local custom and culture within a multinational firm, and employees must be aware of the common vision of the firm in order to smooth the friction.

While researches regarding the localization of Human Resources in mainland China by Koreans are modest, Taiwan counterparts are productive in the field of network and the localization of human resources. The followings present major research papers regarding the localization of human resources.

Table 2-2 Literature review on Human Resources Localization

Researcher	Content
Resenzwing, Nohria (1994)	Testing the degree of similarity of management system of local firms
Ball&McCulloch(1999)	Proposing the adoption of Host Country Nationals by multinational firms

Chen, Te- sheng (2007)	Stressing the need for the training process in the localization of human resources to arrive at the sense of belonging regarding knowledge and value
Chang, Chia ming(2006)	Pointing out the convenience and efficiency in cost measurement and employee management.
Perlmutter(1969), Shin, Man-Soo (1997)	Stressing the localization of human resources and labor forces.
Lee, Sang-Man (1998)	Pointing out the problems of labor forces management in the Chinese subsidiaries of Korean firms, Providing the solution for the problem
Liu, bing zhou & Fang, jing bang (1999)	Recognizing the sense of worth of Chinese, investigating the joint ventures in China, and questioning the management of labor forces
Lee, Man-Hee (2003)	Stressing the status quo of the labor market in China and the change in recognition of labor union
Baek, Kwon-ho (2002)	Investigating the images of Korean firms from the perspective of local labor workers
Choi, Jung-Ok (2001)	Emphasizing the localization of top management
Ji, Man-Soo(2004)	Arguing the factor of wage and culture stand out as the toughest problems. In addition, barriers to localization also include material benefits, dismissal, working hours and conditions, and translation.

Resenzwing, Nohria (1994)	Analyzing the degree of localization by working hours, wage level, the ratio of labors and educational status
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Related to first hypothesis, Chang, Chia-ming (2006) deems that nearly all of the firm are conducting the localization of human resources and the feedbacks are positive. The main driving force is the convenience and efficiency in cost measurement and employee management.

Shin, Man-Soo (1997) emphasizes the localization of human resources and labor forces. Research finds that the localization boosts the competitive power of the firm. Research objects are management personnel from Korea, local work forces, and the local management system. Most researches conducted by Chinese scholars confirm the need for managing the labor by local managers.

Choi, Jung-Ok (2001) emphasizes the localization of top management. Nationality factor should be considered in the recruitment process and core of localization lies in the localization of top management. Firms should offer more wages, benefits and promotion opportunities for local talents. Thirdly, educational programs should be offered to local employees as the same time. In addition, nurturing the female managers and the appointment of human resources managers out of Koreans are also suggested.

Ji, Man-Soo (2004) argues that the factor of wage and culture stand out as the toughest problems. In addition, barriers to localization also include material benefits, dismissal, working hours and conditions, and translation. 90% of the firms once endured labor problems, especially at the very beginning of market exploration, and than turned right later, which explains the learning curve of corporate behavior. Problems in labor management include the lack in the sense

of responsibility, work attitude, language ability, the working ability and cooperating attitude, in some cases, even the stealing of products. Ethnic Koreans in China, 3% of the total employees, are not good translators, not well educated and duty not well fulfilled.

Related to second hypothesis, Chen, Te-sheng (2007) stresses the need for the training process in the localization of human resources to arrive at the sense of belonging regarding knowledge and value. He also argues the necessity and limitation of the localization of human resources. Star workers, system foundation and risk management are needed in the localization process. In conclusion, the trust and cooperation among management and labor are the key to the development of the firm.

Excepts these researches, there are some of researches related to cultural factor. Lee, Sang-Man (1998) points out the problems of labor forces management in the Chinese subsidiaries of Korean firms, for example, the different customs and labor management between Korea and China, the lack of awareness of Koreans towards the local conditions, and the discrimination by Koreans against local workers. The first step to tackle the problem calls for the localization of management personnel. Secondly, he stresses the necessity for studying the characteristics of the socialist market economy and the Chinese people. The differentiation of wages and bounces between employees could be levered to reflects the characteristics of market economy. Thirdly, the cooperation with the labor union is of importance as well. In addition, education should be conducted for both Korean and Chinese employees in order for them to abide by the code of the firm. Last but not least, consequentiality and equality must be gauged in terms of managing the ethnic Koreans in China.

Ryu, Byungng-ju & Bang, Jung-bang (1999) put the emphasis on the awareness of local culture. Research findings suggest that the majority of the problems maybe traced back to the culture and custom. Attitude of Korean managers towards the production efficiency, the sense of worth of Chinese, and the opinion of cooperating institutions are investigated as well. Research indicates that Korean managers are not satisfied with local employees while local middle management praises the Korean top management. Solutions to the problem include the educational program for local employees and Korean managers, special language programs, re-distribution of material benefits and re-distribution of bonus according to work.

Baek, Kwon-ho (2002) investigates the images of Korean firms from the perspective of local labor workers and finds that 53.2% workers are satisfied with the Korean firm, with 52% admits an improvement in the images of Korean firms after they actually get in there. Some say Korean firms carry high profile images than those of local or Taiwanese firms, but lower positioned when compared to counterparts in Japan, the EU and US. The adaptation of Korean managers towards local situation, carving out the local consumption market, and the adoption of local personnel as middle managers, to name a few, are all good for the improvement in production efficiency.

Lee, Man-Hee (2003) leads the research in the labor law and labor market in China. Research suggests that the local law and regulations be abided, discriminations towards Chinese workers by Korean managers be corrected, social activities be conducted, and merits of customs of China and model of labor management of Korea be combined.

Other than those mentioned above, the following papers all contribute to the analysis of strength and weakness of the host country nationals.

Ball & McCulloch (1999) proposes the recruitment of host country nationals by multinational firms is advantaged with little cultural, custom and language barriers, cost efficient and less opposition to the host country. It is disadvantaged with the unawareness of the company policy, causing difficulties in the implementation level. Another problem arises in the process of hiring and training talents that job-hopping happens.

Robinson (1984) writes that wages of dispatched personnel from parent countries are way higher than those in the host country. Other considerations when recruiting local people include the familiarity of the local market, ease in local communication and management, and reduction in clash caused by different civilizations.

Zhao, yu wen 's (2000) philosophy of localization believes the top management should view each subsidiaries as different sections in different countries, and only local people can penetrate local culture and markets.

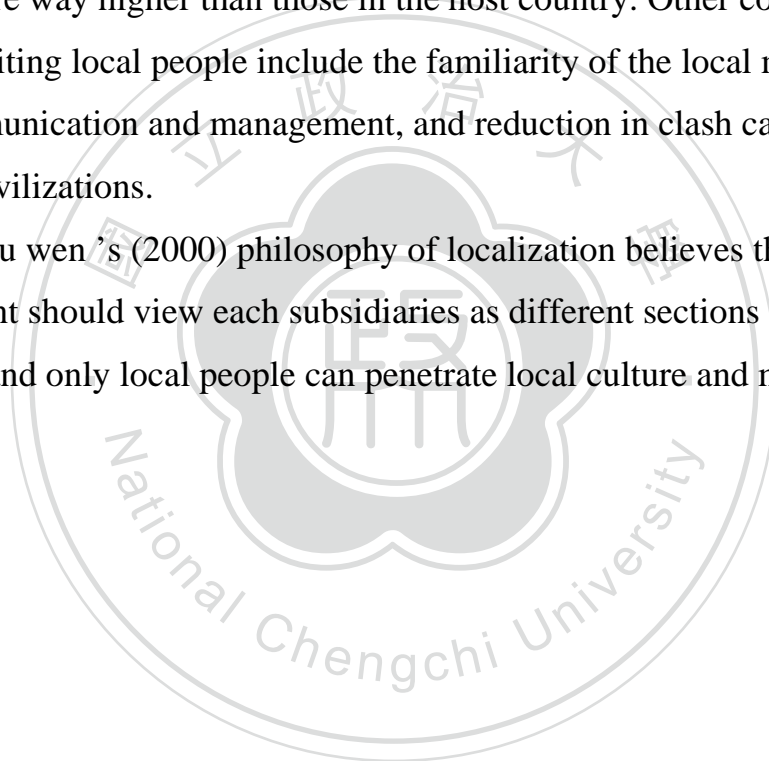


Table 2-3 Problems of human resources management of Taiwanese Overseas Subsidiaries

Trouble	Ratio %
Technicians hard to find and hard to train	36 · 6
Lack in versatility at work	25 · 4
High turn-over rate	11 · 9
Job-hopping of talents	9 · 0
Corruption	6 · 7
Connection-induced recruitment causing parties among employees	4 · 5
Work overtime unpopular	3 · 0
prepermission	3 · 0
▪ Total	▪ 100%

Source : 張銘欣 (1996) 我國廠商海外投資人力資源運用-中華民國對外貿易發展協會。

In conclusion, the significance of localization of human resources is how to hire the best talents, nurture talents, and retain talents in light of the local environment. Ways to success involves waging system, promotion opportunities, on-job training, and corporate culture developing. Common ingredients of the above documents all put emphasis on the necessity of education and the awareness of culture.