An Empirical Analysis of National Culture and Performance-Related Pay in Multinational and Local Companies in Thailand

by

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i

ABSTRACT

The purpose of this study was to investigate PRP practices in Thailand where is a collectivist society whereas PRP schemes are initiated from the Western management based on individualism. The research focused on the differences between two groups of employees working under PRP plans. Also the study examined the elements of PRP and work-related aspects (teamwork, career advancement and organisational commitment) by examining whether or not the nationality of an owner was related to such variables.

The study relied upon survey data collected from 6 companies representing the manufacturing sector in Thailand. Using descriptive and inferential statistics: Mann-Whitney U test, Kruskal-Wallis test and partial correlation, the study has found that PRP practices are typically deployed in a specific cultural context, that HRM aspects fit, regarding culture, leads to improve PRP perceptions. Moreover, female, lowly-educated workers, those with children and non-union employees exhibited greater perceptions of PRP, unexpectedly.

There were no significant differences found among employees in the three groups in terms of setting objectives, system design and pay-performance links. However, the differences of performance appraisal, fairness and communication were addressed. Surprisingly, there were no significant differences among employees working within Thai, Japanese and American companies with respect to teamwork and career advancement. Regarding organisation commitment, statistically significant differences were found according to affective and continuance commitment.

The implications, suggestions and limitations for further studies of PRP plans are presented. This research serves to consolidate the HRM's learning and direct for future work such that it may continue growing and contributing to HRM knowledge.

ACKNOWLEDGEMENT

"My life is like a drama"

First of all, I am appreciating of my wonderful opportunity provided by Cardiff Business School - an ordinary Thai student becomes a PhD student within an excellent reputation of Cardiff University. Besides invaluable knowledge, my long-haul journey across the world makes me a new person - difficulties strengthen the mind. In 2005, I first came to the UK like a sparkling star and never knew it was calm before the storm. The first bad news in 2006 was my elderly sister diagnosed with breast cancer in 50/50 survivor stage. Then, I felt extremely disheartened when my beloved father suddenly passed away in 2007. At that time I immediately returned home and had only last 10 minutes to see him before his unconsciousness. He had finally gone without saying good - bye to anyone. In 2008, my elderly brother has suffered with throat cancer. Without my father who was a back bone of my family, unsolvable situation has emerged. There is life, there is hope. As self - support student, only thing I could do was to fully concentrate on and finish my studies as soon as possible. Again and again, during my revision in the end of 2008 my former supervisor is suddenly in sick leave. Therefore, my graduation has been delayed and also my future job has been flown. From time to time, bursting in tears becomes greeting all with smile - do not cry if the sun sets at the end of the day, because the tears will not let you enjoy the beauty of the stars and every cloud has a silver lining. Ultimately, I have reached the finish of the line. Without many individuals none of my journey would be possible.

I am especially indebted to my present supervisor, Professor Jonathan Morris for his excellent supervision and guidance. The road of my PhD seemed brighter with his help and encouragement. In particular, I would like to thank my former supervisor, Dr John Salmon for his motivation. He made me believe that I could succeed. My acknowledge would be incomplete with recognising Professor Trevor Boyns not only for his support but also his consideration throughout my time at the university. I also extend my thankfulness to Professor Keith Whitfield and Dr Aminu Mamman for their constructive comments and suggestions. I also thank to Dr John Doyle and Dr Anna Kaleka for their

TABLE OF CONTENTS

(continued)

(continued)

LIST OF TABLES

LIST OF FIGURES

LIST OF FIGURES

Chapter 1

Introduction

1.1 Introduction

The shift to performance related pay, based on assessing individual contributions to an organisation, has taken place against a common background, namely a shift from time-based pay scales containing seniority-based increments (Marsden et al. 2000). The chapter will offer an overview of the whole thesis. The principal themes which are the focus of the following sections will be: the background and the rationale for this research to fill a research gap on performance related pay plans in Thailand. Another key consideration is that rigour in presenting the objectives. The remainder of this chapter is organised as follows. Section 1.6 will describe the summary of research methodology and section 1.7 will indicate the organisation of the thesis as a guide to a layout of this study.

1.2 Background of Research

1.2.1 Performance Related Pay (hereafter, PRP) as a Tool of Human Resource Management

In response to the pressures of the global economy and turbulent markets, companies are required to compete in order to survive in such a dynamic environment. They need to excel along all performance dimensions and be able to satisfy all their employees, stakeholders and customers at the same time. Business survival, therefore, needs substantial improvement in productivity and value-added components, for example by employing more efficient machines, using higher technology and reducing costs by the introduction of a logistics system. Any discussion of organisations that are changing needs to recognise that the era of human and social capital has arrived. The rapid growth

in scientific and technological knowledge is one driver that has contributed to the growing importance of human capital as an economy's ability to enhance economic resiliency against competition.

The concept of Human Resource Management (HRM) was developed initially in the U.S. in the 1960s and 1970s (Brewster et al. 2007) as a possible solution to a number of problems. The literature on HRM has been primarily concerned with the processes and practices of managing people from an organisational perspective. *"HRM practices should be designed to lead to HRM outcomes of high employee commitment, high quality staff and highly flexible staff"* (Guest 1997, p.269). HRM uses various strategies to directly stimulate employees' behaviour towards objectives and tasks that improve organisational performance. There is, for instance, a considerable literature which point to a positive relationship between effective HRM practices and organisational performance (Becker and Huselid 1998; Cho et al. 2005; Sivabrovornvatana 2005; Katou and Budhwar 2007; Katou 2008). More specifically, Benson and Brown (2000); Lawler (2000); Mamman (2004); Edgar and Geare (2005); Milost (2007) have all claimed that people are organisations' most important asset and the HR system is one important component that can foster an organisation to become more effective and to achieve a competitive advantage (Becker and Huselid 1998). HRM policies play an important role in building the organisation's human capital pool by developing its rare, inimitable and non-substitutable internal resources (Siengthai and Bechter 2004). Importantly, Milokovich and Bloom (1998) mention that each organisation's human resource policies and practices create a distinctive and unique culture that influence worker' attitudes and work behaviours. Those who do not fit with organisational culture because they possess different values will either not join or will soon leave the organisation. Realising that business strategies and HRM policies are not mutually independent, organisations should develop HRM policies with respect to the business strategies they follow so that building up strategic environment can support and retain valuable employees (Katou 2008). There are tremendous opportunities for synergy when combining the skills of employees and perspectives of HR with work on a daily basis.

2

Research and theory suggest that the compensation system is a critical component of any HRM system and there is considerable evidence that PRP can be a powerful tool for motivation, for shaping employee behaviour (Lawrence et al. 1998; Chamberlin et al. 2002; Miyamoto and Higuchi 2007), for playing a part in recruitment (Risher 2002), for the retention of staff (Armstrong 1996) and for boosting the employment relationship (Milokovich and Newman 1996; Pfeffer 1998). As competitive conditions have intensified, PRP has been increasing in popularity and has been seen as a potentially important source of competitive advantage (Long and Shields 2005). Moreover, as Kessler (1994) and Heery (1997) note, an individual PRP which links salary to the results of an individual performance appraisal, has spread extensive from managerial to non-managerial employees, from the private to the public sector and from white-collar to manual workers.

Strategic practices, therefore, must be defined in such a way that individuals are willing to work toward goals that not only allow them to meet their own needs but, in doing so, also allow the organisation to achieve its goals (Becker and Gerhart 1996). Similarly, *"PRP describes a system of pay progression where advancement through the grade or band is dependent on some evaluation of a worker's individual performance by a supervisor or manager"* (Perkins and White 2008, p.161). There has been a shift away, then, from traditional job-based pay towards person or performance-oriented pay schemes (Shelly 1999). Traditional approaches to compensation, it is argued, based on job evaluation, a bureaucratic model of organisations and seniority; fail to properly balance organisational profitability and employee professional goals (Britt 1997). PRP can also be viewed as another facet of labour market flexibility since it essentially involves pay flexibility (Booth and Francesconi 2000). The fundamental goal of PRP is usually to make it individual and personal so that some do better than others or some do worse than others (Marsden and Richardson 1994). The principle of PRP schemes as an incentive effect should be strong as workers can see a direct linkage between their efforts and earnings (Brough 1994; Lewis 1998; Durcharme et al. 2005). Accordingly, pay is linked to performance measured by a number of specific objectives, for example, output, quality, sales, production targets or customer satisfaction. Furthermore, a difficulty of measuring

performance raises a problem: whether management, which controls performance evaluation, can be trusted to act fairly (Marsden et al. 2000). Most importantly, the escalating pace of globalisation is increasing the need for organisations to develop effective international compensation schemes. Culture is a primary determinant of the most appropriate management practices, so human resource programmes need to be carefully tailored to create an appropriate match. As Milokovich and Bloom (1998) suggest, local compensation should be designed to fit national cultures. Guest (1997) argue that when the various organisational sub-systems, including the HRM sub-system, are aligned and support each other, appropriate HRM practices tap the motivation and commitment of employees in order to respond to the external context, acheive outstanding performance and retain the best talent. Therefore, it is of interest to both academics and practitioners to explore how the alignment of corporate strategies with business processes help firms achieve superior international performance and managing complexity in an era of globalisation.

1.2.2 Thailand

- **Thailand and its Culture**

Thailand, historically known as Siam, covers a land area of 513,115 square kilometres, roughly equal to the size of France, or slightly smaller than the state of Texas in the USA (Foreign Office 2010). The population of Thailand was estimated to be 66.88 million in 2009 (ADB 2009). Thai culture is rooted in Theravada Buddhism, promoting a more passive acceptance of life events and fatalism (Lawler and Atmiyanandana 1997), which differs in many aspects from other types of Buddhism in East Asia (Zhu et al. 2007). Thailand has built and retained a national culture around a traditional monarchical institution. The country is ruled by an elected civilian coalition government (Sriussadaporn-Charoenngam and Jabin 1999). Thailand has an interesting history and has of the unique character, for a number of reasons. Firstly, Thailand is a country with a traditional and pleasant culture which has been called the "Land of Smiles", because

4

Thais seem ready to smile at any time, even in serious situations and they rarely argue. Unlike the rest of South-East Asia, however, Thailand was never colonised by another Asian or western power and has maintained its independence for more than 700 years (Niffenegger et al. 2006). Thus, Thais are extremely proud of their nationality.

Despite possessing its own uniqueness, Thailand resembles most Asian countries which are rooted in collectivist (Hofstede and Hofstede 2005). Therefore, Thais believe that social harmony is very important. They will generally do their utmost to avoid any personal conflict in their contacts with others (Lawler and Atmiyanandana 1997; Sriussadaporn-Charoenngam and Jabin 1999; Holmes and Tangtongtavy 2003) and thus collectivistic people are less concerned with individual standing or the amont that each individual receives (Hofstede 1991). As Komin (1995, p.9) observes "*obtaining a job, getting a promotion or raise and resolving disputes with a superior are widely viewed as depending upon having contacts (or /Mee puak/) or knowing somebody (or /Len sen/)* " . Additionally, perhaps the most fundamental value that has emerged out of the vertical nature of Thai society is the concept of Bunkhun * (the reciprocity of goodness, showing kindness, giving and obtaining favours) where the concept is played throughout and between all levels in the social hierarchy, creating a behavioural pattern by which people of different statuses can interact in a civil and friendly manner. Broadly viewed, Thai culture is also characterised by high power distance (Sriussadaporn-Charoenngam and Jabin 1999; Hofstede and Hofstede 2005) and thus status differences among citizens are often very large. Komin (1991;1995) describes the Thai social system as hierarchical where Thais rely on a patron-client system and seniority is more important for rewards and promotion than either the external labour market or internal equity (Zhu et al. 2007).

* Section 4.2.3; Chapter 4

Understanding these cultural differences can be useful for multinational corporations (MNCs) that conduct business practices and relationships with Thai counterparts (for example, negotiations, executive decisions and cross-cultural employees/executives interactions). Specifically, locally-based values and norms are strong elements in organisational behaviour influencing organisational restructuring approaches and values, especially for the Thai national economy. To gain in-depth knowledge about Thai society requires to focus on the basic unit, the local values and, therein, the family lifestyle (Foreign Office 2010).

- **Thailand's Economy and Manufacturing Sector**

Thailand has emerged as a middle-income country with a gross national income per capita of $3917 in 2008 (ADB 2009) and a reasonably open economy (Punyasavatsut 2008). A core challenge for Thailand is to increase high-value added investment and expand sustainable infrastructure development as the domestic market is fairly small to support industrialisation. Thus, Thailand has shifted from an import-substitution policy towards an export-oriented strategy (Kohpaiboon 2004; UN 2005). Thailand is, nevertheless, an attractive market for investment and trade because of its location, market size and minimal interference from the government (Pornpitakpan 2000). More essentially, Thailand also provides a cost-effective regional manufacturing and distribution base for the Mekong region (Thailand, Laos, Cambodia and Myanmar) which has a combined population of over 125 million people (Niffenegger et al. 2006). Thailand was seen as a newly developing economy that saw substantial economic growth in the 1980s and most part of 1990s (Zhu et al. 2007; Punyasavatsut 2008) and this rapid economic growth played a key role in reducing poverty and increasing industrial output and exports (UN 2005). Suddenly, Thailand was the centre of the international economic crisis in the late 1990s. From mid-1997, the fall of Thai Baht quickly spread to weaken other South East Asian currencies (Niffenegger et al. 2006). However, Thailand has emerged from economic recession and returned to strong economic growth. Regarding the most positive aspects of Thailand's performance, the efficiency of the labour market (2nd) constitutes strength. Finally, the sheer size of its domestic (35th), international trade

(5th) and management practices (13th) markets are a source of economies of scale (IMD 2010).

Figure 1.1 : Competitiveness Landscape of Thailand
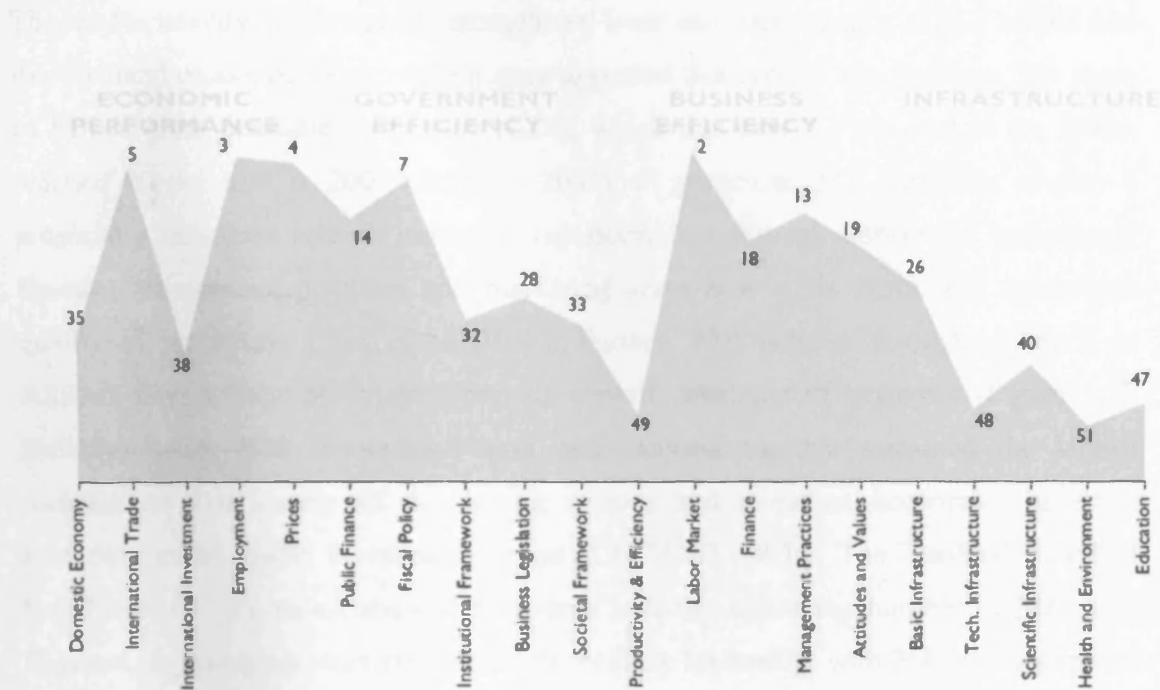
Source: IMD (2010)

With respect to manufacturing in Thailand, this is a substantial and growing component of the Thai economy, accounting for 34.8 percent of GDP (Punyasavatsut 2008). The country's economy is mainly driven by the manufacturing sector (ECC 2010). After the financial crisis, Thailand was one of the fastest growing economies and this was led by the growth in the manufacturing sector (Mukhopadhyay 2006). Notably, since 1999 the proportion of the labour force employed in agriculture has steadily declined and a large number of workers have decided to work in the manufacturing sector where wages and salaries were higher (Pholphirul 2005).

Thailand has adapted its policies to align with rapidly changing trends in the global economy. Foreign trade continues to be vital for promoting productivity and foreign

7

direct investment (FDI) is a key factor in the competitive circumstances offering the prospects of growth and jobs to host countries. Both Mukhopadhyay (2006) and the OECD (2008) have noted that the role of FDI has been widely recognised as a growth-enhancing factor in developing countries including Thailand (Chandprapalert 2000). Thailand is heavily dependent on international trade and vast amounts of FDI helped fuel the Thailand economic miracle and it once appeared that growth was limitless. The share of FDI in gross domestic investment (GDI), which was only 2-3 per cent in the 1980s, reached 20 per cent in 2000 (Brimble 2002). In particular, FDI continues to play a potentially important role in industrial transformation through transfer of technology, finance, management practices and marketing know-how while improving the overall quality of investment (Bae et al. 1998). Further, FDI policies throughout much of ASEAN have formed an integral part of overall development strategies (Figure 1.2). Notably, South, East, South-East Asia and Oceania together remained the largest recipient of FDI among all developing regions and transition economies in 2007, according to the World Investment Report (UNCTAD 2007a). The Thailand Board of Investment (BOI)'s report showed that there was the increasing number of MNCs in Thailand. Japanese investors maintained the country leadership; with 266 projects valued at 77.38 billion baht following by the US had 56 projects valued at 34.63 billion baht (BOI 2010a). More specificially, UNCTAD's World Investment Prospect Survey 2007-2009 ranked Thailand number 11 among the most attractive locations in the world for FDI. Since Thailand's workforce is among the most cost-efficient in the world, as they have earned a reputation for diligence and adaptability. The term competitiveness in the case of Thailand refers to low-cost labour, a skilled and efficient workforce (Brimble 2002; UN 2005).

Figure 1.2: Reinvested Earnings: Value and Share in Total FDI Inflows, 1990-2006
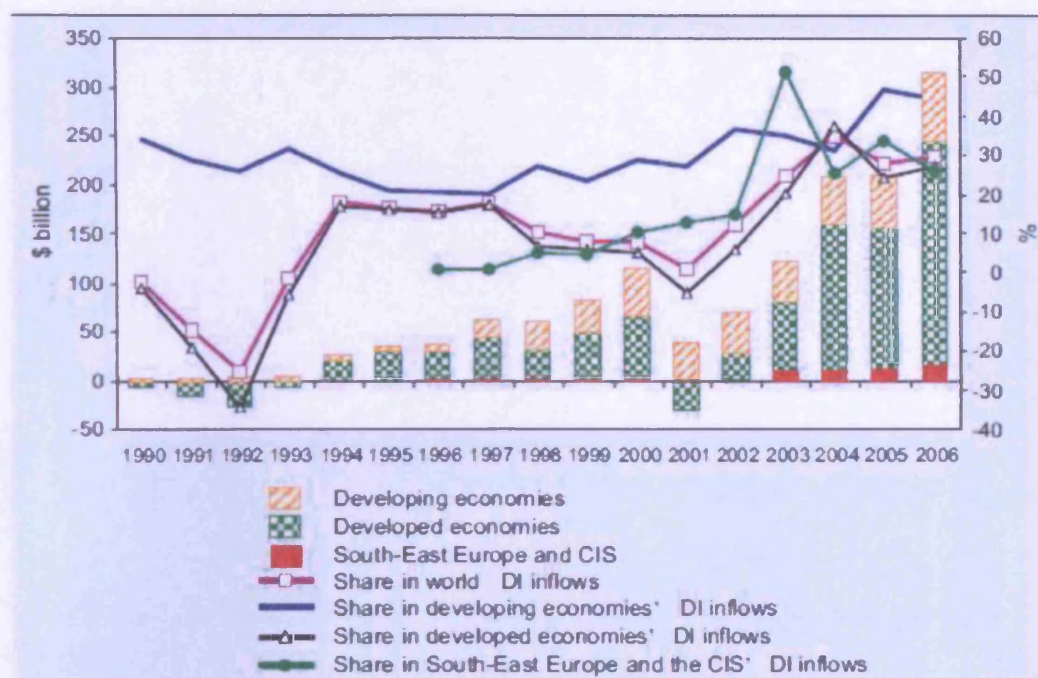
However, although economic growth seemed poised to reap the full benefits of a global economy coming out of deep recession, the Thai manufacturing sector did not generate net foreign exchange earnings throughout the sixteen-year period 1980-1996 before the crisis. Consequently, this required the liberalisation of the economy to promote trade and investment. For this reason, the current policies of the government focus on upgrading foreign technologies and promoting novel product development. This could increase Thailand's level of productivity to that of other competing nations. The UN (2005) stated that the Government of Thailand has adapted its policies to meet the changes in the global economy and overcome developmental challenges. Many of theses policies are reflected in the National Economic and Social Development Plans (NESDPs) and the government initiated a series of collabourative programmes with international and bilateral agencies (Dhanani and Scholtes 2002). The investment policy measures developed by the Thailand Board of Investment (BOI) have promoted Thailand as a favourable destination for export-oriented FDI (UN 2005). However, investors have

9

remained reticent over investing in Thailand or about the pace of expanding existing investments. A great many changes in the policy environment have taken place in the past ten years and these changes may have far-reaching consequences for the competitive environment of Thai manufacturing firms. Furthermore, over the years the share of total FDI was concentrated mainly in the manufacturing sector (Mukhopadhyay 2006). Thai industry has acquired most of its technology through FDI and trade (UN 2005). Effective investment is less costly than adding on more incentives for investors. Hence, Thailand has provided incentives, including low tariffs for necessary imports, the loosening of controls on foreign ownership of firms and the provision of essential infrastructure to develop support systems and to channel investment into rural areas and sectors of importance, such as agriculture and electronics for foreign investors (UN 2005).

1.3 The Gaps in the Current Literature

There are many gaps in the study of PRP in multinational and locally-owned companies in Thailand.

(a) The investigation of PRP implementation in Thailand

Pay has long been a matter of concern to managers because the one of the strongest determinants of employee attitudes, motivation and behaviours is compensation (Gerhart and Milkovich 1992; Tang and Chiu 2003; Gardner et al. 2004). East Asia is frequently seen as a low and stable income inequality, even when foreign exposure was high and rising, whether through exports or FDI (Velde and Morrissey 2004). At present, there are a few in-depth studies on PRP practices in Asian enterprises (Kim 2002; Miyamoto and Higuchi 2007) and almost none in Thailand, particularly pay is higly sensitive issue in Thai society. As McNally (2001); Dhanani and Scholtes (2002) have noted, the lack of reliable data on wage trends has hampered the study of labour costs and labour productivity in Thailand. As mentioned previously, it is undoubtedly interesting that the concept of PRP and the culture of Thais are in a culture of respect based on different aspects. PRP based on individual cultures typically emphasise an individual orientation,

10

individual achievements and identity. In contrast, Thailand as collectivistic culture focuses on groups and place a high values on maintaining harmony (Komin 1991). The difference of it is interesting to find whether PRP practices and Thai culture conflict.

Finally, this research will attempt to understand what and how PRP practices are adapted for Thai employees in organisations in order to understand employee's workplace attitudes. How employees react the new pay system, compared to the exist seniority-based pay, what and how PRP plans effects workplace cooperation and how far related motivational variables (such as teamwork, career advancement and organisational commitment) will be studied in the Thai context. Thus, this study, which is based on field research in an Asian country, will explore these "fits", which are anchored in both business and managerial strategies. Further tests of the theory in non-Western cultures are definitely required because equity perceptions, by their very nature, are likely to be subject to cultural influences.

(b) The dearth of a comparative study of compensation relating to the local and multinational companies in Thailand

Although these have been carried out research on pay practices in Thailand and multinational companies (For example, Sirikum 1993; Anavoranich and Tsang 2004; Uyawong 2006; Pintusamit 2007), much of this is descriptive. Nonetheless, to my knowledge, there has been little empirical research on comparisons of pay implementation as an HRM practice in Thailand. This study offers an important piece of supporting evidence to the comparative information among cross-cultural validity of the theory. This is noteworthy because this study is the first attempt to apply a contingency fit framework to examine the impact of environmental uncertainty in Thailand. The notions of national culture and pay systems will also provide employers with a more accurate understanding of employees' attitudes through objective setting, leading to a clear sense of direction. In an increasingly globalised business context, companies need to understand if, and how, cross-cultural differences influence the perceptions, attitudes or even behaviour of employees. The research will explore whether

11

Thais working in different nationally-owned companies have a different perceptions on the same issues. The study not only concentrates on Thai, but also Japanese and American companies, because these are the largest multinational companies investing in Thailand (BOI 2005; 2007; 2010a). How are differences in the logic of HRM systems among the key players in multinational and local companies? To initiate the managerial practices in the HRM arena requires our understanding of what factors influence the adoption of HRM practices. Relatedly, HRM advocates of the study argue for the need to match HRM practices and other organisation is extended to explore the influence of business strategy on the relationship between HRM practices and firm performances in Thailand, as suggested by Sivabrovornvatana (2005).

As argued by Chew and Sharma (2005) and Gomez-Mejia and Werner (2008), national culture also plays a dominant role in shaping organisational culture. Different environments require different strategies and corporate culture needs to fit those strategies. In fact, management practices and organisation culture are reflections of the national culture in which the organisations originate (Chew and Witti 1995). Although Thailand and Japan are similar in many respects, others may differ. According to Hofstede (1980; 1991), Thailand, Japan and the United States have significant differences in cultural dimensions scores concerning national culture with significant basic assumptions used to guide motivation and managerial practices. Certainly, American culture is very different from Thailand and Japan. In spite of the rapid growth in the use of PRP plans across the Western and Eastern firms, there have been surprising few attempts to gauge their success in Thailand, and even fewer attempt to clarify, empirically, PRP implementations in Thailand.

(c) Gaining a new knowledge to strengthen HRM aspects in Thailand

As the literature review indicates (Siengthai and Bechter 2005; Sivabrovornvatana 2005), research into Thai HRM is still in its infancy and have been understated (Siengthai and Buchter 2004). The lack of such HRM knowledge in Thailand has posed great challenges for business research in Thailand. Furthermore, while several studies have been

conducted examining the PRP implementation, interestingly, there is a dearth of empirical evidence on the spread of PRP practices and work-related factors (teamwork, career advancement and organisational commitment) in Thailand. As Sivabrovornvatana (2005) reported that for companies in developing countries, the capital requirements for initiating change in the HRM area are low compared with many other countries and companies are seeking to catch up with their competitors. This research will endeavour to open the black box of PRP implementation in Thailand. In other words, what and how is the PRP policy adapted to Thai culture?

More specifically, based on a review of business contexts, differences in population attributes, sociocutural values, management practices and organisational processes may affect the links between demography and organisational outcomes (Wiersema and Bird 1993; Mcknight and Tomkins 2004; Okpara 2004; Huang et at. 2006; Moyes et al. 2006). This study operated multinationally, will also study how demographic variables such as age and educational level influence work-related attitudes behaviours. Although many studies have found a robust relationship between PRP and other related variables, few studies have researched the link between PRP and demographic information. As Price (1995); Roxes and Stoneback (2004) have noted, while demographics may have some effect, research has been reluctant to stress this because variables such as age and gender can not be altered by management and selecting employees based on demographics can be challenged as discriminatory. Moreover, this study points to other fruitful areas of research since it may be possible for managers to develop appropriate human resource strategies for improving satisfaction and commitment if it is known that certain groups of employees are not attaining high levels of these variables. Finally, this will also help determine the direction of modern human resource strategies for Asian and Thai organisations in the future.

D) Increasing Thai labour capabilities and FDI

Although the Thai workforce is low-cost and adaptable (Brimble 2002; Pholphirul 2005; UN 2005; BOI 2010b), Thai labour still needs to improve its quality to maximise competitiveness so meet global competition (PMAT 2005; BOI 2005; 2010b). Remarkably, the growth in FDI would lead to a growing demand in skilled workers and finally add to the relative scarcity of skilled workers in Thailand as suggested by Velde and Morrissey (2004). To sustain strong economic growth and competitiveness, Thailand may need to embark on a different strategy. In Thailand, the impact of the crisis was rather profound, which compelled Thai firms to adopt more flexible and responsive human resource management practices (Lawler and Atmiyanandana 2004) and human resource managers take on a more strategic role to set up new organisational system in their organisations (Akaraborworn and McLean 2001). The study also offers some useful policy implications at the company and government levels for labour development and boosting employee capabilities to the extent that the employers' demand for labour increases when workers become more productive. As business activities in Thailand are becoming more global, international management and international human resource management, in particular, have become important research areas. Essentially, this will promote trade and the labour force and has attracted FDI to Thailand.

1.4 Research Questions

This research has four primary research questions: -

1. To what extent has PRP been used in Thai, Japanese and American companies in Thailand? How have PRP schemes been implemented in a different owner of companies and is the nationality of an organisation important?

2. What are the perceptions of employees to the use of such PRP practices according to demographic differences? Are the reactions of workers different to those in the previous research, particularly which conducted in Western societies?

3. What are the views of Thai workers in Thai, Japanese and American companies regarding the following aspects - teamwork, career advancement and organisational commitment?

4. What are the relationships between PRP practices and such related factors (teamwork, career advancement, organisational commitment)? Does the Thai context result in different relationships?

1.5 Research Objectives

1. To explore PRP plans implemented among a different nationality of the owner - Thai Japanese and American in the manufacturing sector in Thailand.

2. To clarify the PRP operational practices used and perceptions of employees towards PRP plans among Thai, Japanese and American firms and the reaction of Thai employees to PRP implementation according to demographic characteristics.

3. To compare the perceptions of PRP and work related attitudes – teamwork, career advancement and organisational commitment among Thai worker employing within companies.

4. To examine empirically the possible relationships between PRP plans and each significant variables in Thai context.

5. To provide recommendations for the effective and successful implementation of PRP in Thailand based on different culture.

1.6 Research Methodology

A range of propositions about the effects of PRP schemes on these firm outcomes are tested using data drawn from multiple enterprises in Thailand, using a triangulation approach. Taken that the three nationalities of the company owners have substantially different industrial contexts and HRM systems, this will further our understanding of this HRM tool. The unit of analysis of this study is the manufacturing companies listed by the Department of Business Development of Thailand and which have obtained the Thai Labour Standard (TLS 2003) by the Department of Labour Protection and Welfare.

488 questionnaires were circulated regarding PRP plans and relevant variables, supplemented by conversations with 18 supervisors and middle managers. A triangulation approach was applied in data collection and analysis. There include (1) primary sources, namely company documents, reports, websites providing the company's profiles and relevant information. (2) Survey research to measure the respondent perceptions obtained from the questionnaires distributed to employees through 488 survey questionnaires of workers of which 352 were usable, resulting in a 73 percent response rate. (3) Conducting 18 semi-structured interviews with supervisors and middle managers. Factor analysis with a varimax rotation reduced the 52 factors down to 12 factor groups. Apart from applying factor analysis, data analysis was undertaken using descriptive statistics at the preliminary stages to provide useful insights, with more detailed analysis done using Mann-Whitney U test, Kruskal-Wallis test and partial correlation tests of significance. Appropriate statistical analysis software is employed to aid analysis.

1.7 Outline of the Remaining Chapters

This thesis consists of nine chapters, organised as shown in Figure 1.3

Chapter 1 outlines the context within which the research is undertaken and provides the gaps of research, objectives and research questions. Furthermore, the scope and the research methodology applied are briefly demonstrated.

Chapter 2 will critically review PRP aspects and consequences, particularly, on teamwork and career advancement.

Chapter 3 will present a review of the literature focusing on the concept of culture, Hofstede's dimensions of culture and organisational commitment.

Chapter 4 will clarify the literature related to Thailand which will give a clearer view both of Thai society and also human resource management in Thailand.

Chapter 5 provides the conceptual model and also interrogates factors that are related to PRP plans and each variable in order to develop a conceptual framework for this research. These theories are: Expectancy Theory, Agency theory, Social Exchange

Theory and Equity Theory. Finally, theoretical hypotheses of the relationship between these factors are presented.

Chapter 6 will explain the methodology adopted for this research, which in this case is a quantitative one, with aspects of the qualitative approaches incorporated to support and improve the research design to answer the research questions. The population, sample selection and data collection process will be detailed in this chapter.

In Chapter 7 and 8, the descriptive and inferential information including key findings obtained from the survey and the semi-structured interviews will be discussed and summarised in response to the initial research questions and hypotheses of this study.

Chapter 9 - the final chapter will conclude a summary of the research, the contributions of this study. Moreover, the implications of the research, together with suggestions for further study, are included.

1.8 Conclusion

This chapter provided the background to the motivation for and the gaps for this research. PRP is a relatively new HRM mechanism in Thailand and needs to be examined. This research will analyse PRP implementations and also the relationship between PRP and different variables such as demographic differences, teamwork, career advancement and organisation commitment. With a dearth literature related to PRP plans in Thailand, this study will fill the gap in the existing literature and contribute to academics and practitioners' understanding of PRP schemes in a Thai context. Lastly, PRP aspects and related consequences are the focus of the next Chapter, in order to develop the research questions regarding the association between PRP plans, demographic data, teamwork, career advancement and organisational commitment.

Figure 1.3: Organisation of the Thesis


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              │     Chapter 1       │
              │    Introduction     │
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│   Chapter 2   │ │   Chapter 3   │ │   Chapter 4   │
│ Performance-  │ │ Org.          │ │ HRM Thailand  │
│ Related Pay,  │ │ Commitment    │ │ and its       │
│ Teamwork and  │ │               │ │ culture       │
│ Career        │ │               │ │               │
│ Advancement   │ │               │ │               │
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              │     Chapter 5       │
              │ Conceptual Model    │
              │  And Hypotheses     │
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              │ Research Methodology │
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              │ Descriptive and     │
              │ Inferential Results │
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              │     Chapter 9       │
              │    Summary and      │
              │  Implementation     │
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Source: This Research

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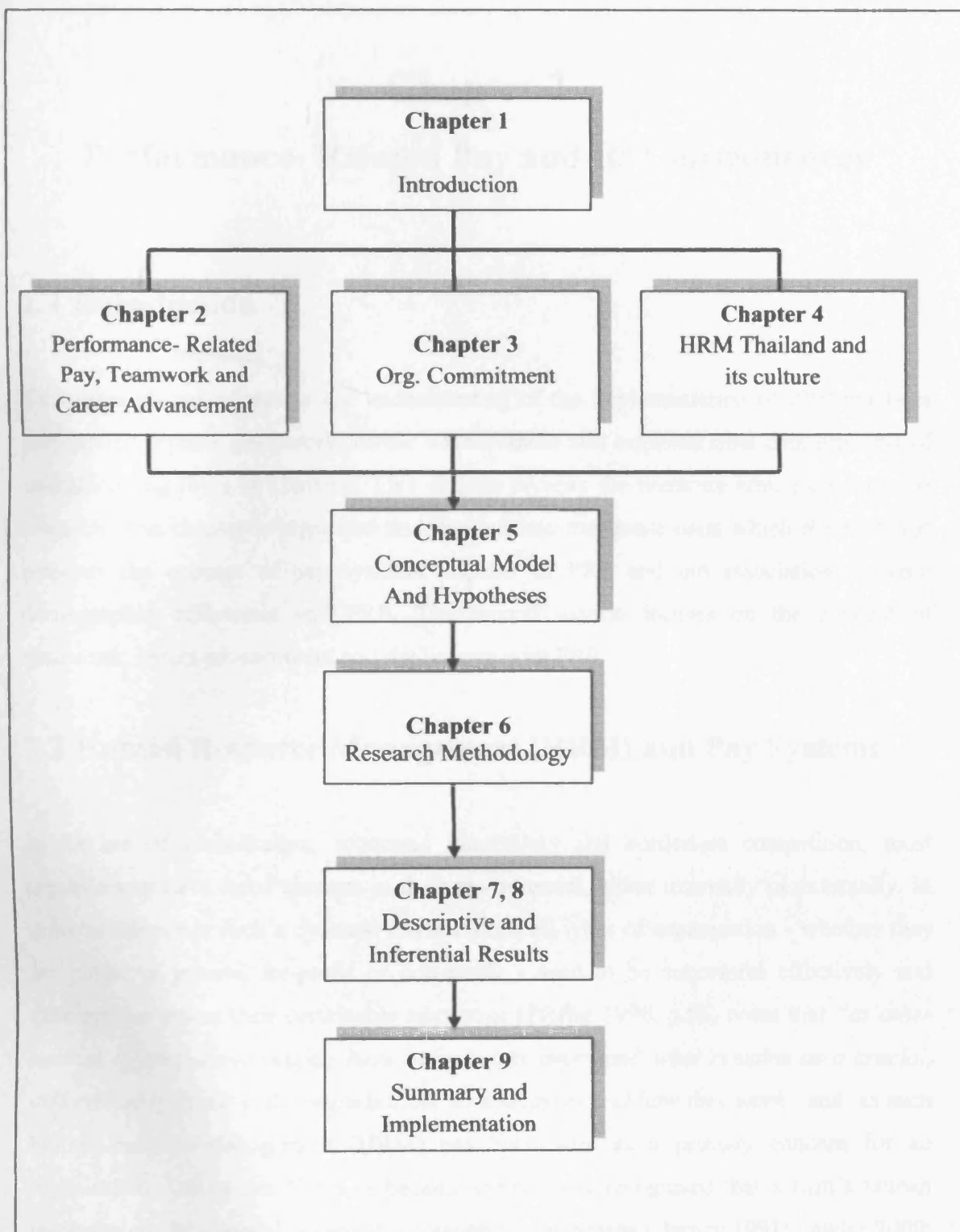
Chapter 2

Performance- Related Pay and Its Consequences

2.1 Introduction

This research contributes to our understanding of the implementation of PRP practices and related aspects (teamwork, career advancement and organisational commitment) of manufacturing firms in Thailand. This chapter reviews the literature which supports the research. The chapter is organised and divided into two main parts which the first part presents the concept of pay systems, aspects of PRP and the association between demographic differences and PRP. The second section focuses on the concept of teamwork, career advancement and the linkage with PRP.

2.2 Human Resource Management (HRM) and Pay Systems

In the era of globalisation, economic uncertainty and borderless competition, most organisations have faced changes in their environment, either internally or externally. In order to survive in such a dynamic environment, all types of organisation - whether they are public or private, for-profit or non-profit - need to be successful effectively and efficiently to assure their sustainable advantage (Pfeffer 1998, p.56) notes that *"as other sources of competitive success have become less important, what remains as a crucial, differentiating factor is the organisation, its employees and how they work"* and as such human resource management (HRM) has been seen as a primary concern for an organisation. During the 1990s, it became increasingly recognised that a firm's human resources can be a central source of a competitive advantage (Barney 1991; Lawler 2000; Benson and Brown 2000; Brown 2001; Conyon et al. 2001; Edgar and Geare 2005), since

19

human resources are often unique, causally ambiguous and difficult to imitate (Becker and Gerhart 1996) and new forms of HRM and managerial strategy trigger significant changes in attitudes and work behaviours in an organisation. As Heery and Noon (2008, p.215) explain, *"HRM is a coordinated approach to managing people that seeks to integrate the various personnel activities so that they are compatible with each other and is a mean through which an organisation can gain a competitive advantage"*. HRM activities can influence an organisation's performance (Becker and Gerhart 1996) through the improvement of employees' skills and quality (selection and training) and through an increase of employee motivation. HR professionals and executives seek strategies in order to attract and retain good workers. Moreover, the increasing internationalisation and globalisation make it more pressing than ever to understand how to establish HRM procedures which can deal with substantial differences of cultural and national settings (Budhwar and Sparrow 2002). This draws on attention to the relationship between culture and HRM, which has been studied according to whether there are cultural limitations to the transfer of HRM practices from one country to another country. For companies with diverse businesses or operations in several countries, there are advantages in transferring their strategic policies between businesses or subsidiaries. More importantly, there should be an appropriate fit between HR strategy and the external environment in which the organisation operates (Bae et al. 2003).

Figure 2.1 shows the link between HRM practices and outcomes. Selection, socialisation, training and development programmes are also important in accomplishing quality from employee skills and abilities. Training and development may be related to firm performance in many ways. First, training programmes increase the firm specificity of employee skills, which, consequently, increases employee productivity as well as reducing job dissatisfaction that results in employee turnover (Huselid 1995). Quality means work quality rather than employee quality. Thus, the integration of security, promotion and rewards referring leads to commitment as a result of effort and motivation. Lastly, role structure and perception are outcomes from further HRM elements, for instance, job design and flexible job descriptions.

Figure 2.1: Linking HRM Practices and HRM Outcomes

Selection Socialisation Training and development Quality Improvement Programmes Single status	Skills and Ability (Quality)
Job security Internal promotion (Commitment) Individualised reward systems	Effort/Motivation
Communication Employee Involvement Team working (Flexibility) Job design Flexible job descriptions	Role Structure and Perception
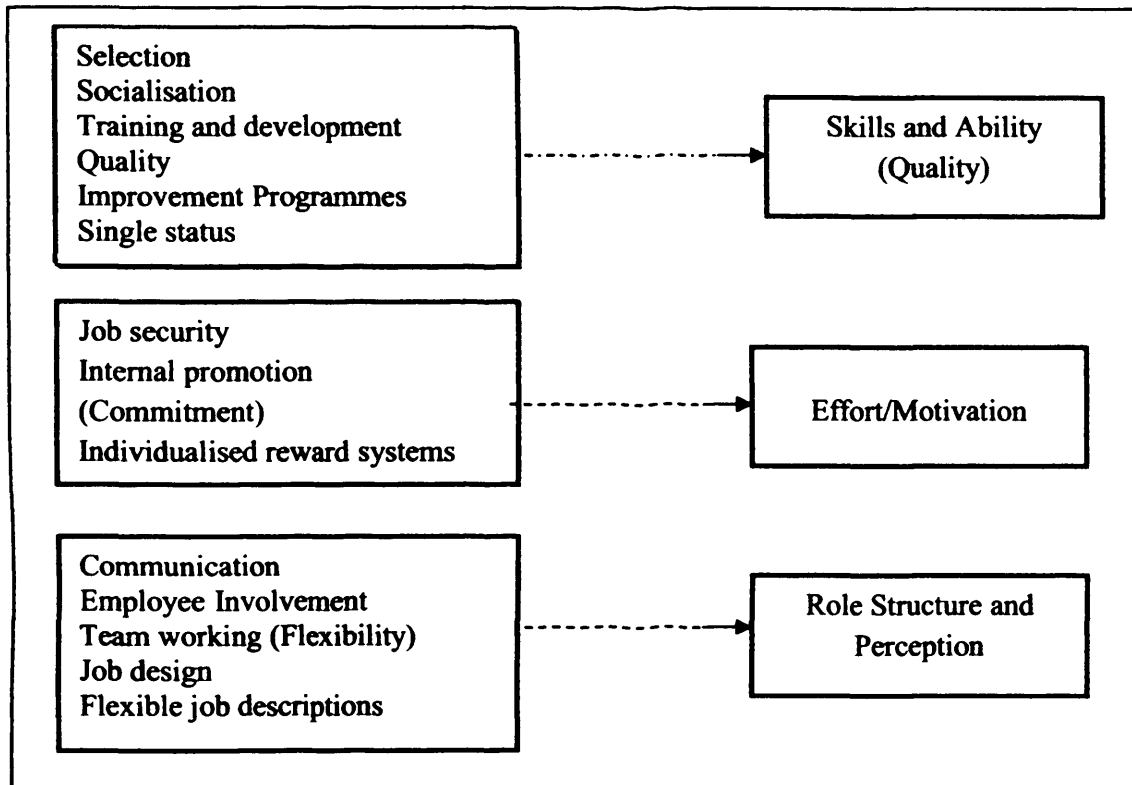
Source: Guest (1997)

The coherence, or fit, between specific payments would most likely create value by motivating, mobilising and retaining calibre employees (Armstrong and Murlis 1998 ; Lawler 2000). With regard to management levels, forms and modes, compensation may, depending on the context, engender a variety of attitudes and behaviours, which can in turn influence organisational efficiency (Gomez-Mejia and Balkin 1992; Harris 2001; Gerhart and Rynes 2003). Thus, firms with higher compensation are more likely to retain essential employees than firms with low payment schemes (Ghebregiorgis and Karsten 2007). As indicated previously that people are an organisation's the most valuable resource, as assets rather than costs, which underpins the human resource movement and attitudes towards HR practices. Pay is seen as one of the most powerful factors in the employment relationship (Milokovich and Newman 1996) and has been affirmed as a potential tool for achieving competitive advantage as well (Gomez-Mejia and Welbourne 1991; Gerhart and Milkovich 1992). Payment system selection depends on the particular

21

circumstances of the organisations strategy, the technology and the characteristics of the labour market and employee attitudes (Lawler 1990; Armstrong and Murlis 1998; Cox 2005; Marchington and Wilkingson 2005). Moreover, pay system design and its implementations have to be considered as a process which takes place over time and in different contexts of use and practicable conditions. They cannot simply be set up separately without consideration of other issues and strategic objectives (Lyons and Ben-Ora 2002).

Clearly, the amount of total pay received has an obvious effect in which employees may inevitably be influenced when selecting employment opportunities (Gomez-Mejia and Balkin 1992) and compensations have a significant impact on employee behaviour, performance and effectiveness in organisations. Perhaps most essentially, higher pay also sends a message that the organisation values its people (Pfeffer 1995; Gardner et al. 2004). Additionally, Marsden and Richardson (1994) have suggested that management hopes that pay would act as an incentive to raise performance in some way. Furthermore, the CIPD (2000) notes that in order to maximise effectiveness, pay systems need to be developed a rich understanding of how to motivate employees, both directly and indirectly. Money not only serves as a motivator because of its satisfying effect on economic needs but also serves to fulfill exact individualistic psychological needs; for example, security, status, esteem and feedback about achievement (Gerhart and Rynes 2003). Particularly, pay systems have tended to rely almost entirely on psychological theory and have focused on rational behaviour aligning and integrating appropriately theoretical, practical and motivational issues (Chapter Five).

To sum up, pay is not just a set of compensation practices but rather a way of thinking about the role of reward systems in a complex organisation where has introduced reward systems to encourage employees to share their knowledge with others so that competencies will be improved. Pay has been found empirically, to be more effective in encouraging workers as people tend to continue doing what they have been rewarded for and rewards can affect the attitudes of individuals towards their work and their understanding of why they are working (Gardner et al. 2004). As a result, pay

expectations can increase desired performance in the workplace between employees by awarding higher pay and promotions to the highest performers.

2.3 Performance-Related Pay

Throughout the 1980s and 1990s, there was growing interest in, and practice of, individual PRP, based on the belief that it would lead to both improved productivity and a cultural change in the working environment (Reilly 2005). There was a widespread belief that the traditional wage-employment relationship where employees were rewarded simply by straight salaries was not ideal in a modern competitive economy (Conyon et al. 2001). Pay for Performance (or Performance-Related Pay, PRP, as it is more commonly called), can be addressed as an entrenched part of the compensation system (Hanley and Nguyen 2005). As noted by the Lewis (1991); Brough (1994); ACAS (1996); Risher (2002); OECD (2005); Thompson (2005), PRP refers to the salary increments, bonuses and similar variable part of pay which is awarded each year (or on any other periodic basis) linked directly to individual, team or company performance, on the basis of their contributions to a firm, which is introduced to create inequity in pay between two individuals or groups working in the same area of an organisation. As reported in the literature, such schemes have growth rapidly in both the public and the private sectors and have extended their coverage to the lower reaches of the organisational hierarchy (Kessler 1994) and included all staff (OECD 2005). Thus, PRP has received a growing amount of attention and discussion in recent years*

*(Section 2.3.1: The Development of PRP over Past Two Decades)

Compared to traditional payments which were collectively negotiated based on pluralist employment relations (Trevor 2009) and standard formulae which made it difficult to measure individual contributions to performance, PRP is designed as a tool for evaluating contribution on an individual basis (Shelly 1999), typically determined by a process of systematic performance appraisal (Lewis 1991; Marsden and Richardson 1994). Obviously, this reflects a move away from traditional methods of job evaluation and time-based pay to a more individualised approach (Shelly 1999; Marsden et al. 2000). The principle of PRP schemes is that the incentive effect should be strong as workers perceive a direct link between their efforts and their earnings (Morris and Fenton-O'Creevy 1996; Reilly 2005; Stiffler 2006). Employees that benefit from their individual contributions will be more motivated to work with greater intense effort than those that are compensated based on seniority (Schwab and Olson 1990; Gerhart and Rynes 2003). As Kessler (1994); Armstrong and Murlis (1998) and Conyon et al. (2001) emphasised, PRP has been implemented as an attempt to overcome labour market pressures by paying high performers more in order to retain and recruit high outstanding employees. Thus, the better the performance of the employee, the higher the pay (Brough 1994). Accordingly, pay linked to performance is measured by a number of specific objectives such as sales production volumes or cost control. More specifically, PRP has focused on rewarding output (rather than input) where each employee is primarily paid according to his/her achievements as objectively measured by financial outcomes and productivity, usually within a highly managerialist perspective (Guest 1997; Kweon-Taek 2008), using qualitative (rather than quantitative) judgments in assessing performance, a consideration on working objectives (rather than personal qualities) and an end to general annual pay increases (Fowler 1988). PRP strategies should rely on a clear performance appraisal process within the framework of a broader performance management strategy (OECD 2005). One of the key objectives for PRP is the greater financial control (Kessler and Purcell 1992; Kessler 1994; Forrester 2002). As PRP links the employee's performance appraisal and pay, this provides a degree of control by management over the labour process at a micro and macro level (Forrester 2002). Likewise, Benson and Brown (2000) explain that the PRP plan is a potential strategy for the greater financial control over wage costs where pay increases are offered only to those

whose their performance warrants financial recognition. Workers who generate a substandard performance will obtain little/no pay increases and will be likely to seek employment elsewhere (Kessler and Purcell 1992). Further, PRP practices intend to reward higher performers to take risks by investing their time and skills in working for the success of a company (Conyon et al. 2001).

With respect to the positive aspect of PRP, Benson and Brown (2000) and Risher (2008) point out that PRP is an increasingly popular theme based on the simple supposition that employees will work harder if a firm offers them an opportunity to gain more money. PRP is often assumed to be a direct motivator (Risher 2008) in order to induce more effort (Dowling and Richardson 1997), improve individual performance (Conyon et al. 2001; Hanley and Nguyen 2005), generate high levels of employee commitment (Kessler 1994; Paul and Anantharaman 2003) and reinforce a state of preparedness to work beyond contract. Essentially, PRP should be viewed as an opportunity to keep skilled workers (Benson and Brown 2000) and is thus instrumental in attracting, motivating and retaining the best employees (Kessler and Purcell 1992). The research of both Gardner et al. (2004) and Piekkola (2005), for example, indicated that PRP schemes had substantially improved firm performance. Moreover, Brown (2001) states that PRP is a potentially powerful tool in the employment relation by building up high-trust relationships between manager and employees (see also Harris 2001) and enforces a more contractual employment relationship in which accountability and reward are bound closely together.

Another contribution of PRP is in developing organisational culture. As Torrington (1993, p.154) notes "that PRP is not just another variation on the pay theme; it is a fundamental change in values and management style". If an organisation can avoid the negative aspects, PRP schemes can effectively reinforce values and direct employee behaviour toward the achievement of firm goals. Chamberlin et al. (2002) argue that PRP has been introduced to satisfy a desire to change the culture of the organisation by emphasising the need for employee flexibility, a willingness to innovate or by stressing the importance of the individual employee as opposition to the collective (Cannell and

25

Wood 1992). According to Heery (1996, p.62), *"PRP delivers messages about what is valued by an organisation, reward systems are frequently identified as instruments of culture change and many public sector managers have attempted to use PRP to foster the values of a new performance culture"*. The findings of Risher (2008) supported the view that a performance culture is related to lower employee turnover and absenteeism. Similarly, a CIPD study found that new pay structures were frequently being introduced as part of a business strategy and the processes supported or even led cultural change (CIPD 2000). In this way employees recognise performance culture within PRP; their rewards will be evaluated according to their contribution to the goals of a firm.

Alternatively, critics claim that PRP plans can have many defects, including improper design and implementation, inappropriate objectives/criteria, limited distribution or unimpressive rewards (Brough 1994; Dowling and Richardson 1997). In addition, the concept in PRP which some employees are selected who perform a more competent standard of work than others can be divisive and lead to overall ineffectiveness unless everyone perceives the rules as fair (Torrington 1993). Research suggests that PRP schemes need to be well-managed in order to facilitate a trouble-free introduction (Marchington and Wilkingson 2005). Employees who do not earn their rewards under PRP practices may claim that objectives are not properly set up or their performance is not fairly assessed. To sum up, although PRP systems may suffer from certain problems, they are widely used rewarding employees (Lowery 1996; Lawler 2000).

2.3.1 The Development of PRP over Past Two Decades

The use of PRP has become widespread in recent years and is seen to bring about the improvement on firm-related aspects (Benson and Brown 2000). PRP policies spread from management level to cover many different categories of staff in the past ten years. The earliest examples of PRP schemes pre-date the 1980s, notably in the public sector (Dowling and Richardson 1997; OECD 2005). In France, for example, the very first version of the civil service by laws, adopted in 1946, stipulated that individual or group bonuses could be granted periodically to civil servants to reward exceptional

performance. Rouban and Karvar (2004) surveyed 6500 public and private sector managers during in 2002 and confirmed previous research results. Further, performance bonuses appeared to be more widely used for managers than for non-managerial employees in France (Marsden and Belfield 2006). Similarly, Conway et al. (2008) found that in France, the use of training, teamwork, collective PRP and engagement on changes and targets increased in the largest establishments (those over 500 employees) while for four of the variables (those relating to training, autonomy, individual PRP and collective PRP) a negative correlation was found for the smallest ones (those employing less than 50).

In Japan, a provision to grant public employees a diligence allowance has been in existence nationwide since the early 1950s (OECD 2005). Additionally, in Japan, 4.1 percent of survey respondents reported that they did not have a PRP philosophy; that percentage was down to 2.3 percent in 2008. Sixty-four percent of employers now used individual performance to determine bonuses or short-term incentive awards, up from 58 percent in 2007 (HR Magazine 2008). Clearly, many Japanese companies are shifting from seniority-based schemes to performance-related ones (Benson and Debroux 2010). In Canada, meanwhile, an official system of merit increases for civil servants was introduced for the first time in 1964 (Ng and Maki 1993). The pattern of implementation of various PRP systems shows that both small and large firms are similar in this regard. The results also shown that among PRP systems, non-unionised firms had a higher adoption rate of the performance appraisal-based method and 47.5% of respondents said that they had increased pay differentiation based on performance, in the study 384 organisations employing approximately 1.6 million unionised and non-unionised employees (CMA Management 2005). Similarly, the United States government introduced a system of PRP for managers (the Senior Executive Service) with the 1978 Civil Service Reform Act (OECD 2005). However, most so-called merit increases available under many of the other schemes in operation before the mid-1980s could not be considered to be true PRP. This was because merit was defined so as to avoid having to apply penalties; indeed, these increases were frequently allocated on a collective basis regardless of performance. They were effectively length of service or

age-related increments. So, PRP pay has to be carefully distinguished from other types of allowances not linked to performance, from automatic salary increases, and from the part of variable pay linked to job evaluation (OECD 2005).

The introduction of PRP systems at the end of the 1980s and 1990s was a far more important development than the early merit increases referred above. These more recent policies were introduced in a more systematic way and with mechanisms which consolidated PRP increases into pay and pensions, having a long-term effect on them. For example, the Korean government introduced two forms of PRP scheme - annual merit increments and performance bonuses - in 1999 in order to improve productivity and competitiveness (OECD 2005). The scheme, however, had a number of limitations, for example, lack of experience in utilisation of PRP, supervisor bias and poor performance management and union resistance (Kim 2002). PRP schemes have been increasingly linked to organisational objectives and strategies against which individuals are appraised annually. There are a range of different schemes related to a variety of individual, team-based and skill-based criteria for making such rewards. However, in reality the schemes often involve some combination of the three. In many schemes, the employees involved now have all of their annual pay increases awarded through this method. Quotas and forced ranking systems are also increasingly used in the private sector. For instance, at General Electric only 20% of staff can be rated at the highest level and 10% have to rated at the lowest level, using a three-level rating scale (OECD 2005). Unfortunately, there is little evidence on the establishment of PRP practices in Thailand. Attention on compensation systems began in 1986 which has extended to an interest in performance management since 2001 (PMAT 2005). Moreover, McCampbell et al. (1999) reported that 76%of the Thai companies employed a seniority-based promotion structure, while only 24 % used a merit-based system. Moreover, the larger the company in Thailand, the higher the possibility of employing a seniority-based pay.

2.3.2. Reward Systems and PRP

It is necessary to understand the reward strategy lying at the root of pay systems (Performance-Related Pay in this research) to achieve the effectiveness of motivational goals as shown below (Figure 2.2). The link of each box in the model represents the significance of a compensation design developed to ensure that the scheme is able to reach the desired outcomes. A key element of successful PRP design and implementation is to begin with a total reward strategy, illustrating that there are a number of components of the reward strategy which affects PRP design and that each of these components should be taken into account when evaluating integrated PRP schemes. This provides the company with a structured platform from which planned future decisions can be consistently made, even as the environment changes. It also affirms that all human resource programmes are, in theory, aligned with the overall business strategy and company direction (Budhwar and Sparrow 2002; Gomez-Mejia and Werner 2008). A total reward strategy should support the overall business strategy. More importantly, should be communicated to all employees (Lawler 2000; Harris 2001; Malhotra et al. 2007). The prevailing conceptualisation of strategy in the international business context has been the global integration-local responsiveness framework. While the global nature of a business may call for increased standardisation, diverse cultural environments may, simultaneously and paradoxically, call for differentiation (Gomez-Mejia and Werner 2008). True PRP exists when employees are rewarded for meeting and exceeding performance expectations. All pay components should be aligned in order to complement one another.

A company's total reward strategy, combining compensation and benefits (direct and indirect rewards), can maintain competitiveness and bring about good performance. Effective and efficient use of pay plans can reach the essential goals of a PRP strategy. Moreover, an effective PRP total reward strategy would not be complete without a performance appraisal programme (Brough 1994; Lewis 1998; Wright 2004). The transition to a PRP mechanism should commence with an understanding of worker's intrinsic motivations and how these affect their behaviours. Employee's abilities,

29

experiences and the associated organisational administrative infrastructure also have a significant impact on pay systems. At the same time, companies should pay attention to the learning processes of employees. It is notable that while people come to work to get their pay they also gain experiences. Learning is seen to be a part of every day work, and not a separate activity (Blackman and Kelly 2006). Under PRP schemes, employees strive themselves to improve their skills and knowledge to reach an expected performance target while companies should provide the necessary support for employees to improve their ability through training and career advancement. When employees realise the systematic elements of human resource management, together with improved pay systems, their desires are in part satisfied. As a result, motivation drives employees to exert themselves and they accomplish their improved pay. For example, Gardner et al. (2004); Hanley and Nguyen (2005) found that the pay level affects employee self-esteem, which in turn, affects employee performance.

Figure 2.2: A Total Reward Strategy Requires a Holistic Approach to Human resource

```
                    ┌─────────────────────────────┐
                    │  Corporate Vision, Values,   │
                    │      Business Strategy       │
                    └─────────────────────────────┘
                              ↓    ↑
                    ┌─────────────────────────────┐
          ↗       ↗ │   Human Resource Strategy    │ ↖      ↘
                    │ (Practices Policies, Programmes)│
                    └─────────────────────────────┘
   ┌──────────────────────┐          ┌──────────────────────────┐
   │       Workers        │  ←──→    │   Total Rewards Strategy   │
   │Requirements/Capabilities│         │                          │
   └──────────────────────┘          └──────────────────────────┘
```

| -People planning -Recruiting -Selection -Orientation -Diversity | Rewarding -Cash compensation -Special recognition -Long-term equity - Benefits (health, welfare, security etc.) | Measuring Performance - Performance Planning, assessment and management - Organisation and work design | Learning - Training and development - Leadership Development - Career development |

Incentives

Motivation

Effort

Performance (Outcome)

Exceeding Pay

Employees Satisfaction

Market Requirements Fulfilled

2.3.3 Contexts of PRP

PRP is also consistent with the idea that higher performers should also have higher pay levels than their lower performing counterparts in comparable positions. This is particularly true, when PRP practices are implemented within different cultures, such as Asian culture rooted in collectivism. These principles in the development and administration of PRP arrangements should be well-planned and periodically updated to reflect the most practical and efficient practices. In the next section, the PRP elements will be explained.

1. System Design

As mentioned previously, pay systems become crucial tools to support competitive advantage. A common theme in the compensation management literature is that organisations have considerable discretion in the design of pay policies. Sometimes, pay strategies assumes that whatever the system used must be the one best system for a particular organisation but not for others as there is no best solution (OECD 2005). Even similar organisations may adapt different strategies; some may be more efficient than others. Fischer (2008), for example, argues that individuals within an organisation may have self-interests and goals that are often not in line with the goals of the organisation, and may view PRP as about cutting labour costs, that many line managers operate a quota and that they use PRP to reward their favourites (Marsden et al. 2000). Hence, a PRP system design should reflect how the organisation values employees and also demonstrates what behaviours are desired and rewarded (Schein 1992). Additionally, Appellbaum and Mackenzie (1996) indicate that a properly designed of pay schemes can be a vehicle for management communication to convey the choice of allocation principles which reveals the distribution of resources and rewards. By contrast, badly designed schemes may not meet employee's expectations through lack of effort and work which can lead employees not achieve specific goals (Brown 2008).

Regarding **the alignment with relevant aspects**, good system design, including the company's philosophy developed from the business vision and mission, can be extremely valuable in supporting management so as to drive the company effectively. The system should adopt values and attitudes for balancing corporate, business unit and functional priorities in according to a worldwide scale so that there become enormous intellectual and competitive advantages. Subsequently, pay systems can be good motivators, depending on a company's compensation policy and practices (Helm et al. 2007). As Whitfield and Poole (1997, p. 745) noted, *"it is crucial that performance-oriented work practices are congruent with the overall strategy of the organisation in which they are sited and only work if introduced in an internally consistent manner"*. Creelman (1995); Harris (2001) and Hanley and Nguyen (2005) all argue that PRP schemes had been or were being adapted with the aim of obtaining a better integration with all employees, other HR policies and company objectives. The stronger the alignment among core values, processes and practices, the more effective the pay system will be (Lawler 1995). More specifically, Hanley and Nguyen (2005) indicated that inconsistencies of systems were a source of conflict within a firm. With respect to the business environment, the system design of PRP needs to draw attention to the business cycle stages of the firms (Kessler 1994). Some distinctive characteristics of firms require differential pay design for them. This implies different needs in terms of performance measurement processes and tools. Appelbaum and Sharpiro (1992) suggest that the business cycle has to be kept in mind when designing a pay system. For example, management in a firm operating at a survival or turnaround stage is not always capable to focus on individual rewards.

The system design of PRP plans should be linked to **organisational culture.** When designing a PRP system it should always be remembered that they can often create unintentional impacts on an organisation's structure and become an important signal of the organisation's culture (Appelbaum and Shapiro 1992; Lawler 1995) and values (Torrington 1993; Helm et al. 2007), since employees can view a company as using a human resource-oriented and performance-oriented culture which explicitly emphasises individual initiative and responsibility in PRP practices (Kessler and Purcell 1992;

33

Torrington 1993; Benson and Brown 2000; Helm et al. 2007). As such a PRP system must establish the critical integration between employees' reward expectations and organisations core values. Finally, Lawler (2000) and Risher (2002) have argued that a PRP management design which is associated with a performance culture enthusiastically fosters the individual to tackle new tasks and stimulate workers to look for better ways to accomplish goals. Consequently, poorer performers realise the need to increase their performance to attain merit rewards.

With respect to **a different cultural setting,** *"execitives seems to believe that something called national culture is a critical (perhaps the most critical) factor when managing international compensation"* (Milokovich and Bloom 1998, p.17). A PRP plan which deals with international issues, including expatriates, local nationals and third-country nationals, highlight a proper combination of practices on which reflect the economic, social and political changes in the countries in which they operate. Importantly, national laws, taxes and welfare regulations are vital forces (Milokovich and Bloom 1998). Besides the fact that the overall pay system need to be created in a market-based economy, national culture inevitably influences the compensation strategy, particular in Asia where people are comfortable with more collective values and security is more important than risk-taking (Milokovich and Bloom 1998). The research results of Gully et al. (2003) suggested that multinational companies had difficulty maintaining consistency in PRP plans across countries and expatriates might need to be particularly sensitive to these issues when making PRP decisions. For example, compensation systems in countries where the culture focuses on respect for status and hierarchy establishing higher power distance scores, should emphasise more hierarchical pay structures while those possessing collectivism would choose more group-based rewards (Milokovich and Bloom 1998; Gully et al. 2003; Allen et al. 2004). On the contrary, Allen et al. (2004) note that individual rewards work in the United States because they are culturally compatible with an individual culture.

2. Setting Objectives

PRP is based on an assumption that greater levels of employee efficiency can be achieved by rewarding an individual for their efforts (Brown 2001). Baruch et al. (2004) and Dowling and Richardson (1997) address that setting the objectives elements are important to the success of the PRP practices that there should be verifiable criteria of fulfillment (Marsden and Belfield 2006) and an emphasis on objectives alignment (Hendry et al. 2000; Helm et al. 2007). According to Lowery et al. (1996), employee's mention that a goal is what an individual is trying to accomplish and the setting of goals give them a target to work towards and provide direction for their efforts. A proper objective should be derived from the organisation's strategy and departmental strategies (Lowery 1996; Lewis 1998; Buchenroth 2006) which will result in less labour-manager conflict (Conyon et al. 2001). Regarding the participation of a relevant person, executives and staff have significant influence over their goal setting. It should be noted that employees are allowed to determine for themselves how they meet their objectives as a motivational strategy. Reilly (2005) and Risher (2008) emphasise that in achieving the goals and objectives setting should start at the top, cascade down level by level and employees should be involved in the objective setting process in order to evaluate their own performance leading to agreed criteria (Dowling and Richardson 1997) and thus develop trust (Appelbaum and Mackenzie 1996). If employees believe PRP has led managers to set work objectives more clearly, then they are more likely to respond positively on working beyond job requirements and using their initiative (Marsden et al. 2000). As a result, employees can be motivated by clarifying objectives and setting clear future objectives with provision for training and development (Prowse and Prowse 2009).

However, the previous findings of Dowling and Richardson (1997); Lewis (1998); Kim (2002) found that the problems with pay programmes were that the criteria and objectives were unclear, objectives were set arbitrarily by politically motivated management or objective-setting process were done badly. Further, Reilly (2005) argue that unachievable performance targets or targets can establish problems since workers

will disengage from the process. In the same way, if employees believe their work is hard to measure they are less likely to raise their awareness through organisation's objectives.

Pre-determined objectives are one of the most popular forms of measuring performance (ACAS 1996). Achievable and worthwhile goals should always be considered as key factors of objective setting (Hendry et al. 2000). There are often some changes in organisation or internal circumstances which cause impracticable objectives to be reached (Torrington 1993). The studies of Lowery et al. (1996) and Dowling and Richardson (1997) also concluded that a sense of challenge towards PRP plans was positively related to overall motivation and negatively related to inappropriate goals. In addition, the process of satisfying and reasonable objectives support employees work markedly harder regardless of nationality and cultural background (Reilly 2005; Shen 2005). As Torrington (1993, p.153) noted, "*if the objectives are met by some but not by others, there is immediated pressure to smooth the impact on the losers, by management compensation to the poorer performers*". Lowery et al. (1996) also reported that approximately 40 percent of respondent complained that the goals were either trivial, too easy or too subjective.

In terms of **objectives under PRP schemes**, Shen (2005) indicated that objectives can be divided into hard goals (quantitative goals) and soft goals (qualitative goals). Although specific goals offer employees clear expectations, traditional quantitative goal setting has been seen to have a counter-productive outcome since it focuses on the short-term. Objectives and verifiable measures are much easier to communicate than the subjectives judgements (Dowling and Richardson 1997). On the other hand, qualitative objectives are subject to potential bias and inaccuracies (Shen 2005). Moreover, Atkinson and Shaw (2007) suggest that there has been considerable debate on the extent to which performance goals are hard - objective, quantifiable and capable of being directly measured or soft - subjective and focused on such things as behaviours or traits. Many organisations therefore use a mix of both hard and soft goals. Various aspects need to be assessed considering job or position- related issues (Shen 2005) such as sales, profits, units produced, communication skills, technical abilities, adaptability, flexibility and

so on. It is notable that the expectation of a financial reward does indeed induce some employees to focus more on specified work relating only measurable and/or short-term obejectives and neglect other important but less tangible aspects of the job which have been omitted (Campbell et al. 1998; Hanley and Nguyen 2005). As Dowling and Richardson (1997) have pointed out, if the goals of PRP schemes overlook certain intangible but important aspects of the job there could easily be a significant loss. In conclusion, the questions of objective setting guiding an understanding of the work measurement and monitoring procedures are critical. Without these, the process could easily become an empty exercise (Marsden and Belfield 2006). Interestingly, Marsden et al. (2000) found that poor target setting by line managers is the key factors which is likely to intensify perceptions of jealousy and divisiveness among employees.

3. Performance Management

Prior to 1980, most research on performance appraisal was generated from the field of psychometrics and was viewed in the same way as tests: they were evaluated against criteria for validity, reliability and freedom from bias. A primary goal of the research was to reduce rating errors. Researchers in the applied tradition concentrated on the appraisal system and how it functions to serve organisational ends (Milkovich et al. 1991). Performance management can be regarded as an extension of performance appraisal (Lindholm 2000) and can be defined as a systematic process which contributes to the effective management of individuals and teams in order to improve employee's performance (Creelman 1995; Campbell et al. 1998) and achieve high levels of organisational performance (Armstrong and Baron 1998; Hendry et al. 2000). Performance management creates a blueprint for organisational effectiveness in the accomplishment of individual/organisation mandates and goals (Redman and Wilkinson 2001) and as a goal-driven process (Hendry et al. 2000). Likewise, Lindholm (2000) claims that performance management is an important process for influencing both the extrinsic and intrinsic motivations of employees in that it provides a framework for directing and supporting workers towards the achivement of shared responsibility and understanding about employees' roles, expectations and standards, which further ensure

that employees deliver high performance (Armstrong and Murlis 1998). Typically, Risher (2002) notes that it is unusual for firms to operate without some kind of performance management system and specialists have been studying how to improve performance for decades. Eskew and Heneman (1996); Lewis (1998); Hanley and Nguyen (2005) have all mentioned that performance appraisal related to performance management can be generated in terms of evaluation and development. Evaluation is a way to measure and compare an employee's performance in order to justify a various HRM decisions relating to remuneration, promotion and termination. As a developmental process, employees who are monitored also are challenged with differing ratings and goals. The feedback and suggestions toward performance appraisal establish individual motivation to improve performance such as determining training needs, working with greater effort and increasing job skills (Lindholm 2000; Beer and Cannon 2004). As an essential objective of performance appraisal is to motivate employees, Campbell et al. (1998); Decktop and Cirka (1999) have stressed the importance of performance assessment as a control tool to shape desired behaviour.

With respect to **the link to PRP plans**, PRP is usually an intrinsic part of performance management (Lewis 1998) and performance management is a necessary component of PRP schemes since pay increases are based upon the ratings from performance appraisal (Eskew and Heneman 1996) by connecting the objectives of the organisation to work targets for individual employees. When dealing with PRP, objective setting and formal appraisal are placed at the heart of the approach (OECD 2005). Performance management can stand on its own without a link to pay, while PRP is not an end in itself (LACSAB 1989). Brough (1994)'s report stressed, however, that it is difficult to operate PRP without some form of performance management (however crude) (see also Hanley and Nyugen 2005; OECD 2005). Lowery et al. (1996) mention that performance standards should be based on job analysis so that the standard will be job-related and lead to more valid and reliable ratings. Further, an IPM (1992) survey on performance management reported that two-thirds of respondent organisations which operated PRP without other performance management policies thought that PRP had contributed to improved organisational performance. This contrasted with 94 percent of the sample which

operated PRP with other performance management policies and who thought PRP had contributed to improved organisational performance. Thus, it is important for PRP to be located within a context of performance management activities (for instance, measuring performance).

Organisations must determine whether performance will be measured at the individual, group or organisational level (Rynes et al. 2005). Given the rapidly changing environment and the different nature of organisations, non-financial measures such as quality, employee participation, customer satisfaction and leadership have been introduced to assess performance and complement the financial indicators (Kaplan and Norton 1992). Using a formal system of appraisal, employees may be rated against explicit performance criteria, ranked against their colleaques and peers or assessed against certain qualities and characteristics. Most importantly, what will be precisely evaluated and judged as an output of the process needs to be scoped, which kind of performance will be rewarded (Drago et al. 1992; Campbell et al. 1998). Similarly, Eskew and Heneman (1996) claim that results and behaviours are being evaluated rather than personality traits, as such traits which are very subjective to be misinterpretion. Trait evaluation should be improved to attain the validity of performance rating. Prowse and Prowse (2009)'s study noted that all performance judgements were used to determine the specific levels of performance criteria to specific issues such as innovative skills, specific sales volume, competencies and so on and rated into scores such as excellent, average, etc. Differential rewards based on a less arbitrary measurement of performance will provide stronger incentives for productive effort than rewards based on a rather subjective performance evaluation (Jirjahn and Kraft 2007).

Empirical studies on the topic of performance management problems are infrequently found in the literature. Significantly, there have been many innovations of performance appraisal practices (Redman and Wilkinson 2001). However, Campbell et al. (1998), for example, observed that employees generally did not agree with their performance appraisal and did not accept the evaluation as accurate. Similarly, Lewis (1998)'s research found that some managers echoed these concerns about the subjectivity of the

39

measurement process. Unsuccessful implementation of PRP is often associated with ineffective or inappropriate performance management processes (Torrington 1993; Dowling and Richardson 1997; Lewis 1998).

With respect to **performance management implementation**, senior management has to continually reinforce the importance of performance (Risher 2002). Some firms conduct performance appraisal once a month, once a quarter, at the end of the assignment or at the completion of a project. The literature suggests that performance appraisal should, ideally, be undertaken bi-annually but in practice Hanley and Nguyen (2005)'s survey reported that performance management was often performed annually. Similarly, research has indicated that one or two appraisals a year are considered by expatriates to be most effective (Shen 2005). Turning attention to the issue of a range of types of performance measure at the individual, group, unit and also the company level, these need to be

Figure 2.3: PRP and Performance Management

Source: OECD (2005)

40
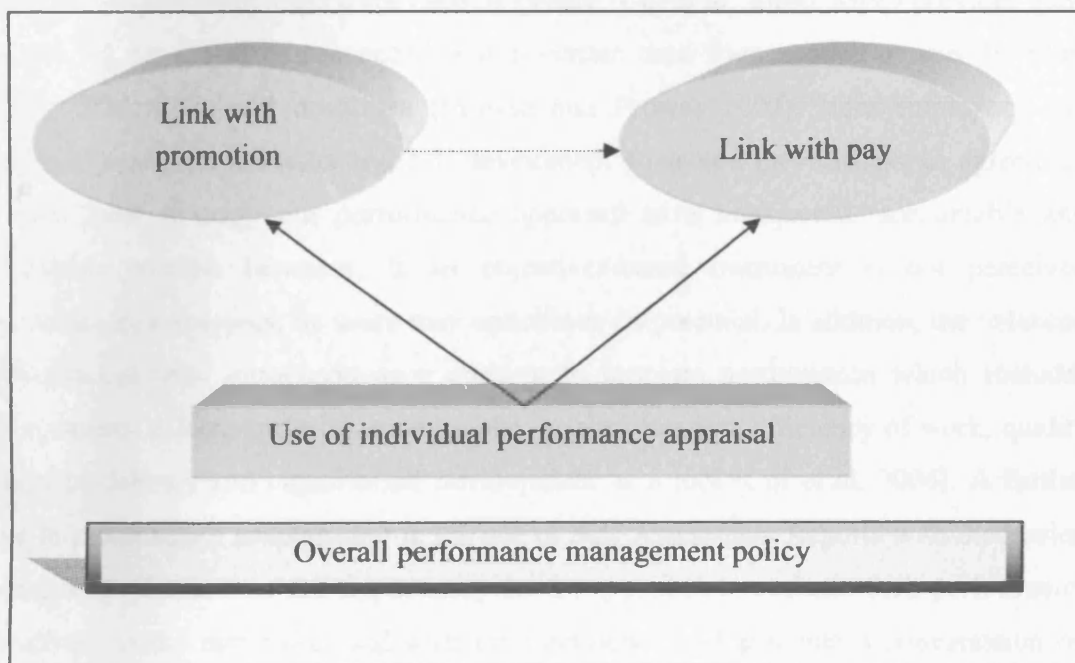
concerned with establishing a link between among all levels (Risher 2002). For instance, self-assessment is being used increasingly by employers as a tool to help identify "best practice" and for areas for improvement (Cocca and Alberti 2010), whereas 360-degree appraisal, refer to as a multi-rater or a multiple-source of feedback, is the process whereby individuals receive feedback and information is gained from a wider range of sources, such as stakeholders, about the way they carry out their jobs. This includes group appraisal and peer feedback from colleagues, groups, direct reports, line managers, internal and external customers, as well as the individual. It is notable that feedback is no longer dependent on the manager – subordinate power relationship (Prowse and Prowse 2009). Any system which delivers assessments across hierarchical boundaries may be problematic or even offensive in countries with high power distance and low levels of openness such as China, Japan, Korea, Mexico and India. In particular, there are the issue of respect for authority in high power distance cultures and the importance of saving face in certain Far Eastern countries. Alternatively, a management system that links individual performance and rewards to the achievement of employees results is generally use some form of management-by-objectives (MBO) system (Col et al. 2006). MBO provides aims and specific targets to be succeeded within certain time frames, such as specific sales targets, profitability and deadlines (Prowse and Prowse 2009). Here employees and managers jointly set the tasks and self-develoment goals and they discuss an agreement between them to carry out performance appraisal as a transparent, accountable and predictable process. However, if an objectives-based instrument is not perceived as accurate by employees, its users may undermine its potential. In addition, the balanced scorecard has been introduced as a concept to measure performance which includes four elements: effectiveness of strategic plan implementation, efficiency of work, quality of service delivery and organisation development as a tool (Col et al. 2006). A further issue in performance management is the use of Self Assessment Reports with discussion leading to a specific time and opportunity for the appraisee to evaluate their performance reflectively in the discussion and with the interview developed into a conversation on a range of topics that the appraisee needed to discuss in the interview. Despite the practice of "spot-checking", there may be reasons for an employee to overstate his/her accomplishments in these reports (Col et al. 2006).

Essentially, **the form and size of payments** of a reward should be used to drive expected behaviours and modify existing habits. In accordance with Harris (2001) and Risher (2002), the amount of pay is highlighted as an essential factor since the role of the financial incentive is a key component of the performance management process which reinforce of good performance. As Dowling and Richardson (1997); Hendry et al. (2000); Marsden (2004); Kauhanen and Piekkola (2006) have suggested, payment for targeted performance needs to be seen as attractive, achievable and commensurate. Consequently, the schemes functions will work well and sustain the remaining workforce through meaningful differential pay. Marsden and Richardson (1994) and Harris (2001) also reported survey results showing that incentive effects could have a low motivating effect if PRP forms only a small proportion of total compensation. As Campbell et al. (1998) point out that PRP plans require a budget with sufficient funds for motivating employee so that they will be appealing. In addition, Torrington (1993) mentions that inflationary effects are important in PRP plans since if pay increase is going up by one or two percent above inflation is not very attractive. Lastly, the market rate is always a central factor in setting pay because it determines the competiveness of a pay rate and establishs the worker's level of expectation for pay plans as agreed by Bassett (1994).

Regarding to the **types of reward**, Gerhart and Milkovich (1992); Suff and Reilly (2004) have argued that the choice of variable pay system depends on the main aim of its introduction and that in many organisations employees are covered by multiple plans simultaneously. It is of interest that organisations encounter various alternatives when relating pay to performance since an individual is most motivated to behave in a desired level when he/she believes that their performance will lead to a satisfied and certain outcome. Thus, employers or executives must determine what kinds of rewards workers will be given, such as stocks, cash and/or other options and how often they will be given – annually, quarterly or monthly. Rewards can also be based on the performance of groups, business units and the total organisation (Armstrong and Murlis 1998; Lawler 2000). The study of Rehu et al. (2005) confirmed that since different institutional frameworks provide different compensation settings, it might, for instance, be more beneficial for tax reasons for employees to receive part of their compensation in benefits

rather than cash. Most notably, this study clearly demonstrated that whether an incentive was contingent on individual performance or on collective performance strongly affected pay risk preferences (Kuhn and Yockey 2003). The point is low risk compensation will attract risk adverse workers and vice-versa (Joetan and Kleiner 2004). Another interesting consideration is the multi-factor or multi-level pay plan. Indeed if each plan is better at achieving certain objectives than others of mix plans may be sensible. The growing popularity of the PRP practice is mainly caused by the fact that both personal and corporate level factors are important for providing favourable rewards, thus targets can be assessed for specific jobs at the different level - teams, departments and/or company, so that an individual will receive suitable economic benefits (Benson and Brown 2000; Suff and Reilly 2004). However, the use of too many different measures can fail to provide a focus for important strategies. Moreover Brough (1994) and Sloman (1999) have argued that remind that in the case of multi-purpose systems for performance appraisal, "rating-drift" can be reduced but never eliminated and the over-rating of performance in order to increase the reward is a natural tendency for appraisers and needs to be addressed.

Hence, Lawler (1995) and Brough (1994) offer two solutions - a forced distribution system with a fixed proportion of employees in each rating category and giving manager's budgets which are mainly criticed as cash considerations. Moreover, Chamberlin et al. (2002) state that quotas are set in many organisations to prevent the spiralling costs of rating drift. Placing too much emphasis on short-term goals may undermine long-term perspectives (Lewis 1991; Brough 1994), this has to be a concern for system design. Bassett (1994) suggests that when emphasising pay as a motivator of task performance, a workers's sense of intrinsic task interest may de diminished. Moreover, Milkovich and Milkovich (1992) demonstrate that there is a growing belief that PRP is mismanaged as too much money is going to too many employees with too little effect to their performance or productivity. As reported in the survey of Worldatwork (2007), private companies face unique challenges when designing short and long-term incentive programmes. Responses from 300 companies were analysed and it was found that private companies rely more heavily on short-term incentives, such as bonuses, than long-term incentives to reward and motivate employees. Only about one-

third of respondents reported having a long-term incentive plan reserved for the upper levels of the organisation.

With respect to **an individual pay plan,** Milkovich and Milkovich (1992) confirm that individual incentives seem to work best when they are implemented through structured tasks where an individual works mostly by him or herself. Long and Shields (2005), who studied Australian and Canadian firms, reported that group performance pay plans were used much less frequently than individual performance pay plans. Of course, in a piece-rate type of pay where an individual is rewarded according to their own effort, easily identifiable outputs are the most obvious form of individual PRP (Conyon et al. 2001). There is widespread agreement that piece rates induce greater effort than do time rates of pay (Brown 1990) and Long and Shields (2005) noted that piece rates were implemented more extensively in the manufacturing and transportation sectors. Freeman and Kleiner (2005), meanwhile, provided supporting evidence that piece rate pay raised non-labour costs and workers' compensation since workers did not give "full effort" with piece rates, presumably because workers feared that the firm might change the rates to make it more difficult to earn premiums and cause divisive (Marginson et al. 2008). Therefore they usually require additional monitoring of the quality of output and to update piece-rate systems as technology changes. Consistently, a common problem for piece rate plans is conflicts between employees who want to minimise their output and management who want to maximise the plant's output with quality standards (Wilson 1992; Freeman and Kleiner 2005). Jirjahn and Kraft (2007)'s research mentioned that piece rates were associated with less discretion in performance measurement as the number of units of output could easily be verified. Additionally, the most popular type of short-term incentive plan is a bonus plan and this is very important for job satisfaction (HR Focus 2007). Nine out of ten private companies had a bonus plan in the survey of Worldatwork (2007). Likewise, Amuedo-Dorantes and Mach (2003) concluded that bonuses and commissions were the most frequent type of PRP plans for both men and women employees, whereas Wan (2006) explained that the majority of workers in Japan are compensated through a monthly salary based on a seniority. Compared to salary increases, bonuses can better reflect current performance and not become an annuity to be

44

paid every subsequent year regardless of performance level (Lawler 2000). Since salary increases are usually tied to changes in the labour market and merit, so the percentage of the increase is masked and which impedes the link between effort and reward. Although considerations such as financial and output aspects remain important, bonus pay plans are now overwhelmingly oriented toward incorporating measures such as attendance, customer service, quality, safety, teamwork and various other HR-related measure. The most prominent management objectives driving company performance bonus were "reward" and "communication" (Marginson et al. 2008). It is hypothesised that advertising the availability of bonuses based on individual performance will lead to an organisation being perceived as having a more individualistic culture (Kuhn 2009). Further, Amuedo-Dorantes and Mach (2003); Long and Shields (2005) say that a commission is a pay plan based on individual job performance often seen in wholesale/retail sector and service-oriented work which is, therefore, highly dependent on the employees' interaction with customers. As a result the interaction is not easily observed by the employer and a commission has the potential to be more volatile and irregular that other PRP plans which rely on individual productivity. Amuedo-Dorantes and Mach (2003), meanwhile, noted that male wages are more responsive to commissions than female wages.

On the other hand, **group payments** use a measure of collective performance, usually at the level of workgroup or work unit. Individual reward plans are often criticised for having a negative impact on organisational culture (Pfeffer 1998). The economic reward will be allocated and shared by all member of the work group when the productive outcome is above the standard (Appelbaum and Sharpiro 1992; Benson and Brown 2000). As Guest (1997) points out, group-level performance affects unit performance and thus company profits. It is also been suggested that individual-based PRP schemes interact negatively with briefing groups and financial participation schemes. Incentive systems based on individual performance are, therefore, problematic for a number of reasons. Conyon et al. (2001) claimed that individual pay plans can encourage non-productive competition between employees, particularly where appropriate measurement system is not provided. In addition, individual performance related schemes are costly to design so

as to gain acceptance from employees. Remarkably, to introduce and/or monitor can promote unhealthy competition between workers which reduces output levels (McNabb and Whitfield 1998; Conyon et al. 2001). Moreover, a pay system based on an individual performance can be divisive and conflict with other employment strategies focusing on team-working and specific employee involvement.

There has been a significant trend to expand participation in group incentives schemes that are linked to the accomplishment of because companies expect the prospect of rewards to trigger better performance (Risher 2002). Notably, McNabb and Whitfield (1998) observed that financial participation programmes had important interaction effects with specific employee involvement schemes. It is important to distinguish between establishments with individual and group PRP schemes. However, these differ markedly for individual and group PRP schemes, with the latter showing a much stronger positive association with productivity (McNabb and Whitfield 1998). Suff and Reilly (2004) noted that team-based schemes may hinder organisational flexibility that can reinforce the cost-effectiveness improvement. The use of group based performance pay reflects an underlying technology characterised by team production. Further, not only do such incentives schemes encourage teamworking, but also allow employees to learn new workplace methods and techniques to obtain shared goals and targets. Nevertheless, given that interdependent worker productivity makes the measurement of individual output difficult, the firm may use observable characteristics such as the individual team member's qualifications or training to provide differential rewards based on team output (Jirjahn and Kraft 2007). Moreover, employees in cohesive-high performing and well-rewarded teams may be unwilling to move back to an evaluation based on an individual responsibilities and it could be difficult to re-assign work between team or break-up teams in response to developments.

Milkovich and Milkovich (1992) explain that there are two basic types of group incentive plans: *gainsharing and profit sharing*. Lawler (2000) notes that gain sharing does not rely on individual performance and affects all in the company from the top down to the support staff. The plan is expected to encourage co-operation and problem-sharing

46

relations because maximising their efforts has a positive effect on their income (Arthur and Jelf 1999). The typical gainsharing plan focuses on changes in profitability as the performance measure at team or facility levels. The rules of plans generally determine that a portion of profits (division or corporate) that have accrued over the pay period is distributed among employees, generally as a percentage of base salary and a formula for distributing the pool of profits between individual workers (Armstrong and Murlis 1998). A belief in teamwork is crucial to gainsharing plans and is based on a philosophy that employees want to be involved in their work and that thay have something worthwhile to say. Similarly Wilhelm (1994); Mangel and Useem (2000) note that gainsharing tends to be more group-oriented as a way to improve performance with a common interest of solving productivity problems in order to increase worker productivity and share the resulting gains. Gainsharing plans typically take into account productivity and financial targets (Kaplan and Norton 1996; Kim 2002; Benson and Brown 2000) which link the pay of the teams to improvements in some relevant measure of internal company productivity (Armstrong and Murlis 1998). Also Mangel and Useem (2000) suggest that supervisors and managers in bureaucracies are likely to strongly resist the implementation of gainshiring to foster their employees's motivation since the use of gainsharing encourages participation. Most gainsharing programmes focus on shop-floor employees, but some include employees at all levels of the organisation helping to generate organisational trust (Chenhall and Langfield-Smith 2003).

Gainsharing and profit sharing are similar in many ways, but administration of the plans differs in ways that may influence their effect on performance. Profit-sharing satisfaction is significantly correlated with commitment. The effect of profit-sharing satisfaction on commitment is very high (Sweins and Kalmi 2008). Rather surprisingly, respondents with vocational education display a poorer knowledge of profit-sharing-related issues than those with basic education. Wilhelm (1994) found that profit sharing encourage employees to work together to ensure that the company does well. When the company makes a profit, they receive a bonus. However, Wilhelm (1994) states that profit is affected by such factors as economic change, bad debt expenses and depreciation procedures. These are all out of the individual employee's control. Conton et al. (2001),

studying in the UK, found that de-layered firms were associated with a higher incidence of profit- sharing. Notably, they found that profit-related pay had a positive influence on financial performance in firms that had also introduced employee participation, but not in firms without such programmes. Ultimately, gain sharing plans results more often they do in profit sharing. Employees are reward on a monthly or quarterly basis in gainsharing, thereby establishing an immediate line of sight; meanwhile the latter normally make only annual payments (Wilhelm 1994).

Regarding *stock options*, Risher (2008) notes that in the use of lump sum awards, stock grants are often more effective. The findings of Morris and Fenton-O'creevy (1996) raised an aspect related to stock option plans which are designed to attentuate agency risks through executive's rewards by rewarding them with shares relating to their performance over the long term-time. Active rights were defined as those rights that provide the opportunity for the worker-owner to actively participate in all aspects of the management process. Passive rights were defined as those rights that allow the worker owner to participate in specific economic benefits but not in the management process (Ettling 1988). Morris and Fenton-O'Creevy (1996) and HR Focus (2007) both reported that a minority of employees were encouraged by a compensation scheme based on company share price performance as it did motivate a minority of employees to focus on shareholder return and potentially stimulate them to pursue their strategic targets, leading to job satisfaction. Obviously, 54 percent of the sample assured that share options stimulated them to work in order to achieve the long-term success of the company (Morris and Fenton-O'Creevy 1996). Joetan and Kleiner (2004) claim that agency theory can partially support the employees stock options with the justification that employees may feel peer pressure and mutual monitoring that can increase the collective efforts to enhance the value of firm. Nonetheless, Rehu et al. (2005) found that some Japanese employees were likely to say that the options did not have motivating effect, since stock options were not allowed in Japan until 1997 and were a relatively new for of compensation. Armstrong and Murlis (1998) explain that stock option plan provides company stock to certain groups of employees, for example for the whole company or to selected groups such as executives. Milokovich and Bloom (1998) show that other

Europeans, certainly the British permits the parties to adopt more variable systems, including stock options and performanced based schemes. Another key issue for private companies is how liquidity is provided for stock option and restricted stock grants. In addition, since such firm is more likely to face a liquidity constraint, it is more likely to use stock options in compensation to save cash. Younger firms use stock options more often than older firms (Kato and Morishima 2002). Those based on new issues since a liquidity-constrained firm is very unlikely to choose stock repurchase (Kato and Morishima 2002). Japanese companies also used stock options for sorting and retention of suitable employees to work at the firm (Hassen and Hosino 2008). Table 2.1 summarises the advantages and drawbacks attached to each form of payment and to the size of payments (OECD 2005).

Table 2.1: Advantages and Problems Linked to Different Forms of Performance Payments

	Advantage	Disadvantage
Merit Increments	Long-term incentive	Tends to become an automatic annual payment Less visible than bonus More costly in the long term (impact on long term pay bill and pensions)
Bonuses	More clearly related to performance, more visible More flexible and easily manageable Less costly, do not add to fixed payroll costs (pensions) Does not tend to become an automatic annual payment	Short-term incentive Not included in the base salary: less motivating for the long term
Large size of performance payments	Positive and immediate impact on motivation	More limited distribution of rewards : risk of demotivating the majority who do not receive rewards Risk of focusing on their award at the expense of base pay Any problems linked to procedural justice of the appraisal more serious
Small size of performance payments	Opportunity to distribute them to a greater number of staff Opportunity of associating them with wider organisational or management changes	Limited impact on motivation Lack of differentiation between staff
Quotas	Clear system for performance differentiation : facilitates budget control of the scheme	Artificial way of differentiating performance: risks undermining the credibility and impact of the whole PRP scheme Demotivating for the majority of staff who do not receive rewards

Source: OECD (2005)

Regarding **the role of appraiser in PRP management,** a line manager generally plays a key role in judging the individual's performance by defining performance and behaviour standards (ACAS 1996; Shen 2005). Practically, supervisors have to establish, track and evaluate these appropriate individual PRP elements for each subordinate. The success of performance appraisal depends, to a certain extent, on the skill of the interviewer or the appraiser (Eskew and Heneman 1996; Dowling and Richardson 1997; Campbell et al. 1998). There is some evidence that performance appraisals can motivate employees when

50

the supervisor is trusted with objective setting with judiciousness (Dowling and Richardson 1997) and perceived as knowledgeable by the employee (Milkovich et al. 1991). Good appraisals should agree objectives and produce better measurement of outcomes, particularly where it is hard to obtain valid objective measures (Marsden et al. 2000). If performance is easily measured and strongly correlated with employee effort this is a fairly simple matter. But in practice this relationship is often not straightforward or some may be very hard to measure directly (Dowling and Richardson 1997). Brough (1994) and Risher (2008) have suggested that managers, first-line supervisors and all those involved need to be trained in the relevant skills of managing performance and handling the discussions on pay increases. For example, both Campbell et al. (1998) and Lewis (1998) found that managers did not know what they would get and they were not sure what rating to give their staff and many managers apparently did not possess the requisite skills. Likewise, Marsden et al. (2000) point out that those employees in the assessment of their performance relied heavily on subjective appraisals by line managers. Use of graphic rating scales and failure to hold raters accountable for their ratings might lead to inflated ratings. Ratees are likely to interpret such inflated ratings as distributively fair (Jawahar 2007).

Regarding functional support, 72% of managers in the study of Harris (2001) stated that PRP was a very-time comsuming process to accomplish because of its complexity (see also Suff and Reilly 2004) and these plans lead to an excessive amount of paper-work (Kessler 1994). Whatever the method companies choose, making data-based decisions is the way to develop a successful pay system. Employers often find it helpful to utilise pooled networks to tap into necessary resources to support determining what is needed to be evaluated. This tool enabled managers to balance their tasks while meeting budget and timescale demands producing good assessments. According to Risher (2008), technology can facilitate the process by collecting information from other individuals who interact with employees and also for recording notes throughout the year. Performance management has the potential to make a significant contribution to individual and organisational performance, but for organisations to realise such potential, the adequate investment is required in the development and implementation of robust and consistent

performance management (Atkinson and Shaw 2007). According to Kessler (1994), a body of PRP literature suggests that the supportive development climate by consultants and other commentators provide beneficial advice to organisations on how PRP plans should be operated. Similarly, Creelman (1995) reported that 29 percent of companies had used a consultant to help design their pay mechanisms and of these a significant majority (81.1 percent) found that the consultants were useful in PRP implementation.

In terms of **cross–cultural aspects**, such factors affecting performance management are essential since modern management appraisal is generally acknowledged to be western practices. There are three choices of performance management when setting PRP policies within MNC companies: the host-based approach, the home-based approach and the integrated approach (Haile 2002; Shen 2005). Local standards reflect the internal consistency within the companies; home standards support the need for local responsiveness and an intergrative method reduces bias and acknowledges cultural difference of MNC environment. Notably, an effective PRP strategy requires that compensation management and performance management not only function well separately but also operate together in an integrated way (Summers 2005). For example, Atkinson and Shaw (2007) indicate that country culture impacts on the appraisal process in a number of ways and it has been suggested that European managers rank "drive or results" more highly than either their North American or Asia-Pacific counterparts (see also Rowson 1998). Lindholm et al (1999)'s study of performance management in one western MNC in China reported perceived difficulties in receiving or giving direct feedback and providing criticism because of indirect and reserved communication patterns which characterise Chinese culture. Table 2.2 illustrates the effect of individualism/collectivism and power distance on four different aspects of the appraisal process namely who conducts the appraisal process, the manner in which it is conducted and the feedback given, the criteria or content and the purpose of the appraisal.

Table 2.2 The Effect of Individualism/Collectivism and Power Distance on the Performance Appraisal Process

	Performance Appraisal Process			
Cultural Dimensions	*Who*	*How*	*Content*	*Purpose*
Low Power Distance	Multi-sourced (eg. Peers, Subordinate)	Participatory two-way communication Employee-intiated Appeals Process	Unspecified	Unspecified
High Power Distance	Supervisor (Someone with relatively more power)	Directive Supervisor-initiated No appeal process	Unspecified	Unspecified
Collectivist	Supervisor Third Party	Subtle/Indirect	Group Level More Positive Tone Relationship-focused (criteria include loyalty, seniority, cooperativeness)	Developmental (increase loyalty)
Individualist	Unspecified	Direct/Open	Individual-leveled Job Focus	Administrative Make personnel Decision

Note: Cells labelled "Unspecified" indicate that there was little empirical or conceptual evidence of how the dimension would influence the performance appraisal process (Fletcher and Perry 2001).

In summary, performance measures vary in terms of their effect and ability to provide accurate, informative and timely indications of the individual's contribution to company goals. For instance, although quantitative performance measures or bi-variate financial ratios have mostly been found in extant research are simpler to conceptualise and easier to calculate, not all aspects of employee performance can be measured by these methods.

4. Pay-Performance Link

Certainly, a pay system can be very effective if the system is correctly administered. Also PRP can be a crucial motivator to reinforce desirable behaviours through differential

rewards (Helm et al. 2007), but only if there is a clear line of sight between action and reward (Lawrence et al. 1998; Lawler 2000; Baruch et al. 2004; Durcharme et al. 2005; Reilly 2005) and is equitably perceived (Brough 1994; Armstrong and Murlis 1998; Benson and Brown 2000). PRP bases an individual salary on his/her measured performance over a specified period of time, when everyone knows what is needed to succeed and how they will be judged in contributing to that success. Linking pay to performance stimulates their confidence and builds an environment of trust among employees which in turn positively affects their performance (Dowling and Richardson 1997; Beer and Cannon 2004; Stiffler 2006). The findings of Baruch et al. (2004) and Durchame et al. (2005) has shown that, consistent with expectancy theory, linking pay performance was a significant step toward increasing pay satisfaction and improvement in performance. As Lowery et al. (1996) note that the consequences of PRP when employees will be more satisfied and achieve a higher level of performance are grounded in a part of expectancy theory (Chapter Five). This suggests that people will consider expending effort on a task if they believe that the goal is achievable and worth the effort (Durcharme et al. 2005). The valence of the reward is an essential component which states that if the reward received from the PRP plan is not favorable, then the plan may not be effective in enhancing worker performance. In particular, the link between employee performance and pay reveals the weakness at the heart of PRP since employees will not be motivated to change their behaviour to increase performance when a clear link between their effort and reward is negligible (Kessler and Purcell 1992; Brough 1994; Morris and Fenton-O'Creevy 1996). In practice, employee feelings of equity are often offended (Brough 1994; Morris and Fenton-O'creevy 1996) and they will fail to deliver the expected performance outcomes (Stiffler 2006). The study of Brough (1994); Beer and Cannon (2004); Reilly (2005) assured that the difficulties in linking pay to performance and the barriers between the linkages of pay to performance were inherently significant problems and many employees believed that appraisal procedure was being distorted and could minimise the effectiveness of pay schemes. As mentioned by Eskew and Heneman (1996), employees were uncertain about the link between pay and performance even in the presense of a PRP policy and it was very hard for management to monitor the effort and care they put into their jobs (Marsden et al. 2000).

In terms of **free-riders and pay link**, one might work hard and obtains a low output because of lack of suitable training, poor co-ordination/management or other factors outside one's control. However, the free-rider issue is a considerable issue, especially in working in a team. A standard of a clear link needs to be established since one may be lazy but lucky (Marsden et al. 2000). In the absence of such a link measures of performance could be an issue (Baruch et al. 2004). Durchame et al. (2005) suggest that when performance is assessed accurately, the employee will be able to perceive the link between their performance expectations and outcomes. When the performance appraisal is inaccurate or non-existent, employees do not have a reference to judge the reward relating to their performance and pay satisfaction may be diminished, finally. Inherently, PRP systems which rely on assessing performance through consideration of inputs cannot fully qualify as performance-related, nor can they qualify as true PRP systems even where their performance appraisal is linked to pay. Whatever the actual honesty with which appraisals are conducted, the survey illustrated the depth of employee suspicion regarding "moral hazard" by their employers (Marsden et al. 2000). Hence, the companies need to convince their employees that higher levels of performance are financially rewarding (Baruch et al. 2004; Stiffler 2006).

5. Communication

Since any organisation is closely dependent on its employees, organisations can change more rapidly and more completely if their employees are used to coping with change and can adapt more quickly (Brough 1994). This is the reason why communication is often seen to have an important role under PRP plans as information should always be communicated to participants quickly and clearly (Morris and Fenton-O'Creevy 1996; Helm et al. 2007). Besides PRP policies sending messages to employees to increase their understanding about management's priorities, communication strengthens the goal attainment of employees since employees understand what they must do to earn the finacial rewards they desire and how to do continue developing their performance (Morris and Fenton O'Creevy 1996; Benson and Brown 2000; Risher 2002). According to Guest (1997), achieving high individual performance follows from appropriate roles and an

55

understanding of that role. Risher (2002) state that effective communication reminds employees that their job as important, valuable and worthwhile to the organisation. Actually, that message should be repeated regularly. Communications about PRP need to freely flow throughout organisations so that those may reflect the employees views. Any improvement must be consistent with these communications (Lim 1995; Lyons and Ben-Ora 2002; Durcharme et al. 2005). According to their research, Miyamoto and Higuchi (2007) argued that communication between superiors and subordinates during the operation of appraisal systems is an extremely important factor in improving firm performance. As noted by the Wall Street Journal, 83% of companies with some type of PRP programme hold the opinion that poor communication of corporate goals and failure to engage managers and employees in the performance management process are prime reasons for PRP failure (cited in Stiffler 2006) which is consistent with Lewis's (1998) survey.

For most companies of formal monitoring and review processes towards these objectives is essential. Feedback on performance is seen as part of the wider issue of communication in the prescriptive performance management literature (Lawler 1995; Lewis 1998; Robbins 2005; Petrescu and Simmons 2008) because feedback is given immediately from the superior or after substandard performance so that the employees know promptly how effectively he/she is performing and may raise their effort levels for completing tasks. Additionally, feedback is also a critical mechanism to gauge workforce acceptance and/or perception of PRP used, hence emerging problems with the system can be dealt effectively. Broadly speaking, effective monitoring and feedback are able to influence employee's behaviour and performance by directing, giving suggestions or withholding any support for their actions. These convey information and also provide a check-up on employee's discretion and behavioural failure which may cause employees to leave their tasks unattended and extend to undesirable actions for monitoring and evaluation. Lowery et al. (1996) concluded that feedback can have beneficial consequences for an organisation. Existing research on performance appraisal, for example, emphasises that employees tend to behave more positively when they are provided with information regarding appraisal or are allowed to have a voice in the progress (Korgaard and

Roberson 1995; Chang and Hahn 2006). Moreover, Dowling and Richardson(1997)'s finding and Hanley and Nguyen (2005) suggested that respondents are more likely to feel supported when they receive adequate feedback, establishing a common understanding about the nature of pay schemes and performance targets.

Nonetheless, the amount of work being undertaken within organisations to alter or improve under PRP practices may cause unhappiness for employees. It has been claimed that PRP is exacerbated by the increasing pressure on first-line management as the de-layering of organisations increases their responsibilities (Brough 1994). Importantly, communication tends to encourage people to ask questions, share data and, ultimately, to be involved in decisions. Since negative feedback demotivates, managers giving detailed feedback still requires skills and sensitivity in discussions. As Lowery et al. (1996) has noted the other most frequently expressed concern with PRP plans is a lack of effective feedback. In his research although feedback procedures took place, the supervisors were not truly providing employees with constructive and effective feedback. Further ACAS (1996) suggested that communication is a required standard for subordinates. The manager should make decisions about assessments, provide feedback and give more explanation regarding assessments if asked. Thus, crucial to the success or failure of PRP are: clear and unhindered communication, clarifying PRP strategies, clearly establishing employees accountabilities under PRP systems and assuring the pay- performance link between management level and employees to strive to achieve the expected performance (Wisper and Cohen 2010). Torrington (1993, p.160) stressed that "*most worker undergoing appraisal did not understand exactly how the scheme worked, but they did know that they usually got more money*".

6. Fairness

PRP is a tool to evaluate employee's contribution to the organisation and provides a systematic benchmark to distinquish employees. Additionally, *"PRP provides an opportunity for individuals who are exceptional performers to achieve a higher level of reward than that of average performers"* (Hanley and Nguyen, 2005, p.150). Fairness is

an important motivator of job performance at the workplace (Nasurdin and Khuan 2007), and also a potentially powerful element in PRP practices where individuals should be rewarded in proportion to their contribution (Campbell et al. 1998). Perceptions of fairness are central to all human resource processes - for example selection, compensation and particularly to the performance appraisal process (Jawahar 2007). Dowling and Richardson (1997) demonstrate that employees are more likely to feel challenged if they recognised that the assessment of PRP plans operate fairly. Managers and supervisors are very much aware that performance ratings can trigger employee dissatisfaction. *"All reward systems are based on an implicit mix of economic theory and social values including the belief about equity and what kind of differences are acceptable internally and through the market "* (Hendry et al. 2000, p.53). Certainly, employees are likely to demotivated if they believe they will be unfairly appraised (Marsden et al 2000; Risher 2008). In particular, the survey of Lowery et al. (1996) and Risher (2008) showed that a high percentage of employees believe that performance ratings and the allocation of rewards are honest or fair. The potential for inequities in the reward distribution is claimed to be a major obstacle in the implementation of PRP plans (Lowery et al. 1996).

The determinants of pay fairness are based on two major approaches, distributive and procedural justice (Greenburg 1990; Eskew and Heneman 1996; Brown 2001). **Distributive justice** on the fairness of outcomes basically refers to the perceived fairness of the amount of pay received by employees (Folger and Konovsky 1989; Farh et al. 1990) in relation to their contributions performed (Greenberg 1986). In other words, distributive justice deals with the ends achieved (what the decisions are) or the content of fairness. Distributive justice towards performance appraisal focuses on the perceived fairness of the appraisal rating or outcome received in relation to the actual work performed (Greenberg 1986). Precisely, distributive justice which is seen as short-term perspective predicts satisfaction with the person-referenced outcomes and specific outcomes – such as pay satisfaction (Lind and Tyler 1988; Folger and Konovsky 1989) and job satisfaction (Sweeney and McFarlin 1993). In this connection, Greenberg (1986) identified two factors as determinants of distributive justice. Firstly, it is the relationship between the employees' performance and appraisal rating. The second is the perceived

58

fairness of any appraisal - related pay increase, promotion or other subsequent administrative action in relation to the rating (Greenburg 1986). The research findings reported by Chang and Hahn (2006) indicated that employee's perception of distributive justice may depend upon their perception of performance appraisal at no lesser degree than the pay scheme. Additionally, Chang and Hahn (2006) stated that how employees perceive the appraisal practice is an important determinant of their perception of distributive justice, regardless of what type of compensation scheme is utilised.

The other aspect, **procedural justice** (the fairness of processes) is defined as a person's perception about the fairness of the means used to determine the amount of the outcome (Folger and Konovsky 1989; Greenberg 1990; McFarlin and Sweeney 1992; Eskew and Heneman 1996; Brown 2001; Trepstra and Honoree 2003; Wright 2004), how decisions are made or means to an end (Folger and Konovsky 1989). Specifically, procedural justice reflects how significant rewards have been fairly allocated. Importantly, procedural justice influences an organisation's authority (Lind and Tyler 1988; Farh et al. 1990; Moorman 1991), institutional characteristics and organisational-level evaluations, for example trust in supervision (Folger and Konovsky 1989) and organisational commitment (Folger and Konovsky 1989; Sweeney and McFarlin 1993), which requires a longer- term perspective (Lind and Tyler 1988). Fray (2004) and Risher (2008) emphasised that workers are often not only concerned with the outcomes, but also with the ways these outcomes are determined. It is highly likely that procedural justice may have a potent effect on employees' job performance. Greenberg (1990) argued that procedural justice consists of two components: (a) the presence or absence of distribution procedures such as involvement in decisional control and (b) interactional justice or having a fair hearing (Narcissea and Harcourt 2008), meaning two-way communications with employee input or voice in all aspects of a performance appraisal such as allowing employees a voice in the decision process, perceptions of fair treatment, providing employees with information justifying the outcome they receive and an opportunity to challenge the evaluation decision (Folger et al. 1992; Goodwin and Ross 1992).

Following the literature review, the PRP effect is rooted in equity theory which focuses on employee's perceptions of fairness. In employer-employee exchange relationships, employees are more likely to perceive under-reward inequity than over-reward inequity. Clearly, it would appear that both procedural and distributive factors need to be taken into account in any thorough conceptualisation of justice in organisational settings (Greenburg et al. 1986). In addition the systems must distribute rewards in such a way that people will feel satisfied when they compare their rewards with those received by individuals doing similar jobs in other organisations (Fong and Shaffer 2003).The findings of Morris and Fenton O'Creevy (1996) found that the perception of employees about labour market equity relating to PRP plans was a strong predictors of the motivation to stay and perform well. Another interesting element of PRP implementation is discrimination. In particular, care needs to be concerned if some groups get certain rewards and other does not. Suff and Reilly (2004) argue that PRP should be monitored to assure that rewards are not discriminatory by gender, ethnicity or disability. If such problems arise this may be due to flaws in the system design or to failures in implementation. Marsden and Richardson (1992) found in their study of the UK Inland Revenue scheme that most employees agreed with the basic concept of PRP, however, employees also felt that in practice the scheme did not work, that is - the allocation of performance payments was seen to be unfair. Harris (2001) also found that a significant minority of employees express a strong feeling of infairness and a growth of uncertainty and anxiety. The presence of perceived inequity creates tensions or dissonance in the individual proportional to the amount of inequity, and it results in dissatisfaction.

An absence of fairness will reduce the positive motivational forces of PRP schemes and be destructive to the goal setting functions of performance appraisal (Marsden et al. 2000). When realising the inequality in PRP schemes, employees will restore equity by altering their behaviours and attitudes (Konovsky 2000; Brown 2001) or both Williams (1999), such as being less productive (Greenberg 1990), reducing the frequency or magnitude of their citizenship behaviour (Moorman 1991), bargaining over their work objectives, for example, by manipulating performance data (Marsden et al. 2000) or creating forms of withdrawal behaviour. Both absenteeism and turnover could represent a

reduction in effort or evidence of leaving the organisation (Ananvoranich and Tsang 2004) or vice - versa (Greenberg 1990). In other words, when these workers judge their rewards to be equitable, they are likely to reciprocate by engaging in role-prescribed behaviours. In summary, employee's perceptions of equity are important and should be carefully considered. Employees who perceive equitable pay may be more highly motivated to perform better at work. Similarly Harrington (1988) and Lowery et al. (1996) have suggested that it is essential that rewards must be fairly distributed and not be influenced by favouritism or politics; consideration should only be given to the level of performance, not to other not relevant factors.

2.3.4 Demographic Differences and PRP Implementation

The issue of demographic differences has been a topic of continuous research and discussion within the discipline of human resource management. Employees who differ in demographic attributes and different experiences will inevitably, at some point in time, interfere with their ability to perform their job and productive work relationships. On the other hand, it may be possible for managers to develop appropriate human resource strategies for improving satisfaction and commitment if employees realise what the different groups of worker prefer, for example, understanding what demographic variables are likely to be most strongly related to PRP.

Gender differences have also received considerable attention. Discriminatory relating to demographic information is the main focus of selection and recruitment within firms (Roxes and Stoneback 2004). The gender socialisation approach indicates that males and females will respond differently to the same set of conditions due to different values. Males generally prefer extrinsic rewards such as high anticipated earnings, competitive work and they normally ignore rules (Kim 2002; Duffy and Sedlacek 2007; Artz 2008). Conversely, women are more likely to adhere to rules, as they are concerned about doing tasks well, maintaining harmonious relationships and placing greater values on intrinsic rewards (Kim 2002). Empirical research testing gender differences in PRP has yielded only mixed results (Betz et al. 1989; Bilgic 1998; Stedham and Yamamura 2000; Roth

61

2003; Baruch et al.2004; Okpara 2004; Tocher et al. 2006). Cowling (2002), for example, found evidence of a significant gender effects in Sweden and Finland when conducting his PRP study. Betz et al. (1989) argued that men are more concerned with money and advancement and women were most interested in relationships and helping people. Kim (2005) and Tocher et al. (2006) noted that men preferred a compensation option in which all of their pay was performance – based. By contrast, Brown (2001) found that women were particularly optimistic about the effects of PRP practices. Roth (2003) and Kim (2002) conducted a study and determined that women were paid significantly less when compared to men when both held similar jobs. Women employees have a clear objective to manage the workplace with collabouration rather than competition (Li et al. 2008).

Age is one factor that may shape differences in what employees want at work and how attached them to the organisation (Finegold et al. 2002). Cross-cultural research has generally suggested that the rewarding of seniority is more prevalent in hierarchical cultural contexts (Hunley and Kim 1997; Fischer 2008). One possibility, in line with these findings, is that organisations may rely on senior employees because seniority is related to greater socio-emotional skills, loyalty and knowledge of the organisational system and its processes which in turn, lead to differential advantages and smoother and more productive working. Allocation of rewards to senior employees is an expression of respect (Hunley and Kim 1997). Then Rusbult et al. (1995, p.214) claims that "*seniority may be a temporarily extended version of the equality rule (for example, a rather long-term version of turn-taking): if a member remains in the group long enough, he or she eventually will reap the benefits accruing to senior member's*". Although studies have shown that the preference for seniority may be decreasing (Chen 1995; Chen et al. 2004), individuals in Japan (Mahler et al. 1981), Korea (Hundley and Kim 1997) and mainland China (Chen 1995) also considers seniority more when allocating rewards than did their American counterparts. Seniority is both an egalitarian and differential allocation principle. It is differential because it is tied to individual differences and individuals are not treated equally. However, it is egalitarian because employees can decide whether or not to stay with a company and gain greater seniority over time. In this respect, PRP creates a link between workers' effort and compensation rather than simply length of

service and PRP allows management to effectively reward workers for their productivity rather than overlook it. The research of Torrington (1993) and Brown (2001) both reported that younger workers were statistically more likely to support PRP plans than their older colleagues.The SHRM (2007)'s report presented that employees age 55 and younger tend to value compensation more highly than workers who are age 56 and older (HR Focus 2007).

The results of Torrington (1993); Kato and Morishima (2002); Long and Shields (2005) who found that education level was also significantly positively related to individual PRP. Similarly employees who had completed higher education tended to demonstrate higher levels of satisfaction with pay (Shen 2010). According to Falkenburg and Schyns (2007), employees who have higher education are better able to differentiate between their work attitudes. This result is consistent with that of Cowling (2002) who identified that education was found to play a role in PRP in Finland. Individuals with higher levels of completed education were more likely to implement PRP systems, the same was found in Canada (Long and Shields 2005). Regarding marriage and parental status, little research has been carried out on PRP practices. Unmarried employees considered some of the job-related factors (such as opportunities for advancement, pay and praise for work done) as more important than the married staff (Wong et al. 1999). Married employees, however, are more inclined to strike a balance between work and family life. Married people more often make job decisions based on relatively complicated concerns, including kinship responsibility (Blegen et al. 1988) and child-related issues (Glass and Lisa 1998). Hence, PRP as one of a number of job-related motivational factors is comparatively less important to them (Wong et al. 1999). In evaluating the desirability of jobs, married men and women give greater weight to pay than do their counterparts who have never married (Gorman 2000). Korenman and Neumark (1991) and Birch and Miller (2006) revealed that married workers were almost 50 percent more likely to receive one of the top two performance ratings and earn more. In terms of tenure, tenure is the time employee's work within an organisation and also their position. The focus of research Kauhanen and Piekkola (2006) explain that experienced workers are more likely

to work covering with seniority – based pay. Also Sarker et al. (2003) noted that there was a significant relationship between tenure and pay of Thai employees.

This study of Young and Buchholfz (2002) suggested that firm size also plays a role in determining the impact of PRP on job satisfaction. With regard to firm size, the relationship between a firm's size and salary has been maintained throughout much of the literature. Employees who had worked for 10–20 years had the highest level and employees who had worked for over 20 years had the lowest level of satisfaction with performance appraisal, reward and compensation (Shen 2010). As stated by Cowling (2002), firm size is relatively consistent with previous studies in that PRP increases with firm size. Brown (1990) argues that in high-skilled jobs, worker output is more sensitive to differences in worker quality compared to jobs requiring less skill. A logical explanation is that an organisation's size is associated with job complexity. Brown (1990) and Cowling (2007) note that medium and large firms may have a greater tendency to adopt all forms of PRP since they have potential access to the resources in order to maintain and design PRP plans and by having more employees, it is practical to spread the fixed cost of plan development and administration. In a similar vein, larger firms are significantly more likely to have more organisational PRP practices than smaller firms (Long and Shields 2005). Likewise, employees at larger firms are more productive and hence receive higher pay in a competitive labour market as noted by Todd and Walter (1999). Conversely, managing pay in small firms is often depicted as a haphazard affair with less use of formal procedures such as job evaluation or appraisals (Gilman et al. 2002). Small organisations are also less likely to employ or have access to an HR practitioner (Cully et al. 1999) and managers may therefore be more reliant on their own personal whims or beliefs rather than specialist expertise in implementing and evaluating pay systems.

Further, Brough (1994) reported that introducing PRP plans is likely to be more complex for manual workers than non-manual ones, presenting a sophisticated and prolonged communication. Mamman et al. (1996) argued that manual labour is more likely to prefer a performance system than non-manual employees, while Farh et al. (2004) found that

64

individuals with less skill tend to prefer a fixed rate pay plan while more highly educated and skilled individuals have a more positive perception of PRP plans. Importantly, Reilly (2005) argued that blue-collar workers tend to be distrustful of PRP and they do not have faith in the capacity to make appropriate judgments on their performance in a fair and consistent manner. Brown (1990) concluded as expected that there is less implementation of incentive pay (and greater use of standard rates) in jobs with diverse duties than in jobs with repetitive responsibilities. Brown (1990) reported that the majority of office worker had PRP systems and the rest implemented standard rates. Booth and Francesconi (2001) have found no relationship between PRP and non-standard employment for workers in the private sector and for white and blue collars. More essentially, Hemsrichart (2000) found that morning shift workers in Thailand had shown better work performance than the afternoon or night shifts workers. Similarly Long and Shields (2005) have found that the proportion of managers to non-managers may influence pay policy, as firms that are thin in management may rely more on PRP as a way to control employee behaviour than other firms. This perception of PRP in this study is supported by Piekkola (2005) who found that firms characterised by the use of skilled workers that and are large and/or in the IT industry are more likely to implement PRP schemes.

Regarding unionisation and PRP plan, the findings of Schmitt et al. (2008) suggested that unions also reduced employee turnover and pay inequality. Kahn (2000) found that greater collective bargaining coverage raised the relative pay of less-educated men and women. The evidence of Ng and Maki (1993) and Jones et al. (1997) stated positive relationships between pay plans and unionisation. Further, union workers received more earning than the non-union workers (IFPD 2006; Schmitt et al. 2008). Likewise, Heery (1997) found that PRP schemes seemed to be less rigorous, less participative, and less well managed where unions were absent. Long and Shields (2009), however, state that although unions may still have the power to influence some aspects of the wage bargain, this power may be declining. As reported by Brown (2001) Long and Shields (2005), non-union colleaques were significantly more likely to support PRP implementation than unionists. In compatible with Balkin (1989)'s research on a nonunion firm which, for example, found that management prefers to have the flexibility to reward individual

65

performance with pay and to use merit pay plans. Also Cowling (2002) revealed that where the workforce is highly unionised, it may be more difficult to implement change, particularly in cases where PRP is a substitute for basic pay. Interestingly, for example, Walsh (2001) found that the utilisation of incentive/bonus schemes was more widespread in foreign-owned subsidiaries operating in Australia than in locally owned firms.

2.3.5 The Psychological Contract and PRP

The psychological contract is identified as a potential framework in understanding the employment relationship (Rousseau 1989; Rousseau and Tijoriwala 1998; Guest and Conway 2000; Zhao et al. 2007) regarding what each party owes the other (Rousseau 1990). This has received a great deal of attention as it is one of the most well-known terms in the field of human resources management (Suazo et al. 2009), although the concept of the psychological contract originates from outside HRM (Cullinane and Dundon 2006). Clearly, Rousseau (1989;1990) and Rousseau and Tijoriwala (1998) have noted that a psychological contract is defined as an individual's beliefs of an exchange agreement between oneself and another party such as an employer, either a firm or another person when the individual believes that he or she owe the employer certain contributions – effort, loyalty, sacrifies- in return for an obvious inducement (e.g. high pay, proper benefits or job security). More clearly, the basis of this relation is a promise which has been made which binds the organisation and employees to some set of perceived reciprocal obligations (Rousseau and Tijoriwala 1998) and resides in the inter- action rather than in the individual or the organisation (Guest 1998). Further, Rousseau (1989; 1990) and Morrison and Robinson (1997) explain that psychological contracts can be classified into two basic types based on their time orientation and the nature of the relationship: transactional contracts refers to specific, economic or moneytisable focus over a short-term and entails limited involvement by both parties (e.g., obligations about high pay and merit pay); whereas relational contracts are long-lasting relational process that maintain the employee-employer relationship for example loyalty in exchange for growth in an organisation, obligations about personal support and a meaningful job.

In essence, the psychological contract constitutes an unwritten agreement between the organisation and employees based on mutually accepted promises and obligations among the organisation and the employees (Sparrow and Wu 1998) which are not accounted for by the formal, legalistic employment contract (Westwood et al. 2001). There is an interaction between employment contracts evolving around individual perceptions which are more subjective than a legal contract (see also Zhao et al. 2007; Suazo et al. 2009) and can be particular to each employee. It is assumed that HR practices are a key in managing the psychological contract effectively as it signals significantly on what the employer expects from them and what they can anticipate in return.

Figure 2.4: Employee Well-Being and the Psychological Contract
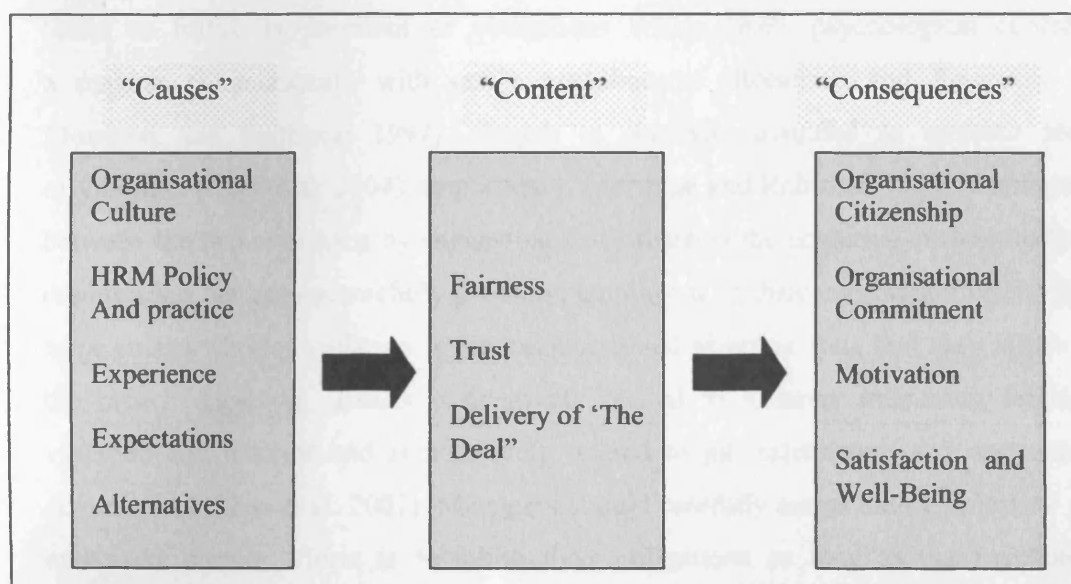
Source: Guest and Conway (2004)

The psychological dynamics are summarised in Figure 2.4 which illustrates how psychological contracts emerge and shows a systems orientation: contract inputs or "causes", which are in turn affected by open system factors such as expectations and experience of work and alternative employment opportunities beyond the organisation, interacting as throughout institutionalised in terms of inter-party trust and perceived fair dealing in both substance and process. In turn, system outputs follow: not only motivated performance, but also "citizenship" behaviours beneficial to the organisation (for

example working beyond contract), accompanied by employee satisfaction and a sense of well-being at work. Guest and Conway (1998) view the psychological contract as a mean to understand the state of the employment relationship in an organisation and plotting corresponding changes. Furthermore, there is evidence that reward system designs of employees have consequences for the organisation-employee psychological contract (Rousseau and Greller 1994; Guest and Conway 2004). Employees are more likely to be motivated when the size of the reward, in terms of the relevant social and cultural norms of the organisation, is appropriate to the performance level that justified it (Reilly 2005).

Another concept closely related to psychological contract is perceived a breach of contract, as the employee's perception regarding the extent to which the organisation has failed to fulfill its promises or obligations within one's psychological contract in a manner commensurate with one's contributions (Robinson and Rousseau 1994; Morrison and Robinson 1997). Breach is generally assumed to increase feelings of violation (Raja et al. 2004). Importantly, Morrison and Robinson (1997) distinguished between the two constructs by suggesting that breach is the cognitive evaluation that the organisation has not successfully provided employees to their expectation or obligations as promised whereas violation is the emotional and affective state that may follow from the breach cognition. Breach is positively related to turnover intentions, feelings of violation and mistrust and is negatively related to job satisfaction and organisational commitment (Zhao et al. 2007). Managers should carefully assess their employees' needs and make sincere efforts at fulfilling their obligations as long as the psychological contract held by employees is reasonable. Even partial fulfillment may help rebuild employees' confidence in management (Zhao et al. 2007).

2.4 Teamwork and Groups

The concept of teams and teamwork is increasingly important to productivity in the contemporary workplace. In dynamic work environments, teamwork and cooperation are essential for increasing performance and leveraging the abilities and talents of workers. More and more firms form teams not only to tackle particular projects but also to accomplish their goals of enhancing productivity and improvement quality (Gauschi 1990; Gratton 2007). Essentially, the team approach has been used mostly on the shop floor and among service workers. But now, many companies are also organising senior managers and professionals into teams to reduce barriers and decrease bureaucratic red tape (Gauschi 1990). Obviously, groups and teams are not the same things; the latter can contribute to improved performance (Baker et al. 2006). Also Naylor (2004) clarifies that a group comprises at least two people, who continually interact with each other, have something in common and recognise that they are members of the group. Similarly, Bacon and Blyton (2000), Schweiger (2003) and Robbins (2005) state that a group is two or more individuals, interacting and interdependent, who have gather to achieve particular objectives. A work group is a group that primarily interacts to share information and to make decisions to help each member perform within his or her responsibility. Employees working in groups have no need or opportunity to engage in collective work that requires joint effort and employees have no management responsibilities or control (Baker et al. 2006). So their performance is merely the summation of each group member's individual contribution. There is no positive synergy that would create an overall level of performance that is greater than the sum of the inputs.

In terms of management, meanwhile, teamworking which is an essential concept for organisations represents a potential means of delivering a wide range of benefits (Bacon and Blyton 2000). Team working is one of numerous innovations by management in the organisation of their workforce involving in order to attain/retain competitive advantage (Whitfield and Poole 1997). The use of formal work teams, team - building activities and the rhetoric of the team are common place in both the theoretical and popular business

69

literature (Cordery 1995; Glassop 2002) as a way to stimulate employee commitment and to facilitate creativity and innovation (Bacon and Blyton 2000). The result of Paul and Anantharaman (2004) clarified that team-based job design affects the speed of delivery of service or product very significantly and also a team encourages informal communication and strong working relationships.

There are a number of ways in which the concept of teamwork can be understood. As been found in the prior research of Al-Rawi (2008), cohesiveness between teamwork is positively related with intelligence and skills and a high level of cohesiveness reduces conflict. Also team characteristics such as interdependence, team autonomy and psychological variables such as cohesion, commitment, procedural justice and potency are generally positively associated (Rassumussen and Jeppesen 2006). Osborn and Moran (2000); Al-Rawi (2008) note that the main goals of team building are to improve productivity and motivation. The findings of Manev (2003); Chau and Witcher (2008) confirm that teamwork and the effectiveness of teams is a major contributory factor to organisational performance. More specifically, American companies have adopted another traditionally Japanese approach to product development - the use of teams (Chigusa 1994). By contrast, the finding on the relationship between performance and the intensity of teamworking by Harley (2001) argued that employees who were members of teams reported no better an experience of work than those who were not.

2.4.1 Teamwork and PRP

In today's complex and increasingly matrixed organisations, managing roles and relationships between individuals and functions is essential (Fay 2005). There are intrinsic rewards related to teamwork, including: the satisfaction that comes from working with others to achieve a common goal, a greater sense of responsibility, increased organisational exposure and freedom from bureaucratic restrictions (Gautchi 1990). Given that PRP practices are a significant HRM tool in organisations, it would be very widely agreed that employees can establish intelligent and rational estimates for the consequences of particular performance and how such consequences will affect their own

70

expected pay or outcomes towards PRP schmes. As said previously, teamworking is positively associated with workplace performance (Becker and Gerhart 1996; Bacon and Blyton 2000; Procter and Burridge 2008). Regarding the team and PRP, Ezzamel and Willmott(1998)'s and Muller et al. (2000)'s studies concluded that team-based pay would encourage the development of teamworking and the introduction of teamworking was associated with a new payments system in which bonuses depended on team rather than individual effort. As the finding of Easley et al. (2003) noted, team-level use of a collabourative system could play an important role in team performance and success.

However, there are two sides to this argument; some articles claim that PRP schemes create tensions, jealousies, competition and uncooperative efforts which discourage teamwork (Lewis 1991; Torrington 1993; Brough 1994; Heery 1996; Lowery et al. 1996; Morris and Fenton-O'Creevy 1996; Dowling and Richardson 1997; Kelly and Monks 1997; Marsden and French 1998; Beer and Cannon 2004; OECD 2005; Casalino 2007). *"The jealousies could be related to the feeling that management show favouritism under performance management so that some get easier targets and may be rated more favourably than others"* (Marsden and French 1998, p.31). Effective teamwork is underminded by rewards that create competition and, therefore, destroys cooperation (Suff and Reilly 2004) since employees desire to reach their individual goals and get increased pay and this, in turn, tends to mitigate against collective action. Most problems with evaluation and reward systems occur with the autonomous teams that handle crucial work. The roles of the participants in these situations are often very different from those in the traditional organisation. In fact, the evaluation and reward system is hardly ever designed separately to support the team-oriented organisation (Gautchi 1990), so PRP schemes should clarify what performance should be mentioned, how and whether it is measurable and how performance is best improved. A central element of PRP is built on the notion that individuals will expend effort where they expect to be rewarded.

Additionally, their behaviour might be withdrawn when the outcome is not worth very much to them. When the focus of the PRP plan mostly falls on individual employees, the consequent competition among employees is counterproductive (Kim 2002). Research

by Safizadeh (1991) highlighted that when workers are organised into groups, their evaluation and consequently their pay and benefits are affected by the performance of their teams. But because workers have traditionally been judged by their own performance, the change to the new pay system is of concern to many of them that performance evaluation based on individual results in a team. Workers may have different skills and abilities; hence they can differently assess the PRP objectives. Moreover, there is the belief that employees are uncomfortable with differentiating between co-workers, especially when their evaluations determine individual rewards (Aguinis 2007). Under a PRP scheme, employees seemingly could be more concerned with accomplishing their own objectives by ignoring their colleagues or not helping fellow workers. Thus, it is also important that the managers intervene and help employees enhance their own efforts through performance expectancy and so reach their performance goals by giving them advice, providing support, maintaining teamwork and encouraging knowledge sharing within the organisation. In the study of Hanley and Nyugen (2005), performance appraisal linked with PRP was a source of unhealthy competition from the perspective of some blue collar workers, pitting person against person. However, Gautchi (1990) argues that when properly designed and administered, the evaluation and reward system in a team environment can have a positive influence on employee performance.

Nevertheless, team-based systems, in which pay or some part of it is based on team performance, also face serious problems.There was a possibility that this might depress the morale of other team members. The conclusion also suggested that it was noticeable that companies should balance between individual and team performance in offering incentive schemes such as employee stock options, otherwise they may affect the organisational operational goals in the long run (Paul and Anantharaman 2003). To avoid confiicts that can result from measuring and rewarding individual teams, some firms turn to a variety of gain-sharing plans based on the performance of a grouping of teams or the entire organisation (Gautchi 1990). When people engage in a task that is meaningful to them, an accurate description of participants' judgments is more likely. The work environment is also an important factor that enhances the competence of the employee.

This is in agreement with previous study of Pfeffer (1995) stated that a social environment with an informal culture and a strong bond among members through knowledge sharing enhances the competence of the employees in the organisation (Nonaka 1994).

2.5 Career Advancement

Compensation might be a major criterion for choosing an organisation, but, once they are part of the organisation, employees look for vertical and horizontal growth in the organisation (Paul and Anantharaman 2003). People also differ in their needs, values and personalities. Employees enter an organisation with a set of expectations about their future and career. Positive work outcomes develop when one's expectations are confirmed as previous studies have referred to the process of career advancement itself in comparison with other aspects (Goffee and Scase 1992; Malos and Campion 1995; Matheson 1999; Nabi 2000). Yet regardless of the growing importance of the topic of career management, there is still a scarcity of research in this field from a cross-national perspective, especially involving developing and developed nations (Baruch and Budhwar 2006). Few of literature reports on the relationships between career advancement and PRP, so this study will examine that relationship. One of an organisation's responsibilities is to support employees to develop their own careers (Maholtra et al. 2007) and increase their career satisfaction, which is related negatively to turnover intentions (Ding and Lin 2006). Hence, a discussion of career advancement should be considered as part of a broadening of HRM themes in order to enable the organisation to successfully compete.

A career is a sequence of entire work-related positions occupied by a person during a lifetime (Granrose 1995; Slocum and Hellrieget 2007) relating experience and attitudes (Hall 1987). Similarly, Callanan and Greenhaus (1999) suggests that a career is normally defined as a pattern of work experiences spanning the course of a person's life and is usually perceived in terms of a series of stages reflecting the "passage" from one life phase to another (Carmeli et al. 2007). Individuals become more aware of their own

abilities, motives, needs, attitudes and values after several years in the workforce. When employees have already accumulated some experience within their organisation, they generally want to get promoted in order to progress their career advancement. High performance, at the individual level, depends on high motivation plus possession of the necessary skills and abilities (Guest 1997). Feldman and Bolino (2000, p. 55) argued that *"career anchors and postulated that they set reasonably strong parameters within which future career decisions will be made"*.

Career advancement was a major topic of interest in the 1980s and it continued to receive attention from organisations throughout the 2000s. *"Career advancement involves making decisions about an occupation and engaging in activities to attain career goals"* (Slocum and Hellrieget 2007, p.6). As noted by Callanan and Greenhaus (1999); Carmeli et al. (2007), organisational career advancement is an objective assessment of an employee's career movement, either via hierarchical advancement or horizontal mobility. Career advancement can be taken to mean one or more of the following: an increase in the scope or level of responsibility, greater authority to other functional areas within the firm to gain broad-based experience for developmental purposes, a raise in salary and/or an increase in benefits, and a move to a higher level within a hierarchical structure. Referring to Figure 2.5, North (2008) states that the process of career advancement starts with identifying the content of the three circles that constitute an individual definition of career success: compensation, job satisfaction and lifestyle expectations. The view of a career is usually restricted to the situation of moving up the ladder in an organisation. At times, this opportunity is no longer available to many employees because of downsizing, mergers and the increasing tendency of management to place the responsibility on employees to develop their own competencies (Conger 2002; Slocum and Hellrieget 2007). Individuals should evaluate their own career goals and progress in terms of what is personally meaningful and satisfying. And employees became dissatisfied when they perceived a lack of training and development opportunities as found by Shen (2010).

Figure 2.5: The Three Circles of Career Advancement

The Three Circles of Fulfillment

The Money
(Compensation
and positions)

The Job
(The work itself
beyond the pay
check)

The Life
(Outside work)
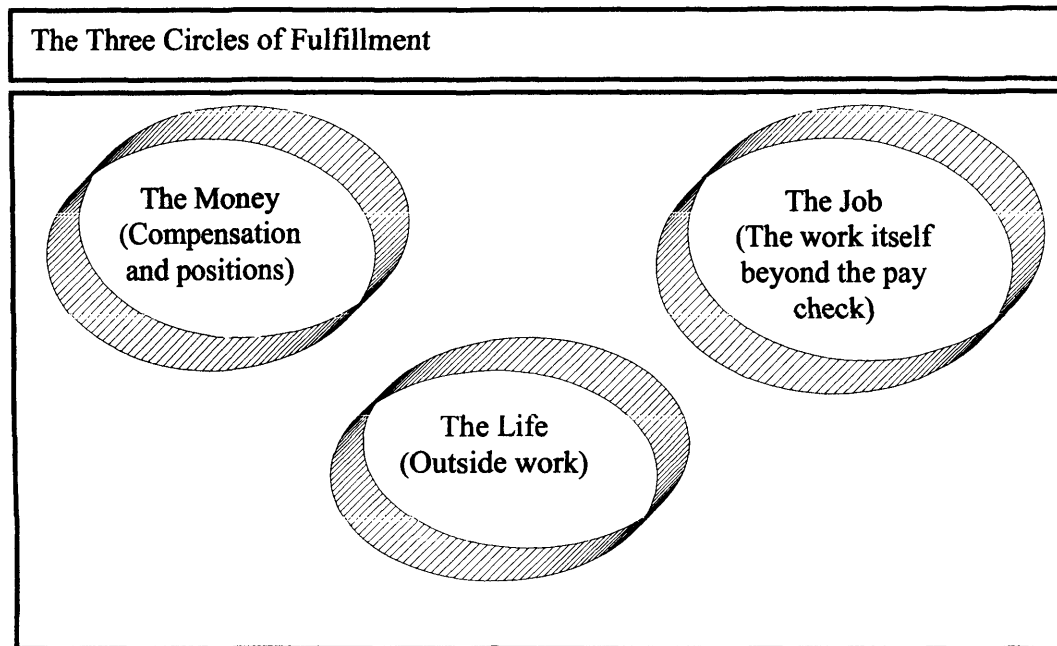
Source: North (2008)

The shape and direction of a person's career over time is influenced by many factors, for instance, the economy, availability of jobs, skill acquisition, personal characteristics, family status and job history (Slocum and Hellrieget 2007). Similarly, to ensure that, Leung (2004) notes that there are many factors that may facilitate or impede one's career prospects, this can be broadly divided into two main groups: situational attributes and personal attributes. Situational attributes refer to organisational and job features. Career advancement is influenced by the type of job, the importance of the job to the organisation and the amount of power attached to the job (Melamed 1995). While environmental factors such as the extrinsic rewards provided by an organisation may be an important influence on behaviour, individuals are fundamentally responsible themselves to achieve career success. Personal attributes (e.g. education, ability and work experience) refer to job-relevant human capital, which fosters the pace and thoroughness of job-related knowledge, enhances innovation and the quality of priority setting when dealing with novel situations (Conger 2002).

Additionally, changing organisational practices and cultural variations have direct implications for career advancement. Reward expectation may encourage creativity or improvement because employees tend to develop their potential to make sure of receiving the reward. In line with career advancement, promotion is certainly a key driver for employees to achieve better performance and serves as an interactive interface to satisfy employer–employee relations. (Campion et al. 1994; Cappelli 1999). Moreover, promotion as the work outcomes determining his employees' promotion path within the organisation may be seen as an effective way of rewarding competent employees, retaining potential employees and fulfilling human resource needs. Baruch and Budhwar (2006) indicate the importance of applying career management in accordance with the environment within the organisation should be taken into account that the consideration of both what is desirable and what is possible, given the firm's current climate and not to set unrealistic goals.

2.5.1 Career Advancement and PRP

Anticipated pay increments will place an increasing emphasis on efficiency and performance of employees since individuals seek internal sources of fulfilment via learning and developing through different types of job assignments and non-work activities as a ladder to accomplish task development and higher pay. In order for a reward system to be effective, the rewards must hold some importance for the employees. If none of the potential rewards holds any importance for an individual, it is most unlikely that they will provide the motivation to elicit the desired behaviour and performance from the worker (Lawler 1995; Perkins and White 2008). A salient element of the PRP system is that PRP stimulates a desired performance by rewarding an outstanding job (Brough 1994; Lawrence et al. 1998; Hanley and Nguyen 2005). As mentioned earlier, employees who expect increasing rewards may improve their skills and invest more effort to reach objectives set up as a result of applying PRP schemes (Lawler 2000; Harris 2001) and reward practices are attached to the individual through development of employees' skills, knowledge and experiences (Swart and Kinnie 2003).

Generally, an individual entries to the employment situation along with a unique set of expectations to the employment situation. As recommended by Kelly and Monks (1997), Armstrong and Murlis (1998) and Baruch et al. (2004), PRP is a motivator to stimulate employees by providing incentives in a monetary form of rewards and recognising achievements. Likewise, as been found in prior research of Singh et al (2004), the significant variable showing a positive relationship to satisfaction with monetary rewards was an opportunity for career advancement. Dowling and Richardson (1997) also stated that employees' motivation was positively related to the sense of challenge which they felt from having their objectives set for them by the PRP schemes. Further, setting objectives based on employees' participation and potential would affect career advancement. The challenge of new situations, demanding goals and recognition involving rewards for achievement in the form of promotions and pay increases requires employees to learn lessons and/or joining training that will help them perform effectively. The finding of Brown and Reich (1997) revealed that employee's satisfaction in the assignment of work seems to be at least as skills or career development. It would seem appropriate that aspects of PRP schemes will be related to career advancement.

The previous research of Creelman (1995); Hanley and Nguyen (2005); Prowse and Prowse (2009) revealed that increasing training, more responsibility, recognition and capabilities for self-improvement may lead to higher motivation and improvements in performance. Similarly, Dowling and Richardson (1997)'s study claimed that it is important to provide training and development regarding the predefined goals to aid advancement both internally and in the job market altogerther. Lindholm (2000) has found that Thai employees in MNCs are eager for personal development and they prefer performance management that is oriented towards their development rather than performance management that focuses on their past performance. Hence, employees will tend to continue doing what they have been rewarded for which this is a form of positive reinforcement. Also Brough (1994) noted that PRP often accompanies decentralisation of the organisation and completetly provides greater autonomy and responsibility relating the supervison of line managers. *"Individuals at all levels of the organisation recognise*

77

the importance of continually upgrading their skills and regard access to training as a key element in the overall reward package" (Armstrong and Murlis 1998, p.121).

In addition, communication as an aspect of PRP plan is a way to communicate with employees about how to get outstanding performance and feedback regarding their job evaluation and development reviews (Korgaard and Roberson 1995; Chang and Hahn 2006; Stiffler 2006; Helm et al. 2007; Pierce and Maurer 2009). The previous study by Chow (2002) found that career satisfaction was significantly correlated with sharing information. Obviously, possessing strong interpersonal and communication skills are critically important to a manager's ability to encourage workers, negotiate, articulate and implement a plan, reduce resistance and get results. Moreover, communication would assure that employee's contributions are not ignored; rather employees may judge organisational support via communication with PRP plans.

As stated by Brown and Reich (1997), the compensation system affects the formation of career paths through its incentive effects. Further, promotion opportunities are a key driver for employees to achieve better performance (Campion et al. 1994). Along with PRP practices, organisations can use a promotion mechanism to motivate employees towards achieving good performance. Individual awareness of the values of target rewards may enhance their effectiveness. Conversely, lack of promotion can have various negative effects on both employees and the organisation; for example, work satisfaction or organisational commitment will decrease if a promotion path is blocked (Goffee and Scase 1992; Rotondo 1999). Social exchange theory (Chapter Five) focuses on the exchange relationships between two or more actors - in this case, an organisation and its employees. Exchange occurs within an environment of mutual dependence, where actors control resources (such as pay and effort) that other actor's value. One of the assumptions of social exchange theory is that employees are motivated to obtain more of the outcomes that they value and others control. Employment is viewed as an exchange process in which employees contribute their effort, knowledge, skills in exchange for financial and non-financial rewards (Chow 1992). Thus, a promotion opportunity is a mechanism to remuneration for high job performance in respect of social exchange theory. One of the

key signals is how well an employee has been performing her/his job. Performance rating plays a major role in the promotion decision process (Greenhaus et al. 1990). Evidence shows that employees who are appreciated for their achievements at work enjoy relatively high organisational career advancement. Schaubroeck et al. (2000) found a strong correlation between job performance and promotion decisions in two different countries, Hong Kong and the USA. To sum up, as Brough (1994) noted, many organisations abandon the attempt at separating employee rewards from employee development. As competition increases, organisations are more likely to motivate people to get things done, reach performance goals and produce sustainable results. To achieve good performance, it is imperative to clarify what their job entails and what objectives and results they must achieve and deliver. Importantly, career advancement will fulfill intrinsic motivations which may be limited under PRP plans which focus only on monetary rewards, since the results suggest that productivity increased in firms that care about the advancement of their employees (Ghebregiorgis and Karsten 2007).

2.6 Conclusion

Research and theory suggests that compensation systems are a critical component of any HRM system and there is considerable evidence that PRP can be a powerful strategy for motivating and shaping worker behaviour (Huselid 1995; Lawler 2000; Bloom et al. 2003). It is increasingly replacing traditional approaches to compensation based on a bureaucratic model of organisations which would not properly respond to a robust, unpredictable and tight organisational environment. However, if not carefully designed, PRP schemes can introduce unintended and potentially damaging effects. This chapter thus has taken a number of concepts of PRP into consideration to form a frame for the further analysis of this research. Additionally, the development of PRP over past two decades has been presented in both western and eastern organisations. Although PRP has primarily arisen in the public sectors, it is also been broadly implemented into private firms (Suff 2001). Then the literature review addressed the relationship between the competitive atmosphere at work and PRP. Since employees strive to exert their potential so that they are in the top scale in PRP plans, this can increase a competitive atmosphere

at work and destroy teamwork (Lowery et al. 1996; Marsden and French 1998; OECD 2005). The existing literature on teamwork and pay systems has been revealed in this chapter. Finally, as there is little research on PRP and career advancement, this is a gap to be illuminated. Next chapter will provide the literature on a concept of culture and details on organisational commitment.

Chapter 3

Culture and Organisational Commitment

3.1 Introduction

This chapter will outline the concept of culture and will unfold as follows: firstly, the concept of culture and national culture, according to Hofstede's dimensions, will be defined. Since culture can be seen as the sum total of beliefs, rules, institutions and artifacts which characterise human populations (Schein 1992), acquiring knowledge of the cultural context is an essential step to unravel any cultural differences which may be hidden in employees' attitudes and/or perceptions. Second, aspects of organisational commitment (affective, continuance and normative) will be discussed so as to give a precise definition for this research.

3.2 What is Culture?

Hofstede (1980, 1991) defined culture as the collective programming of the mind which distinguishes the members of one group or category of people from one another. Culture is seen as the patterned ways of thinking, feeling and reacting that are reflected in traditional ideas and values that differentiate members of one human group from other human groups which influences their perception of the world and consequently their behaviour (Rousseau 1990; Lim 1995; Boode 2005). Additionally, culture acts as the end product of a society and serves as a framework for shaping and guiding actions, practices, common understanding, expectations and creativity of its members which are acquired through social learning and socialisation processes (Rousseau 1989; Komin 1990; Schein 1992; Hofstede and Hofsted 2005). Further, culture can be thought of as a phenomenon that surrounds us at all times, being constantly enacted and created by our interactions with others (Schein 1992). Similarly, Miroshnik (2002) explains that individuals express

culture and its normative qualities through values holding life and the world around them. Culture also affects the acceptability of different modes of cooperation and the way cooperation is organised (Nakamura et al. 1997). Likewise, culture is what a group learns over a period of time to solve its problems as it seeks survival in an external environment including the groups' problems of internal integration. Such learning is simultaneously a behavioural, cognitive and an emotional process (Schein 1990).

In particular, Schein (1992) views culture as comprising three levels:

(1) **Artifacts**: This surface includes all the phenomena that one sees, hears and feels when one encounters a new group with an unfamiliar culture. This means everything from the physical layout, the dress code and the manner in which people address each other, the smell and feel of the place, its emotional intensity, myth and stories told about the organisation, published lists of values, observable rituals and ceremonies and so on. The most important point about this level of culture is that it is so easy to observe and yet very difficult to decipher.

(2) **Espoused values**: Beneath artifacts are espoused values which are conscious strategies, goals and philosophies. Espoused values are less visible than behaviours and artifacts. The constituents of this level of culture provide the underlying meanings and interrelations by which the patterns of behaviours and artefacts may be deciphered.

(3) **Basic assumptions**: These are perceptions, thought processes, feelings and behaviour. Basic assumptions represent an unconscious level of culture which is the basic underlying reason why things often happen in a particular way. These basic assumptions form around deeper dimensions of human existence such as human nature, human relations and actions, reality and truth. By this definition, basic assumptions are also the most difficult to relearn and change.

Figure 3.1: Levels of Culture

Artifacts	Visible organisational structures and processes (hard to decipher)
Espoused Values	Strategies, goals, philosophies (Espoused justification)
Basic Underlying Assumptions	Unconscious, taken-for-granted beliefs, perceptions, thoughts, and feelings (ultimate source of values and action)
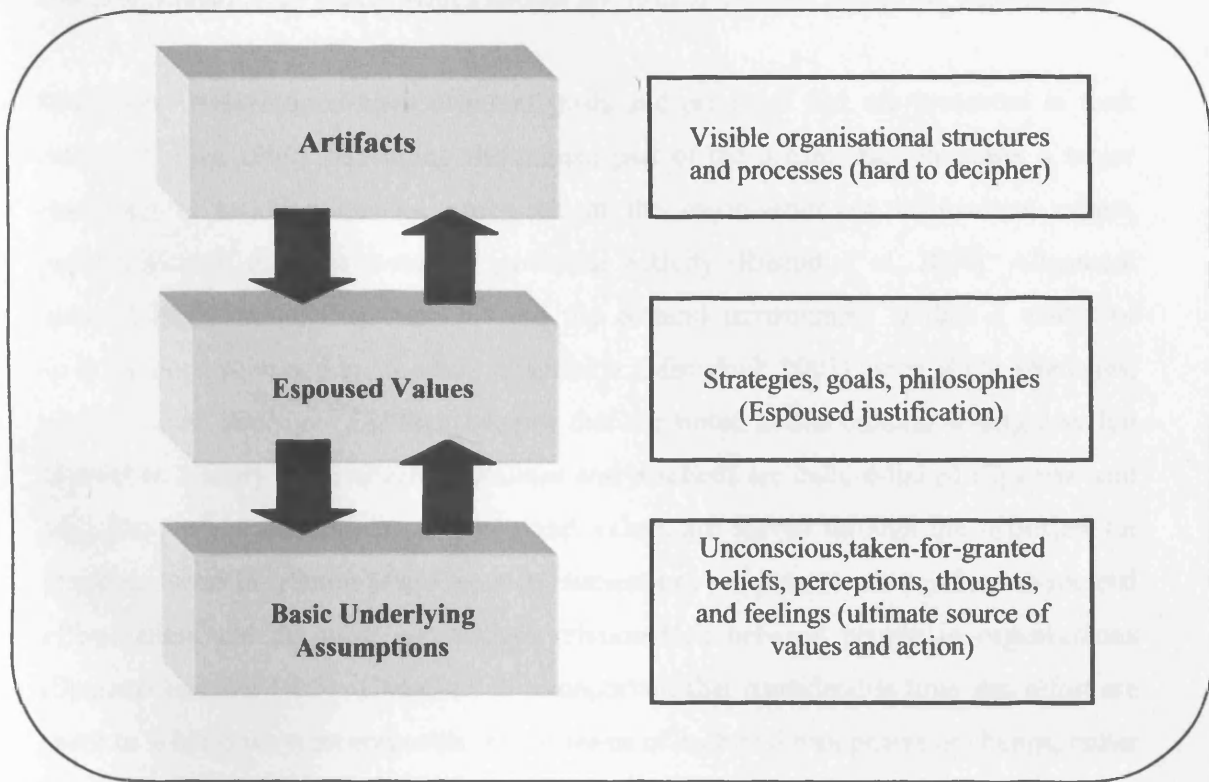
Source: Schein (1992)

It is a multi-layered construct with fundamental assumptions and values at the deepest, least accessible levels while artifacts and patterns of behaviour are more surface expressions of culture (Chew and Sharma 2005). Interestingly, Schein (1990) suggests that cultures are created through the way organisations have reacted to important incidents in the past and have thus evolved certain norms as well as through the identification of organisational members with their leaders. Hence, organisational cultures are perpetuated through the process of socialisation of new members into the organisation. Notably, the perception of employees is acquired through socialisation processes and the dimension of culture in enhancing organisational learning readiness (Rousseau 1990). Culture dominates in a manner that affects employee interaction, organisational functioning and ultimately influences all decision making. Imbedded within the culture are primary values that preside over employee beliefs for addressing

challenging situations where the generation and dissemination of new knowledge and response scenarios are shared with multiple levels of employees within the organisation.

Obviously, organisations have different goals and priorities that are presented in their culture (Schein 1992). Managing the human part of the organisation becomes a major challenge in handling change processes in the organisation as it involves values, preferences and attitudes toward a particular activity (Rashid et al. 2004). Alignment between multicultural organisations and the cultural environment is then a matter of accurate perception and appropriate adaptation (Miroshnik 2002) since HRM strategies, organisational structures and technologies that are suited in one cultural setting may fail in another. Clearly, most of HRM policies and practices are culture-linked (Sparrow and Wu 1998) where cultural assumptions and values are solved through the diffusion for group members in relation to the types of interactions and behaviours that lead to societal effectiveness and the most appropriate relationships between people in organisations (Sparrow and Wu 1998). Therefore, it is important that considerable time and effort are spent to achieve the right corporate mix in terms of culture development or change, rather than rushing the process (McAleese and Hargie 2004).

Figure 3.2: Source and Consequences of Culture

-External influences -Nature -Human forces -Trade -Conquest -Origins -Geography -Economic factors -Demography -Genetic factors -Technological development	-Value systems of major groups in the population - Uncertainty avoidance - Power distance - Individualism-collectivism - Masculinity-femininity - Long-term/short-term -Patterns of thought	-Structure and functioning of social systems -Economic systems -Social control systems -Marriage and family systems -Educational systems	-Structure and functioning of economic organisations -Organisational design -Compensation systems -Organisational structure -Motivational strategies -Status distinctions -Symbols etc.

Source: Tosi and Grackhamer (2004)

Figure 3.2 illustrates the theoretical model which shows that differences in national cultures emerge from a broad set of forces which are the result of a nation's history, geography, resources, climate and other factors (Hofstede 1980; Pedersen and Thomsen 1997). For example, the role of geography may explain some differences in individualism -collectivism between the United States, Japan and Thailand. Next, the cultural values come out from these forces are a set of person's cognitive map and that are reflected in the social systems and institutions of a culture (Shaw 1990). Social systems and institutions are the structure influencing the functions of social systems-economic systems, social control systems, marriage and family systems, educational systems, aspects of an organisation's design including the compensation system. Organisations are complex social systems of coordinated behaviour, which affect all members at some time or another (McAleese and Hargie 2004). Additionally, a large body of evidence exists highlighting the link between culture, an individual and organisational aspects (Lim

85

1995; Fang and Shaffer 2003; Tosi and Greckhamer 2004; Chew and Sharma 2005). This model is an effort to increase our understanding of the sources and consequences of culture since culture is an intangible concept and plays a meaningful role in society and affects its members. In addition, as Hofstede and Hofstede (2005) note, culture is always a collective phenomenon because it is at least partly shared with people who live or lived within the same social environment, which is where it was learned.

3.2.1 National Culture

National culture is a central organising principle of what an employee understands of work, their approach to it and the way in which they expect to be treated. Further, national culture implies that one way of acting or one set of outcomes is preferable to another. When management practices are inconsistent with these deeply held values, employees are likely to feel dissatisfied, distracted, uncomfortable and uncommitted. As a result, they may be less able or willing to perform well (Newman and Nollen 1996). The culture of each country has long been identified as a key environmental characteristic underlying different behaviour as culture is learned not innate, it derives fron one's social environment rather than from their genes (Hofstede and Hofstede 2005). While culture is not the only determinant of a business's success or failure, the increasing dominance of multinationals and the globalisation of world markets ensures that those who address the questions of culture will gain a substantial advantage over those organisations with which a firm competes (Smith 1992; Sadri and Lees 2001). Therefore, cultural differences have become central to cross-national management research. However, directly applying management theories and practices created in Western culture to organisations in different cultures may not properly succeed everywhere (Hofstede 1991). The organisation should thus be concerned about national cultural discourse when establishing any strategies or business plans. National culture is entrenched deeply in everyday life and is relatively resistant to change. As such, these deeply entrenched values which people hold will subconsciously affect how they structure and carry out management practices, which is what organisation culture is all about national culture also plays a dominant role in shaping organisational culture (Chew 2005).

Hofstede's (1980) well-known study analysed 88,000 responses to a questionnaire survey conducted among the employees of a single U.S. multinational working in 66 countries. The initial sample was 40 countries and later it was extended this to 53. Hofstede's four dimensions were power distance, individualism/ collectivism, uncertainty avoidance, and masculinity/femininity. Hofstede's later research contained values for 74 countries and regions. In 1991 Hofstede added an extra fifth dimension, Long Term Orientation. This dimension was added to Hofstede's original IBM research in an effort to capture dimensions that might be particularly relevant in Asia (Newman and Nollen 1996). These dimensions are based on four fundamental problems which any society faces: (1) the relationship between the individual and the group; (2) social inequality; (3) social implications of gender and (4) handling of uncertainty inherent in economic and social processes.

Thailand never really ranks at the very extreme value of Hofstede's dimensions and is often in the middle range. This itself is likely to be due to cultural factors and in particular to Thai Buddhism, with its emphasis on finding a balance in life (Holmes and Tangtongtavy 1995). Thailand's scores on the five dimensions are as follows: Power Distance: 64 (22nd of 53 countries), Individualism: 20 (40th of 53 countries), Masculinity: 34 (44th of 53 countries), Uncertainty Avoidance: 64 (30th of 53 countries) and Time Orientation 56 (8th of 23 countries). Table 3.1 summarises five cultural dimensions of Hofstede and Hofstede (2005).

1. Power Distance

Power distance is related to a difference in solutions to the basic problem of inequality between people (Hofstede and Hofstede 2005). Power Distance is reflected by the amount of formal hierarchy, the degree of centralisation, the lack of employee participation in decision-making and autocratic leadership within its structure (Newman and Nollen 1996; Niffenegger et al. 2006). A society with a large power distance also promotes autocratic as part of their mental conditioning of people, such as those in East Asia and Latin American countries (Schuler and Rogovsky 1998). In particular, companies in high power distance countries may facilitate disciplined cooperative arrangements between dominant and dominated sides but create difficulties in arrangement of equals unless the hierarchy is established by the presence of a dominant third party such as government (Nakamura et al.1997). It has been argued that in high power distance countries organisational structures will be taller (Tosi and Greckhamer 2004).

In a contrast, low power distance is less likely to tolerate significant inequities (Gomez-Mejia and Welbourne 1991) and inequality within an organisation as well as within society should be minimised (Schuler and Rogovsky 1998). Diffused power societies are likely to place individual differences by sharing or decentralising power (Cook and Hunsaker 2001) and a low importance attached to titles and status (Boode 2005). The countries with the most informal, low power distance relations were Austria, Jamaica, and Denmark, while those with the highest power distance were Malaysia, Panama and the Philippines. With a Power Distance of score 64, Thailand ranks 22nd out of 53 countries (Hofstede 1991)

Figure 3.3: High Power Distance versus Low Power Distance

▲
(Malaysia)   (TH) (JAP) (USA)   (Austria)
High Power Distance   **Low Power Distance**

Source: Hoftede and Hofstede (2005)

88
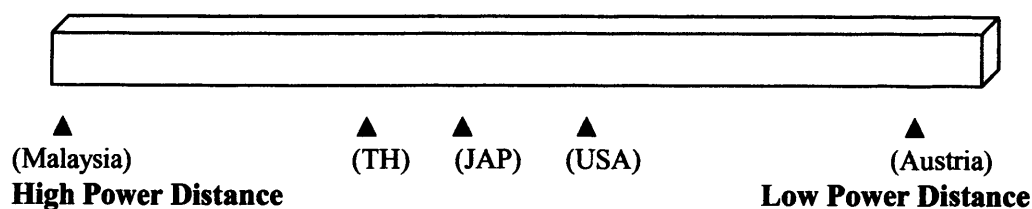
2. Individualism /Collectivism

Individualism reflects the degree to which people in a given society value independence versus group membership (Gomez-Mejia and Welbourne 1991; Hofstede and Hofstede 2005). They are based on values of individualism, stressing professional expertise and similarly, it includes individual responsibility for one's own actions and for taking care of oneself. Individualism places more emphasis on self-respect (Miroshnik 2002). Additionally, Smith (1992) state that individualism distinguishes countries in which employees see their individual identity as determined by their own continuing individual choices as to how to act. Individual initiative, individual freedom and individual achievement are highly valued (Gelade et al. 2008).

Individualism is associated with individual calculative behaviour and collectivism with placing a high value on meeting the objectives of a group even when specific behaviours may harm individuals within the group. Within a group, cooperative arrangements in highly individualistic societies are stable if they meet the objectives of all members. Members who find it more advantageous to leave the group (for example, join rival groups) will do so without the imposition of social sanctions or stigma (Nakamura et al.1997). Western cultures, to varying degrees, tend to be the most individualis tic in the world. Of all 53 countries in the survey, the USA was ranked highest on individualism, with Australia second and Britain third. Thailand, with an Individualism score of 20 (40th out of 53 countries) ranks low, though not among the very lowest, on Hofstede's scale.

Figure 3.4: Individualism versus Collectivism

▲	▲	▲ ▲
(USA)	(JAP)	(TH) (Guatemala)
Individuallism		**Collectivism**
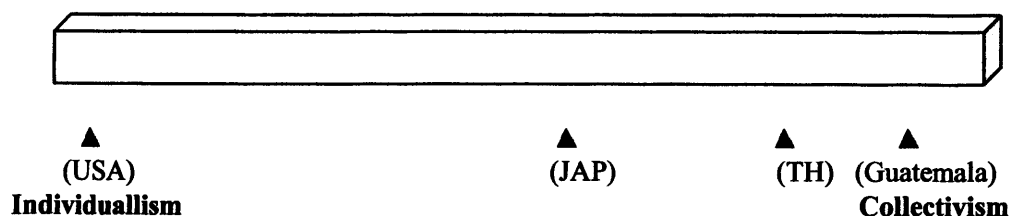
**Source:** Hoftede and Hofstede (2005)

3. Uncertainty Avoidance

Hofstede and Hofstede (2005) address that uncertainty avoidance measures the extent to which people in societies feel threatened by uncertain or unstructured situations (Schuler and Rogovsky 1998; Niffeneggaer et al. 2006) and attempts to avoid it by providing career stability, establishing more formal roles/procedures and rejecting deviant ideas and behaviour (Miroshnik 2002). Similarly, people are uncomfortable with high risk and ambiguity. A strong uncertainty avoidance culture may stimulate formal well-regulated and highly focused partnerships with short time horizons (Nakamura et al.1997). The future is a challenge to be overcome and is related with a high level of anxiety, emotionality and aggressiveness for those in high uncertainty avoidance societies.Thailand scores mid-range on Hofstede's Uncertainty Avoidance dimension: 64, ranking Thailand 30th out of 53 countries.

On the other hand, Cook and Hunsaker (2001) and Chiang (2005) state that an individual in weak uncertainty avoidance countries accepts the unknown future and are more tolerant. Compensation programmes designed for this type of culture should tend towards a pay system that will guarantee material achievement (Mamman et al. 1996). Since there is a greater tendency to take risks (Tosi and Greckhamer 2004), resulting in lower levels of stress on people within that culture (Gomez-Mejia and Welbourne 1991). As noted by Mamman et al. (1996, p.109), *"employees from strong uncertainty avoidance cultures will avoid any pay system that has some elements of 'risk', for example a performance-related pay. Base pay, or that part of compensation package that is fixed, should play a more important role than any type of variable pay"*.

Figure 3.5 : High Uncertainty Avoidance versus Low Uncertainty Avoidance

▲	▲	▲	▲	▲
(Greece)	(JAP)	(TH)	(USA)	(Singapore)

High Uncertainty Avoidance   **Low Uncertainty Avoidance**
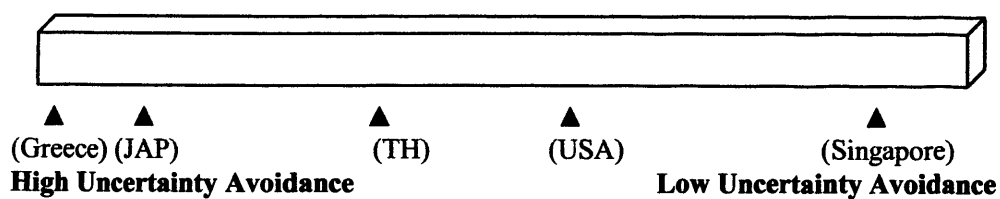
**Source:** Hoftede and Hofstede (2005)

4. Masculinity/Femininity

Hofstede's fourth dimension is gender. Here a masculine culture is one where traditional male values dominate, such as assertiveness, challenge, performance, ambition and growth (Hofstede 1991; Niffeneggaer et al. 2006). Income is viewed positively and it admires acquisition of material possessions and additional wealth (Gomez-Mejia and Welbourne 1991; Hofstede and Hofstede 2005). Material success with environments is likely to force employees hard and then reward top performers with high earnings (Gelade et al. 2008) which are compatible with a system which links monetary reward to performance and achievements are viewed as essential values. Men mostly occupied positions of higher power and status. Fewer women are found in high-level management or executive positions (Gomez-Mejia and Welbourne 1991).

This contrasts with a feminine culture characterised by the cooperation, close relations, care-taking, security and quality of life are more highly valued (Gelade et al. 2008). Men are not believed to be inherently superior. When dealing with pay plans, equality is a strong belief regardless of gender (Newman and Nollen 1996). Thailand scores rather low on Hofstede's Masculinity index: it is in 44th position out of 53 countries, with a score of 34. This means that there is still a clear discrepancy between Thailand and the countries that have very low scores such as the Netherlands (14), Norway (8), or Sweden (5). Interestingly, in more masculine cultures the expected behaviour of males and females is clearly differentiated whereas in more feminine cultures, such as the Netherlands or Sweden, gender roles are less differentiated; males can take on caring roles while females may pursue a professional career.

Figure 3.6: High Masculinity versus Low Masculinity

    ▲   ▲   ▲   ▲
  (JAP)   (USA)   (TH)   (Sweden)
High Masculinity   **Low Masculinity**

Source: Hoftcdc and Hofstcdc (2005)

91
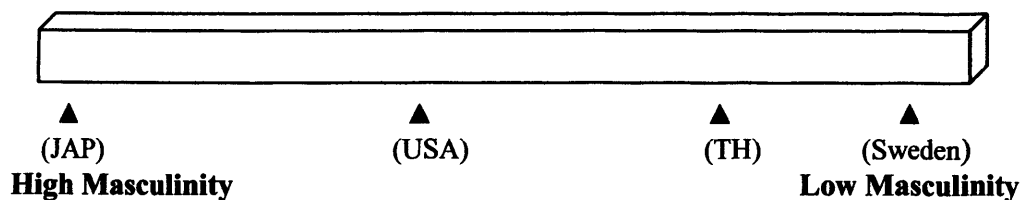
5. Long-Term versus Short-Term Orientation

Hofstede's last dimension refers to long-term-oriented cultures which are characterised by patience, perseverance, respect for one's elders and ancestors and a sense of obedience and duty toward the larger good (Hofstede 1991). Long-term culture countries are found in Asia, including Hong Kong, Singapore, Taiwan, Japan and also Thailand. Long-Term Orientation stands for the fostering and providing long-term employment rather than making quick fixes regarding management practices. Values associated with Short Term Orientation are respect for tradition, fulfilling social obligations and preservation of face (Newman and Nollen 1996; Hofstede and Hofstede 2005). Thailand ranks 8th out of 23 regarding this dimension.

Figure 3.7 Long-Term versus Short – Term orientation


    ▲   ▲   ▲   ▲   ▲

(Hong Kong) (JAP)   (TH)   (USA)   (Pakistan)

Long Term Orientation   **Short Term Orientation**
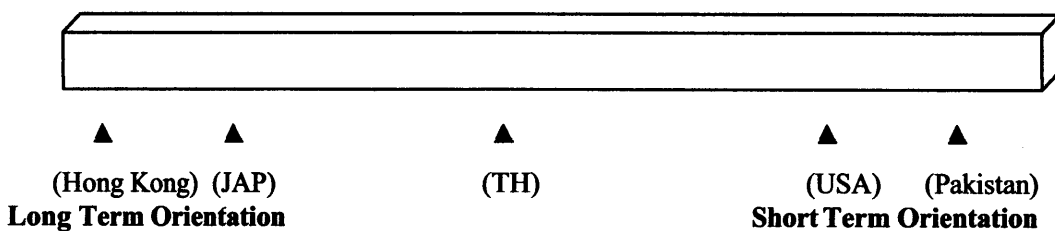
Source: Hoftede and Hofstede (2005)

Table 3.1 Five Dimensions of National Culture

Cultural Dimension	Cultural Dimension
Power Distance	Power Distance is the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally
Uncertainty Avoidance	Uncertainty Avoidance is defined as the extent to which the members of a culture feel threatened by ambiguous or unknown situations
Individualism vs. Collectivism	Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism, its opposite, pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect individuals in exchange for unquestioning loyalty
Masculinity vs. Femininity	A society is called masculine when emotional gender roles are clearly distinct: men are suppose to be assertive, tough, and focused on material success, whereas women are suppose to be more modest, tender, and concerned with the quality of life. A society is called feminine when emotional gender roles overlap: both men and women can be modest, tender, and concerned with quality of life
Long- vs. Short-Term Orientation	Long-Term Orientation stands for the fostering of virtues oriented toward future rewards – in particular perseverance and thrift. Its opposite pole, short-term orientation, stands for fostering of virtues related to the past and present – in particular, respect for tradition, preservation of "face," and fulfilling social obligations.

Source: Hofstede and Hofstede (2005)

3.2.2 Critiques of Hofstede's Dimensions

Despite its popularity, Hofstede's thesis is the subject of intense debate. Several major constraints to Hofstede's work were pointed by several reviewers of culture's consequences. For example, Songergarrd (1994) and McSweeney (2002); Gaspay et al. (2008) have all noted that the unit of analysis of nations may not be the best unit suited for studying culture. They also note the constraints derived from a research population of IBM employees which can not provide adequate information about an entire national culture. Additionally, McSweeney (2002) rightly points out that the sampling technique used in the IBM study to provide samples of national populations failed to represent well

the profile of various countries involved. However, Hofstede and Hofstede (2005) argue that IBM employees were an excellent population to study cultural differences precisely because they were so similar in all other ways except their culture. Thus, the subject's similarities magnified their difference at the level of culture and allowed Hofstede to extract and statistically validate those differences

Nevertheless, this research focuses on Hofstede's theory because it dominates (national) cultural research in cross-cultural research. Hofstede's work (1980) has received a great deal of attention in the literature, with some 1,036 citations in the Social Science Citation Index (SSCI) during the period from 1980–93 alone (Sondergaard 1994). Secondly, Hofstede's dimensions rely on variables that are more directly linked to social and organisational processes by focusing on human values, rather than on general beliefs and practices (Zakour 2004). It can be seen that much attention needs to be paid to how emerging issues are internally organised toward a human value(s)-driven perspective of the organisation in order to set up a strong emphasis not only on the changing movement of the company as a societal actor but also on its employees as the everyday human representatives of that organisation. Thirdly, Hofstede's dimensions are the most widely used and accepted in cross-cultural research not just in HRM but generally; they have become a de facto standard and the constructs are theoretically sound and empirically valid (Bhagat and McQuaid 1982; Sorge 1983). Research on HRM conducted in separate national cultures has shown that the meaning of such variables and national culture applying Hofstede's dimension differ (Smith 1992; Lim 1995; Newman and Nollen 1996; Miroshnik 2002; Dedoussis 2004).

3.2.3 Culture Management in an Organisation

In attempting to maintain or modify culture in an organisation, it is therefore vital that management arrives at a decision on how the company should be defined in the future overall direction. The model contributes to an understanding of the nature of culture management where culture, like other aspects of corporate life, has to be managed and is now a well-established theme of management rhetoric (McAleese and Hargie 2004).

What follows is a set of general guiding principles for culture management in organisations. As Figure 3.8 shown, five guiding principles of culture management will be described in order to formulate an overall strategy regarding the success of culture management.

Principle 1: Formulate an overall culture strategy

In fact the array of definitions of strategy, performance, culture and the link between them are a source of both complexity and stimulation. A main key of achieving is by striking an effective balance between company assets and cultural factors. The formulation of a culture strategy is a complex process, which involves analysis on several layers in order to aggregate all levels of culture and much cultural theory is overly general and still developing (Niffenegger et al. 2006). As Schein (1992) suggested above that organisational culture exists at three main levels and all interconnected and ultimately unified (McAleese and Hargie 2004). The most important parts of culture require deep analysis on these elements-incorporate thoughts, feelings and perceptions so that this cements the share values of organisations as Robbins (2005) stated.

Principle 2: Develop cultural leaders

A manager's ability to create and maintain a working environment should consider how to conduct both personal and work-related goals. This is achieved through effective organisation and planning, controlling and decision making, coordinating, guiding and communicating. Obviously, the role of top and senior management is pivotal in the management manipulation and transmission of culture (Deresky 1994; McAleese and Hargie 2004; Robbins 2005; Hofstede and Hofstede 2005). Further, *"middle managers can have a huge bearing on how work is structured, the implementation of formal reward systems and the decision-making approach- all of which impact on culture"* (McAleese and Hargie 2004, p.164).

Principle 3: Share the culture by communicating effectively with staff

Within the context of an organisation, communication is an essential component in the success and effectiveness of any unit. Internal communications have a major role to play

in defining and improving the relationship between employers and their staff and it can facilitate the management of strategic, structural, technological and process changes. The impact of internal communication as a process and its relationship to culture is therefore crucial.

Principle 4: Measure the cultural performance

Another vital component in the maintenance of culture is constantly reviewed and obtained feedback on current strategies and performance. McAleese and Hargie (2004) point out that performance measures need to reflect the values to which organisations espouse and the objectives involving the integration of organisational strategies, which ties in with job design, competencies, staff development, job satisfaction, individual goals and ambitions of employees. Reward and incentives linked to performance which affirms a clear line of sight between action and reward need to be closely articulated with the need of employees because they are critical in attracting, retaining and developing employees (Lawler 2000; Harris 2001; Reilly 2005; Wright 2004).

Principle 5: Communicate the culture to all employees

To communicate and create awareness of policies and procedures throughout the company would promote incorporated understanding about what need to be done. It has already been established that securing the commitment of management is essential in any company. The awareness as a result of perceived organisational support which is influenced by various aspects of employee's perception of how organisation treat their employees and perceived organisation support is also positively related to organisational commitment (Addae et al. 2006), as a cornerstone of an organisation (McAleese and Hargie 2004).

Figure 3.8: Five Guiding Principles of Culture Management

- Formulate an overall
"Culture strategy"
- Balance company assets
and cultural factors
- Define direction of
company
- Clarify shared values

- Communicate culture in
all bases
- Create awareness of
policies and procedures
- Insist on professional
manner
- Overall commitment
to employee or
customer satisfaction

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- Develop "cultural
leaders"
- Articulate a vision
- Guide direction
- Set expectations
- Encourage excellence
- Act as role models
- Motivate
- Communicate

- Measure cultural performance
- Integrate organisational
strategies
- Consider job design
- Set realistic targets
- Staff competencies
- Staff development
- Offer rewards and incentives
- Job satisfaction

- Sharing the culture
- Communicating effectively
with staff
- Empower, motivate,
energise
- Promote two-way
communication/feedback
- Utilise information flow and
channels

Source: Adapted from McAleese and Hargie (2004)

97

3.2.4 National Culture and Human Resource Management (HRM)

National culture is characterised by the values of the people belonging to that culture and implies that one way of acting or one set of outcomes is preferable to another (Newman and Nollen 1996; Schuler and Rogovsky 1998; Hofstede and Hofstede 2005). HRM becomes a focus of attention and serves as a key tool to encounter the stream of globalisation. Organisations have to be prepared to cope with the varying demands and changes in business dynamics. The competitive advantage derives from correctly adapted management practices and alignment between key characteristics of the external environment and internal strategy, structure, systems and practices (Redman and Wilkinson 2001). Every leader is expected to construct a strong culture and a cohesive workforce, which will focus collectively as a main body in pursuit of organisatonal goals.

National culture is rooted in HRM practices and organisational behaviour. For example, uncertainty avoidance is manifested by the clarity of plans, policies, procedures, and systems. Reliance on obvious and well-understood procedures and/or strategies helps employees reduce uncertainty and cope with their discomfort with unknown situations (Newman and Nollen 1996; Hofstede and Hofstede 2005). Further, it is believed that people in individualist societies will define performance in individual terms and link personal success with individual compensation (Fong and Shaffer 2003; Hofstede and Hofstede 2005). HRM practices which are relevant in one culture may have serious limitations when directly transferred in to another culture. Regarding earlier research, many studies have provided support for the proposition that national culture is a significant factor in cross-country differences in HR practices and policies (Sparrow and Wu 1998; Miroshnik 2002; Dedoussis 2004). This is consistent with the study of Entrekin and Chung (2001), who pointed out the importance of the compatibility of norms and beliefs regarding a management practice such as performance appraisal with the local national cultures in determining the acceptance and hence the transferability of that practice across countries. The setting of related pay system practices to Hofstede's dimensions was supported by the research of Awashi et al. (2001); Gomez-Mejia and Welbourne (2002); Tosi and Grackhamer (2004).

3.3 Organisational Commitment

In the last two decades organisational commitment has received great attention to be a major focus of research. *"Organisational commitment can be defined generally as a psychological link between the employee and his/her organisation that makes it less likely that the employee will voluntarily leave the organisation"* (Allen and Meyer 1996, p.252). Furthermore, organisational commitment, as an attitude, has been defined as the relative strength of an employee towards his/her organisation reflects varying combinations of desire (affective commitment), cost (continuance commitment) and obligation (normative commitment) as Allen and Meyer (1990); Boon and Arumugam (2006); Gellatly et al. (2009) noted. Many authors have indicated that employee's organisational commitment is an important issue because it may be used to predict employee performance, absenteeism and other behaviours, for instance, turnover intentions (Allen and Meyer 1990; Hackett et al. 1994; Addae et al. 2006; Falkenburg and Schyns 2007); perceived organisation support (Addae et al. 2006), teamwork (Karia and Ahmad 2000; Boon and Arumugamb 2006), but radical organisational changes have affected employees' commitment, mostly in a negative way (Meyer et al. 2002; Dordevic 2004). There is also considerable attention given to the development of theory. Like many constructs in organisational psychology, however, commitment has been conceptualised and measured in various ways. Although early work in the area was characterised by various and often conflicting, unidimensional views of the construct, it is now widely recognised that commitment is as a multidimensional work attitude and that the antecedents, correlates and consequences of commitment vary across dimensions (Meyer and Allen 1984; Allen and Meyer 1996; Meyer et al. 2002; Dordevic 2004; Gautam et al. 2004; Wang 2004).

Throughout the previous studies (Hartmann and Bambacas 2000; Meyer et al. 2002; Wang et al. 2002; Wright and Bonett 2002; Lok and Crawford 2004; Fiorito et al. 2007), organisation commitment has been repeatedly identified as a significant variable which increase our greater understanding of the work behaviour of employees within organisations. Organisational commitment has two basic dimensions: a) It characterises

the employee's relationship with the organisation; and, b) It has implications for the decision to continue or stop membership in the organisation (Ugboro and Obeng 2001). Organisational commitment is not the same as tenure. It is one of many determinants of voluntary turnover and is therefore negatively correlated with intentions to quit (Meyer and Allen 1997). Faced with increasing domestic and international competition, many organisations have sought to streamline operations, reduce costs, improve service/products and enhance employee performance among its sub-units to remain organisational effectiveness. In trying to overcome such obstacles, organisations have turned to a robust variety of HRM practices as an important strategy. Mowday et al. (1979) argued that commitment represents something beyond mere passive loyalty to an organisation. It involves an active relationship with the organisation such that individuals are willing to give something of themselves in order to contribute to the organisation's well-being. Hence, commitment could be inferred not only from the expressions of an individual's beliefs and opinions but also from his/her actions.

Table 3.2: Dimension of Organisational Commitment within Multidimensional Models

Buchanan (1974, p.533)	
Identification	"adoption as one's own the goals and values of the organisation"
Involvement	"psychological immersion on absorption in the activities of one's work role"
Loyalty	" a feeling of affection for and attachment to the organisation"

Angle and Perry (1981, p.4)	
Value commitment	"commitment to support the goals of the organisation"
Commitment to stay	"commitment to retain their organisational membership"

O'Reilly and Chatman (1986, p.493)	
Compliance	"instrumental involvement for specific extrinsic rewards"
Identification	"attachment based on a desire for affiliation with the organisation"
Internalisation	"involvement predicated on congruence between individual and organisational values"

Penley and Gould (1988)	
Moral	"acceptance of and identification with organisational goal" (p.46)
Calculative	"a commitment to an organisation which is based on the employee's receiving inducements to match contributions" (p.46)
Alienative	"organisational attachment which results when an employee no longer perceives that there are rewards commensurate with investments; yet s/he remains due to environmental pressures" (p.48).

Meyer and Allen (1991, p.67)	
Affective	"the employee's emotional attachment to, identification with, and involvement in the organisation"
Continuance	"an awareness of the costs associated with leaving the organisation"
Normative	"a feeling of obligation to continue employment"

Mayer and Schoorman (1992, p.673)	
Value	"a belief in and acceptance of organisational goals and values and a willingness to exert considerable effort on behalf of the organisation"
Continuance	"the desire to remain a member of the organisation"

Jaros et al. (1993)	
Affective	"the degree to which an individual is psychologically attached to an employing organisation through feelings such as loyalty, affection, warmth, belongingness, fondness, pleasure, and so on" (p.954)
Continuance	"the degree to which an individual experiences a sense of being locked in place because of the high costs of leaving" (p.953)
Moral	"the degree to which an individual is psychologically attached to an employing organisation through internalisation of its goals, values and missions" (p.955)

Source: Adapted from Meyer and Herscovitch (2001)

101

Organisational commitment has been widely defined and discussed from a variety of multidimensional perspectives (Table 3.2). However, this research applies Allen and Meyer's (1990) definition.

1. Affective Commitment refers to a feeling of belonging and a sense of emotional attachment to the organisation which has been related to personal characteristics, organisational structures, work experiences and also identification with and involvement to, the companies (Meyer and Allen 1991; Allen and Meyer 1996). These identify any notions about their set of beliefs, values, goals, moral and/or responsibility (Meyer and Allen 1984). More clearly, Gautam et al. (2004, p.304) suggests that, "*affective commitment has been found to be favorable for individual and organisational outcomes in terms of satisfaction, well-being, lower turnover and higher productivity*". Affective commitment has its roots in the concept of exchange and in terms of reciprocity; it can be termed as reciprocity by desire (Meyer and Allen 1991; Taormina 1999). Individuals who are affectively committed to their organisations believe in the organisational goals and wish to maintain their organisational membership. Individuals develop a sense of affective commitment toward their organisations. When individuals feel competent performing their jobs and are satisfied with their roles as organisational members, this leads to an affective response toward their organisations. There are many factors which may influence the level of affective commitment. They can be divided into two groups: a) Individual-level factors; for example, factors such as: personality, values orientation, education, age and so on. b) Organisational factors include: believing that employee's roles and job goals are clearly defined, management support regarding employee's job performances (Walsh and Taylor 2002). Moreover, Allen and Meyer (1996, p.263) address that "*affective commitment is expected to be correlated with those work experiences in, and characteristics of, the organisation that make the employee feel psychologically comfortable (e.g.,approachable managers, equitable treatment of employees) and that enhance his or her sense of competence (e.g., challenging tasks, feedback)*". Affective commitment correlates significantly and appears to be the most desired form of commitment with a wider range of desirable work behaviour such as continued employment, attendance, job performance, satisfaction and so on. (Meyer and

Allen 1991; Meyer et al. 2002; Gautam et al. 2004; Boon and Arumugam 2006; Gonza'lez and Guille'n 2008).

2. Continuance Commitment is the perceived cost associated with leaving the organisation (Meyer and Allen 1991; Meyer et al. 2002). It is generally agreed that continuance commitment develops when a person makes investments, or side bets, that would be lost if s/he is to discontinue the activity (Meyer and Herscovitch 2001), but at the same time they will not make their utmost efforts to contribute (Wang 2004). *"Continuance commitment mostly is perceived to be unfavourable or negatively related to performance and other variables valued by organisation"* (Gautum et al. 2004, p.304). Employees with high continuance commitment intend to remain with their employer to avoid the costs associated with leaving, both financial and non-financial. It can be seen that there are many factors that may lead to continuance commitment (Glazer and Beehr 2005; Rego and Cunha 2008). One of them is the level of investment which has accumulated in that organisation. Some employees make financial investments upon joining an organisation (Gonza'lez and Guille'n 2008), other place non-financial investments to gain role status within their organisations which they sacrifice to create it. Sometimes employees express continuance commitment because of personal investments in non-transferable investments (Dordevic 2004), including some special skills that are unique to a particular organisation, establishing networks or contacts with co-workers and other costly benefits inducing an individual to stay. Similarly, the time and energy putting into acquiring organisation-specific knowledge and skills might be one form of investment. Those employees who believed their skills and education would not transfer easily to another organisation had higher continuance commitment as found by Meyer et al. (2002).

The second factor leading to a sense of continuance commitment may be the employee's perceived lack of alternatives job opportunities (Meyer et al. 1990; Hackett et al.1994; Gonzalez And Guillen 2008). If employees believe that fewer work opportunities exist outside of their organisations, the perceived costs of leaving current organisations will be higher and they will develop a stronger sense of continuance commitment to their

organisations (McGee and Ford 1987; Meyer et al. 1990; Meyer and Herscovitch 2001). Zin (2004) claims that the guiding criterion in the development of continuance commitment is self-interest. The difference between affective commitment and continuance commitment is that employees high in affective commitment stay within the organisation because they want to, whereas employees high in continuance commitment stay because they have to (Allen and Meyer 1990; Meyer et al. 1990).

3. Normative Commitment is characterised by the mind-set that one has an obligation to pursue a course of action of relevance to a target; such as remaining with an organisation or working toward the attainment of a goal (Meyer and Herscovitch 2001; Meyer et al. 2002). This commitment is built upon due to the work culture and other socially accepted norms. Both Allen and Meyer (1996) and Dordevic (2004) describe that employees with strong normative commitment tend to think that they ought to remain with an organisation because they think it is morally right to do so (they may have received scholarships, training investments etc.). As specified by Meyer and Allen (1991); Meyer and Allen (1997), normative commitment has been found to be positively associated with organisational outcomes but to a much lower extent than affective commitment because it is not necessarily an emotional attachment, but reflects a sense of moral duty (Meyer and Herscovitch 2001). Indeed, normative commitment develops through socialisation experiences in the individual's early life that encourage sustained commitment concerning appropriate conduct to one's employer such as family-based and culturally-based experiences or benefits that stimulate an individual as the recipient to feel the need to reciprocate in terms of a psychological contract (Rousseau 1989; Allen and Meyer 1996; Meyer and Herscovitch 2001; Rego and Cunha 2008). Like affective commitment, normative commitment is mostly influenced by intrinsic rewards (Malhotra et al. 2007).

Table 3.3: The Reasons Explaining Commitment

Dimension label Meyer and Herscovitch 2001	Reasons explaining commitment	
	Allen and Meyer 1997 Commitment to the organisation	Meyer and Herscovitch 2001 Commitment to a course of action
Affective Commitment (Emotive attachment)	"refers to employees' emotional attachment to , identification with and involvement with the organisationbecause they want do so" (pg. 12)	"a mind-set characterised by a desire to follow a course of action" (pg. 308) (e.g. continue employment, exert effort to achieve organisational goals, OCB)
Continuance Commitment (Cost analysis)	"refers to awareness of the cost associatedwith leaving the organisation" (pg. 12)	"individuals can become committed to acourse of action because of the perceived cost of failing to do so" (pg. 308)
Normative Commitment (Rational attachment)	"refers to employees' feeling of obligation to remain with the organisation; Individuals feel they ought to remain" (pg. 12)	"perceived obligation to pursue a course of actio" (pg. 308) (Based on Jaros et al. 1993)

Source: Gonza'lez and Guille'n (2008)

3.3.1 A General Model of Commitment

Concentric circles represent commitment where the inner circle reflects the core essence of commitment – the sense of being bound to a course of action of relevance to particular target. The outer circle reflects the different mind-sets that can characterise any commitment. These mind-sets reflect desire, perceived cost and felt obligation (Meyer and Herscovitch 2001). Organisational commitments could be experienced simultaneously to varying degrees (Meyer and Allen 1991), desire (affective) refers to the emotional bond that an employee has with an organisation and is formed by personal and structural characteristics and work experience. Meyer et al. (1993) noted that employees whose organisational experiences are consistent with their expectations and needs tend to build a stronger affective attachment to their organisation. Perceived cost (Continuance),

in a sense is where an employee becomes bound to a firm because they cannot find better alternatives.

The consequences of commitment are also presented in the model by concentric circles. The focus of the commitment which is presented by inner circle represents is the behaviour which can be broadly or narrowly defined. For example, in the case of organisational commitment it can be as specific as remaining a member of the organisation or as broad as working towards the success of the organisation. In the case of commitment to a diversity initiative or the focal behaviour can be specific as a change in recruitment and hiring strategy, the focal behaviour is that which is explicitly specified in an agreement between parties (e.g. a manager and worker), is recognised by objective third parties or is specified in a measure of commitment. The focal behaviour will always be of relevance to some targets(s). The target might be an entity (organisation, manager, union), an abstract principle (e.g. policy) or the outcome of a course of action (e.g. goal attainment, change implementation). The outer circle represents discretionary forms of behaviour that can accompany the focal behaviours. Commitment to a target-relevant focal behaviour is accompanied by other discretionary behaviours which depend on the mind-set chatacterising the commitment. As note earlier, even when the behavioural focus of commitment is quite specific, the individual has some discretion concerning how this behaviour is enacted. Employees who are committed to remain can differ considerably in how regularly they attend work and how much effort they exert while they are there. Similarly, employees who commit to implementing a change in policy can choose to comply only with the specific dictates of the policy or they can adapt their behaviour to be consistent with the spirit of the policy. Employees who commit to work towards the attainment of a goal can persist in spite of the difficult challenges that might arise, or they can quit as soon as they are confronted with a problem that would reasonably free them from their commitment.

Figure 3.9: A General Model of Commitment
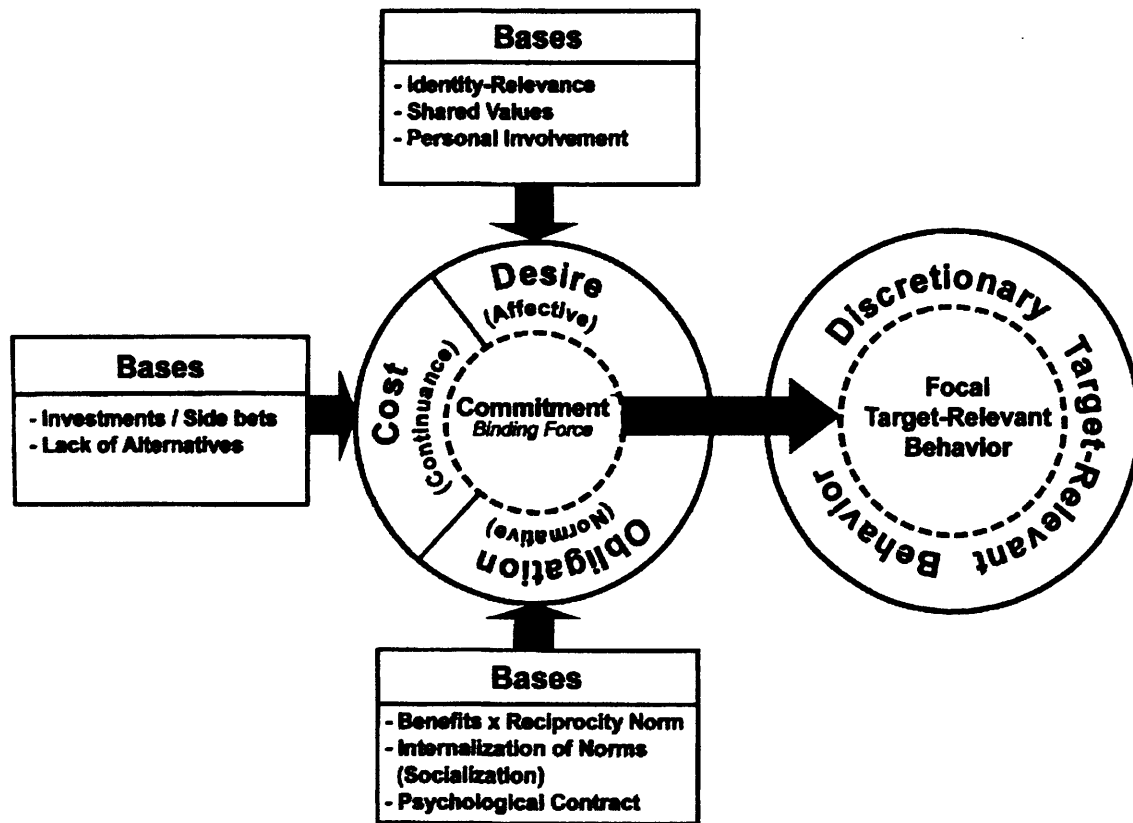
Source: Meyer and Herscovitch (2001)

3.3.2 Organisational Commitment, Organisational Behaviour and Pay Systems

Research findings with respect to the relations between organisational commitment and organisational behaviour were mixed. Supporting this, numerous studies have shown that organisational commitment predicts important variables, including absenteeism, organisational citizenship, performance and turnover (Stroh and Reilly 1997; Meyer et al 2002; Wang et al. 2002; Wright and Bonett 2002; Lok and Crawford 2004; Lee and Gao 2005; Falkenburg and Schyns 2007). The correlation between organisational commitment and job performance was predicted to be moderately high for new employees and then to rapidly decrease with increasing tenure (Wright and Bonette 2002). Certainly, committed

107

employees had been found to be less likely to leave an organisation than those who were uncommitted (Addae et al. 2006). Moreover, the finding also shows that flexible working had an impact on employee engagement through a positive relationship with organisational commitment (Anderson and Kelliher 2009). The research of Christian and Slaughter (2007) revealed that the dimensions of engagement such as vigour, dedication and absorption predicted organisational commitment. The evidence of Kinnie et al. (2005); Tekleab et al. (2005) stated that the commitment of employees appeared to link to being recognised for their performance. Promotional opportunities, co-worker support and participation opportunities had a positive effect on affective commitment (Zin 2004). Further Jantararoungtong (2003), conducted her study in Thailand, found that supervisory fairness perception was positively related organisational commitment. Additionally, significant three-way interactions have also been found for job satisfaction, affective organisational commitment and job withdrawal (Kath et al. 2009). Affective organisational commitment had been shown to be an important predictor of organisational outcomes (Meyer et al. 2002; Falkenburg and Schyns 2007), such as a negative correlation with turnover intention (Anvari et al. 2011). However, Hartmann and Bambacas (2000)'s research revealed that normative and affective commitment was less important than the high sacrifice and low alternative aspects of continuance commitment. It can be seen that relatively low continuance commitment would have a negative influence on a company's efforts to retain productive employees (Wang 2004). In addition, the investment in job related and organisation specific training increased continuance commitment by highlighting the hard barriers for workers to transfer these capabilities to another firm, as studied by Allen and Meyer (1990) and Gellatly et al. (2009).

With respect to pay, Chang (2006)'s result has shown that individual PRP tended to enhance organisational commitment when utilised with high commitment HR practices. This is consistent with more recent results which found that pay and benefits have also been shown to be a significant antecedent of affective, normative (Dulebohn and Martocchio 1998; Zin 2004; Lee and Gao 2005; Vandenberghe and Tremblay 2008) and continuance commitments (Zin 2004; Lee and Gao 2005). A study by Maholtra et al.

(2007) noted that extrinsic organisational rewards had a significant influence on continuance commitment. The research results of Miceli and Mulvey (2000); Kinnie et al. (2005); Tekleab et al. (2005) found organisational commitment was related to fairness. Moreover, Jiahui (2008) suggested that the perceived organisational communication climate was the major factor influencing employees' organisational commitment. The finding of Ananvoranich and Tsang (2004) who surveyed Thais working in American companies concluded that an implication for equity theory is that improved equity perceptions will lead to not only greater satisfaction but also stronger organisational commitment. In addition, work environment, career development, performance appraisal and compensation explain 42.5 per cent of the variation in organisational commitment and employee participation in the appraisal process, equity, fairness and justice will add to organisational commitment (Paul and Anantharaman 2003). Employees in a collectivistic culture felt a stronger degree of commitment to the organisation when they felt that their jobs fully utilised their skills and were satisfied with the training, fringe benefits and work conditions their jobs provided (Gelade et al. 2008). In terms of profit-sharing knowledge, this is positively related to profit-sharing satisfaction, which in turn is strongly related to commitment. Profit sharing schemes are often used because companies hope that they will help retain and motivate their workforce as well as increase productivity (Poole and Jenkins 1990; Sweins and Kalmi 2008). Contrary to such a claim, Wood (1996) argued that there was no systematic association between the use of high commitment management and the use of performance or contingent pay systems, such as merit pay and profit-sharing schemes. However, Marsden et al. (2000) argued that organisationally committed employees were also more likely to respond positively to PRP.

Regarding to national culture, Gelade et al. (2008) reported that employees from masculine countries felt higher levels of commitment to the organisation when they were satisfied with their opportunities for high earnings, personal accomplishment and advancement whereas employees from feminine cultures felt higher levels of commitment to the organisation through the level of cooperation among their peers and with their relationships with managers. Similarly, Mohammad et al. (2004) confirmed

109

that national cultures and contexts were moderators of the negative relationships between organisational commitment and age, educational levels and length of service. Lok and Crawford (2004) summarised that the impact of an innovative and supportive organisational culture on commitment was stronger organisational commitment for Australian managers than Hong Kong managers. Moreover, Chuwichear (2009) found that Thais working in American companies presented the organisational commitment at a high level. This was consistent with the finding of Sun (2006) who reported that managers' strategies and workplace design of US firms in Thailand contributed to greater organisational commitment than Japanese companies.

3.4 Conclusion

Culture can be defined as the mental programming shared by a group of people which is based on a set of common values, beliefs and assumptions (Hofstede 1991). The culture is shared by all members of the society and can be considered as the "software of the mind" which is deeply rooted in daily living and is therefore highly resistant to change (Newman and Nollen 1996; Hofstede And Hofstede 2005). This chapter has shown the source, consequences of culture and a model of culture management. Moreover, national culture, using Hofstede's dimensions, has been reviewed and a critique of his study has been also mentioned in order to elucidate the reason why this research is implementing his dimensions as a framework. Studies addressing the relationship between national culture and HRM have been included in this chapter. HRM came to prominence in the USA in the early 1980s as a possible solution to a number of problems. Guest (1987) concludes that HRM gathers a set of policies designed in order to maximise organisational integration, employee commitment, flexibility and quality of work. The second parts of this chapter described the definition and the components of organisational commitment. The findings of these and organisational behaviour was illuminated to support how organisational commitment could be generated within the company. The literature involving pay and organisational commitment was gathered to support the gap in this research. Next Chapter will present a critical review of the literature on Thailand and Thai culture.

Chapter 4

Thailand and its Culture

4.1 Introduction

This chapter will focus on two major themes. Firstly, Thai national culture will be presented and then Thai population and society, Thai history, Thai culture, Thai business and, finally, Thai labour and trade unions will all be outlined. All of these aspects will be described to add depth to our understanding of Thailand and of the Thais themselves. This will assist the analysis of the concept of PRP in the previous chapters as well as enhancing the discussion of this research as a whole. While culture is not only the determinant of an individual's beliefs, attitudes, thoughts or actions, culture can shape the obligations and regulations in society (Dresser and Cams 1969), acquiring knowledge of the cultural context of Thailand is an essential step to unravel any cultural differences which may be hidden in employees' attitudes and/or perceptions. Later, Human Resource Management (HRM) in Thailand will be presented. This section will also define the types of firms to find out if they might be related, directly or indirectly, to the PRP plans with regard to this study.

4.2 Thailand

4.2.1 Population and Society

Thailand is an independent nation in Southeast Asia with an area of 514,000 sq km which is about the size of France. Thailand is situated in the tropics and is in the centre of mainland Southeast Asia sharing borders with four countries: Myanmar (formerly Burma), Laos, Cambodia and Malaysia (Foreign Office 1999). The population was estimated at 66.88 million in 2009 (ADB 2009). Thai GDP in 2008 was $273.4 billion,

per capita GDP was US$ 4,081 and export growth 16.8. Thailand has achieved a literacy rate of over 96% among its adult population (BOI 2009a). According to the latest available census of 2000 the biggest population was in the north-east, with 20.7 million inhabitants. Bangkok itself in the 2000 census had a population of 6.3 million inhabitants (BOI 2008). People of Thai ethnicity make up 75 percent of the population, another 14 percent are ethnic Chinese and 4 percent are Malay, leaving 7 percent as uncategorised (FRD 2007). The formal education system had much room for improvement because it did not encourage innovation. Besides, the percentage of funds spent on training R&D personnel was low (Ananvoranich and Sang 2004).

4.2.2 Thai History

The original name of Thailand was Siam. In a proclamation of June, 1939 the official name was changed from Siam to Thailand (Terwiel 1994). As noted by Pfahl et al. (2007) for centuries the Thai's themselves have referred to the Kingdom of Thailand as *Muang Thai* which means the "Land of the Free" (the word *Thai* means *free*). Thailand is nevertheless often called the 'Land of Smiles' as the people seem ready to smile at any time, even for small reasons, and seem reluctant to argue. While culturally based practices notoriously change over time in most societies and variations are certain to be transferred from one cultural member to another; however, the smile continues to be a constant and significant aspect of Thai life. Throughout its 800-year history as the only South-east Asian country never to have been colonised by a western power (Niffengger et al. 2006), Thailand was able to maintain its sovereignty and has a unique history (Nye 2008). Its history is divided into four major periods; Sukhothai Period (1238 - 1438), Ayutthaya Period (1350-1767), Thonburi Period (1767-1782) and Rattanakosin Period (1782-Present).

4.2.3 Thai Culture

Thailand has attracted a variety of scholars who have examined its culture, history and social practices. Buddhism is one of the main concepts that have significantly influenced

the Thai way of life; traditions and values (Niffengger et al. 2006; Nye 2008). Other influences have included Hinduism, conflict and trade with South-eastern Asian neighbours such as Laos, Cambodia and Myanmar and repeated influxes of Chinese immigrants. Actually, Thai culture is rooted in Theravada Buddhism which is a more passive acceptance of life events and fatalism which differs in many aspects from Mahayana, the type of Buddhism in East Asia (Lawler and Atmiyanandana 1997; Zhu et al. 2007). Unlike the Confucianist approach, a strong preoccupation with personal accomplishment is not particularly central to Thai identity (Lawler and Atmiyanandana 2004).

Theravada Buddhism and Buddhist-based Values

Theravada is the branch of Buddhism now preserved in Sri Lanka and parts of continental South-east Asia (Gombrich 1988). Theravada, literally, "the Teaching of the Elders", or "the Ancient Teaching" is the oldest surviving Buddhist school. Theravada Buddhism influences the behaviour, beliefs and values of Thai people (Nye 2008). Not only do religions differ in their beliefs and practices, specific religions may manifest themselves differently depending on the country. For example, Buddhism has taken a more "laisser-faire attitude" in Thailand, but "a more isolationist and deliberately reclusive posture" in Myanmar (Matthews 1986). Also FRD (2007) explicates that the predominant religion is Theravada Buddhism, representing about 94 percent of the practicing population and about 90 percent of all Thai people. Muslims represent 4.6 percent, Christians 0.7 percent, Hindus 0.1 percent and Sikhs, Baha'i Faith and others 0.6 percent. Buddhism is an integral part of Thais' daily actions and lives. Further explanations of the Thai character could be grounded not only in the influence of Buddhism, but also in the religious instruction which is required in public schools at both the primary and secondary education levels. Being Thai and being Buddhist are frequently equated (Lawler and Atmiyanandana 1997).

Theravada Buddhism emphasises seeing the Truth, knowing it and understanding it; real Buddhism is not based on blind faith. Buddhist teaching emphasises an attitude of

"come and see" rather than "come and believe suddenly". As Theravada Buddhists, most Thais believe in the theory of "Karma" (action) suggesting that the more merit one collects, the more positive rewards s/he will experience in the future; either in this life or in subsequent lifetimes. Clearly, it is a widely accepted Buddhism teaches the value that if an individual does good deeds to others, one receives good in return "Tham dee dai dee, tham jua dai jua" or "Do good, receive good; do evil, receive evil" (Niffenegger et al. 2006). All Buddhists believe in reincarnation since life governed by the law of Karma is an endless circle of birth, death and rebirth. Our present life is dictated by deeds that we have done in the past, either in this life or in a previous life. Our future and life after death will be dictated by what you are doing now. Thus, most Thais do not want to do badly to others in society unless they cannot avoid it and Thai people tend to prefer to serve others without thinking of gain or loss.

Merit making can be done in various ways and the most effective way according to the Buddhist belief is through giving food to the monks who beg for food as part of their daily practice. Thais also go to the temple to give food and other sustenance to the monks on special religious occasions or on their birthday. This is a common Buddhist practice to gain merit. Every village and town in Thailand has a Buddhist temple containing a statue of Buddha. Thai also give food, wreaths or flower offerings to the Buddha statue, pasting gold leaf on the statue, or chanting. According to the Encarta Encyclopedia there are approximately 18,000 Buddhist temples and 140,000 Buddhist priests in Thailand (Sathaporn 2006). Moreover, the geographical features of the country, climate to be conductive to agricultural growth, the value system of their society and their culture affects the attitude of the Thai people who are peace-loving, comfort-loving, simple, unambitious and satisfied with what they have (Foreign Office 1999). With respect to Hofstede (1991), Western managerial implimentations may dnot fit well in different cultures or in other environments. Hence, an understanding of Thai culture and society is crucial for the success or failure of foreign businessmen or other visitors to Thailand. There are nine issues which may be presented as essential.

1. Hierarchy and Power: Sakdina

Komin (1991; 1995) describes the Thai social system as hierarchy where class distinctions and social differences in the society are broadly defined by such personal characteristics as family background, age, gender and level of education. A hierarchical, centralised system of mutual obligations, responsibilities and privileges in Thai society is rooted on the Sakdina system, formally established in the 15th century (Komin 1990). Though the formal Sakdina system ceased to operate at the turn of the 20th century, the hierarchical relationships of assistance and royalty prescribed persist in Thailand today and colour all relationships - familial, personal and professional (Nye 2008).

Sakdina (Feudal System) was used to separate people according to status and for the allocation or withdrawal of privileges (Nye 2008). Each citizen had an assigned place in a ranking and had duties and responsibilities to those above and below him/her in the hierarchy measured by the unit of their own field (Na) depending on their position or nature of work. How people are to behave towards one another as well as how much society considers their worth depended on their Na held. Historically Thai society consisted of three classes of people. At the top of the pyramid was the king who held most of the power while at the bottom of the social scale was the majority of the population who were commoners (freemen or phrai) and slaves. Above the commoners were the officials or nobles (Khunnang), while at the top of the scale were the princes (Chao). Each man was allowed to cultivate the land only as much as he and his family could cultivate, at most 25 rai (1 acre = 2.471 rai). In return, for being allowed to make their living from cultivating the land that they occupied, they were obliged to deliver a portion of their produce to their lord, their superior lord or to the prince.

It can be seen from this that in Thailand power and authority flow downward through a hierarchy of relationships, whereas deference to authority flows upward (Kosonboon 2006). The present hierarchical structure in Thailand is remarkably articulated by top-down communication which the supervisor uses to implement his decisions and influence employees in lower levels of the organisational hierarchy (Sriussadaporn-Charoenngam

and Jabin 1999; Sonsri 2006). Almost everything in the perception of Thai people is situated in the hierarchical system. People can be "high" or "low" according to their age, family background, occupation or professional rank. This system of hierarchy extends into the Thai government, including local government. Employees show their respect by obeying their superior or the person who is in a higher position. They are willing to accomplish their task following the orders, as well as try their best to complete their tasks to show a mark of respect for their supervisor.

2. Patron-Client Relationships, Seniority and Phra Det-Phra Khun

According to Thai hierarchical society, one of the by-products of the system is the development of distinct roles of superior and subordinate. The role of the superior basically is to give commands to his direct subordinates. Subordinates, in turn, played their role to respect and obey their superiors. Moreover, both Komin (1990) and Sriussadaporn-Charienngam and Jabin (1999) indicate that sociologists define Thai society as a "patron – client" relationship where, for example, the less powerful members of society seek for and depend on the more powerful members of society. Additionally, paternalism and personal patronage is rooted in the status-based relationships in Thai society (Kaur 2004).

It can be seen that all relationships in traditional Thai society are governed by the connections between "phu yai" (big person) and "phu noi" (little person). Phu noi are supposed give deference and obedience to phu yai following these lines of social rank defined by age, wealth, status, and personal and political power (Sonsri 2006). When dining, touring, or entertaining, a "phu yai" or a person with the highest social rank who usually pays for those phu noi; on the other hand, attempting to pay those by a "phu noi" would risk loss of face to a higher status person. Those of "automatic phu yai" status include adults vs children, employers vs employees, elder vs younger colleague, elder vs younger brothers/sisters, teachers vs students and so on. Broadly speaking, Thai people unrelated by blood are always concerned with the issue of "who's - phe (older) and who's - nong (younger)". Each Thai person is trained to behave properly in society and

116

learns from early life to know what rank he or she holds and how he or she is supposed to treat others according to their respective ranks (Holmes and Tangtongtavy 2003). Age is furthermore a major determinant when other factors are absent or weak. This is a manifest reason why one of the first questions Thai's ask new acquaintances is "How old are you?" Likewise a young, successful executive will pay an older person's way in spite of the age difference. This is a reflection of the patron-client or patronage system. The patron will look after the client, in return, for respect and subservience. Older people are usually honoured and respected. People of the same age and social status also show respect for one another (Vongvipanond 1994).

Table 4.1: Phra Det-Phra Khun: The Traditional Thai Model of Effective Leadership

Phra Det	Phra Khun
- Traditional Exercise of Authourity and Toughness	- Traditional System of Patronisation
- Delegate tasks and authourity	- Give money, shelter, food, clothing
- Demand loyalty	- Give care during sickness or other crisis
- Demand that work be done	- Give protection vis-à-vis outsiders
- Dispense justice	- Lend prestige (prestige from affilations)
- Administer discipline or punishment	- Sponsorship: education, marriage, ordination, funeral etc.
- Exercise firmness	- Give rewards
- Make policies and Introduce improvement	- All of the above extended to members of the subordinate's family

Source: Adapted from Holmes and Tangtongtavy (2003, p.66)

Showing respect to seniors in the Thai way is by the "wai , where they put their hands together and bow the head. In addition, Thais show more respect toward elderly and higher ranking people; emotional expressions are more quiet and controlled in Thailand than in most Western countries (Fieg 1989). People are very careful about voicing negative statements and will carefully convey messages to maintain smooth interpersonal relationships with a senior person. Essentially, seniors or top management are most likely

to make decisions in the strong vertical traditions of Thai society. We have an idiom in Thai: "Walk behind the big man, and the dog won't bite you". As a result of Thai society and Thai culture, the Thai family has a hierarchical system with the parents at the top of it. Children who are educated should have gratitude and always honour towards their parents for the time and money spent for their education.

Table 4.2: Pronouns in Thai Presenting the Seniority Facet in the Society

"I"	
Kerry:	What if you're talking to a colleague/ let's say he's younger and junior.
Songphorn:	Then I'd call myself *Phe* (older sibling/older person).
Kerry:	But what if the colleague is quite a bit older than you and more senior? How do you refer to yourself then?
Songphorn:	I'd certainly call myself *Noo* (younger person/little one)
Kerry:	So, you're always interpreting "who you are" depending on the person you're talking to? Your identity is not fixed.
Songphorn:	That's right.
"You"	
Kerry:	Alright. How do you say "you" when talking to a (university) student?
Songphorn:	I call my students *Khun* (the standard polite 'you') or *Nisit* (student) or maybe *Ther* (one or less formal words for 'you') if I'm not particularly pleased with them at the moment.
Kerry:	When you're talking to a woman in a village. How do you say "you" to her? Let's say you want to ask 'where were you born?'
Songphorn:	I'd estimate her age. If she seemed very old, I'd say "where was *Yai* (grandmother) born?" If I estimated that she was older than my mother I'd use *Pa* (elder aunt), and if she seemed younger than my mother, I'd call her *Na* (younger aunt).
Kerry:	Couldn't you simply use one of the words for "you"?
Songphorn:	I suppose so, but it would seem very cold and distant.
Kerry:	What about when you're talking to a waitress?
Songphorn:	I'd call her either Noo (younger person/little one) or Nong (younger sibling/younger person)

Source: O'Sullivan and Tajaroensuk (1997)

118

3. Kreng-jai

Kreng-jai, rooted in Buddhism, refers to an emphasis on taking other people's feelings into consideration. Kreng-jai is, most often, an attitude displayed towards diffidence, deference, and consideration combined with respect (Mole 1973; Komin 1990; Holmes and Tangtongtavy 2003). Obviously, Kreng-jai attitude and behaviour are a basic social rule, acted on by all Thais which can be described as an attitude whereby an individual tries to restrain his/her own interest or desire in situations that could give rise to discomfort or conflict and where there is a need to maintain a pleasant and cooperative relationship (Boode 2005). Thai people always act reticently to seek help or ask for something from the others unless it is absolutely necessary. Likewise, Niffenegger et al. (2006) and Sathaporn (2006) says that Kreng-jai means having consideration for another's feelings, a conflict-avoiding value in expressing a different opinion, especially when interacting with a superior. For example, Thai children are taught from an early age to be Kreng-jai and are extremely reluctant to impose on others or disturb others by expressing their own feelings or wishes overtly, particularly in relation to elders and respected authority. Kreng-jai involves the desire to be respectful, considerate of another individual's physical and psychological comfort and avoid embarrassment to others or cause others to lose face (Fieg 1989; Punturaumporn 2001). The study of Sriussadaporn (2006) clarified that sometimes some expatriates felt that Thai subordinates did not express true feelings and they tended to say what they though their bosses wanted to hear and rarely argued even though they had different opinions. As Kreng-jai is extended to others, it is expected that others will reciprocally display Kreng-jai themselves. Personal pronouns were used to indicate hierarchical relationships and subtle language enabled the Thai to show Kreng-jai as well (Boode 2005).

4. Friendship and Hospitality: Nam-jai

Nam-jai, literally "water from the heart", is a concept of mutual give and take. Actually, Thais who live in a hot climate regard water as a cool and desirable substance (Kosonboon 2006). While independence is at the core of a Westerner's self-esteem and

image, the Thai's judge themselves and others in Thai society primarily based on the degree to which they show Nam-jai which is characterised by generosity, a desire to give one's time, resources and attention to others with good feeling (Mole 1973; Holmes and Tangtongtavy 2003; Sathaporn 2006). A person who shows Nam-jai will not ask for money or any kind of payment in exchange for his/her generosity. The Thais will be reluctant and uneasy to, in turn, take a payment offered for their generosity. Kosonboon (2006) states that Nam-jai is wider than hospitality, Nam-jai can also mean in different circumstances forgiveness, sportsmanship, spirit, goodwill and thoughtfulness. Nam-jai is a concept of mutual give and take which will help you maintain long term relationships in Thailand (Sathaporn 2006). People can express Nam-jai in various ways; giving gifts on appropriate occasions (when they first meet, on New Year's Day), inviting their colleague to share a meal and paying for them occasionally or sharing the company's profit with employees in good years. Thais typically rely on their extended families for care when elderly are sick or unemployed. The responsibility to support extended family members, Nam-jai, which loosely translates as "generosity", is a deeply held Thai value (Komin 1990).

5. Saving Face

Sriussadaporn- Charoenngam and Jabin (1999) and Sathaporn (2006) explain that face and respect are very important in a collectivist society like Thailand. Most Thais are not used to being encouraged to express their feelings or opinions in open discussion. Komin (1990); (1991) confirms that face is identical with the sensitive "ego". Face-saving is the first criterion to consider in any kind of evaluative or judgmental action. To make a person "lose face", regardless of rank, is to be avoided at all costs, except in the most extreme necessity. It is also notable that face issues are completely related to status relationships at all levels. Moreover, confronting people directly or saying "No" in Thai society causes people to lose face. Saying "No" is likely to be perceived as extremely impolite in Thailand. Generally speaking Thai's have to present proper reasons with acceptable manners when they say no. Thai's will rarely do anything to inflame anger; sometimes they will even lie to avoid inflaming anger. For Thai's the truth may cause

120

hurt and direct arguments are often counterproductive due to embarrassment (Punturaumporn 2001). When someone has done wrong, you might indirectly and politely ask them to recheck the information or re-consider their points. It is noticeable that Thai's tend to maintain relationships and please other people. A Thai idiom says: "Don't bruise the lotus, don't stir the water". Keeping all the frustration inside in order to sustain harmony is important. Children are taught to please elders, not to argue or disagree with seniors or those who have more power.

Family name is important because it can give an indication of their family position. The family name indicates what they can achieve and provides for them because of family network and descendants should also maintain the reputation of their family. For instance, a child is born with the status passed down to him or her by the family. Interestingly, social status in Thailand is varied; people can attain face and respect with education and wealth. That is why a lot of middle class Thai families invest heavily in the education of their children. Most Thai students aspire to attain the highest degree they can afford because this is a means of climbing the social ladder. Finally, pride at working for a well-known organisation (Boode 2005) is a kind of saving-face in Thai society where an individual will compete to work in a famous organistaion as it maintains their face.

6. Bunkhun

Komin (1991); Holmes and Tangtongtavy (2003); Pfahl et al. (2007) explain that Bunkhun (indebted goodness) is a psychological bond between two persons: one who renders the needy help and favours out of kindness and the other's remembering of the goodness done and his ever-readiness to reciprocate the kindness, not bound by time nor distance. The Bunkhun relationship is thus based on the value of gratitude on the superior and subordinate relationships are maintained on the basis of favour reciprocity and mutual support. Therefore, this value orientation is characterised by the highly valued grateful quality in a person and by the patterns of Bunkhun or grateful relationship. Sathaporn (2006) states that Thai people are taught to be grateful to people who give to them: be grateful to your parents who gave you life; be grateful to your teacher who gives

you knowledge; be grateful to your boss who gives you income. Thais feel that they owe the person who gives anything to them. This gratitude is called "Bunkhun". Thais believe in the Buddhist law of Karma which states that if a person does a good deed, it will always bring him/her a good outcome. It may take time but it will finally come, so be patient. There are at least two aspects to this concept: "Ru bhunkun" , which means to acknowledge or be conscious of any kindness they receive; and "Tob tan bhunkun", which means to in turn reciprocate acts of kindness whenever the opportunity exists. As a result of this vertical orientation, pleasing and adapting to elders is important because people rely on the protection of their elders for survival in the Thai social system (whether they are senior in relation to power, wealth, profession, rank, age, and/or merit).

7. Fun-Pleasure Orientation: Sanuk

Sanuk literally means "fun" - a perfect description of the Thai way of life, to the extent that Thailand has gained the stereotyped image of the "Land of Smile". Thai people are always smiling, laughing and having a good time. This consequently, originates a fun-pleasure orientation (or Sanuk) which is characterised by an easy-going nature, fun-loving pleasant interactions and joyful behaviour. One of the first things that foreigners will notice when visiting Thailand is the Thai people's inherent sense of playfulness and amicability. Most activities of Thais, even work and social life, should have some element of sanuk (Komin 1991; Sonsri 2006). This does not mean Thai people refuse to work or strive but it does mean that they just tend to approach tasks with a certain sense of playfulness. They live more for the moment and do their best to enjoy it. The famous Thai smile stems partly from this desire to make Sanuk. Thai people are less likely to be alone and relationships are more important (Kosonboon 2006).

8. Never Mind: Mai pen rai - and Smile

Mai Pen Rai means never mind or it does not really matter. These three little words serve as an unofficial symbol of the Thais and help calm the heart of a nation. Almost everybody and everything is acceptable to the Thais. As known for their tolerance and compromising nature, objections and conflicts are to be avoided in Thai society. Mai pen

rai enables the Thai people to retain their composure, keep smiling and be happy in everything they have done. When they are frustrated, they simply say "Mai pen rai", instead of getting angry and then smile and solve the problem by some other means. The smile is perceived in Thailand as the most appropriate reaction and also a best solution to any possible situation.

> *"What are you smiling for?" "Well", said the Thai, "If you don't smile, can you find the way out easier?" Everything finally will be ok (Mai pen rai) in the view of the Thais" (Holmes and Tangtongtavy 2003, p.23).*

Although smiling ("Yim" in Thai) is of course an international behaviour the intensity, frequency and function of smiling can vary from culture to culture. It is reasonable to suggest that few nations smile more frequently, longer and more enthusiastically than the Thais (O'Sullivan and Tajatroensuk 1997). The national airline and the Thai Tourist Promotion Board have long called Thailand the "Land of Smiles" as mentioned earlier. However, the Thais use their smile as a communication device to convey both positive and negative messages. Apart from simply reflecting happiness, Thais use their smiles to show various emotional feelings, such as sadness, admiration, greeting, caring, self control, teasing, empathy, sympathy, welcome, acceptance, fun, politeness and happiness (Kosonboon 2006) and so can easily confuse a foreigner. It is strange for a foreigner to see a Thai manager complain to their subordinate whilst smiling, while the sad employees respond to that complaint with a smile and a tear.

Table 4.3: Types of Thai Smile (Yim)

Yim – tak –tai	The polite smile, used for strangers or people you barely know
Feun-Yim	The"I-am-being-forced-to-smile-even-though-I-do-not-want-to" smile
Yim-tang-Nam-ta	Used when you are really happy, the "I-have-just-won-the-lottery" smiles.
Yim-Sao	The smile used makes the feeling of sadness or unhappiness.
Yim-Mee-Les-Nai	The smile which masks something wicked in your mind.
Yim-Cheun-Chom	The smile you used when you are impressed with or admire someone.
Yim-Yor	The smile used to mock, taunts or laugh at someone.
Yim-Mai-Ork	When you want to smile, but you can not, literally "the smile that does not come out"
Yim-Hang	Literally, the dry smile. It is a nervous and apologetic smile. The "I-know-I-we-you-the-money-but-I-don't-have-it" smile.
Yim-Soo	The "smile-in-the-face-of-an-impossible-struggle".
Yim-Yae-Yae	The "I-know-things-look-pretty-bad-but-there's-no-point-in-crying - over-spilt-milk" smile.

Source: Adapted from Holmes and Tangtongtavy (2003)

9. Gender Roles and Male-Dominated Society

Traditional conceptions of men and women appear to relegate women to domestic roles and men to public ones. In Thai families, Smith (1979) and Sriussadaporn-Charoenngam and Jabin (1999) suggest that the father "guides and guards" and the mother plays a supportive role, handling finances and influencing family decisions. Thai men are portrayed as family breadwinners, the leaders or administrators in society and have more freedom in all activities (Yukongdi 2005). It is ideally expected in Thai society that the wife show respect to the husband. She is taught not to suggest her own superiority in either actions or speech in order not to destroy men's dignity. A good wife is the one who honour, obeys and serves her husband unfailingly in all matters (Siengthai and Leelakultanit 1993). According to an old Thai proverb, the female's role is like the hind

legs of an elephant, while the male's role is related to the front legs (Pinyuchon and Gray 1997; Hatcher et al. 2005).

Currently, in some families it is the woman who is much more powerful than can be superficially observed. Finances, social involvement and children are examples of areas in which some women have entire decision-making power. Originally Thai law forbade a wife to obtain a divorce or manage property without her husband's consent. Recently, women have won their right to divorce and to retain their own property. The situation of women workers has improved in Thailand with better education and training and more job opportunities in large enterprises, export industries and many professional fields such as government, medicine, education and so on (Women of Thailand 1995). Similarly, Meesook et al. (1995) claim that Thai women face an entirely different set of decisions regarding work, fertility, residence and life-style than their mothers did. However, at times, this dual role causes problems at home. In most situations, although Thai men seem to be accepting of this change in the workplace, Thai husbands still dominate. Subsequently, most women still work in insecure and low-paying jobs and also in low-skilled occupations in the service and manufacturing sectors. The report of Solidarity Centre (2007); ILO (2008) declared that women's wages in manufacturing as a percentage of men's amount to over 70% in Thailand. An important way of improving women's position and shifting social attitudes is through public policy and national leadership and, over the years, Thailand's governments have done so in response to social changes and to lobbying from women's organisations (UNDP 2006). Ultimately, Sriussadaporn- Charoenngam and Jabin (1999) argue that it may be that Thai women are accepted in the workplace because they tend to display their femininity. Many firms believe that women employees are more obedient, less rebellious and willing to work for pay less than men (Siengthai and Leelakultanit 1993). Similarly, Jantararoungtong (2003) reported that female workers in Thailand significantly perceived a greater level of gender bias perception regarding recruit/selection, training opportunity, job evaluation and compensation.

4.2.4 The Thai Economy

Before the advent of the Asian financial crisis, Thailand had enjoyed a substantial economic growth in the 1980s and much of the 1990s (Pholphirul 2005; Zhu et al. 2007; Punyasavatsut 2008). Suehiro (2001) describe that government accelerated liberalisation of the financial sector and industrial investment towards the end of the 1980s and that these business groups speedily responded to new policies and actively expanded their business bases from agro-industry and traditional export oriented industries, such as textiles, telecommunications, petrochemicals, steel and machinery. In 1997 the misconduct of business management and a large bubble of real estate was a key trigger for the crisis which occurred in Thailand (Ananvoranich and Tsang 2004; Wailerdsaka and Suehiro 2006; Zhu et al.2007). When the bubble collapsed it left a significant number of Thai financial institutions with a large number of external non-performing loans and this started affecting stock markets and currencies. Subsequently the huge inflows of external capital into the Thai economy caused a run on the Thai currency (the Baht) which spread quickly. As many as 56 finance companies finally faced bankruptcy and were delisted by regulators resulting in the unemployment rate started to rise significantly (BOI 2005). The crisis then moved across South-east Asia as a whole which was the rapid and ferocious contagion effect spread globally to North Asian, Latin and Eastern European economies (Garg et al. 1999; Niffenegger et al. 2006; Zhu et al. 2007) so that the collapse of the Asian Tiger economies of the 1990s meant that this Asian crisis was remarkable as the largest financial bailouts in history (Miller and Luangaram1 1998).

During 2001- 4 the Thai economy grew at a moderate rate but the rate of growth was still slower than it had been in the booming 1980s and the first half of the 1990s. A long-term shift from agriculture to manufacturing and services continued. Agriculture's contribution to GDP also declined, but about 39 percent of the workforce was still employed in agriculture, forestry and fishing (Mukhopadhyay 2006). Essentially, the bloodless military coup in 2006 coup and the following political instability, together with weak private consumption and investor demand, have slowed down economic growth in the past few years (Euro Cham 2010).

However, particularly towards the end of the year 2008, the Asian economies became unavoidably affected by the significant decline in exports due to substantial slowdown in external demand causing Singapore, Taiwan, Korea and Thailand's economies contracted sharply. The unemployment rate remained low but started to deteriorate, particularly in the non-agricultural sector. During 2009, the Thai economy was most severely affected by the global economic crisis and also the 3G situation. However, in the second half of the year, the Thai economy showed signs of recovery following the world economic recovery as well as accommodative monetary and fiscal policies which helped stimulate the economy and shore up producer/consumer confidence. Next, the escalation of the political crisis in Thailand during April and May of 2010 represented a hugely negative shock to domestic demand and tourism (World Bank 2010). Fortunately, Thailand's public debt is at manageable level, foreign reserves are high and Thai firms as well as commercial banks are financially healthy. Particularly, external demand for goods remained robust, however, and production was largely unaffected. A favourable external environment - the recoveries in Japan, the US, Europe and robust growth in private consumption in China and Latin America – is ongoing and has lead to robust year-on-year GDP growth of 6.1 percent in 2010. It can be seen that liberalisation of trade has been the main driver and cornerstone of growth in the Thai economy to promote trade and investment (Mukhopadhyay 2006). Thailand needs to strengthen the foundation for sustained growth going forward and bring more Thai workers into dynamic and productive sectors of the economy. World Bank (2008) demonstrates Thailand's Ranking in Doing Business 2010 reporting that Thailand is ranked 12 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.   In term of economic advantage, the efficiency of the labour market (2nd) constitutes strength. Finally, the sheer size of its domestic (35th), international trade (5th) and management practices (13th) markets are a source of economies of scale (IMD 2010).*

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* Section 1.2.2, Chapter 1

127

Figure 4.1: More Favourable and Less Favourable Regulatory Changes in 2006, by region
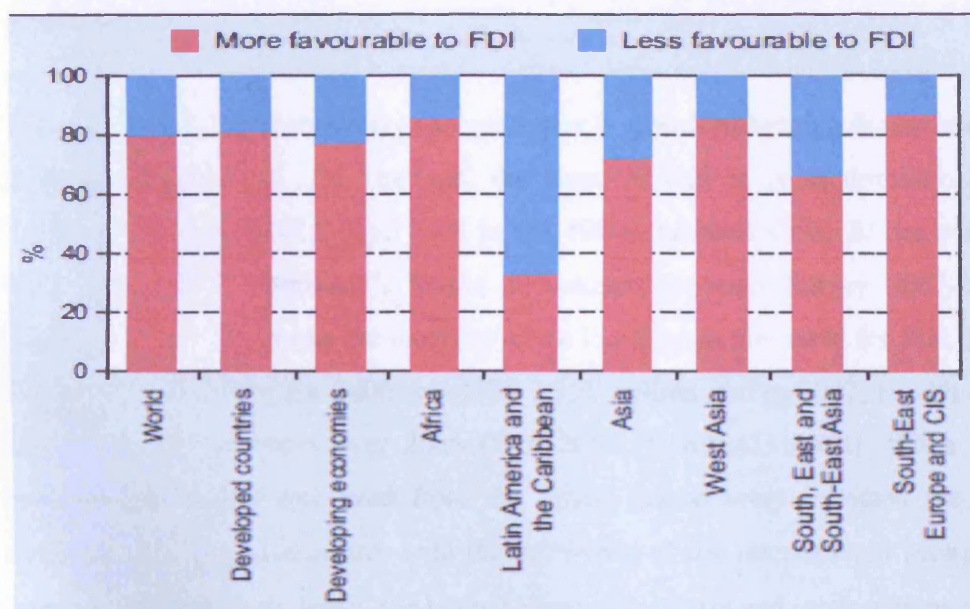
Source: UNCTAD (2007)

4.2.5 Thai Manufacturing and FDI flow

With respect to manufacturing in Thailand, this sector is a substantial and growing component of the Thai economy, sharing in GDP gradually increased from 26 percent in 1987 to 34.8 percent in 2006 (Punyasavatsut 2008). The financial crisis highlighted severe structural deficiencies in the Thai economy, in particular in the manufacturing sector (Dhanani and Scholtes 2002). Realising that its domestic market is small with regard to supporting industrialisation, Thailand shifted from an " import-substitution " to an " export-oriented " development strategy (Kohphaiboon 2004; UN 2005) and the nature of labour-skills demanded is changing as the manufacturing sector transitions from mainly labour intensive products to higher technology products. There are indications of growing manufacturing capabilities, but the design and product development skills remain low. Despite its impressive performance, the Thai manufacturing sector did not generate net foreign exchange earnings throughout the sixteen-year period 1980-1996 before the crisis. Hence, the current policies of the government focus on upgrading

128

foreign technologies and promoting novel product development. This could increase Thailand's level of productivity to that of other competing nations in the rapidly global economy.

The role of FDI has been widely recognised as a growth-enhancing factor in developing countries (Figure 4.1). Of Thailand, the share of FDI in gross domestic investment (GDI), which was about 2-3 per cent in the 1980s, reached about 20 per cent in 2000. More specifically, UNCTAD's World Investment Prospect Survey 2007-2009 ranks Thailand number 11 among the most attractive locations in the world for FDI, 2007-2009. Thailand's FDI inflow for 2006 was US$ 9,751 million and in 2007, reaching US$ 249 billion - a 18% increase over 2006 (BOI 2007; UNCTAD 2008). When Thailand's economy had finally recovered from the crisis, the recovery reflected the benefit of domestic Thai reform measures with the assistance of the International Monetary Fund, direct investment from Japan, the United States, Singapore and other nations and surging exports. Importantly, Japan, the United States and the European Union are Thailand's main trading partners (Mukhopadhyay 2006; Onishi 2006). In 2008, the Manufacturing Production Index (MPI) expanded 5.3 percent, down from the preceding year's rate of 8.2 percent. This was primarily attributed to the slowdown in export-oriented industries, particularly electronics and leather products. Manufacturing production in 2009 contracted by 5.1 percent (BOT 2009) owing to a drop in both domestic and external demand. However, manufacturing production began to improve and became more broad-based in the second half of the year, partly due to recovering economic conditions of trading partner countries, rising domestic demand from the government's economic stimulus measures and stock replenishment.

The major difference between the pre and post-crisis period will be as a result of the severely constrained prospects for public and private capital inflows. A great many changes in institutions and the policy environment have taken place in the past ten years. These changes have accelerated in the past five years and will have far-reaching consequences for the competitive environment of Thai manufacturing firms. The industry has acquired most of its technology through FDI and trade (UN 2005). The government

initiated a series of collabourative programmes with international and bilateral agencies (Dhanani and Scholtes 2002). Effective investment promotion is less costly than adding on more incentives for investors. Hence Thailand has provided incentives including low tariffs for imports needed; loosening of controls on foreign ownership of firms and provision of essential infrastructure to develop a support systems and channel investments into rural areas and sectors of importance, such as agriculture and electronics for foreign investors (UN 2005).

4.3 Human Resource Management (HRM) in Thailand

All organisations face the same fundamental challenges when it comes to managing human resources, firms must recruit, select, train, motivate and reward their employees to accomplish the organisation's goals. How firms reach these HRM challenges; however, depends a great deal on the context and culture in which the firm operates. It is now generally recognised in the contemporary HRM literature that HRM has an important strategic role to play in strategic management, leading to Strategic Human Resource Management (Kamoche 2000; Budhwar 2004). The idea that there has been a shift in thinking and practice with regard to the perceived importance of people should be treated with caution. As mentioned by Guest (1987, p.504), *"based on theoretical work in the field of organisational behaviour it is proposed that HRM comprises a set of policies designed to maximise organisational integration, employee commitment, flexibility and quality of work"*. Recent theoretical work in business strategy has given a boost to the prominence of HRM in generating and sustaining competitive advantage. According to the resource-based view of the firm, they can remain their competitive advantage only by creating value which is rare and difficult for competitors to imitate (Becker and Gerhart 1996; Siengthai and Betcher 2005). Although there are traditional sources of competitive advantage such as natural resources, technology and economies of scale, it is strongly accepted that human resources are the most important asset in an organisation (Mamman 2004; Milost 2007). With regard to the HRM concept there are two main stands of thinking.

The first, *soft HRM* focuses on treating employees as valued assets and a source of competitive advantage and views that workers respond better when working in an organisation. This concept recognises the individual needs of workers and addresses them as well as focusing on the overall business objectives. Maslow (1954) argues that humans have a hierarchy of needs which they will exert considerable energy towards achieving. He claims that organisations which recognise and address the needs of their employees will have more a fulfilled and more productive workforce. Soft HRM suggests that the use of appropriate HRM practices generates favourable employee attitudes, which then result in improved performance (Edgar and Geare 2005; Falkenburg and Schyns 2007). Thus, from a soft HRM perspective, employee attitudes and behaviours are of interest due to their possible contributions to the overall function of the organisation. On the other hand, Kamoche (2000) explains that *hard HRM* achieves the integration of HRM with strategy by treating people like any other factor of production – to be "exploited" for maximum profitability. The cost of labour is to be minimised and to this end labour should be used as flexibly as possible (Druker et al. 1996).

Thailand emerged in the late 1980s as a rapidly developing country. Suddenly, in 1997 the Asian crisis ignited a severe crisis in the Thai economy and a number of social forces were generated in the aftermath. Since this period of crisis Thailand saw a number of efforts to reform its managerial practices, including change in HRM policies and practices. Driven by the process of globalisation, the HRM culture in Thailand has evolved very rapidly over the past twenty years in order to increase commercial competitiveness and expand Thai industry into world trade (Siengthai and Bechter 2005). The key factors influencing HRM practices in Thailand will be presented in Figure 4.2. Guest said that (1994, p.254), *"HRM policies should seek to achieve HR outcomes in the area of commitment, competence, congruence and cost effectiveness. If these are achieved they should in turn lead to long-term consequences of individual well-being, organisational effectiveness and social well-being"*. This view is supported by an empirical study undertaken by Kongsanchai (2001) which found that among 215 sample companies, the HRM practices in the majority of Thai companies in both the manufacturing and service sectors were found to focus at only the divisional level.

The main responsibilities were to take care of basic functions of HRM, such as recruitment and selection, training and development and compensation. However, these work-related functions were expanded to introduce labour flexibility. Certainly, by the time the Labour Relations Act was introduced in 1975, many companies already had professionals who practiced more progressive HRM policies. Initially, the role of these professionals and the personnel department was recognised by their contributions to reducing the work stoppages in the workplace and affirming that their company complied with the labour law (Siengthai and Bechter 2005). However, since the 5th National Economic and Social Development Plan (1982-1986), and the 6th Development Plan (1987-1991), HRM has gained a more significant role in business operations. This achievement was reflected in training and development activities which became the domain of the HRM department. Along these lines, the increasingly significant role of HRM in achieving management objectives is reflected in the transformation of the personnel management function in Thailand (Budhwar 2004).

The progression of HRM initiatives in Thailand was accelerated after the collapse of Asian financial markets in 1997. Since then large Thai organisations in the service sector, such as banks and, particularly, some small and medium sized financial institutions have considerably developed their human resource systems (Lawler and Siengthai 1997). Financial insecurity and soaring inflation from the financial crisis reinvigorated the reform initiatives of earlier periods in many family businesses (Suehiro and Wailerdsak 2004). Notably, establishments in the financial and banking sectors, which were owned by many of the descendants and families of Chinese immigrants, had to relinquish their control of these businesses and, in turn, they were compelled to engage professional managers and/or entertain foreign direct investment so that their business could be restructured and recapitalised in order to survive. Thus more professional management concepts and frameworks were implemented. For instance, after the financial crisis many of these family-owned enterprises became public companies. Consequently, business practices were adjusted to improve transparency and achieve greater efficiency throughout this new role of professionalism of HRM to support marketisation, worker participation, welfare benefits and better job security.

Globalisation has further elevated the importance of HRM development in firms operating in Thailand. Over the last two decades, it has since evolved from a concentration on employee welfare to one of managing people for the best possible productivity. The changing management approach emphasises increasing productivity through methods which provide employees with both intrinsic and extrinsic rewards. As Kamoche (2000) noted out, there is a need for Thailand to move away from the notion of low wages as a source of competitiveness and to begin to invest more in the development of a skilled workforce, which calls for far-reaching reforms in the educational system. Guest (1987, p.503) states that, *"competitive advantage can best be achieved by seeking improvements in the management of people and organisational structures; in other words, through better utilisation of human resources"*. Therefore, today the HRM function in Thailand has become recognised as a central concern of business and a business partner which has become one of the main business strategies to create a competitive advantage of firms operating in Thailand. In practice, performance and delivery are integrated into line management for the aims of shifting from merely securing compliance to more ambitious ideals of winning commitment (Siengthai and Bechter 2005).

Figure 4.2: Key Factors Influencing HRM Practices in Thailand
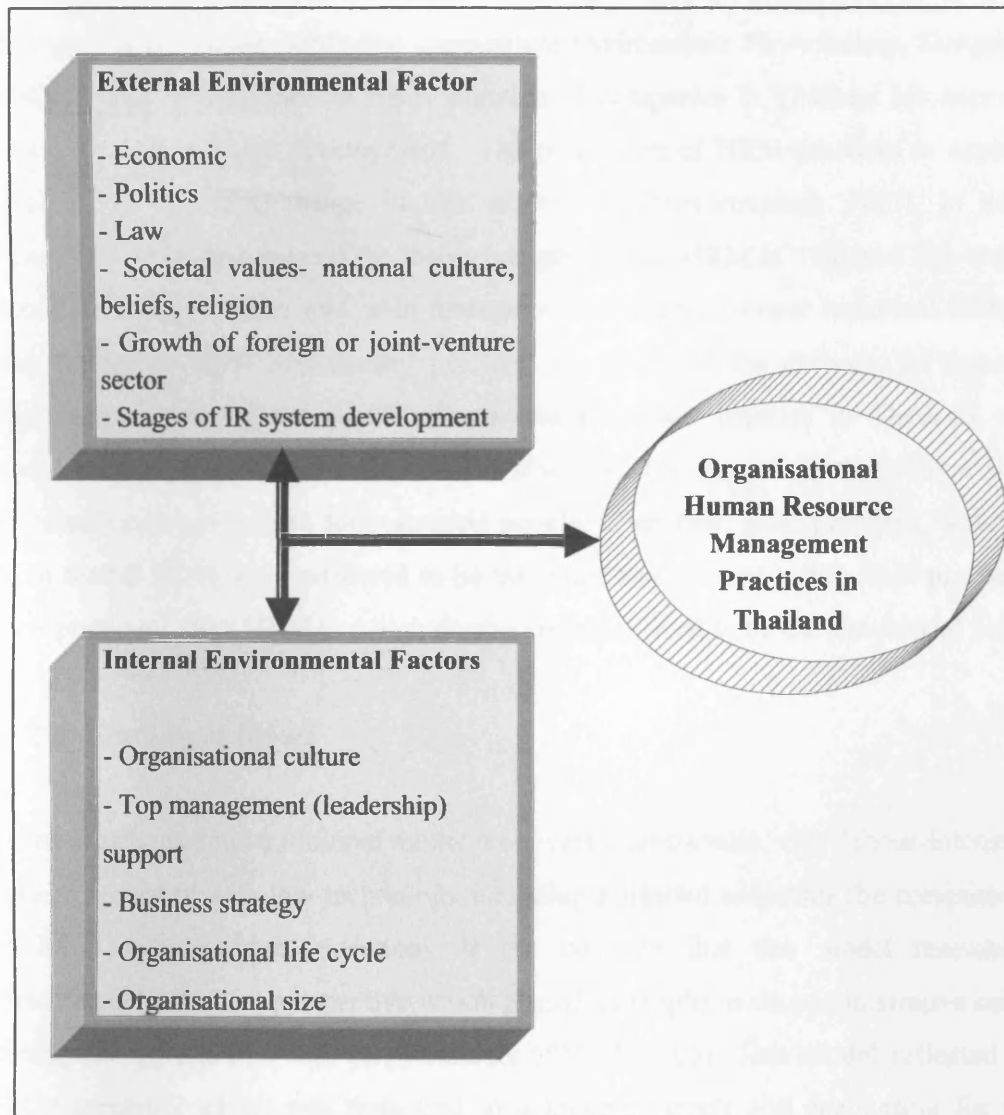
Source: Siengthai and Betcher (2004)

4.3.1 Theory and Practice of HRM in Thailand

HRM practices and policies are affected by the globalisation process which brings much dramatic change in the borderless competitive environment. Nevertheless, Siengthai and Bechter (2004) claim that the HRM function of companies in Thailand has experienced rather slow growth and development. The perception of HRM practices to explore the impetus for initiating change in this aspect (Sivabrovornvatana 2005). In addition, Kamoche (2000) investigated the theory and practice of HRM in Thailand. His study was based on in-depth interviews with managers across eleven major industrial sectors and observation of office and factory practice. He proposed the diversity of three HRM approaches reflecting the social-cultural and economic realities in Thailand, namely traditional, progressive and transitional (Table 4.4). He considered that formal HRM as the most progressive form for managing people. Therefore, local practices, which differ from formal HRM, are considered to be the traditional pattern, while local practices that incorporate standard HRM to a high degree are considered to be the transitional pattern.

a) The Traditional Model

Firms which used the traditional model were very bureaucratic, very labour-intensive and appeared content with low technology including a limited scope for the computerisation of basic administrative operations. It can be seen that this model resembles the "traditional" personnel perspective which placed an emphasis on administrative concerns, managerial control and cost-consciousness (PMAT 2005). This model reflected a hard HRM mentality which was dedicated to achieving targets and accounting for actions within the current financial year. A number of firms with this model were under severe pressure to reduce costs, in particular wage costs as a result of which investments in human resources were discouraged. Managers under this model generally believed that workers were lazy and were primarily concerned with Sanuk (fun-pleasure orientation) which is integral to most aspects of Thai life (Komin 1990; Lawler and Atmiyanandana 1997). At the time it was believed that these employees expressed little commitment to the firms and were inclined to form unions to cause trouble and so needed to be closely

135

watched and supervised, there was little or no expectation that employees are creative and able to generate new ideas. These attitudes regarding Theory X of McGregor inevitably shed light on a tight control regime. In the less extreme cases, managers reinforced the notion of a large happy family, the belief that they cared for their staff and attempted to sustain harmony at work as a subtle tool for control in accordance with paternalism. Salaries were described as below market; at the factory level, they paid the minimum wage which they still considered excessive (Kamoche 2000). To save on recruitment costs, recruitment by word-by mouth was a common practice in which people were urged to recommend their friends and relatives. Siengthai and Bechter (2004) explained that this process of using personal or family connections to locate a job is referred to in Thai as "Mee Sen" (literally to have string). In addition, training was perceived to be a burden and largely on-the-job principally because, according to several managers "it was cheap". Also, it has been widely assumed that most Thai directors and executives are family owners, that their associates have poor management skills and that other managers are brought in from outside as needed (Wailerdsaka and Suehiro 2004).

b) The Progressive Model

Kamoche (2000) described that in this model managers in the firms appeared to have a very obvious idea about the importance of HRM. Thus the progressive model consists of practices commonly associated with Strategic Human Resource Management (SHRM), like sustaining specific HR policies, which explicitly support organisational goals and strategies so as to create a climate in organisations in which people are viewed as the most important business asset (Milost 2007; Perkins and White 2008). The progressive model appeared to be consistent with soft HRM. These organisations adopted a medium to long-term perspective in planning and decision making. Essentially, paternalism still played a key role, which was explained in terms of removing the need for unions. Thus although workers were not explicitly discouraged from joining or forming unions, management claimed to offer more, in terms of pay, benefits and by creating a viable employment climate. The managers were encouraged to demonstrate how the mission statement was being achieved through HR policies like selection, training/development

and career management (Zhu et al. 2007). Procedures were generally highly standardised to ensure consistency and fairness and there was a preference for objectives as opposed to subjective criteria for recruitment and performance management including qualifications and productivity measurements. Relatively small, educated family business elite are increasingly being replaced by an educated and affluent middle class (Wailerdsaka and Suehiro 2004). This shows that Thai companies have begun to recognise the advantages of internal promotion and nurturing their own managers with the experience and skills required to meet the future challenges of their businesses.

c) The Transitional Model

Firms using the transitional model lay between the traditional and progressive models. Many aspects of the traditional model were retained, in particular cost-consciousness and a high emphasis on managerial control (Kamoche 2000). However, the recognition arose that this perspective was not fully achieving the strategic objectives or addressing crucial HR questions. The role of HR in achieving organisational goals and strategies was not recognised in all cases. For example, HR activities like training and career development were conducted with a lesser degree of coherence than in the progressive model. Recruitment and selection comprised a combination of word-of-mouth and more formal methods like advertising and use of interviews. Performance appraisal which had been implemented using subjective criteria (such as personality, appearance, friendliness) was being replaced by more objective criteria (such as communication skills, problem – solving ability, team –player and so forth).

The training rationale also reflected a gradual shift away from cost-consciousness to a commitment to competence creation. Nevertheless, it was widely believed that while training could be considered as an investment, the value of this investment was somewhat elusive especially in the current difficult economic situation (Lawler and Atmiyanandana 1997). Managers in the transitional model were therefore addressing the problems of job-hopping and employee turnover by setting up their training and career policies more in line with those in the progressive model. Lastly, managers offered financial incentives for

137

innovative and creative ideas/suggestions. This model embraced elements from both hard and soft HRM (Rowley and Benson 2003). Firms in manufacturing and firms that are relatively capital-intensive, such as the chemical and plastics industries, and the energy industry, tend to rely on more structured systems and internal labour markets to fill vacancies. They have highly automated, complicated, and interdependent production technologies that can be measured only through years on the job (Wailerdsaka and Suehiro 2004).

Table 4.4: Three HRM Models in Thailand

	Traditional	Transitional	Progressive
Apparent strategic orientation	Short-term Less than one year	Medium-term 2-3 years	Medium to long term 3-5 years
Overall HR climate	- Management appear unsympathetic to HR issues -Negative attitudes towards labour relations - Autocratic leadership - Strong pressure for productivity - Paternalism as a tool of control	- Some recognition of vital role of HR - Tolerance of unions - Acknowledgement of the need for change - Evidence of new initiatives including "culture-change" - Paternalism linked to socialisation	- HR supports organiasational objectives - Involvement of experts in HR planning - Explicit concern to create a skill-base - Paternalism seen as obviating unions
Recruitment	- Extensive use of word-of-mouth - Vague and subjective criteria, informal procedures and personal contacts - Interview is the only "formal" method, low-level criteria (e.g.low educational requirements)	-Some cases of word-of-mouth - Moving away from subjective criteria - Formal procedures - Key method :interview - Targeting famous and other universities	- Highly standardised formal procedures - Objective criteria clearly spelt out - Interviews and selection tests - Stringent selection standards - Mainly famous universities
Performance management	- Often absent - Heavy use of subjective criteria, involves little follow-up; largely ritualistic, serves as a tool of control to facilitate employment decisions e.g. lay-offs	- Increasing use of objective criteria to pay - Some training and career development input	- Systematic procedures - Use of objective criteria - Linked to training and career development - Self-evaluation for 'personal growth'

(Continued)

	Traditional	Transitional	Progressive
Training and development	- Unclear or vague policy - Largely on-the-job because it is cheap - Preference for low cost or free (State-sponsored) courses/seminars - Very cost-driven (training stopped at first sign of "trouble") - Training as a "burden"	- Evidence of specific policy - On-the-job training to build firm-specific experience - Emphasis shifting from cost to competence creation - Training considered a substitute for commitment - Only most essential training now on offer - Training as necessary evil	- Specific policy linked to competence creation - On-the-job and other forms - Some evidence of training evaluation - Use of training for organisational change (e.g. culture change) - Firms seen as "training ground" - Most essential and some additional forms still on offer - Training seen as an investment
Remuneration	- Below market - Stay within minimum guidelines	- At or above market - Minimum wage "only a guideline"	- At or above market - Normally pay above minimum wage
Career Management	- Little career planning - Few career prospects - Organisational climate discourage tenure	- Some career planning for high-potential staff - Not fully linked to training activities	- Specific career paths for wide range of staff - Based on requisite training
Innovativeness (e.g. individual creativity, offering suggestions, etc)	- Not expected, enouraged or rewarded - May be discouraged if thought to constitute criticism	- Some efforts to install suggestion boxes -Few incentives offered	- Actively encouraged - May be rewarded - Open communication encouraged - training to build confidence

Source: Kamoche (2000, p.458)

4.3.2 Firms in Thailand and their HRM Perspectives

Lawler et al.'s (1989) research was based on the personal interviews with the heads of HR or personnel department in about 100 firms operating in and around the greater Bangkok. The interviews focused on various aspects of the firms' HRM practices. From those findings, Lawler and Atmiyanandana (2004) analysed them from a strategic HRM

perspective and identified two types of enterprises in Thailand, namely Thai-owned firms (Thai-owned enterprises and corporations) and foreign-owned firms (Western and Japanese Firms) as shown in Table 4.5

a) Thai-Owned Firms

1. Thai owned enterprise

Lawler et al. (1989) explains that most large scale businesses in Thailand began as family enterprises and many still operate in that manner. Family enterprises are small or medium-sized and rely on the conventional management practices of Chinese-style family business (Lawler and Atmiyanandana 2004). Thus, an understanding of HRM practices in Thailand must start with a consideration of the family enterprise system. These larger scales of family enterprises are similar to family enterprises in other East and South East Asian countries. Their HRM practices are more unstructured, though often highly effective. Additionally, the concept of a formal HRM function is often completely absent in family enterprises. In accordance with Lawler et al. (1997), management practices in family enterprises, including HRM practices, are heavily rooted in traditional values and social practices, rather than contemporary management theory. As Lawler and Siengthai (1997) point out, these organisations tend to be hierarchical and autocratic. They are reluctant to disclose detailed information on their management and informal networks are very important in obtaining a job in such organisation, as well as in securing promotions (Suehiro 2001; Zhu et al. 2007). The senior positions within family firms are held by family members instead of outside managers and board members (Bertrand et al. 2005). Likewise a traditional family firm can easily fill significant managerial positions not only among its own family members but also those who have close relationships with family members, for example, close friends and influential business or government officials and it does not need to recruit from outside (Suehiro 2001; Wattanasupachoke 2009). Similarly, Stage (1999) claim the comments of former Prime Minister Anand Panyarachus, it has been said that Thai industry rests not on "know-how" but "know-who".

141

"because the entrepreneurial community in Thailand, like many of these other countries, has been primarily Chinese and thus utilised the traditional Chinese approach to management. As such, many are part of what has been dubbed the 'bamboo network'. The upper management of each company is composed of family members or trusted friends. The activities of these separate entitles is then generally co-ordinated by the family patriarch and a close circle of associates" (Lawler et al. 1997, p.173).

Seniority is also important for reward and promotion rather than either using the external labour market or internal equity (Lawler and Atmiyanandana 2004). At the same time, the subordinate is supposed to respect and be obedient to his/her boss. In a promotion decision, behavioural traits such as diligence, deference and respect are usually more important than the objective analysis of an employee's performance and output. Formal training schemes are quite limited and such firms do not apply practices such as job evaluation, formal performance assessment, well-defined job classifications and so on. Similarly, Lawler et al. (1997) found that only about 40 percent of Thai family enterprises had a relatively high level of professionalism in the HRM function. In contrast, about 60 percent of Thai co-operations, 74 percent of subsidiaries of European MNEs and 96 percent of subsidiaries of American MNEs fell into the relatively high category.

These results imply that Thailand's buoyant rapid economic growth over the past decade generated substantial changes in traditional organisational forms and managerial development. Up until the economic boom, most Thai business groups have managed and controled their business activity by depending on internal economic resources among the owner-family (Suehiro 2001). Many companies have increased in size and scope through branching out in several business areas and moving into the transitional stage of development in order to be ready for a global competition and to continue the evolution of professional management in Thailand (Wailerdsaka and Suehiro 2004). To pursue strategies of expansion and diversification, most required a number of talented and dedicated managers. There are major elements to explain the quick growth of local business groups on the basis of family ownership during the past few decades since thet

try to continue developing their management reforms in terms of ownership structure and organisational and management style (Suehiro 2001). Nevertheless, Wailerdsak and Suehiro (2004)'s research; however, found that family-owned firms are still reluctant to develop professional managers internally.

2. Thai – Owned Corporations

Due to the rapid growth in the Thai economy, many traditional family enterprises have had to trade on the Stock Exchange of Thailand (SET) to raise new capital. As a result, foreign investors are involved in these companies and Thai-owned corporations were formed out of family business. Interestingly, the Vietnam War would seem to have had something of a professionalising impact on the personnel/HRM function in Thailand; a number of Thais who worked in administrative positions for the American military brought such skills to Thai companies for which they later worked, mainly for corporations rather than family enterprises. Additionally, managers and executives in these companies are often graduates of MBA programmes that are patterned after the Western model. After returning to Thailand, they have often temporarily worked at foreign or local big firms as apprentices and then moved to family-run firms as top executives or middle management. So they have the potential to adapt to US management styles and accounting systems, as well as communicate well with foreign investors and clients in English (Suehiro 2001). Also Lawler and Siengthai (1997) explain that corporations tend to rely more on the Western management model rather than the Japanese model. Such firms have a formal HRM sub-unit and have introduced more technically advanced management systems, including a range of staffing, compensation and training practices. They may have a training department and have employees participating in regular training activities. The compensation system is likely to be rationalised and job/performance evaluation is implemented to some extent.

While certain aspects of the Japanese system, such as Quality Circles and some limited forms of participative management, have found their way into Thai corporations. Although there are increasing numbers of professionally trained managers working in this types of organisation, core Thai cultural values such as collectivism and intra group

harmony, deference to authority, humility, self- restraint and consideration for others still dominate management practices (Zhu et al. 2007). Similarly, these firms often continue to rely on networking and interpersonal influence (Lawler and Siengthai 1997). Also, Wailerdsaka and Suehiro (2004); Wattanasupachoke (2009) revealed that it had been widely assumed that most Thai directors and executives are family owners, that their associates have poor management skills and that other managers are brought in from outside as needed. New generation executives are inclining to be more opened to new managing ideas.

b) Foreign-Owned Firms

Because of the global market and the multiple benefits of working in culturally diverse groups (such as creativity and innovation), MNCs are proliferating across the country and developing countries are major targets for MNCs (Clegg and Gray 2002; Boonsathorn 2007). In fact, MNCs bring benefits to host countries by providing jobs, increasing the wealth of the local people and delivering new technology. As an MNC is one of the places where representative of different cultures come into contact. Understanding cultural differences can be useful for MNCs to deal with international business arenas. However, local managers often have difficulties in bridging the gap between the local subsidiaries and the head office of the multinational company. They do not see themselves as part of a multinational enterprise but rather identify with their own country or region, which creates tension if local interests conflict with the interests of the multinational at large (Boode 2005). At the same time some Thais and expatriate managers, in Sriussadaporn (2006)'s research, concluded that attitudes and prejudice problems due to receiving inaccurate information about cultural and work-related values are critical. Also expatriates often fail to deal with cultural differences, while the costs of employing them are high (Boode 2005). Thailand is one of the countries that have attracted many MNCs from around the world, especially since the Thai government is supporting Thailand's effort to become an industrialised country. American and Japanese companies have the biggest investment in Thailand (BOI 2005; 2007; Onishi 2006). In fact, the difference of ownership of firms may have a significant impact on the HRM policies and practices in Thailand (Siengthai and Bechter 2005). Hence, a focus on the

foreign companies and their HRM in Thailand, as presented here, will be briefly described.

1. Western Firms and Subsidiaries

Subsidiaries of western multinational firms that operate in Thailand utilise HRM management that is based on the ideology of rational control (Lawler and Siengthai 1997). Notably, western firms apply methods consistent with home-country practices. Chandprapalert (2000)'s study noted that the US firm investment in Thailand tends to be large and seek markets and resources to operate effectively.

> *"Western firms tend to be quite suspicious of the particularism and networking that are seen to be pervasive in indigenous firms, though this perspectives fails to recognise the importance of strong and trusting personal relationships fundamental to Asian culture" (Lawler et al. 1997, p.185).*

The human resources management system of US firms has very rigid structures and rules. Administrative styles of American companies operating in Thailand focus on task oriented management (Shibata and Doyle 2006; Sitthifong 2007). Job duties are fairly well defined and procedures for handling employment issues which tend to be formalised. The changing status of women and their participation in the labour force is probably the most significant work-related diversity issue confronting Thailand. Anecdotal evidence suggests that gender-based employment discrimination is common in Thailand. Western firms, particularly subsidiaries of American MNEs, are more likely to have equal opportunities at work (Lawler 1996). In terms of performance evaluation, American companies measure employees' evaluation aimed at short-term results (Siengthai and Bechter 2004). Similarly, performance appraisal/promotion systems are basically applied for all employees worldwide. Research shows that wage and performance appraisal systems for white collar employees in American firms have become more market driven and performance oriented. Clearly, performance appraisal systems which are objective, systematic and open have led to increased wage inequality (Milkovich and Newman

145

1996; Shibata and Doyle 2006). They are much simpler than the appraisal systems of typical Japanese firms and wages/compensation are usually higher than the market wage rate and they pay above-market wages to attract high quality and experienced workers as one of their compensation strategies for US-based or western firms (Siengthai and Bechter 2004), while promoting systems offer a higher-potential employees faster (Shibata and Doyle 2006). US firms provide their employees possible career paths for high potential staff and fast track systems to move them quickly through organisational ladders (Vo 2009).

In general, there tends to be extensive reliance on standardised procedures for recruitment and staffing. American – related companies in Thailand have been found to delegate more to line managers regarding recruitment and selection process. These firms may have a structured internal labour market, but still extensively hire from the external labour market (PMAT 2005). However, the findings of Stage (1999); Anavoranich and Tsang (2004), based on American subsidiaries in Thailand, revealed that Thai employees explained that an American manager could have some very good ideas, but cared more about the future of the company without a personal relationship established with the employees. Anavoranich and Tsang (2004) also suggested that the technicians who were on production lines mentioned that they did not have the same opportunity to learn as much as those who did the maintenance work. This was because the need to work on night shift prevented them from attending training courses that were organised during normal working hours.

2. Japanese Firms and Subsidiaries

Although Japanese managers may claim that they would prefer to transfer the Japanese management and employment relations system in its entirety to their foreign affiliates, some elements of the system are more costly or less compatible than others compared to the host country values (Swierczek and Onishi 2003). Lawler et al.(1997) characterised the defining ideology of these firms as one of acculturation. Similar to Western companies in Thailand, Japanese subsidiaries tend to operate in a manner that is fairly

146

stereotypical of Japanese home-country practices (Onishi 2006). However, Japanese firms would be more sensitive to local environment (Bae et al.1998).

> "Subsidiaries of Japanese firms in Thailand rely heavily on Japanese expatriate managers, at middle-as well as upper-level positions. Thus, co-ordination and control in Japanese subsidiaries is achieved through the presence of Japanese staff, rather than through complex structural arrangements or the recruitment of employees with some prior exposure to Japanese culture (Lawler et al. 1997, p.186)".

The subsidiaries overseas of Japanese firms have maintained close relationships with their business units in Japan (Shibata and Doyle 2006). These firms invest heavily in on - the-job training (Siengthai and Betcher 2004; PMAT 2005) and extensive cross-training. Even if the seniority –based wage system is still maintained (Ogoshi 2006), it is notable that the largest amount of items that Japanese managers raise are concerned with the decline of the seniority principle being replaced by a performance orientation or a result/objective orientation (Shibata and Doyle 2006; Shibata 2008). In contrast to Western organisations, employees are generally hired only at the entry level (Onishi 2006). Also there are relatively few job classes and they tend to prefer general skilled workers. While the Japanese firms is primarily based on a "wait and see" tactic to promote their employee (Vo 2009). There is a tendency for performance appraisal to be focused on the long- term (Siengthai and Betcher 2004; Keelee and Siengthai 2009). Although Japanese companies have a reputation for paying relatively low base wages, there are many performance incentives. Ultimately, various participative management systems are established in these companies and they have well-developed HR strategies, although they do not completely replicate the systems used in Japan. Sirikum (1993) who surveyed Japanese top management in Thailand argued that the 76% of them took all responsibility on decision-making process and cascaded the command down rather than providing partipative management. Colignon et al. (2007) indicated the perception that there was a lack of "trust" between Japanese management and Thai employees. Furthermore, Swierczek and Onishi (2003) reported that Thai subordinates wanted more freedom to do their work and preferred Japanese managers with more of a fun orientation;

147

in contrast, Japanese manager's preferred committed team players. In fact, some of the aspects within HRM paradigm were based on the Japanese management practices that had a profound influence not only in Japan, but also in entire East Asia in the 1960s and 1970s. The elements of cohesiveness and collectiveness, such as harmony, information sharing, loyalty, on-job-training, teamwork and so on were key dimensions of the "new" HRM paradigm, but had existed in East Asian organisations for a long time (Zhu et al.2007).

Table 4.5: Summary of HR Strategy in Thai-Owned and Foreign-Owned Firms

HR Strategic Characteristics	Type of Firm			
	Family Enterprise	Thai-Owned Corporation	Western Subsidiaries	Japanese Subsidiaries
Strategic Planning	informal	formal	formal	formal
Process integration	loose	tight	tight	tight
Temporal focus	Short-term	long-term	long-term	long-term
Staffing sources	Internal	Internal	external	internal
Career paths	Broad	narrow	narrow	broad
Promotion ladder	Few	multiple	multiple	few
Criteria	Explicit	Explicit	explicit	implicit
Socialisation	Limited	Extensive	limited	Extensive
Procedures	closed	open	open	closed
Compensation level	low	mid-range	high	low
Equity	idiosyncratic	internal	internal	internal
Fringe benefits	few	few	many	many
Incentives	many	many	mixed	many
Security	high	high	low	high
Training and Development	short-term	long-term	mixed	long-term
Temporal focus	narrow	broad	mixed	broad
Breadth purpose	productivity-oriented	productivity-oriented	mixed	mixed
Planning	spontaneous	spontaneous	planned	planned

Source : Lawler et al. (1997).

4.4 Compensation in Thailand.

In Thailand, attention to compensation systems has been arisen in 1986 and extending interest of performance management has been in focus in 2001 (PMAT 2005). McCampbell et al. (1999) reported that of 76 percent of the Thai companies employed seniority-based promotion systems, while 24 percent utilised a merit-based system. The trend indicates that the larger the company in Thailand, the higher the possibility of employing a seniority-based pay since uncertainty avoidance is associated with greater reliance on seniority (Fischer 2008). Pintusamit (2007), collected data from 300 Thai officers who worked in the electronics industry, found a significant difference in demographic factors (age, gender, position, married status and service year) on employee's satisfaction of compensation management factors. Uyawong (2006) demonstrated that the staffs had a chance to review the performance together with the supervisors in order to obtain the information used to develop and adjust the company management. Additionally, Puspakom (2007) who investigated 527 Thai companies listed on the stock Exchange of Thailand (SET) summarised that internal equity had a strong positive relationship with job satisfaction and job performance whis is consistent with Suttiard (2006). This finding confirmed the view that hierarchical levels in the organisation affected equity perceptions, as previously mentioned by Anavoranich and Tsang (2004).

Sombatlai (2006) revealed that the saisfaction and engagement of Thai employees in the area of desired work was high and the compensation policy and payment patterns were highly influencing factors whereas the transactional returns and justice had a low effect while the external equity had a strong negative relationship with absenteeism and turnover, as suggested by Puspakom (2007). According to Pibool (2006) and Uyawong (2006), Thai workers in the automotive parts industries showed that only one company preferred focusing on the ability to pay and employees' sufficient living while other companies balance internal alignment and external competitive policies. Suttiard (2006) concluded that there was a positive relationship between those engineers' compensation satisfaction and components of compensation and management (for

example compensation policy, salary, incentives, welfare and benefits and relational returns). Finally, Uyawong (2006) argued that companies should increase communication about payment of compensation of the company in order to increase workers' knowledge and understanding by using appropriate channels. However, performance appraisals being the main mechanism to reward knowledge workers implies that the focus on financial achievements is forwarded into the motivational structure of firms promoting an environment of competition and control (Lehmann 2009). According to a 2005 survey conducted by Hewitt Associates, a consultancy, covering 110 multinational companies operating in Thailand, 90% of employers had introduced variable pay; individual performance awards (70% of companies surveyed) (EIU 2005). Lastly, Thai employees' evaluation incorporates a combination of merit and seniority that allows employees to gain their advance through job classification and pay grades based on a conventional annual review where has been as in the prior research of Puengpiboon (2002) and Asisontisakol (2005).

4.5 Thai Labour and Trade Unions

Brown et al. (2002) noted that in 1919 Thailand was one of the founding members of the International Labour Organisation (ILO), but the relationship was limited between the government and the ILO and did not had a significant effect on the Thai labour movement. Cooperation between labour organisations in Thailand and international labour movements can be traced back to the post-WWII period. According to Nikomburirak (2004), in 1949 the Central Union of Thailand was the first national labour centre affiliated with the World Federation of Trade Unions (WFTU). In the same year, a number of unions in capitalist countries withdrew from WFTU and formed a new organisation, the International Confederation of Free Trade Unions (ICFTU).

The Thai economy has traditionally relied upon the export of agricultural products, particularly rice. This dependence upon one product caused Thailand to experience great variations in prosperity due to changing international prices of rice and year to year fluctuations in the size of the rice harvest. By the 1970s and 1980s, following the various problems of decolonisation and the post-war readjustments of the late 1940s and 1950s,

Thailand, Malaysia, Singapore, the Philippines and later Indonesia maintained open economies under various political regimes. These countries had moved to trade liberalisation, turned towards policies involving more open trade regimes, and placed export trade and foreign investment at the centre of their development strategy (Chouwilai 2001; Charoenloet et al. 2003). Four South - east Asian countries - Singapore, Malaysia, Thailand, and Indonesia - recorded strong economic growth during the last four decades of the twentieth century up to 1997. This was consistent with their trade liberalisation strategies and heavily labour - intensive manufacturing production which combined together as the competitive advantage which enabled them to break into global markets. Kaur (2004) explained that the factors contributing to this growth were labour, physical capital, human capital and increased efficiency. In all of these countries the function of the state was necessarily seen as promoting agricultural transformation and bringing together the resources necessary for industrialisation. The economic transformation in these four countries declines in the relative importance of agriculture in their economies (Kaur 2004). As one of the "new globalisers" in South - east Asia, Thailand presents an increasing need for organisations to operate in the global environment to increase its competitiveness. In doing so they are looking to the people within those organisations and the development of their human resources to give them this competitive advantage. One of these strategies is to focus on the human assets.

Table 4.6: Thai Population by Labour Force Status (Unit: In Thousands)

Labour Force Status	Years		
	2006	2007	2008
Total	65,452.3	65,909.4	66,022.0
Total Labour Force	36,830.2	37,380.5	36,688.3
1. Current Labour Force	36,741.6	37,287.7	36,425.5
1.1 Employed	36,257.3	36,872.7	35,820.1
1.1.1 At work	35,723.0	36,421.3	35,151.4
1.1.2 With job but not at work	534.3	451.4	668.7
1.2 Unemployed	484.3	415.0	605.5
1.2.1 Looking for work	83.1	78.2	107.7
1.2.2 Available/not looking for work	401.2	336.8	497.7
2. Seasonally inactive labour force	88.6	92.8	262.8
Person not in labour force	13,850.6	13,883.5	14,723.7
Household work	4,350.7	4,444.1	4,999.5
Studies	4289.9	4,318.5	4,401.7
Too young/old/incapable of work	4217.9	4,260.8	4,343.6
Others	994.2	860.2	988.0
Person under 15 years of age	14,771.5	14,645.5	14,610.0
Unemployed Rate	1.3	1.1	1.7

Source: National Statistical Office Thailand (2009)

After the 14 October 1973, democracy uprising, workers education programmes received more support from international organisations and student organisations. Military power in Thai politics declined after the overthrow of the military siezure of power in May 1992 (otherwise known as Black May). After a year of struggle in November 1993 the Ministry of Labour was established. The ministry represents the central apparatus through which state labour policy, law and regulations were enforced and administered. After the economic crisis in 1997 the number of strikes decreased significantly while the number of lockouts increased, implying that the economic crisis undermined the bargaining power of the workers and trade unions. When labour disputed, the unions did not want to call for strikes because job security had become a more important issue than wage and welfare increases. Increasingly, it has been the employers that have locked-out workers and tried to dismiss them. Other forms of employment such as sub-contracting and short-term contracts have often been used as a substitute for traditional contracts.

Thailand has a tripartite system of employment relations: the government, the employer and the unions (PMAT 2005). A number of government and non-governmental institutions make up the framework for the relationships between labour, employers and the government. As FRD (2007) found that less than 4 percent of the Thai workforce is unionised, but 11 percent of industrial workers and 50 percent of state enterprise employees are unionised. There are labour unions present in only 39 out of the 76 provinces of Thailand (Chatrakul na ayudhya 2010). As Brown et al. (2002); Chatrakul na ayudhya (2010) note, throughout their long history, trade unions have maintained a precarious relation with the various governments of Thailand. Trade unions remain industrially weak and politically marginalised. This weakness of the trade union movement is a product of the range of factors associated with the structural demobilisation of the workforce stemming from rapid economic change and politics and military organisation, aided by the maintenance of strong hierarchical relationships in the country. It has been noted by Itoga (1998); EIU (2010) that Thailand, which adopted a tripartite system of labour relations, has common characteristics of state intervention in both trade union registration and dispute settlement. The aim of the policy of successive governments' has been to ameliorate the business climate by promoting an inflow of foreign capital to develop industry. Thus, they need peaceful industrial relations. Thailand once had experienced a labour movement characterised by industrial unions. However, recent Thai governments have pursued policies to set up in-house unions which are considered to be more efficient for industrial relations and which also will raise productivity. The government representatives on the industrial relations committee always side with the employers in an effort to promote a pro-investment environment.

Main Laws and Regulations in Thailand

1) The first comprehensive legislation covering both labour protection and labour relations was the *Labour Relations Act 1956*. Allied legislation was the *Industrial Disputes Settlement Act 1956* (PMAT 2005) which allowed workers to choose their representatives for collective bargaining purposes. However, these regulations covered workers in paid employment only and who were hired under an employment contract. Employees who were hired on an informal basis without written contracts were not

provided for by this Act. Thereafter, the history of labour relations may be viewed in terms of the political situation and the state's economic strategies and labour legislation (Wilawan 1990; McNally 2001). The economic strategy adopted was an import-substitution of industrialisation and the government abolished the 1956 *Labour Relations Act*. All strikes and trade union activities were banned and union leaders arrested. The Interior Ministry was empowered to issue ministerial decrees regarding labour administration. Labour protection measures were limited and the length of the working day was prescribed as 10 to 12 hours.

2) *The Labour Protection Law of 1972*, also known as N.E.C. Announcement No. 103, provides the minimum standard for private sector occupational working terms. These terms do not apply to agricultural, domestic or non-profit organisation workers (PMAT 2005; EIU 2010). The Labour Protection Law sets the requirements for the minimum and maximum number of working hours, holidays, sick leave, maternity leave, military leave, and business leave for an employee. It also sets the standard for minimum wage, overtime, and severance pay. The law provides guidelines for working conditions, female and child labour and the factors for terminating employment. This law is analogous to the US Fair Labour Standards Act (FLSA), the so-called 'wage and hours law' (Wilawan 1990; Gross 1996).

3) Following the people's uprising of October 1973, labour became stronger. *The Labour Relations Act of 1975* (hereafter, 1975 LRA) is to govern private, state enterprise employment and providing protection for workers, legalised the right of association and governed labour relations in the private non-agriculture sector (Brown et al. 2002). The law contains provisions that define employee rights with respect to the establishment of trade unions, trade union organising, labour federations and labour councils. The legislation also establishes procedures for collective bargaining and the right to strike and lockouts (Chouwilai 2001; Charoenloet et al. 2003). It should be noted that this Act governs labour relations problems. But once the leftist movement went into decline after 1980, the government began to roll back trade union rights and weaken worker's bargaining power. The 1975 Labour Relations Act introduced a system of tripartite committees. These committees were supposed to establish "class harmony" but

155

subsequently have been seen as not reflecting the actual interests of workers. They have served as an effective tool by the state to control, restrict and decrease the bargaining power of the trade unions (Chouwilai 2001).

4) *The Labour Protection Act of 1998* (hereafter, 1998 LPA). The Labour Protection Act of 1998 (and amended in May 2008) replaced National Executive Council Decree 103, which reserved specific occupations for Thai nationals (EIU 2010). This legislation significantly updates some of the provisions contained in the 1975 Labour Relations Act (Charoenloet et al. 2003; PMAT 2005) and is a general enactment governing all employment contracts (Brown 2003). This act consolidated a comprehensive set of labour regulations contained in numerous announcements and notifications. This law deals with such subjects as work hours, holidays, leave of absence, women and child labour, wages and overtime, severance pay, workman compensation, compensation funds, welfare, work rules and other matters. The act also specifies the rights and duties of labour inspectorates and contains provisions for equal treatment of the sexes at work and prohibits sexual harassment by supervisors, inspectors and managers (Brown et al. 2002; Brown 2003).

5) *The State Enterprise Labour Relations Act of 2000* (hereafter, 2000 SELRA). State enterprise employees were originally covered under the 1975 Labour Relations Act. The major labour law, the Labour Relations Act 1975, was redrafted as a new Labour Relations Bill that gained cabinet approval in 2000 (EIU 2010). However, following the military coup in February 1991, state enterprise employees were removed from coverage of the 1975 Labour Relation Act and not allowed to form trade unions. The 2000 State Enterprise Labour Relations Act again allowed for the establishment of trade unions in state enterprises and covered labour relations in them but they still did not have the right to strike (Charoenloet et al. 2003).

By excluding trade unions, the tri-partite committees have effectively narrowed the channels which are available for workers to demand their rights. Workers who participate in union activities continue to have inadequate legal protection. According to Hadiz (2001), in all of the South-east Asian countries affected by the crisis, labour was weak and sometimes severely internally fragmented. So it is not just the impact of globalisation

that organised labour in South-east Asia has to contend with, but also the historical legacy of past political struggles that have been unfavourable to its relative position. Vause (1992); Brown (2003); ITUC (2007) describes how Thailand has one of the lowest levels of unionisation in the region and, moreover, the organised labour movement has remained fractionalised and there are serious restrictions with regard to freedom of association, collective bargaining and the right to strike, both in law and in practice.

4.6 Conclusion

This chapter has outlined the HRM perspectives in Thailand following the result of Lawler and Amityanandana (1997) and Kamoche (2000). Broadly speaking, HRM practices vary depending on the context and the culture. The interesting history and the unique character of Thailand come into the view of this research. Some commonalities with other East Asian nations do exist in Thai culture, such as avoidance of conflict, deference to superiors and reliance on social relationships as a number of these values are directly contrary to those held by Western culture and should be of primary concern when applying Western strategies to Thai society. These practices are now being challenged as workers are more educated and more skilled. Exploring in greater depth the roots will clarify the direction of HRM practices to be designed. Such practices should be complemented by genuine efforts to raise organisational competency including related factors. Before we focus on the methodology of examining all variables, the conceptual framework will be reviewed and theories underpinning this research. This is the concern of Chapter Five.

Chapter 5

Theory, Conceptual Model and Hypotheses

5.1 Introduction

This chapter will demonstrate the theories which underpin this study. A conceptual model will be outlined as the framework for this research. Finally, both theory and the conceptual model will be shown as reinforcing the hypotheses. It is helpful to keep in mind the link between theory and data. Anderson (2004, p.97) explains that *"this consideration is key, because a reasoned perspective on the relationship between theory and data will underpin important decisions about: (1) what data to gather and where to look for it; and, (2) how we will make sense of information once we have hold of it"*. Underlying attempts to link behaviour, performance and payments as rewards are the basic motivations which most people will bring to their tasks in work. It is common to illuminate the working of PRP, teamwork, career advancement and organisational commitment through the lenses of four motivational theories: Expectancy Theory, Agency theory, Social Exchange Theory and Equity Theory, all of which are referred to in this research.

5.2 Conceptual Model

This research has outlined the concepts of PRP with regard to demographic differences, job related and organisational contexts. The relevant literature has been reviewed and it was found that the concept of Hofstede are essential in the conduct of this research into whether the Thai employees working under different nationalities of owners are motivated differently when deciding to exert their efforts. National culture and employee motivation have been linked before but is this limit of cultural influence?. Moreover, the contribution of the research model will address the compared means of employees within

Thai, American and Japanese companies according to PRP perceptions, teamwork, career advancement and organisational commitment. This conceptual model can be explained by the details about hypothesis setting which are given below (Figure 5.1).

Figure 5.1: Conceptual Model
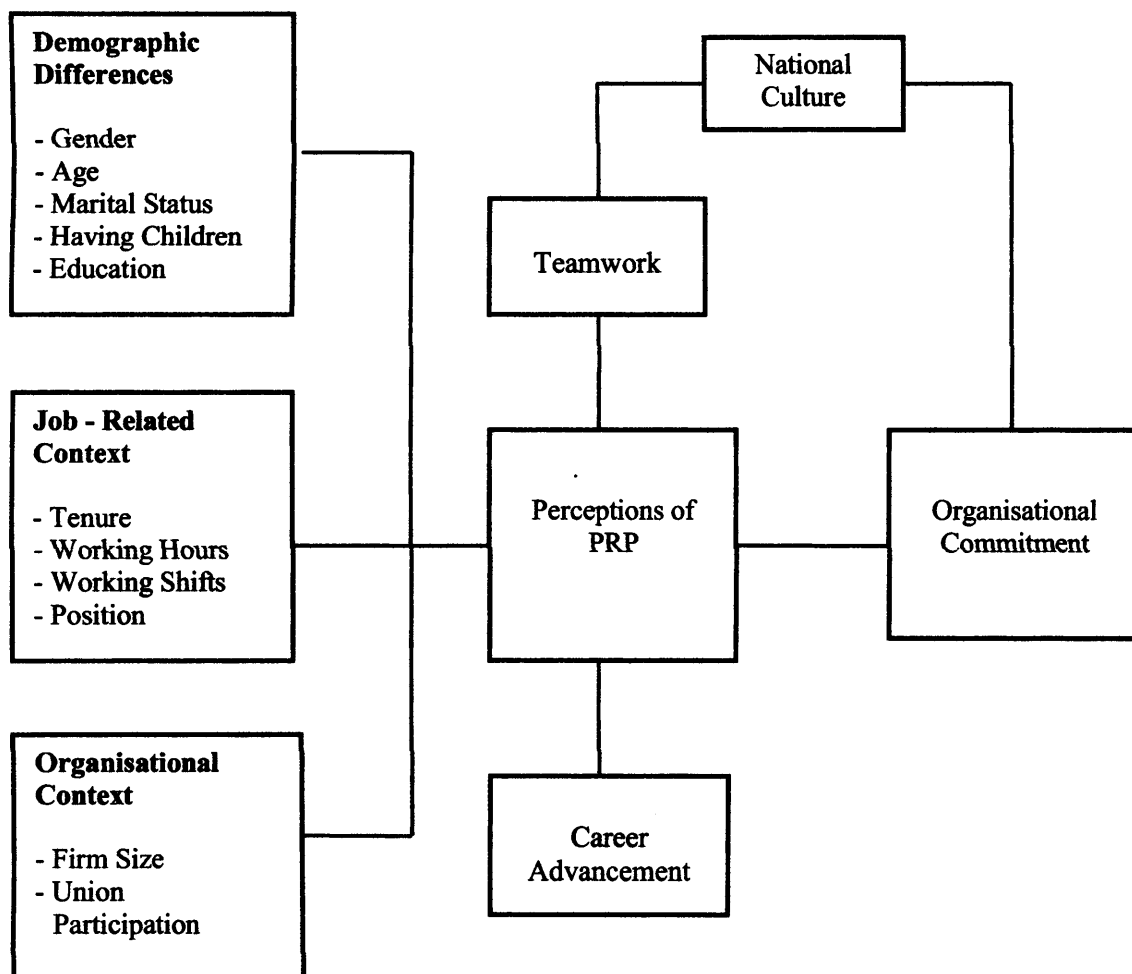
Source: This research

5.3 Expectancy Theory

Expectancy theory is a cognitive theory drawn from organisational behaviour and has attracted considerable attention from many researchers who have used expectancy theory based upon pay (Morris and Fenton O'Creevy 1996; Kim 2002; Smith and Rubb 2003; Marsden 2004; Turner 2006). The basis of expectancy theory lies in the presumption that behaviour is motivated based on the expectation of perceived outcomes arising from performance. Expectancy theory argues that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual (Robbins and Coultar 2005), since people decide how to behave on the basis of beliefs about what leads to the most desirable outcomes (Francesco and Gold 1998). These assumptions have become the basis for the so-called *expectancy model*, which has three major components:

1. **Performance-Outcome Expectancy** (Expectancy: E). When employees perform their behaviour regarding their job performance, individuals expect certain consequences as a result of these behaviours. Their expectations, in turn, affect their decisions on how to behave. The individual's perception of the probability of performance will lead to a specific outcome, consequence or reward in an organisational setting (Cole 2003; Slocum and Hellriegel 2007). For example, a worker who is thinking about exceeding the sales quota may expect praise, a bonus, no reaction, or even hostility from colleagues. *Employees ask themselves "If I do the task, will I be rewarded appropriately?"* (Durcharme et al. 2005, p.50). Outcomes (rewards) may be positive such as pay, trust, fringe benefits and a congenial relationships or the employees may view the outcomes as negative - fatigue, boredom or anxiety (Robbins and Coultar 2005).

2. **Valence (V)** is an index of how much an individual values a particular outcome. It is also about the attractiveness of the outcome to the individual (Liccione 2007). The outcome of a particular behaviour has a specific valence, or power to motivate, which varies from individual to individual. Valence is the strength that the individual places upon the expected outcome (Cole 2003; Daft 2008). For example, to a manager who

values money and achievement, a transfer to a higher paying position in another city may have high valence; to a manager who values affiliation with colleagues and friends, the same transfer may have low valence. Consequently, attractive outcomes have positive valences and unattractive outcomes have negative valences. As noted by Durcharme et al. (2005) the consequences that flow from the effort are valued - referred to as valence and *Employees ask, "Is the reward valuable?"*

3. Effort – Performance Expectancy (Instrumentality: I). There must be an expectancy that a given level of effort will result in an acceptable level of performance (Bloisi et al. 2003) and lead to desired reward (Cole 2003). Employees ask themselves, *"Can I do the required task at an acceptable level?"* (Durcharme et al. 2005). People's expectations of difficulty will be perform successfully, in turn, effects their decisions about behaviour. Given a choice, individuals tend to select the level of performance which seems to have the best chance of achieving an outcome they value (Lawler 2000). The individual's perception of the probability that effort will lead to a high level of performance.

According to expectancy theory, *E, V and I* stand in multiplicative relationship to each other (Liccione 2007). As mentioned above, perception plays a central role in this theory because it emphasises cognitive ability to anticipate any likely consequences of behaviour (Kreitner and Kinicki 1998; Cole 2003). An individual's behaviour will depend on the types of outcome expected. Some outcomes act as intrinsic rewards - rewards that are "felt" directly by the individual or outcomes that are internal to the individual; for instance, a feeling of accomplishment, increased self - esteem and the satisfaction of developing new skills. In contrast, extrinsic rewards such as bonuses, praise or promotions, are provided by an outside agent, such as a supervisor or work group (Stoner et al. 1995).

This figure 5.2 shows the relationship between an employee's effort, their performance, and the reward, highlighting some of the conditions which are also a guide to potential pitfalls. Firstly, employee effort may not translate into improved performance for a variety of reasons, such as lack of skills or poor management. Chow et al (2002) argued that the appraiser should be credible, respected and skillful in appraising in order to

importantly eliminate the fear of misuse appraisal data. Performance may not be translated into reward if it is inaccurately measured or if there are budgetary constraints. Chu and Chen (2007) suggest that:

"The performance appraisal is critical mechanisms for organisational control, through which the employees can view, see their past performances and take concrete action for improvement. Measurement is concerned with the actual appraisal process, including the appraiser, appraisal criteria, appraisal methods and appraisal timing (p. 512)".

Figure 5.2: Outline of the Expectancy Frame Work
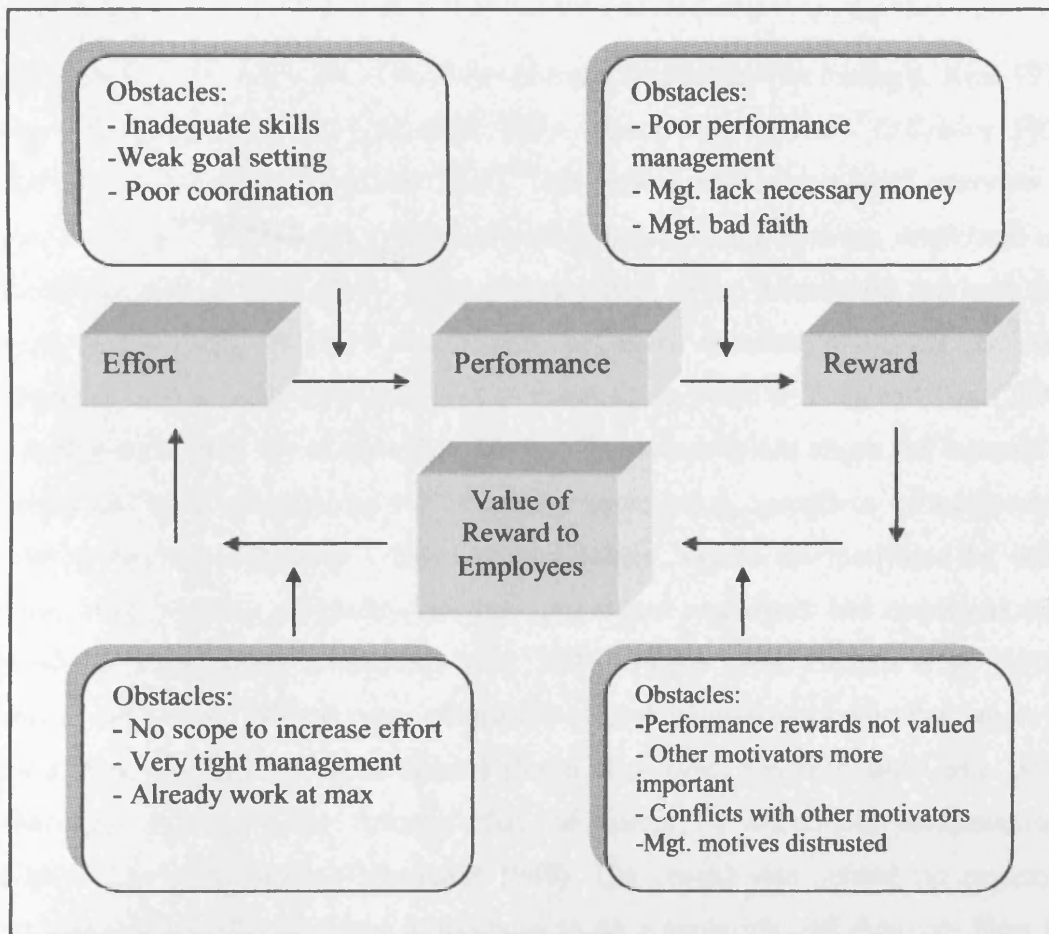
Source: Marsden (2003)

Not surprisingly, rewards may not necessarily be highly valued, perhaps because employees are motivated by other goals such as the intrinsic interest of their work. Finally, the rewards, even if valued, may not drive extra effort; for example, employee's jobs may not give them any scope to increase their performance. Obstacles (as mentioned in the boxes) marked an overview of the areas to which the design of a PRP scheme should pay attention to so as to be effective in operation. Importantly, Huczynski and Buchanan (2007) stress that the link between effort and performance must be supported by management, through the provision of adequate training, instruction and resources.

5.4 Agency Theory

Agency theory is an outgrowth of the work of many researchers (for example, Ross 1973; Jensen and Meckling 1976; Eisenhardt 1989; Morris and Fenton - O'Creevy 1996; Deckop and Cirka 1999; Marsden 2004). This section will give a brief overview of agency theory as a framework for understanding the exchange between employees and organisations through PRP plans. Agency theory rests on the assumption that each firm consists of a principal (such as shareholders, boards of directors, regulators and other third parties) and an agent (managers and employees). As noted by Fong and Tosi (2007), this theory deals with the motivation of human behaviour which aligns the interests of principal and agent through the use of agency control (i.e., incentives or monitoring). According to this economics - based control theory, agents are motivated by self - interest, have bounded rationality, are risk averse and employees and employers have naturally diverging goals (Mikolvich et al. 1991; Adams 1994; Gerhart et al. (1995); Deckcop and Cirka 1999) whereas alternative control frameworks imply that employee and employer interests are often aligned (Stroh et al 1996; Deckcop and Cirka 1999). Furthermore, agency theory assumes that information is distributed asymmetrically throughout the organisation (Eisenhardt 1989). The central idea behind the principal-agent model is that the principal is too busy to do a given job and therefore hires the agent. Notably, given the agency paradigm, the principal depends on an agent to fulfill some actions. An agency dilemma, however, occurs when principals are unable to adequately monitor or assess an agent's behaviour and that it is often prohibitively expensive for the principal to monitor the behaviour of the agent (Fama 1980; Eisenhardt 1989). Consequently, the principal does not know exactly what the agent has done. This is consistent with the self - interest view of the agent, i.e., he or she may or may not have behaved as agreed. Based on microeconomic principles of utility maximisation, human behaviour in agency theory is usually reduced to simplifying assumptions such as opportunism in the form of shirking as the default behaviour when agency controls are not present (Alchian and Demsetz 1972; Jensen and Meckling 1976; Mikolvich et al. 1991; Fong and Tosi 2007).

To deal with human behaviour, alignment of interest between principal and agent is secured through the use of agency control. There are a number of ways that the principal might then try to motivate the agent. When the principal delegates duties to the agent, who are then expected to act in the principal's best interests, in an agency situation, the principal basically can choose to provide some form of output-based contingent reward to align the agent's interests with their own or to invest in mechanisms to monitor the behaviour of the agent. As mentioned above, agency theory assumes that the agent is motivated by self - interest (Morris and Fenton O'Creevy 1996) over those interests of the principal. The alignment of interests has arisen to control negative behaviour. Consistent with Alchian and Demsetz (1972); Stroh et al. (1996), agency theory focuses on controlling agent effort

> "In reactions to agency controls to increase individual effort and task
> performance, if individuals default to opportunism, then agency controls
> should have equivalent effects across all individuals. However, if
> individuals differ in their motivation toward opportunism, agency controls
> should have differing effects between individuals (Fong and Tosi 2007,
> p.162)".

In essence, agency theory deals with the risk which principals are willing to bear when there is a division of labour. As noted in the review of agency theory, effort and performance are distinct concepts (Christen et al. 2006).

165

Table 5.1: Agency Theory Overview

Key Idea	Principal-agent relationships should reflect efficient organisation of information and risk-bearing costs
Unit of Analysis	Contract between principal and agent
Human Assumptions	Self-interest Bounded rationality Risk aversion
Organisational Assumptions	Partial goal conflict among participants Efficiency as the effectiveness criterion Information asymmetry between principal and agent
Information Assumptions	Information as a purchasable commodity
Contracting Problems	Agency (moral hazard and adverse selection)
Problem Domain	Relationships in which the principal and agent have partly Differing goals and risk preference (e.g. compensation, regulation, leadership, vertical integration, transfer pricing)

Source: Eisenhardt (1989)

5.5 Social Exchange Theory

Gouldner (1960) and Blau (1964) described social exchange as the voluntary actions of individuals that are motivated by the some future returns they are expected. It entails the notion of voluntary actions which may be initiated by an organisation's treatment of its employees, with the expectation that such treatment will eventually be reciprocated. Its exact nature is never specified in advance but must be left to the discretion of the one who makes it. In line with Cole et al. (2002); Gardner et al.(2004); Slattery and Selvarajab (2005), exchanges between the two parties occur because one party provides something of value to the other party and that party expects something of value, in return.

The receiving party feels obligated to reciprocate by providing something of value determining the perceived balance in exchanges (Coyle-Shapiro et al. 2006). The relationship is thus informal in nature and is developed based upon the trust the two

parties have for one another. Employees feel committed to organisations when organisations show commitment to an employee's well - being (Wayne et al. 1997). In contrast, a prototype economic exchange rests on a formal contract that stipulates the exact quantities to be exchanged and can be enforceable roles through legal sanctions. Consequently, Blau (1964), Aryee et al. (2002) and Cole et al. (2002) stated that social exchange theory is reliant on voluntary actions rather than formal contracts. Specifically social exchanges are those where

> *"the voluntary actions of individuals are motivated by the returns they are expected to bring from others. . . [with the] exact nature [of the return] never specified in advance but . . . left to the discretion of the one who makes it (Blau 1964: p.91)".*

It has been generally noted that reciprocating behaviours go beyond prescribed or contractual agreement behaviours where such recognition of employees' positive work attitudes is a source of an organisation's competitive advantage. Adopting Social Exchange Theory's view, good relationships between employees and supervisors in workplaces is the essential condition to develop a mutual adjustment and that has positive influences on both the workers and the organisation (Wayne et al.1997; Cole et al. 2002). Thus, positive social exchanges can result in mutual benefits to both organisation and the workforce. Social exchange is found to be critical processes in the organisation and it has been observed that employees interpret management behaviours as indicative of organisational responses. If management actions are viewed positively by employees, they reciprocate with attitudes and behaviours valued by the organisation (Chiaburu and Marinova 2006). This is consistent with the findings of previous research, has precipitated an interest among organisational researchers to seek to understand and explain the motivational basis of such work attitudes and contributions (Wayne et al. 1997; Cardona et al. 2004; Slattery and Selvarajab 2005) because unlike the specific benefits or commodities involved in an economic exchange, the favours or benefits exchanged are indicative of mutual support and investment in the relationship (Aryee et al. 2002).

5.6 Equity Theory

PRP is clearly rooted in equity theory which emphasises employees' perception of fairness (Chang and Hahn 2006; Huczynski and Buchanan 2007). Equity theory is then reviewed as extensions of expectancy theory (Liccione 2007). According to the theory, employees will perceive practices to be fair or equitable when their input - output ratio is equal to that of a referent. Inputs are individual characteristics brought by the employees to the job and may include effort, seniority, gender, amount of responsibility, working conditions, knowledge, skills and abilities required by the job (Freedman and Moorman 1991; Lawler 1996; Konopaske and Werner 2002). On the other hand, outputs are those individual aspects that result from the employee-employer exchange such as pay, recognition, supervisory treatment, benefits, promotions, status and intrinsic rewards (Greenberg and Ornstein 1983; Mowday 1983; Adams 1994; Konopaske and Werner 2002). When paid in accordance to individual performance, it is likely that employees perceive fairness or justice in the ratio. Conversely, inequity occurs when people obtain either more or less than they feel they deserve. A rating based on individual performance and a salary based on the rating tends to enhance employee perceptions of distributive justice (Campbell et al.1998). In particular, Huczynski and Buchanan (2007) note that the more intense the perceived inequity, the higher the tension and the stronger the motivation to act. Clearly, Risher (2008) states that individuals tend to compare their input or effort with that of their co - workers and use that as the basis for evaluating merit increases and bonus award. They want to be paid equitably, of course. Seemingly, they judge the equitableness of the relationship between outcomes and inputs in the form of a ratio. When the individual's ratio is about equal compared to others, equity is acheived and there is no motivation. On the other hand, if the two ratios are unequal, the person experiences a tension or discomfort that motivates him/her to force the two ratios into perceived equity. Robbins and Coultar (2005) explain the employees' probable behavioural responses to inequities might (1) distort either their own or others' inputs or outcomes, (2) behave in some way to induce others to change their inputs or outcomes, (3) change their own inputs or outcomes (4) choosing a different comparison person and/or (5) quit the jobs. Some such actions may not be helpful to the organisation (Gerhart et al. 1995).

5.7 Gathering Theories Underpinning the Research

In this study, the researcher uses expectancy theory, agency theory, social - exchange theory and equity theory to examine the perception of PRP plans, teamwork, career advancement as well as the organisational commitment of Thai workers across three national companies. Hofstede (1991, p.10) illustrates that *"as almost everyone belongs to a number of different groups and categories of people at the same time, people unavoidably carry several layers of mental programming within themselves, corresponding to different levels of culture"*. Motivating employees by implementing PRP, it is expected that these systems will individually motivate employees to increase their effort and thereby their performance. If individuals differ in their motivation towards pay expectations then there may also be differing efforts between individuals. *Expectancy theory* clearly posits the notion that effort is increased when meaningful rewards are offered (Cole 2003; Turner 2006; Bioisi et al. 2008; Daft 2008). Following expectancy theory (Effort –Performance Expectancy), compensation planning should be based on establishing the proper objectives and reward combinations which will effectively motivate employee performance, since an individual is different in motivation and behaviour as stated by expectancy theory (Huczynski and Buchanan 2007). Under a PRP plan, expectancy takes place in the formal or informal goal - setting phase, employees would be more likely to exert their efforts to overcome the objectives set up. Valence refers to the degree to which the employee values the reward received towards the PRP system where the performance rating or assessment is translated into a cash award and allocated to the employee. As Durcharme et al. (2005) and Bioisi et al. (2008) point out; expectancy theory suggests that to be effective, rewards must be salient. A non-salient reward distracts the subject from fully engaging in the process required to obtain the reward. Employees who are rated as top performers should receive extra amounts proportionate to their performance levels. Subsequently, individuals expect to be rewarded for what they do; the result is more likely to drive their motivation at work. In this study, hypotheses were developed and tested the relationship between the uses of PRP for employees. Another concern to be considered is that Performance-Outcome expectancy refers to the expectation that the level of performance is related to the reward.

This is represented in the performance appraisal stage under PRP where the person is recognised for the level of performance achieved. When performance is assessed accurately, the employee will be able to perceive the link between performance expectations and outcomes. Towards *equity theory*, workers also evaluate their reward and compare with their colleagues. When employees receive inequity, they may react to the unfair outcomes via withdrawal their effort, presenting aggressive behaviour or even turnover.

Eisenhardt (1989) suggested that it is appropriate to use *agency theory* to examine internal compensation schemes. However, most agency theory research has focused on the compensation of top executives (Balkin and Gomez - Mejia 1990; Gerhart and Milkovich 1992; Beatty and Zajac 1994; Westphal and Zajac 1994), while there has been little research testing agency theory predictions for middle managers, supervisors and employees. One of this study's contributions is its application of agency theory constructs to the variable pay experience of Thai middle managers and workers in different nationality of the owner. According to Adams (1994), agency theory is based on the premise that agents have more information than principals and that this information asymmetry adversely affects the principals ability to monitor effectively whether their interests are being properly served by agents. It also assumes that principals and agents act rationally and that they will use the contracting process to maximise their wealth. The performance of employees is a key result in the delegation of some decision - making authority since such a delegation of responsibility by the principal and the resulting labour are helpful in promoting an efficient and productive economy. Sometimes if employees have self-seeking motives they are likely to take the opportunity to act against the interests of the employer of the firm (e.g., shirking). Therefore, principals can motivate agents by controlling their rewards and incentives (i.e., PRP schemes). However, such performance would originate when workers realise and satisfy their own self - interest. As a result, the theory offers frameworks for understanding the exchange between employees and organisations. Besides, PRPs as a reward, teamwork, career advancement or organisational commitment are a set of motivational factors which may foster the improved performance of employees. Obviously, a PRP plan, where reward is linked to employee performance, is one form of organisational control, as it motivates

170

employees to devote effort to in-role performance by controlling their behaviours, outputs or both. It can be seen that many firms base pay increments, awarded as merit pay, on subjective assessments of employee behaviour (Eisenhardt 1989).

For employees, organisational support may come from pay, benefits, nature of assignment or supportive work atmosphere and so forth. The relationship is based on *social exchange*, wherein each party must offer something the other party sees as valuable and each party must see the exchange as reasonably equitable or fair (Aryee et al. 2002; Cole et al. 2002). In the workplace, employees are expected to perform satisfactorily in exchange for fair rewards and continuous employment. Teamwork, career advancement, or organisational commitment could be seen one of the expectations which employees would be provided with by an organisation. Wong et al. (2005) argue that the fulfillment of these expectations by both employees and employer constitutes the continuous obligations of the two parties. However, when an organisation fails to fulfill its usual obligations (such as providing sufficient job security or lower pay), its employees will in turn reduce their work effort and commitment.

5.8 Hypotheses

5.8.1 Demographic Differences

When a workforce numbers in the hundreds or thousands, tailoring HR practices to them individually becomes an impractical response for the organisation. Differentiation of demographic variables such as sex, age or marital status may all influence the individual preferences of any HR practices. The basic model underpinning demography theory is that demographic characteristics influence social dynamics, which will in turn influence organisational outcomes (Wiersema and Bird 1993). Employees' satisfaction with the HRM reform varied significantly according to their own personal characteristics and experiences (Shen 2010). Organisational demography reflects similarity and dissimilarity among individuals. This becomes a meaningful facet for better understanding of organisational behaviours. This research, therefore, is an attempt to examine how the

culturally different characteristics of an individual worker relate to his or her perception of PRP.

Gender, Age, Marital Status, Having Children and Education

Males and females often have different occupational roles and have distinctively different values priorities, orientation to work and traits (Roxes and Stoneback 2004). Research on gender differences has received the greatest attention in the context of organisations. For example, research has shown that gender is often a significant predictor of job satisfaction (Bilgic 1998; Okpara 2004). Women's wages are usually less than men's when both have same qualifications in the private sector (Kim 2005). In a comparative study of Stedham and Yamamura (2000), there was a difference in pay satisfaction between male and female employees, but gender was not a relevant factor in explaining the variation in salaries, rewards and compensation, also in Korea (Kim 2005). Additionally, Betz et al. (1989); Kim (2005); Duffy and Sedlacek (2007) hypothesised that men were more concerned with extrinsic rewards and seek competitive success and were more likely to violate regulations while women were most interested in intrinsic rewards and prefer adhering to rules, as they were more concerned about doing tasks well and maintaining harmonious relationships (Roxes and Stoneback 2004). Further, Kim (2005); Tocher et al. (2006) revealed that men had a better perceptions of individual PRP than women. It appears then that an individual's attitudes and behaviours are different at the workplace due to different social values. So, apparently, males and females will respond differently in the same environment.

Age is an important demographic attribute because it influences an individual's background and personal experiences outside of the employing organisation. Similarities and differences of experience within and between age groups are observable and have been increasingly studied. As noted by Verhaeahen and Salthouse (1997); Niessen (2006), many studies from cognitive psychology have shown that with increased age there is a decrease of fluid intelligence which impairs the rapid processing of new information. Brown (2001); Marsden (2004) found that older and younger workers may differ in work effort since older workers were less likely to want to improve their work skills and qualification compared to the younger workers. Adisairattakul (2007); Sripong

(2007) claimed that young Thai workers had greater work motivation than older workers. The most significant increases in wage dispersion occurred for younger workers (Burbidge et al.1997). Moreover, the findings of Torrington (1993); Brown (2001) found that the younger employees exhibited greater support PRP schemes than the older. PRP is introduced to drive employees to work well and reach a successful performance by offering an incentive of raised pay or status. Based on these results, it can be assumed that:

Hypothesis 1: Men perceptions of PRP will be better than those of women.

Hypothesis 2: The perceptions of PRP will be better among the young than the old.

Clearly, work is an important aspect of family life, for several reasons: work helps to improve living standards within families by providing income. Contrastly, conflict between work and family has become an increasingly popular topic in organisational research (Kasper et al. 2006; Spector et al. 2007; Burchielli et al. 2008). These trends potentially increase the chances that work and family roles could interfere with each other. It has been shown that family issues, particularly child - care and traditional household responsibilities, often affect job stability for women (Uen and Tsuei 2001). Moreover, unmarried employees considered some of the job-related factors such as interesting work, advancement, development and pay as more important than the married staff (Wong et al. 1999). On the other hand, it could be speculated that although the non-married staff are willing to spend more of their time on developing their career, they in turn demand better treatment from management. Not surprisingly, compared to married workers without children, the result of Tsui et al. (1994); Taorimina (1999) suggested that married men and women with children were more involved and expressed more obligation with their work than were those who had no children. The number and ages of the children within the family unit also appear to be important factors which affect the participation in work of both mothers in a couple and lone parents (Walling 2005).

Life experiences affect the ways in which people learn. Bostrom and Lessen (2006) argues that learning is not just connected with education but that it occurs everywhere, at every age and is life - long. Experiences from specific situations may also have a

173

profound effect on people's perceptions. From these arguments it may be seen that the perceptions of pay system is one aspect of the learning effect. Workers evaluate their pay with their past experiences as one of their learning processes. Studies have confirmed this research idea. For instance, Long and Shields (2005) reported that there was significantly positive relative between education and individual PRP. Roger (1991); Bilgic (1998); Shen (2010) note that employees with more education may not have so many complaints about work - related issues and have fewer negative feelings toward their work, but they may, however, be concerned with the quality of their work performance and productivity issues. There was a statistically significance and large increases in inequality for males with low levels of education (Burbidge et al. 1997) and education also was a major factor towards PRP plans in Finland as noted by Cowling (2002). In addition, more mobile employees seem to be younger and those with higher education, who expect to move positions many times in their careers (Guest and Conway 1998). The survey of Adisairattakul (2007), studied in Thailand, stated that highly-educated employees had greater perception of the need of power and achievement. It is interesting to note that individuals are always complex and consequently have different perceptions and requirements of pay plans. Therefore, this study hypothesises that:

Hypothesis 3: Single employees will have a better perception of PRP than married ones.
Hypothesis 4: Employees who have children will have a better perception of PRP.
Hypothesis 5: The higher the education level, the better the perception of PRP.

5.8.2 Job- Related Contexts

Organisational tenure is the mean time of continuous service within a single organisation. Tenure matters because it is one of the few variables by which managers can differentiate jobs in order to maximise job satisfaction within a workforce (Lovett et al. 2006). Long tenure is an indicator of worker's experience in an organisation. People with more work experience have more respect for their jobs and can apply their experience to their job. Subsequently, Kauhanen and Piekkola (2006) stress that experienced employees may dislike PRP schemes if they have been introduced at the expense of seniority wages. Similarly, Heywood et al. (1997); Brown and Heywood (2005) indicate that performance

appraisal is associated with workers having shorter expected tenure and greater influence over productivity.

Historically, shift working has been associated with medical/caring, emergency services, utilities, transport and manufacturing (Ritson and Charlton 2006). Due to global market strategies, technology improvements and customer demands, many organisations have now entered the 24 - hour workplace. As a result, shift working may be expected to increase the productivity in a company. Argubly, it is very widely agreed that the length of the working day or night may lead to a significant loss of capability on employees such as fatigue, depression, physical problems, immediate recall and the nature of his/her response (King and William 1985; Toppinen-Tanner et al. 2002; Rough et al. 2005). Moreover, the tolerance of a worker to a particular shift and long - working pattern should be discouraged in view of productivity, well-being costs to the individual. As Kass et al. (2001), surveyed at a manufacturing plant, indicated that high levels of job boresom are significantly associated with longer organisational tenure and greater absenteeism. Given different working circumstances, employees working different shifts and length of time might be under different pressures as Folkard and Tucker (2003) claim that supervision is normally reduced at night and there may be no maintenance personnel available to ensure that equipment is running efficiently.

Then position may be also a factor that differentiates employee satisfaction with HRM. Considering the various positions in an organisation and pay plans, in some cases, the tasks themselves may be associated with higher levels of pay either because they are more managerial in nature or they require more technical acumen because there are fewer people willing to perform them. It is likely that some frequently performed tasks are more highly rewarded than others. Otherwise, some employees with skills across a range of job categories may be hired away from firms using them for less lucrative tasks while others assign them to jobs with higher pay that require use of more valued skills. Further, only temporary employees and those working very short hours are significantly less likely to be on PRP than are employees in standard jobs (Booth and Francesconi 2000). A study by Dorstein (1985) found that while blue - collar workers appeared to emphasise the unpleasant physical aspects of their work (such as hard work and unpleasant working

conditions), white - collar workers preferred pay allocations to be determined first and foremost by educational attainment, degree of responsibility and authority. Booth and Francesconi (2000)'s work reported that white collars had the highest PRP coverage. Given these arguments and the empirical evidence, we hypothesise that:

Hypothesis 6: The shorter the tenure in a company, the better the perception of PRP.

Hypothesis 7: Employees working standard office hours will have better perception of PRP than those who work over-time hours.

Hypothesis 8: Employees working office-hours will have better perception of PRP than those who work shifts.

Hypothesis 9: Employees working in an office will have better perceptions of PRP than those who work in a factory.

5.8.3 Organisational-Related Contexts

Gully et al. (1999); Gilman et al. (2002); Wincent (2005) explain that effects of the firm's characteristics on performance have recently gained attention. The findings of Todd and Walter (1999); Long and Shields (2005) stated that larger firms were significantly more likely to have more organisational performance pay than smaller firms because they are able to spread the costs of developing and administering such plans over a larger group of employees, and are plenty of resources to develop the plans. However, Cowling (2007) argued that if smaller sized firms do have a PRP system, worker coverage is high. According to union status, the evidence relating union presence and the use of organisational pay plans is mixed. Kohn (2000); Schmitt et al. (2008) note that greater union coverage and membership lead to higher relative pay than their non - union counterparts and lower relative employment for less - skilled men. Conversely, Brown (1990) found, in his US study that unionised firms were less likely than non-union firms to have piece rates and individual merit pay. Also Cowling (2002) revealed that where the workforce is highly unionised, it may be more difficult to implement change, particularly in cases where PRP is a substitute for basic pay. From this analysis we can hypothesise that:

Hypothesis 10: The bigger the firm, the better the perception of PRP by employees will be.

Hypothesis 11: Non-union employess will be a stronger perception of PRP than worker with union coverage.

5.8.4 PRP, Teamwork and Career Advancement

The advantages of PRP are to attract superior employees, induce greater efforts from the existing workforce and also to improve performance of the organisation through motivating individuals. The primary argument in favour of PRP plays as a motivator by providing extrinsic rewards in the form of pay and intrinsic rewards through the recognition of effort and achievement (Baruch et al. 2004; OECD 2005). On the other hand, pay plans may lead to a negative organisational climate, for example, a culture characterised by low trust, lack of information sharing and non-cooperative work relationships. Some research has identified that PRP has a negative affect on cooperation and teamworking (Marsden and French 1998; Thorpe and Homan 2000; Beer and Cannon 2004; OECD 2005; Casalino 2007; Dowling and Richardson 2007).

Career advancement is a key goal for many employees (Greenhaus et al. 1990; Pulkkinen et al. 1999; Slocum and Hellrieget 2007) and is measured by the number of times the respondents successfully sought promotion, this also includes the opportunity to improve employee's performance, knowledge and skills in jobs. It may be seen as an effective way of rewarding competent employees, retaining potential employees and fulfilling human resource needs (Chung 2006). PRP plans are based on company performance and individual contributions in order to stimulate a desired performance by rewarding an exceeding performance (Brough 1994; Lawrence et al. 1998; Hanley and Nguyen 2005). PRP schemes drive employees to advance their careers by offering perceivable rewards for challenging work. Consequently, employees put more effort to achieve PRP objectives (Lawler 2000; Harris 2001). In addition, learning and developing skills on the job are also seen as critical rewards (Swart and Kinnie 2003).

Generally, American firms tend to promote and transfer managers rapidly, significantly effecting career development. In a contrast, Japanese firms' identification of talents is not only based on a defined recruitment process, but also on seniority and "wait and see" tactics (Rodgers and Wong 1996; Vo 2009). Based on these results, it can be assumed that promotion serves as an interactive interface to satisfy employer - employee relations. In terms of work style, American companies, acceptably, stress on individual decision and authourity, meanwhile Japanese companies tend to be group - oriented (Stage 1999; Wailerdsak and Sueshiro 2004). Further, Thais appear to enjoy a great deal of freedom, harmony and relaxing (Komin 1991; Hofstede and Hofstede 2005; Sonsri 2006). As Wailerdsak and Sueshiro (2004)'s result, Thai companies have begun to recognised the advantage of internal promotion and nurturing their own managers with the experience and skills required to meet the future challenges of their businesses. However, moving towards the top is usually very difficult within the organisation hierarchy and employees will only work hard to get promoted if they perceive that appropriate positions are available and that promotion decisions are based on work performance. Finally, another important objective of this research is to identify the relationship between PRP, teamwork and career advancement. Based on the above analysis, it can be assumed that:

Hypothesis 12: There will be a significant difference in perceptions on PRP among employees in Thai, Japanese and American companies.

Hypothesis 13-14: There will be a significant difference in perceptions of teamwork and career advancement among employees in Thai, Japanese and American companies.

Hypothesis 13A-14A: There will be an association among employee's perceptions of PRP plans, teamwork and career advancement.

5.8.5 Organisational Commitment

As noted above, there are studies supporting a link between pay satisfaction and various behavioural individual-level outcomes. Organisational commitment denotes the strength of identification with, and involvement in, a particular organisation (Mowday et al. 1979). Organisational commitment includes a strong belief in an acceptance of organisational goals and values, a readiness to exert considerable effort for the

organisation and a strong desire to remain an organisational member (Hartmann and Bambacas 2000; Meyer and Herscovitch 2001; Boon and Arumugam 2006). Based on Faulk (2002)'s research, an individual who is more satisfied with his or her wage raises and benefit package will be less likely to think about leaving the organisation and. In this regard Deckop and Cirka (1999) have similarly argued that the interaction between the performance - pay link and value commitment is positive and statistically significant since when these strategic practices are viewed by employees helpful and they acknowledge the accomplishment of these practices, thus they feel emotional attachment to the organisation (Anvari et al. 2011). Employees who are allowed to work and enjoy with their skills and abilities have an opportunity to be trained, are paid equally to their effort exhibited a stronger degree of commitment linking to collectivistic culture (Gelade et al. 2008). Further, the finding of Ananvoranich and Tsang (2004) who surveyed Thais working in American companies found that an implication for equity theory is that improved equity perceptions will lead to not only greater satisfaction but also stronger organisational commitment. Siengthai and Bechter (2005) mention that employees in American companies where offer the workers with higher pay than Japanese one clarify the greater level of continuance commitment than those in Japanese firms. Based on these results it is proposed that:-

Hypothesis 15, 16, 17: There will be a significant difference in perceptions on organisational commitment (affective, normative and continuance) among employees in Thai, Japanese and American companies.

Hypothesis 15A, 16A, 17A: There will be a relationship between employee's perceptions of PRP plans and organisational commitment (affective, normative and continuance).

5.9 Conclusion

This chapter outlined how related theories (Expectancy, Agency, Social Exchange and Equity Theory) could provide a basis for meaningful research within cross-cultural companies among Thai workers. All these theories could help explain the existence of employee's perceptions of PRP practices, teamwork, career advancement and organisational commitment. Furthermore, the conceptual model was developed to expand the overall concept and articulated on the relationship between a numbers of potential variables. How would employees with different demographic characteristics, job-related and organisation contexts share similar or different perceptions on PRP? The important point to be tested was whether or not national culture plays a major role on employee's perceptions of PRP. All these issues were shown in the conceptual model. Lastly, the hypotheses identified in line with the literature review were identified in order to guide the next stage in the research. Chapter Six will also provide an overview of methodology and research design for this study.

Chapter 6

Methodology and Research Design

6.1 Introduction

The previous chapter provided a conceptual model which was derived from research gaps, the literature review of PRP systems, the research contexts and the research hypotheses. Together with the literature review and the conceptual model, it is noticeable that the concept of PRP and Thai culture is based on different aspects. What and how employees express their perceptions of these variables (PRP, teamwork, career advancement and organisational commitment) will be explored in this chapter. Methodological and design issues with regard to the perceptions of employees on PRP in multinational and local companies in Thailand will be explained, as will the research approaches adopted for undertaking this research study, research paradigms, research design including research instruments and the analysis methods (both quantitative and qualitative).

6.2 Research Philosophy

Research philosophy depends on the way that a researcher thinks about how knowledge is developed and gained knowledge of it including how it should be examined (Bryman 2004; Eriksson and Kovalainen 2008). Importantly, research philosophical viewpoints assist a researcher in specifying the overall research design and strategy guiding the directions of research, how to be done throughout the process - from research questions to the conclusions. The issues that may have effect in research also markly arise with the exploration of philosophy concepts. Philosophical aspects need to be explicitly addressed when starting a research setting as "*a solid piece of research phenomena that delivers what it promises*" (Eriksson and Kovalainen 2008, p.11). in order to gain a better understanding to derive new knowledge through research.

6.2.1 The Essential Concepts of Positivism

Positivism is based on the assumption that there are universal laws which govern social events and revealing these laws enables researchers to describe, predict and control social phenomena. The positivistic paradigm is conceptualised by the viewpoint that an objective reality (the phenomena in the world) does exist independently of the subject (a reseacher) and their action/activities (Weber 2004; Shek et al. 2005; Eriksson and Kovalainen 2008). Moreover, an individual can at the same time be knower and the known because the reality exists regardless of the person's desires and he is known as the object of knowledge by another person. Clark (2000); Saunders et al. (2007) illustrate that an important component of the positivist approach to research assume that the research is undertaken in a value - freeway and unbiased manner since the researcher is independent from that being researched.

According to May (2001, p.10) "*positivism explains human behaviour in terms of cause and effect. Additionally, positivists maintain that reality is to be considered separately from the individual who observes it*". Clearly, the means of knowing and explanation this objective reality is based on the scientific principles and observation through the five senses rather than subjective beliefs. Using quantitative data with statistically valid techniques analyses and establishes quantifiable conclusions (Remenyi et al. 1998; Anderson 2004) so that unity of scientific method which highly structured methodology can produce reproducible and generalisable results (Clark 2000). Criteria for positivist research are the indications of hypotheses, propositions, model formation, quantitative measures of variables and the inferences generated from sample information to populations (Orlikowski and Baroudi 1991; Roth and Mehta 2002; Tewksbury 2009). When hypotheses are tested and confirmed totally (or partially) or not accepted, leading to further theoretical development. Validity means that the findings are accurate statements about the world as it is without the researcher's involvement and reliability maintains that the proof of such truths are able to be replicated (Walker and Evers 1999). Collis and Hussey (2003) and Weber (2004) add that positivists tend to select labouratory experiments, field experiments and surveys as their preferable research methods. Moreover, the possibilities of increasing external validity of the research are conceived of

as one of the advantages of conducting quantitative empirical field research (Borg and Gall 1989) and it includes control of the environmental factors.

6.2.2 The Essential Concepts of Interpretivism

Saunders et al (2007; p.106) explains that interpretivism is an epistemology which advocates that it is necessary for the researcher to understand differences between humans in our role as social actors. It follows then that interpretivist researchers are more interested in accessing and sympathetic understanding an individual's perceptions, values, beliefs and meaning of the world (Roth and Mehta 2002 ; Anderson 2004), human cultural activities and experiences (Smith and Heshusius 1986). Unlike quantitative methods which tend to ask Does X exist? and How much of X?, qualitative methods pose questions like What is X? How does X vary? and Why? (Clark 2000). The researcher does interact with that being researched and that a value-free research process is untenable (Clark 2000). On the other end of the spectrum, qualitative research models an inductive process, assumes the mutual, simultaneous shaping of factors and maintains an evolving design in which categories are identified during the research process and is characteristically context-bound (Clark 2000). Similarly, Smith (1983) notes that interpretive researchers explain that perception, experience and socio-cultural background all affect how each individual sees the world in everyday situations. The interpretivist approach does not seek an objective truth so much as to unravel patterns of subjective understanding. Consistent with Taylor and Callahan (2005), interpretivists are also interested in understanding the existential nature of the world, because they believe that reality can only be exposed by those engaged in the experience and all versions of the truth are shaped by the viewer's perceptions and understanding of their world (Roth and Mehta 2002). Interestingly, interpretivists believe that reality and the individual who observes it cannot be considered separately (Weber 2004).

Interpretivism or qualitative research does not rely on numerical or statistical analysis of data or evidence. It is important for qualitative researchers to clearly describe the details of their participants, including the number and the nature of the participants and the related justifications and combine of subjectivity and order (Shek et al. 2005).

183

Interpretivists tend to use case studies, ethnographic studies, and phenomenographic studies. In the conduct of their research, interpretive researchers need to show their acknowledgement of the subjectivity they bring to the research process and that they have taken further steps to address the implications of their subjectivity (Weber 2004). Qualitative research methods provide more emphasis on interpretation and providing consumers with complete views, looking at contexts, environmental immersions and a depth of understanding of concepts qualitative research is concerned with understanding the complex and subjective meanings that emerge for different individuals and groups in particular social contexts and over time (Clark 2000). Tewksbury (2009) mentions that qualitative research is collected in a naturalistic setting and therefore brings with it the environment involvement and provides a more understanding of how the collected data is reciprocally impacts upon its context. In this way qualitative data allows less generalisation.

6.2.3 Combining Positivism - Interpretivism Approaches and the Research

For the purposes of this research, the hypotheses of the research were set up as a source of truth in reality. Data collection was performed to assert the knowledge and truth by allocating questionnaires and conducting the semi - structured interview to employees in Thai, Japanese and American companies in Thailand. This research examines the perception of PRP plans, teamwork, career advancement and organisational commitment by using not only a positivist but also an interpretivist approach. Eriksson and Kovalainen (2008) explain that positivism is the mainstream philosophical position of management studies. They propose that while management as science is fragmented and diffuse, positivism has been one programme to unify management research. If, following data collection, the conclusion is that the existing hypotheses are confirmed then the case has been proved, if not then the hypotheses are false. Based on the results of this study, we may learn that our theory does not fit the facts well and so we need to revise our theory to better predict reality and implement knowledge. Of the current study, research questions and/or an area of enquiries are identified emerging from the context of well-developed theoretical framework as a vital to guide the researcher. Then specific variables are set in

184

order to be measured by an instruments further developed. The researcher tests theory according to whether the hypotheses are accepted or not. Essentially, incrementing development of an existing theory would be generated by these testing theories in a new context. The main purpose of this research is to establish explanation of business and management phenomena. The emphasis on facts leads to a focus upon objectivity, rigour and measurement. Quantitative research relies upon measurement or the establishment of facts and so does fit with a positivist perspective. Positivists reach conclusions based upon agreed and measurable fact.

However, positivistic approach may limit in explaning human behaviour, the social and cultural construction (Silverman 1998; Malhotra and Birks 2002; Anderson 2004). Quantitative researchers usually do not place a strong emphasis on alternative explanations and the limitations of their studies (Shek et al. 2005). Importantly, things can not be seen such as employee's perception or thoughts can not be approved to be valid knowledge. The following section will, therefore, explore an interpretivist approach as one of the vital social science assumptions to be further applied in this research. Since qualitative methods based on interpretivism are seen as widen the researcher's perspectives and creativity so as to emphasise understanding people in their own terms and develop an understanding of the nature of research problem. Semi - structured interview are seen to potentially offer an explanation and understanding of the phonemenon since collecting qualitative data requires a high level of interpersonal skills, creativity and the opportunities for accessing data may come with psychological/emotional limitations on particular researcher's opportunities (Tewksbury 2009). In an interpretive approach the interviewer will understand what will occur in an organisation, in the context of this research this means how Thai employees working in Thai, Japanese and American firms show that they have different perceptions and experiences of these variables.

It is not helpful to state that one approach is more valid than the other, rather different research settings and different methods allow access to different levels of knowledge. As a consequence of this perspective, interpretivism and positivism do not lead to different paradigmatic views on this research, but they do analyse this aspects differently.

185

Weber (2004) argues that both positivism and interpretivism share the assumption that a real world exists beyond the realms of human cognition. Both are concerned with an attempt to enhance their understanding of the world (whatever the world might be) and improve our shared understanding of the world. Such an interpretation would explain the possibility of successfully combining positivist and interpretivist approaches *"Business and management research is often a mixture between positivist and interpretivist, perhaps reflecting the stance of realism and which is better depends on that research question(s) you are seeking to answer "* (Saunders et al. 2007, p.85). As Roth and Mehta (2002) note, positivist and interpretivist analytical approaches are frequently believed as being incompatible both as research strategies and ways of understanding the world.

Table 6.1: Positivist and Interpretivist Principle

Positivist principle	Interpretivist Principle
Work from scientific principles	Knowledge is constructed by human being as they make sense of their environment
Analyse phenomena in terms of variables	Analyse phenomena in terms of issues
Start with theory and test/refine theory with data	Researchers can not be wholly dispassionate-they are involved and will influence situations
Data should be collected by "dispassionate" researchers	to various degrees (often unintentionally)
A highly structured research process should be used	Flexibility may be required to allow the emphasis of the research to change as the process unfolds
Theories can be used to predict future relationship and behaviours	Qualitative data is preferred
Quantitative data is preferred	Generating "rich" data is as important as (more important than) the ability to generalise
The validity and reliability of data are important for formulating generalisable conclusion	

Source: Anderson (2004)

However, even if this difference between positivists and interpretivists are true, Weber (2004) explains, this leads to no differences of the fundamental goals which they take

for their research. Acceptably, a researcher will tend to bring biases and prejudices to the research they perform and that the research methods they select include strengths and weaknesses (Silverman 1998; Collis and Hussey 2003). More essentially, Anderson (2004) suggests that in business and the social sciences the approach is more widely used so alternative paradigms or methodologies such as interpretivism and qualitative methods should be welcomed and encouraged because they provide different dimensions for research investigation that the positivist paradigm and survey methods would not be able to accomplish. As a result of the points detailed above, positivist and interpretivist methods have been applied in this research.

6.3 Mechanics for Undertaking the Research

There are two broad approaches in social research: quantitative and qualitative. In choosing my research methods I employed both quantitative and qualitative techniques to enrich data quality and also fill the gaps in the literature review. Robson (2001) suggests that researchers employ quantitative methods to test theory with a large sample size, but that they do not enable insight into the phenomenon under study. By contrast, qualitative research enables the researcher to gain an in-depth understanding of the research problems, social and human activities (Collis and Hussey 2003), but because the sample size is relatively small the findings cannot be generalised to the study population as a whole. The terms quantitative and qualitative are used widely in business and management research to differentiate both data collection techniques and data analysis procedures. The significant difference between the two is that the focus is on numeric or non - numeric (i.e., words) data. Quantitative techniques are mainly used with any data collection method (such as a questionnaire) or data analysis procedure (such as graphs or statistics) which generates numerical data. On the contrary, qualitative is mainly used as a technique for any data collection (such as an interview) or data analysis procedures (such as categorising data) which contain non-numerical data (Saunders et al. 2007). This research used a mixed-strategy research which combines both quantitative and also qualitative methods together (i.e., it combined a questionnaire survey and in - depth semi-structured interviewing) in order to develop the strengths of the two approaches while

187

limiting their weaknesses as logic of triangulation (Section 6.6.1). The findings from one type of study can easily be checked against the findings derived from the other type. The aim is generally to enhance the validity of the findings (Punch 1998). Sometimes, the researcher cannot rely on either a quantitative or qualitative methods alone. In this research, using a quantitative approach by a questionnaire survey of a large sample group may not be accessible thoroughly and so could potentially lead to misinterpretations of the findings. Thus, the qualitative technique of in-depth semi-structured interviews will help interpret clarified results of this research.

6.4 Research Design: Descriptive Research

Bryman (2001, p.29) stated that "*a research design provides a framework for the collection and analysis of data*". Moreover, research designs are an overall plan which organises the ongoing research activity (including the collection of data) relating the conceptual research problems to relevant and practicable empirical research in ways which are most likely to achieve the research aims (Easterby - Smith et al. 1991; Ghauri and GrØnhaug 2002). A research design should be effective in producing the expected information within the constraints upon the researcher, for example, time, budget and skill constraints. With regards to descriptive research, researchers will want to analyse the data and draw relevant conclusions. Therefore, both qualitative and quantitative data are useful in descriptive studies (Anderson 2004).

This study used a descriptive research design to facilitate a better understanding of the PRP practices of Thai employees. In descriptive research the problem is structured and well understood (Ghauri and GrØnhaug 2002). It is necessary to have an obvious picture of the phenomena on which you wish to collect data prior to the collection of the data (Saunders et al. 2007). Accordingly, Punch (1998, p.15) suggests "*that to describe is to draw a picture of what happened, or of how things are proceeding, or of what a situation or a person or an event is like*". Description is concerned with making complicated things understandable. This research examines the differences in the cross - cultural perspectives of Thai, Japanese and American companies - the relationship

between PRP and demographic characteristics (such as age, marital status, education etc.) and the relationship between PRP, teamwork, career advancement and organisational commitment. The researcher collects the data by a questionnaire and personal interviews. A detailed plan was set up with regard to how many and who were potential samples. All procedures had to be held in mind in advance, in terms of research design.

6.5 Population and Sample

At present, there is no empirical literature on PRP concepts within the context of the Thai manufacturing sector, particularly on how PRP is perceived its consequences and how organisational commitment among employees is affected by national culture. The constraints of time and costs has led to research which takes samples instead of including all of the members of a population. Pagona (1998) says that a sample is a subset of the population. As an economical constraint the investigator usually collects data from a smaller group of subjects, called the sample, rather than the entire population. Bryman and Cramer (2005) claim that one of the most frequently asked questions in the context of sampling is, "How large should a sample be?". A few guidelines to preconceive the answers are as follow. Sample size must always recognise the boundaries of time and resource constrains. The larger the sample, the greater the accuracy will be. And finally, the response rate should be considered (Bryman 2001; Collis and Hussey 2003; Saunders et al.2007).

For this research, a list of companies applying PRP was not publicly available in Thailand. Furthermore, the issue of pay is highly sensitive in Thailand and this research was conducted after the Thai military coup in 2006. Most companies were confronted with a vulnerable economic impact which closely involved pay plans. Consequently, they frequently refused to be invaded in this research. So, the sample selection of companies was therefore generated by purposive sampling or judgmental sampling which enables us to use our judgment to select cases that would best enable us to answer our research question(s) and to meet our criteria. Additionally, Saunders et al. (2007) mentions that statisticians have indicated that a sample size of 30 or more will usually result in a

sampling distribution for the mean that is very close to normal distribution. The samples in this research were drawn from six different organisations located in Thailand. There were 6,840 workers altogether. Thus, 488 questionnaires were circulated in accordance with a sample size of 488; this appeared to be sufficient since it fell in the range of a 5% margin of error at the 95% significance level (Saunders et al. 2007). The questionnaires, together with a covering letter, were directly distributed to employees in their workplace by their Human Resource Management Department. Souvenirs were offered to the respondent as a reward. However, most respondents recognised the value of reward as a symbolic gesture of thanks, and they cooperated because they considered the outcome of the study worthwhile. There were 357 returned questionnaires, giving a return rate of 73% (resulting in 352 usable questionnaires). A total of 18 semi-structured interviews were undertaken with middle-managers, three from each company (HRM managers, line managers, and supervisors). These interviews sought to capture the individual's perceptions of PRP practices.

6.5.1 Company Selection and Profile

In order to get a representative sample, the researchers must first identify the population being sampled. As mentioned above, it was unable to know the population of firms applying PRP within their companies. The researcher designed to select a potential sample by judgement sampling in order to study on what and how PRP schemes adapted within Thailand and the reaction of Thai employees to the pay plans. The next step for the researchers must think of a multitude of methods for collecting data to ensure that evenly samples all aspects being studied. Importantly, the research questions, objectives and propositions need to be taken into account in selecting the case. So the four criteria were determined for company selection. Firstly, the sheer size of a sample is not a guarantee of its ability to accurately represent a target population. A survey sample's ability to represent a population had to be listed according to the typical –such as characteristic of firms, a number of employees, the sector - since the most common justification to be offered for the selection of a particular case is that it is typical (Kakavelakis 2006). This is crucial because the finding of the study can be generalised to a similarly entire group.

The list of expected companies was carefully recommended by the specialists working with Personnel Management Association of Thailand and the Chiang Mai Chamber of Commerce gatheting with information based on the previous theory and relevant reseach. This is compatible with Bernard (2002) who suggests that it is more practical to talk to a specialist rather than a random individual from the culture. Ultimately, the potential companies were randomly selected to minimise the selection bias of the researcher.

Secondly, the unit of analysis chosen is the manufacturing company because according to BOT (2004; 2006), the total average of capacity utilisation of manufacturing expanded from 66.3 percent in 2003 to 72.0 percent in 2005 reflecting as the key sector in Thailand. And Phusavat and Kanchana (2007); Prajogo et al. (2007) state that in newly industrialised countries (e.g., China, Thailand, Vietnam, Malaysia) manufacturing firms are facing significant change resulting from mass customisation, shortening product life cycles, increasing technological change and the entry of international competitors into their markets. This research will reveal information which is strategically and technically important to the Thai manufacturing and business sectors. Moreover, Weber (2004) argues that both positivism and interpretivism share the assumption that a real world exists beyond the realms of human cognition. Manufacturing companies are close interaction with the environment very quickly in terms of getting materials/supplies from the society or environment and providing products to the customer/environment. The impact of this interaction will be immediately reflected in the view of pay, the performance and strategy of the organisation. Hence, it is more reasonable and appropriate to use manufacturing companies than service companies.

Next, the unit of analysis for this research is the organisation where PRP plan had to apply in for at least 3 years. It was likely that workers would be acquainted themselves to PRP schemes and had got through the probation of the system. Additionally, the Human Resource Management section was established as a formal department to assure that HRM policy was fully operated and acceptable in companies. Also the company registered with the Thai Department of Business Development and listed through the Thai Labours Standard (TLS.8001 -2003), Department of Labour protection and Welfare of Thailand. This proves that the company was legally performed under Thai law

and operated towards the similar standard since TLs is established under the provisions of the Constitution of the Royal Thai Kingdom and to develop western countries for applying International Labour Standards, Social Responsibility Standards, Codes of Ethics and other similar standards to their practices as trade requirements by domestic and international organisations. Lastly, the companies managing by wholly-owned subsidiaries of a Thai, Japanese and American firm were selected in order to compare the implementation across different culture.

A) Profile of American-Owned Companies

1. Company A

Company A was set up in 1996 with the capital of the company registered as 14 million pounds. Company A first opened a manufacturing facility in Thailand in 1996 as part of a joint venture with other company. In 1998 they opened their own Thailand Board of Investment approved - factory. The company has offices and representatives throughout the world (eight branches and a head office) with design and technical support available to help their customers design a flexible product that gives them a competitive advantage. The company has had an active Six-Sigma programme since 2002. All employees receive basic training in the necessary techniques with an active programme in induction and development, challenging and rewarding employees and delivering operational excellence through innovation. In 2005, the company had around 1,600 employees in Thailand. The company has received ISO 900, ISO 14000 and has active recycling programmes on packaging and materials. Also, Health and Safety standards are managed to the highest global level. This includes providing training, necessary protective clothing, and minimising any risk to which employees are exposed. The company gained OHSAS 18001 rating (Occupational Health and Safety standard) audited by Bureau Veritas. In addition, the Board of Directors of the company has adopted a set of corporate governance guidelines to promote the functioning of the Board Committee.

2. Company B

The company was reformed with the capital of 4 million pounds in Thailand in 1982 as a subsidiary of a world leader in manufacturing business with revenues of more than 23

billion pounds and over 185,000 employees worldwide. In 2005, Company B in Thailand had 900 employees including R&D, marketing, accounting and production and HRM sections. The company has focused on the concepts of performance with human, environmental and talent sustainability. The company is home to hundreds of brands around the globe and the company was the Largest Corporate Purchase of Renewable Energy Certificates in 2007 and were honoured by the U.S. Environmental Protection as Joined Supplier Ethical Data Exchange (SedEx) and Energy Star Partner of the Year awards for energy conservation in 2008. Their mission is a linkage between financial success and performance with social and environmental responsibilities.

B) Profile of Japanese-Owned Companies

1. Company C

Company C was set up in 1991 as the Head Office's number two plant established with capital of 4 million pounds. Since the establishment of the main head-office company in 1962, there were two affiliated companies (oversea) and one affiliated in Japan, apart from the head office. It had a total number of 600 employees in Thailand in 2005. The company gained ISO 14001:2004 from SGS International Certification AG, Switzerland in 2004 and was awarded as Zero Accident Company from Department of Labour Protection and Welfare. In 2005, SCG United Kingdom Ltd System & Service provided the company with ISO 9001:2000. In 2006, the company won a TPA Automation Kaizen Award from Technology Promotion Association (Japan-Thailand). The company provides employees with a salary increase (once annually), bonus (twice annually), various social insurance, welfare annuity fund, company employee accident insurance, company savings account, company trips and other benefits.

2. Company D

The company was established in 1991 with the capital of 5.5 million pounds as a subsidiary of a Japanese company. In 2005 the company in Thailand reported that it had 1,100 employees. They received Certificate ISO 9002 for their products in 1997 and 1998 and launched LSD Just in Time and QCC activity in 1999. There were thirty - two branches, excluding the head - office, around the world. Core competence of the company

are 1) Research and development 2) Intellectual property 3) Production Technology and 4) Quality Control. Apart from their technology and products to customers and the world, they devote themselves to the ideology of coexistence and coprosperity; create a pleasant company atmosphere based on mutual trust and love for mankind and to develop an environmental management system which is based on the ISO14001 standard.

C) Profile of Thai-Owned Companies

1. Company E

The company was set up in 1994 with capital of 43 million pounds with seven companies in the group. In 2005 they were rewarded a SET Award: Best Corporate Social Responsibility, BEX Highest Trading of the Year and Honour Award for Distinction in Maintaining Excellence Corporate Governance Report from the Stock Exchange of Thailand and Money & Banking Magazine. In 2006, they were awarded as the Asia Best Managed Company. In 2007, the company received several awards; Thailand's Best Managed Company, Best Corporate Governance Company, Most Committed to a Strong Dividend Policy, and Best CFO. The company is committed to the concept of fair practice to all parties concerned by adherence the best quality products for clients and customers, belief in the values of the individual (employees), dedication to excellence and concern for social responsibility. To enhance employee' advantage, the company provides Functional Training, Business Management & Leadership, Overseas Expansion, and Valued Innovation.

2. Company F

Company F was established in 1995 with capital of 4.7 million pounds. In 2005 the principal shareholder merged the company with another in order to enhance competitiveness. 1,400 employees worked in the company in 2005. The company is dedicated to the pursuit of Organisational Performance Excellence by adopting the Thailand Quality Award (TQA) Criteria as framework for continual Performance Improvement. In 2004, they were named "Best Newly Listed Company in Thailand 2003" by Asia Money magazine. They were awarded the Best Corporate Governance Report' in the SET Award 2005, organised by the Stock Exchange of Thailand and

Finance and Banking magazine. In 2006, the company received the ISO 9001:2000 Quality Management Certification for the manufacture and delivery of HDPE. Apart from the head office, there were eighteen affiliated companies across Thailand.

6.6 Research Instruments

The fieldwork was carried out through secondary information, questionnaires, and semi-structured interview within each national ownership (Thai, Japanese and American).

6.6.1 Triangulation Approach

The triangulation approach (consisting of three methods of data collection and analysis) in this research are: secondary information (document analysis), survey questionnaires, and semi - structured interviews. These techniques were chosen because the confidence of using more than one method to measure a concept can generate more efficient finding that derived from a study using purely a quantitative research strategy (Collis and Hussey 2003) and ensure that *"the data are telling you what you think they are telling you"*. (Saunders et al.2007, p.492). Each of these data collection methods has advantages but also some limitations (Frankfort and Nachmias 1996). In addition, Ghauri and Grønhaug (2002) argue that through triangulation we can elicit and improve the accuracy of judgments and thereby results, that is by collecting data through a combination of different methods or even collecting different kinds of data on the subject matter of our study. Similarly, Punch (1998) illustrates that the findings from one type of study can be unraveled against the findings of another type. The aim is generally to enhance the validity of findings. These findings support the triangulation of methods which was employed in this research.

6.6.2 Secondary Data Analysis (Document Analysis)

Frankfort and Nachmias (1996) suggests that secondary data analysis refers to research findings based on data collected by others. Secondary is data which already exists (Collis and Hussey 2003) and tend to be from reputable and trustworthy research sources

195

(Malhora and Birks 2002). The main resources when searching for secondary analysis are catalogues, guides, directories of archives and organisations established to assist researchers. Document analysis (e.g., company annual reports, business journals and magazines) were obtained to inform an understanding of the research findings.The researcher personally visited the Industrial Estate Authority of Thailand and the Board of Thailand Investment in order to get potential information. Additionally, relevant world wide websites on the internet were accessed for up-to-date information. The secondary data which was gathered provided further information about interesting issues which were raised by this research, helped develop the research instruments, and finally supported and corroborated the findings.

6.6.3. Survey Questionnaire

This part of the chapter will describe the implication of using questionnaire as part of the research. In deciding which research instrument is best suited for our research, we have to determine which criteria are most significant to the research questions and objectives. In an attempt to explore employee perceptions of PRP plans, questionnaires are the most appropriate data collection method for use in this current research. May (2001) claims that surveys are one of the most frequently employed methods in social research and are applied by governments, academic researchers in universities and organisations alike. All surveys actually aim to describe or explain the characteristics or opinions of a population through the use of a representative sample. Bryman (2001); Malhora and Birks (2002); Collis and Hussey (2003) states that a questionnaire is a list of carefully structured questions, chosen after considerable testing, with a view to elicit reliable responses from a potential sample. It is widely accepted that the questions to be asked in questionnaires need to be defined precisely prior to doing fieldwork as there is only one chance to collect data through a questionnaire (Saunders et al. 2007). The questionnaire employs a five point Likert scale representing a range from "Strongly Disagree" to "Strongly Agree". The aim is to find out what a selected group of participants do, think, or feel; thus questionnaires measure facts, attitudes or behaviours through questions. Hence, it was used to survey the perceptions of PRP practices of Thai employees working in Thai, Japanese and American companies. Teamwork, career advancement and organisational

commitment were also surveyed. The self - completion questionnaire used for this research will be divided into three parts:

Demographic characteristics: This consisted of questions which were designed to acquire the demographic characteristics of the respondents, both multiple choice and open - ended questions were used here. Apart from general demographic questions, job-related and organisational questions were asked to fulfill the requirement of this research.

Questions on PRP plans, teamwork, career advancement and organisational commitment: All questions employed in this study were measured on 5 - point Likert scales.

Performance-Related Pay was assessed through the PRP questionnaire developed by the researcher based on the research of Marsden and Richardson(1992) : a 23 - item instrument that measure PRP schemes regarding Setting Objectives, System Design, Performance Appraisal, Performance–Pay Link, Communication and Fairness. All questions of PRP employed were measured on five-point Likert scales.

Teamwork Potency was evaluated as cooperation teamwork under PRP schemes. The questionnaire was based on the research of Al-Waqfi (2003). The propensity for teamwork was measured via five items ranging from 1 (strongly disagree) to 5 (strongly agree).

Career Advancement where two determinants were used to evaluate career advancement: interpersonal determinants (mentor, peer networks or supportive relationships at work) and individual determinants (psychological and motivational aspects). The researcher applied the five-item questionnaire measure of career advancement, following Apospori et al. (2006).

Organisational Commitment was measured by a questionnaire which was developed by the research of Allen and Meyer (1990). The questionnaire was designed to measure affective, continuance and normative commitment. Responses to the items were made on a five-point Likert-like scale, ranging from strongly disagree to strongly agree.

6.6.4 Pilot Test

A final preparation for data collection is to conduct a pilot study. Sproull (1995) and Bryman (2001) recommend that, prior to using the questionnaire to collect data, it should be pilot tested. The purpose of the pilot test is to refine the questionnaire and rectify any weakness so that respondents will answer the questions without any problems, increase the response rate and there will be no problems in recording the data. Yin (1994) claims that generally convenience, access and geographic proximity can be the main criteria for selecting the pilot case or cases. According to Fink (1995), he suggests that for most questionnaires this means that the minimum number for a pilot is 10. So, 52 questionnaires were administered with a group as similar as possible to the final - sample population. The pilot case represents a most complicated case when compared to similar real cases so that almost all relevant data collection issues will be faced in the pilot case (Yin 1994). The response of the pilot test will provide at least some idea of the questionnaire's validity and reliability and may be used to examine the final amendments and the completeness of the questionnaire.

6.6.5 Credibility

To have confidence in using research instruments we must be sure that our instruments fulfill the criteria of *validity* and *reliability*. The credibility will ensure that the research not only relies on the closest scrutiny but also reduces the possibility of getting the wrong answer (Saunders et al. 2007). When the researcher has designed the instrument, validity and reliability should be generated to assure its accuracy and consistency prior to use.

Validity is a question of how far we can be sure that a test or instrument measures the attribute which it is supposed to be measuring (Easterby-Smith et al. 1994; Ghauri and GrØnhaug 2002; Sproull 1995). The purpose of validity is to ascertain to what degree the measure is accurate for a specific purpose and there is no one clear-cut indicator of a scale's validity (Pallant 2001). In accordance with Sproull (1995), a measure can be reliable but totally lack validity. This is why it is necessary to examine validity first.

1. Content validity: focuses on whether the full content of a conceptual description is represented in the measure (Punch 1998). Content validity is a measure of how closely the content of an assessment matches the content of the specification it is designed to assess. Field (2008, p.12) states that *"with self-report measures/ questionnaires, an researcher can assess the degree to which individual items represent the construct being measured and cover the full range of the construct, called content validity"*. The researcher has developed the questionnaire and established content validity by consulting a number of specialists (judges) about whether the questionnaire obtained the content and measure of the concept that is the focus of attention. Prior to distribution the questionnaire was given to: (1) my supervisor. Then the instruments used in this study were translated into Thai by; (2) the researcher and another translator who is a university lecturer in an English Department and then were back - translated into English by two professional translators working in a translating centre which has registered with the Ministry of Education in Thailand. This procedure was chosen to avoid translation errors. Thus, validity may be simply maintained by the accuracy of the translation. Finally, (3) four university lecturers in Industrial and Organisational Psychology and Business Administration faculty and four Human Resource managers of major multinational and Thai companies approved the questionnaire to assure that the content was suitable for use in Thai culture, for Thai workers and in an HRM discourse. All of them had acquired a Master's graduate degree such as an MBA or in a relevant field. After receiving their suggestions, there were some items which had discrepancies. Those problems once found were revised. Apart from using a panel of professional individuals to assess this questionnaire, the researcher had acted carefully to produce a questionnaire with relation to the literature review.

2. Factor Analysis: Norušis (2003) explains that factor analysis is statistical technique used to identify a relatively small number of factors that explain observed correlations among variables. Factor analysis was also used to demonstrate convergent validity by using SPSS software and also to reduce a large number of variables to a more manageable number of independent factors to be used in subsequent analysis. Along this line with Field (2009) who note that in the social sciences a researcher is often trying to measure variables that cannot directly be measured (latented variables), this technique

199

uses for identifying groups or clusters of variables, understanding the structure of a set of variables and reducing a data set to a more manageable size while retaining as much of the original information as possible. As specified by Hair et al. (1995), the preferable size for factor analysis is 100 cases or more. Some researchers even propose a minimum of 20 cases for each variable. The sample of this research approaching 352 employees was sufficient to undertake factor analysis. Pallant (2001) argues that exploratory factor analysis is often used in the early stages of research to gather information about exploring the inter-relationships among a set of variables. Factor loadings are very useful, because they tell us how highly each variable is correlated with the factors (Giles 2002). Morgan and Griego (1998) recommend that the overall factor loading using the assumption of KMO (Kaiser-Meyer-Olkin) should be 0.70 or greater and P value should be less than 0.05. In addition, Hair et al. (1995) recommend that greater than +/- 0.3 is considered to meet the minimum level; loading of +/- 0.40 is considered more important and if the loading is +/-.50 or greater is very significant. Besides the KMO measure, the decision on how many factors should be kept and adequately presented in our data is based on the scree plot which is a plot of the total variance associated with each factor.

In this current research, by Varimax rotational techniques on the extracted component matrix. *"Varimax orthogonal rotation is the most frequently used rotation method. It minimises the number of variables that have high loading on a factor so that the factors can be interpreted more easily"* (Norušis 2003, p.419). As a result, overall factor loading provided the KMO value 0.866 (PPR), Teamwork (0.734), Career Advancement (0.688) and Organisational Commitment (0.744) for evaluating each item, the cut-off point of factor loading is 0.05. Therefore, a finding that the indicator has a high loading on the predicted factors indicates convergent validity. There were acceptable with respect to Total Variance of all variables (PRP 63%, Teamwork 57%, Career Advancement 72% and Organisational Commitment 74%)

Reliability According to Hair et al. (1995), reliability is a measure of the internal consistency of the construct indicators, depicting the degree to which they indicate the common latent (unobserved) construct. As noted by Punch (1998), reliability refers to a central concept in measurement and it basically means consistency. Broadly viewed, a

survey should aim to be reliable, whereby we obtain the same results from the same measurements across different situations (May 2001; Field 2009). More reliable measures provide the researcher with greater confidence that the individual indicators are all consistent in their measurement.

The widely used Cronbach's alpha essentially calculates for estimating internal reliability. Internal reliability is particularly important in connection with multiple item scales. It raises the question of whether each scale is measuring a single idea and hence whether the items that makes up the scale are internally consistent (Malhora and Birks 2002; Bryman and Cramer 2005). Although for a questionnaire to be valid it must be reliable, but this is not sufficient on its own. It is important to test the Cronbach alpha reliability of measurement of real collected data to ascertain the reliability. To ensure that, the Alpha reliability method was employed in this study to determine the reliability of the survey questionnaire. Pallant (2001) recommends that when there are a small number of items in the scale (less than ten), Cronbach alpha values can be quite small. In this situation it may be better to calculate and report the mean inter - item correlation for the items. Optimal mean inter-item correlation values range from 0.2 to 0.4. As Hair et al. (1995) notes a commonly used threshold value for acceptable reliability is 0.70, although it is not an absolute standard and values below 0.70 have been deemed acceptable if the research is exploratory in nature. Malhora and Birks (2002) claim that a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability. It can be found that all reliability values of this instrument were greater than 0.7 (Table 6.2)

Table 6.2: Reliability of Variables

Items	Cronbach Alpha
PRP	
Performance Appraisal	0.836
Communication	0.817
System Design	0.738
Pay-Performance Link	0.808
Fairness	0.716
Setting Objectives	0.774
Teamwork	0.740
Career Advancement	
Individual	0.720
Interpersonal	0.840
Org Commitment	
Affective	0.804
Normative	0.871
Continuance	0.882

Source: This research

6.6.6 Semi-Structured Interviews

As in many forms of qualitative research, interview methods generating conversations with people on specific topics are usually favoured as a means of illustrating, finding and supporting the theory. As Whitfield and Strauss (1998, p.54) point out, *"the interview is the primary means to accessing the experiences and subjective view of actor. Detailed, vivid and inclusive accounts of events and processes may be generated"*. The crucial aspects of the interviews are how deep the interview attempts to reach and that suitable access is standardised across different interviewees and circumstances. Semi - structured interviews are conducted with a fairly broad framework in terms of two-way communication. This meant that respondents are given considerable liberty in expressing their broad opinions. Although the questions are semi - structured prior to the interview, new questions are allowed to arise as a result of the discussion which follows. Easterby-Smith (1991) and May (2001) explains that these types of interviews are said to allow people to answer more on their own terms than the standardised interview permits, are suitable to employ when the subject matter is highly confidential or commercially

sensitive and the interviewee may feel reluctant to truly explicate about the issue other than confidentially discuss in a one-to-one situation. But still provides a structure for comparability over that of the unstructured interview. The semi-structured interview permits the researcher to gain richness of information, meaning of situations, detailed answers such as specific personal reactions and/or emotion consequently obtained within a reasonable time frame.

Accessibility: the sample and the setting. The sample of this research was those middle managers, supervisors and front - line workers. Gaining access to this group of people could be extremely difficult, as could arrange a mutually convenient time in which to conduct an interview. It is particularly important to structure a request for interview in a way that is most likely to lead to a favourable response. Strong connections with Thailand were necessary in this research. Eighteen of the supervisors and middle-managers were interviewed independently.

With regard to interviewee selection, they were selected to participate based on the judgment of their own HRM manager. The three interviewees from each company were a supervisor, a HRM manager and a line manager. The interview schedule (or an interview guide) with a covering letter were carefully prepared and sent to them in advance accompanying with research questions. Generally, the concept of a semi-structured interview guide is much less specific than a structured interview; listing and ordering the questions on the research topic areas so that the interview would flow reasonably well while being prepared to alter the order of questions during the actual interviews. The length of the interviews, varied in length from 30 minutes to two hours. Note - taking or a tape - recording was used to record information in order to help facilitate the whole process by capturing what has been said with regard to the highly desirable topic. It was important to gain permission to use the tape recorder. To sum up, it is clear that using semi - structured interviews is highly appropriate for the current piece of research. The researcher undertook interviews from middle - managers and supervisors as this technique allows the researcher to ask specific questions about their opinions and attitudes towards PRP policies and information regarding relevant aspects, particularly sensitive and confidential issues.

Figure 6.1: Types of Research Interview

In-Depth Interview	Semi-Structured Interview	Structured Interview
No (or few) set questions and interviewer take a 'non-directive' approach	Thems andquestions are know in advance, but the questions are their order may vary deoending on the "flow" of theinterview	Predetermined standardised questions are asked in a consistent sequence

Qualitative Data | Quantitative Data

Source: Anderson (2004)

6.7 Ethical Issues

Ethics are moral principles and values that influence the way a researcher or a group of researchers conduct research activities (Malhotra and Birks 2002; Saunders et al. 2007). In fact, ethics apply to all situations and activities in which there can be actual or potential harm of any kind to anybody (Churchill 1999) and it is difficult to conduct research at all in the social sciences without running into ethical arguments. A number of different ethical issues and rules conducting the research need to be considered at an early stage of studies (Collis and Hussey 2003). The procedure of this research, survey by questionnaire and also by interview, needed to guarantee the participants confidentiality. Participants were assured that their personal information would not be made available to anyone not directly involved in the research. Participation required informed consent. In particular, this meant that prospective research participants had to be kept fully informed about the procedures and risks involved in the research and had to give their consent to participate. Next, the principle of voluntary interviewees required that

204

employees not be coerced into participating in the semi-structure interview and survey of this research. In addition, the strict ethical principle of anonymity meant that the participants will remain anonymous at all points throughout the study.

6.8 Data Analysis

According to Whitfield and Strauss (1998, p.66), quantitative analysis can be defined as the application of statistical techniques derived from the principles of statistical inference to the empirical investigation of a research question. Hence, statistical techniques (SPSS for Windows) were employed to analyse the data in obtaining the result of hypotheses and research questions. There are two main parts of statistical methods.

6.8.1 Descriptive Statistics

Percentages will be used to explain the demographic characteristics of the sample. The data of the sample is processed and presented in terms of central tendency (means) and percentage. However, outliers are excluded in the results. As Field (2009) describes, an outlier is an observation very different from most others and can bias statistics such as the mean. In this current research, with 352 respondents, compared to the majority of the sample, some respondents may have different opinions on variables studied. This reflects the nature of human-beings depending on their background or values etc. Respondents who were employees within companies applying PRP plans were representative of this research (see Section 6.5.1).

6.8.2 Inferential Statistics

In this study, a non-parametric was used since non-parametric methods are often referred to as distribution free methods as they do not rely on assumptions that the data are drawn from a given probability distribution. When there is an extreme violation of an assumption of the parametric test or if the investigator believes that scaling of the data makes the parametric test inappropriate, a non parametric inference test will be

employed (Pagona 1998). As noted by Pallant (2001), parametric statistics are more powerful, however, they do have more "strings attached".

To analyse the data, the non-parametric Mann - Whitney U test was used to test whether the difference in means between the two sample distributions was statistically significant. The Mann - Whitney U test was used to test between demographic group differences for example, age (younger and older employees) and perception of PRP practices etc. Then the Kruskal-Wallis one-way analysis of variance by ranks (named after William Kruskal and W. Allen Wallis) is a non - parametric method for comparing the difference among three independent variables group (employees working within Thai, Japanses and American companies). Intuitively, it is identical to a one - way analysis of variance with the data replaced by their ranks. It is an extension of the MWWU-test (Song and Wang 2009). A criterion value of .05 was used as the alpha level in making conclusion regarding the statistical sifnificance of the findings.

Another statistical analysis selected was the partial correlation procedure which was used to test the hypotheses by allowing controlling for additional variables (Pallant 2001) calculating correlation coefficients. Hence, marital status, education level, having chindren and size of company have been controlled as suggested by Brown (1990); Taorimina (1999); Chang (2006); Cowling (2007); Schmitt et al. (2008); Shen (2010). The absolute value of the correlation coefficient indicates the strength of the linear relationship and nature of the association between variables (Silver 1997; Norusis 2003). Furthermore, the size of r value ranging from +/-1 is shown by the strength of the relationship between dependent and independent variables. The r value can be explained by Cohen (1988) that:

Small   r = .10   to .29
Medium   r = .30   to .49
Large   r = .50   to 1.0

6.9 Conclusion

In summary, this chapter provided an explanation of the research methodology adopted in the current empirical study. Research paradigms combining positivism and interpretivism were firstly given. The research used not only primary data collection methods (questionnaires and semi-structured interview) but also secondary data collection methods (document analysis) based on a careful design and plan. Despite the lack of a proper sample frame and the results of Thailand's economic downturn, the purposive sampling still chose to draw 6 companies in the manufacturing sector as a potential samples. Of a total of 6,840 employees, a sample size of 352 was argued to be acceptable. Rather than simply only undertaking a survey of employees, semi-structured interviews were conducted with 18 interviewees consisting of line managers, HR middle managers and supervisors in order to enrich the findings as much as possible. Finally, statistical methods were performed for testing the hypotheses, which will be described in the Chapter Seven and Eight. Next chapter will be presented all statistical information with respect to PRP implementation in Thailand.

Figure 6.2: Reserch Methodology


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          │  Positivism and  Interpretivism Paradigm  │
          │         with Triangulation Approach        │
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Research Methodology

Positivism and Interpretivism Paradigm with Triangulation Approach

Self-Completion Questionnaire

Pilot – Test (52)

352 complete questionnaires (N=488)

Semi – structured Interview

Document Analysis

Data Analysis

Descriptive Statistics

Inferential Statistics

Source : This Research

Chapter 7

Descriptive Statistical Analysis And

Discussion of PRP Schemes in Thailand

7.1 Introduction

This chapter will support the research objectives by presenting the empirical findings. Firstly, the findings will report the general information of the sample consistent with the research methodology planned and then go on to analyse descriptive statistics of PRP aspects including a discussion of the PRP practices operated within all companies according to the three groups of companies; Thai, Japanese and American. It then compares the differences in the pay plans used and how the different national culture of the owner affects the PRP practices. It thus looks at whether the schemes have succeeded or not and summarises the weaknesses in the system's design and implementation.

7.2 Sample Characteristics and Descriptive Statistics

A total of 488 questionnaires were distributed to the sample during April – September 2007. The potential respondents of this research were Thai employees who worked within Thai, Japanese and American companies from the manufacturing sector in Thailand. A questionnaire with a covering letter was sent to each employee via the Human Resource Management section. 357 completed questionnaires were received; five of the returned questionnaires were discarded since they answered the same answers on all the Likert scale items. Finally, a response rate of 72% was obtained with 352 questionnaires usable. Table 7.1 provides the overall demographic profile of the respondents. In total, 60% respondents were female. The average age of the respondents in the final sample was thirty-three years old. The age range below 35 had the most respondents with those who were married (or ever) constituting 62% of the total respondents. The number of

employees who had children was in the majority with 76%. Further, 52% had gained an undergraduate (or more) qualification. Employees working less than or forty-eight hours per week, in accordance with Thai Labour Law, represented 76% of the total sample. Marginally above 75% had worked in their company for more than five years whereas plant-based workers were the biggest group in all companies, with 66%. Interestingly, a total of 92% of respondents had training experiences which is made up more than three quarters of the total. In terms of union participation, only 17% was a unionise member in their present firms.

Table 7.1: Summary of Demographic Profile of Respondents (Overall)

Variables		Survey Data (N=352)	
		Frequency	Percent
Gender	Male	139	40
	Female	212	60
Age Average = 33	Less than 35	218	64
	35 or more than	126	36
Marital Status	Single	133	38
	Married/Divorce/Widow	217	62
Having Children	Yes	160	76
	No	50	24
Education	Less than undergraduate	168	48
	Undergraduate or more	184	52
Working Hours (Weekly)	Less than or 48	249	76
	More than 48	80	24
Working Shift	Office Hours	228	65
	Shift Hours	123	35
Organisation Tenure	Less than 5 yrs	79	23
	5 yrs or more	271	77
Position	Office	113	34
	Plant	222	66
Training Experience	Yes	325	92
	No	27	8
Union Participation	Yes	58	17
	No	286	83

Source: This research

211

7.3 Aspects of PRP

This section will present the breakdown of PRP aspects, by the different nationality of the company. The information provides a descriptive data for an initial understanding in an attempt to answer the research questions; however this information needs to be analysed along with the inferential results in order to obtain a clearer picture of the analysis focuses on the PRP practices used in multinational and local companies in Thailand. Also the relationship with national culture frameworks and the expected variables are studying as we find them in other countries (Chen 1995; Cowling 2002; Chen et al. 2004; Long and Shields 2005; Fischer 2008). Practically, an incentive in one country may be a non-motivator in the other. Therefore, it is advisable for MNCs to transplant pay schemes from the home country to others along with a consideration of cutural settings. Major differences with respect to management processes, style of management and corporate culture between MNCs and the local practices may lead to serious conflict which contributes to the failure of the company. Thus, cultural differences may be an important factor affecting the organisational behaviour, the interpersonal, group and organisational contexts as culture is usually viewed as a historically derived system of shared symbolic ideas and meanings or interpretations of symbols (Schein 1992; Hofstede and Hofstede 2005). In establishing rewards plans in different cultural environments, it would be expected that the rewards provide utility to the employees in different ways. This research emphasises the role of discrepancies between the perceived pay plan that is expected from the organisation and the perceived pay that is actually delivered by the firm. So, the implementations of PRP within all companies which were captured by the research instruments and semi-structured interview were examined. The findings are as follows:

Table 7.2: Results of System Design and Setting Objective

Item	TH	JP	US	Kruskal Wallis Test	
	%	%	%	Chi-square	P
PRP does not fit organisational culture					
Disagree	34	41	32		
Neural	41	31	35		
Agree	32	35	32		
Mean Rank					*NS*
There are some problems with the performing of the PRP system within the company					
Disagree	38	48	34		
Neural	30	21	34		
Agree	33	32	32		
Mean Rank					*NS*
Executives believe that it is not necessary for employees to have any information about PRP beyond that required to perform their jobs					
Disagree	36	43	37		
Neural	40	31	44		
Agree	25	26	19		
Mean Rank					*NS*
The fundamental of PRP practice is unfair					
Disagree	32	31	31		
Neural	40	41	41		
Agree	29	28	29		
Mean Rank					*NS*
The executives set up PRP goals according to their employee-oriented goals					
Disagree	6	14	5		
Neural	22	27	31		
Agree	71	59	63		
Mean Rank					*NS*
The goals of pay plan align with your goals					
Disagree	11	16	12		
Neural	21	21	23		
Agree	67	63	65		
Mean Rank					*NS*

Notes: * significant at p<0.05

There were no differences in perception of the employees in Japanese, American and local companies with regard to **system design and objective setting**. Consistent

213

with the research of Lewis (1991); Lowery (1996); Lewis (1998); Hawthorne (2000); Harris (2001); Buchenroth (2006); Gomez-Mejia and Werner (2008); all companies participating in this study confirmed that the design of PRP practices and setting objectives must make sense within the contexts of the company strategy, structure, orgnisational internal/external environment and other related systems such as information systems, production or finance including the overall plan so as to gain a cohesive whole and improve the fit between motivational rewards and organisational strategies. If the system design is not aligned with the relevant institutional aspects, the pay programme becomes meaningless. The stimulus for desired behavioural change can also be achieved by a proper design and importantly to convince the employee. Design exactly leads to the opposite effect to that intended that is demotivation, as noted by Marsden and Belfield (2006) and Brown (2008). In fact, system design provides guidance for employees that why the PRP systems are introduced within the company and how PRP has produced valid performance data through the objectives set.

The design of PRP is a trade-off between various options which have to take into account *the background culture and the business cycle* of each organisation. Although compensation serves different objectives depending on each firm's circumstances, the main one is to retain and motivate high-potential employees. Organisations which desire to reward outstanding individual performance may be misaligned with an organisational culture of collabourative teamwork as mentioned by McAdams (2000). Additionally, this finding is along with Risher (2008) who explains that one of the most obvious concerns is that salary increase funds are commonly budgeted and therefore limited. Granting an above-average increase to one employee means another employee's increase has to be below average. Clearly, merit policies force managers to decide who deserves larger increases. When employees are paid below market-levels, this may be offset by enhancing a sense of intrinsic interest in the job such as commitment, empowerment or promotion which is consistent with Bassett (1994). Notably, companies in this survey selected the reward schemes mainly combining the market-driven setting, the consumer index and pay policies of the parent company.

214

A different cultural setting would be a major obstacle to the system design. However, our study offers supporting findings of Milokovich and Bloom (1998); Risher (2002); Gully et al. (2003); Allen and Helm (2004), Boode (2005) who found that a reward system may be universally effective regardless of national culture. Careful decisions are suggested when designing PRP plan in a context with differing norms, social values and response styles that result from national and individual socio-cultural differences. Within multi-cultural organisations consisting of a mixture of local staff and expatriates, sometimes they form a closely bound group, but in other cases they are divided by differences in gender, language or organisational position and power relations. These elements have an impact on the way that employees perceive the pay plan and also affect their preferences with regard to the design management and managing of their organisations strategy. PRP schemes have been introduced to reinforce a culture of high levels of performance innovation and contribution (Kessler and Purcell 1992; Benson and Brown 2000; Helm 2007). Although PRP practices were generated in the western in order to equally reward employee. Thai people tend to share a national character that represents a common mental programming for processing messages from rewards or pay increases suiting their norms and culture based on a collectivistic belief which emphasises harmony rather than competition within an organisation.

Thailand is the only country in Asia which has never been colonised and Thai people struggled to protect their country independence. Consistent with this logic, people in Thai society expect members of their particular - in groups to respect older members as an experienced role (Ab Nam Ron Ma Korn - literally having a hot shower before others). As noted earlier, what is considered to be appropriate behaviour in Thai organisations is often closely tied to an individual's status and is frequently associated with one's level in the organisational hierarchy and his/her role (supervisor, subordinate, peer), as well as personal characteristics reflecting vertical status of Power Distance concept (such as educational attainment, age and gender). Essentially, losing-face is important for Thais, relating to hierarchical values where people will not favour pay that allows a subordinate/younger colleage to be paid more than an older/more senior one as the elderly may be disgraced with low performance or payments. PRP which leads to a disparity in pay between upper and lower hierachical levels may cause a conflict in the view of Thai

employees. Local managers stated that they may have difficulties in bridging the gap in culture between the local subsidiaries and the head office of a multinational company. This interesting aspect was noted by the interviwees, that Thais who had in collectivist orientation were less attracted by individual - based pay. A pay policy related to team-related work may be favourlier than a PRP scheme underlies by individual performance evaluation in some cases. Thus, a system design should include an assessment of national culture since the congruence between headquarters and host-country subsidiaries affects achievement and the respondents in this study have stated that the the pay policies employed in MNCs in Thailand have followed the head office policies, but also take into account Thai culture.

Further, rewarding some behaviours and not others has a major effect on performance, so a company must pay close attention to the decision of what to be rewarded and not others, evaluating which core competencies, knowledge and skills firms needs. The development of PRP schemes has generally been viewed as a response by employers to the principal - agent problem which inherent in the employment relationship. Many workers have a wide range of discretion in how they undertake their work. They can vary their effort, their cooperation with colleagues and their contribution to improve their effectiveness. In such a situation, PRP schemes can tie pay to output so as to induce employees to get a higher level of effort. If individuals differ in their motivation toward opportunism, agency controls with differing effects between individuals are needed to ensure that workers (the agents) undertake their work in a manner that is congruent with the interests of their employers (the principals) as well as the effects of incentive alignment on performance (Gerhart and Milkovich 1992; Tosi et al. 2000). Failing to link the alignment of interests is causing in the form of shirking or some more aggressive form of negative behaviour.

According to the survey data and the interviews supporting the results of Rynes et al. (2005) that system design should reduce shirking among employees. An interesting recommentation emerged by a respondent was to set proper performance standards and appropriate mentoring - *not controlling* since the finding from Stage (1999), studied in American subsidiary firms in Thailand, say that Thai managers prefer micromanage.

216

Although the theme of the agency theory focuses on how the principal control the agent's working, the controlling may not get along well with Thais. The explanation may be given that related to the harmony-oriented culture, Thais like to work towards close - tied relation and relaxing atmosphere as surveyed by Komin (1990), Stage (1999), Niffenegger et al. (2006). Moreover, Thailand as a feminine society emphasising social and interpersonal harmony, so Thai managers tend to evaluate subordinates leniently, with little differentiation between high and low performers. As Brough (1994); Sloman (1999); Chamberlin et al. (2002), Marsden et al. (2000) mention that another crucial problem is the issue of subjectivity where decisions on appraisal may be evaluated by a political influence or rating drift where an employees were rated highly, eventhough there was not a explicit signal in the increasing performance of a firm and it was an inevitably problem towards pay plan. Interestingly, the employees who were responsible for complex work shown a worry that manager or apprisers might not clearly understand their job and resulting the unsatisfied effect on rating subjectivity. This demonstrated a lack of trust among their workers. As agreed by all, rater bias or errors could be resolved by increasing the reliability of the appraisers' judgement via a communication and training attending. Further, the companies provided their appraisers with a relevant training including in-house training or/and outsource training. The length and the content relating to the training varied considerably; depending on the organisational circumstances, budgets, training needs and so on.

As previously stated, **the predetermined - objectives** for divisions/departments and individual jobs should be derived from the organisation / departmental strategies and such objectives must determine a particular way of work so that employee know about what they have to achieve and how to meet the organisation requirements under the PRP system. Ambiguous objectives of performance measures would bring doubts within the organisation. More specifically, employers should recognise that each employee has individual goals. Firms introduce more productive pay plans with alignment between worker and organisational objectives, workers may increase their work engagement. The finding is consistent with that of Baruch et al. (2004); Durcharme et al. (2005) who found that the link between clear individual goals and objectives is positively related to perceptions of the success of PRP for increasing individual performance. The results

presented in Table 7.2 show that the companies in this research concentrated on the alignment between firm and employee - oriented goals which would drive employees to put more effort when thet realise how valued they are in the company (see also, Sittifong 2007). The expected objectives should include the previous annual appraisal results combinding into a written performance contract in order to articulate job standards and expected improvement of performance in the coming year. Objectives for each responsibility are defined at the different levels - individual, groups and organisational depending on the section and company strategic plans. But evaluation and pay structures are unique because each company is unique. For instance, in this case the survey was interested in the manufacturing sector, the organisation strategic goals of product improvement and as a result product quality - based bonuses or the zero- defect –rewards were important and allow both the individual and organisation to achieve their goals. The merging objectives and performance standards were widely discussed in the a firm which encouraged employees and the managers to be committed to objectives and employees knew how their efforts were linked to organisational goals which is in accordance with Risher (2002); Dowling and Richardson (1997). Their objectives setting relied heavily on planning at the top and then developed inter-linked objectives down to each level. Team members were allowed to set their own pace and the method of work that they considered to be the best for the team. The unpracticable objectives need to be reset among employees and supervisor. Notably, all of the managers stated that their objectives should be challenging and difficult but attainable. The supporting mentor and the time deadlines to accomplish the cascaded objectives needed to be specified and agreed. Normally objectives were set for the year ahead.

More importantly, the relationship between employees and organisation is the employment relationship, system design has to consider *human behaviour* and Holloway et al. (1995) remark that the successful implementation of performance measurement approaches depends on understanding and accommodating the human element in management control. Some managers also mentioned that pay system design may exceed under incentive plans but the plans also establish tension ans stress, ultimately reducing satisfaction. For instance, the idea of employee participation in the process is essentially for a western management which does not readily transfer across cultures, particularly

218

those with high power distance in Thai society. When a Thai encounters with any obstacles or they do not successfully reach the goals, they may be in silence because of shyness and feeling of saving - face. In addition, many Thai people would prefer not to say anything if their comments lead to conflict or interpersonal resentment. Similarly, Sriussadapron - Charoenngam and Jablin (1999) comment that even if a Thai manager allows subordinates to share their ideas and make a discussion, other Thai cultural factors (such as Kreng-jai) adversely affect their opinion exchange. Inevitably, any violations of consistency will create misunderstandings about how the pay system works and so fail to motivate the needed behaviours. More interesting, at present young Thai employees qualify a higer degree than the past. They work with newed vigour and determination. As a consequence, older Thai people may not be happy when younger people argue with them or give more critical opinions than requested. These characteristics might be an upset situation for the elder when evaluating and rewarding their contribution based on the same objectives. As noted:

"I try extremely hard to achieve the goals set, but it is too demanding. The pre-agreed objectives support only a high potential person or a young one. Maybe I am too old. I m just working day by day and waiting for my retirement with some pension"

Supervisor, Thai –owned company

"It would be wise to carefully listen to the employees' opinions, try to understand those problems, develop solutions leading to cooperation and tell them what is right and wrong; otherwise they will get the obscure picture. There are many Thais who are more reluctant to share their idea. Sometimes, expatriates are very confused with Thai shyness. It takes time to understand a Thai style"

HRM Manager, American-owned Company

In all organisations noted that, **the involvement of HR section** was expected in pay system design and to take the leadership role if some elements of the system need to be solved and more clarified. To facilitating the pay plan, the manager played an important role here not only in motivating, coaching and enabling performance, importantly

revising performance expectations and objectives. The findings have shown that line managers designed pay plans, often with assistance from the human resources department. Based on the work of Jawahar (2007), the important role of the rater or those involved has to present the skills and motivation to develop meaningful performance criteria and manage their people. Organisations should educate raters on how to enact their roles in an interactionally fair manner. All declared that permitted experts / outsources played a vital role in the beginning of the PRP initial stage. But over the time, a member staff of the HRM section mainly supported the system and an external consultant participated only in an urgent or significant problem- not on a regular basis. Human resource staff also regularly attended the relevant training programmes to develop the performance management as consistently stated by Harris (2001); Risher (2008). Of course, a trainned appraiser was highly effective in reducing measurement ratings errors (Campbell et al. 1998). The respondents all agreed that two evaluators or multi evaluator were used to improve the validity of ratings and minimise errors like Halo effect rather than occurring rating deficiencies with only single evaluators.

Table 7.3: Results of Pay-Performance Link

Item	TH	JP	US	Kruskal Wallis Test	
	%	%	%	Chi-square	P
The more producing high performance, the more pay will be awarded					
Disagree	9	17	14		
Neural	21	17	23		
Agree	69	66	63		
Mean Rank					*NS*
Your individual productivity actually has great impact on any pay award					
Disagree	9	13	11		
Neural	18	12	19		
Agree	72	75	69		
Mean Rank					*NS*

Notes: * significant at $p<0.05$

The finding also shows that there were no differences among employees in terms of pay-performance link and the majority exhibited the agreement regarding the linkage of pay-

220

performance. Torrington (1993); Reilly (2005); Stifller (2006) assured that when the performance objectives are achieved and the payments made, the PRP plans may be proved effectively in its impact on performance. Employees apparently attach a very high positive valence to money so that the reward available under a PRP practices should be sufficient to motivate higher levels of performance, as long as the performance-reward contingency exist (Lowery et al. 1996). The linkage between reward and performance is simply consistent along with expectancy theory describing the valence of the reward provides a justification for PRP that reward system should response the needs of the individual and perceive strength the link between effort, performance outcomes and reward. The companies in this research particularly explained that the importance of the strength of a motive jointly influences to the person's expectation of specific outcomes resulting in their actions and by the attractiveness of such outcomes. To stimulate employees to meet a desired organisational objective, PRP assumed as a reward for past performance must be valued and perceived as important in order to be a motivator. When a person recognises that high performance is rewarded with more pay, and lower performers are paid correspondingly less as the motivational effects of expectancy theory would predict, they would work hard to attain performance standards and requirements. The present result is consistent with the findings of Lewis (1998) and Baruch et al. (2004); Buchenroth (2006), who found that the strong perceptions of the link between performance and rewards was strongly supported by a significant correlation with improvement in individual performance. Employees cannot perform to their fullest capacity if they do not know what the perceived outcome is. As a consequence, managers or/and supervisors of the current research had held accountable for affirming the linkage between pay increasing and performance against the goals.

"When my performance exceeds the acceptable performance level and has made a great contribution to the company's effectiveness. I know that the related pay will be rewarded as recognising my superior job performance. Personally, the PRP system should distinguish explicitly the values of rewards obtained by high performers versus low performer."

Supervisor, Japanese-owned Company

221

Table 7.4: Results of Performance Appraisal

Item	TH %	JP %	US %	Kruskal Wallis Test Chi-square	P
You feel satisfied with your recent award from your performance					
Disagree	7	21	16		
Neural	35	30	34		
Agree	58	49	49		
Mean Rank	*196.98*	*165.40*	*171.46*	*6.533**	*.038*
You feel confident with the appraiser's standards in your company					
Disagree	17	28	19		
Neural	32	33	31		
Agree	52	39	51		
Mean Rank	*190.18*	*158.18*	*182.90*	*6.874**	*.032*
You understand exactly how your performance is evaluated					
Disagree	6	21	10		
Neural	25	29	20		
Agree	69	50	70		
Mean Rank	*193.95*	*150.11*	*187.37*	*14.976**	*.001*
You accept exactly how your performance is evaluated					
Disagree	11	22	15		
Neural	32	28	26		
Agree	57	50	59		
Mean Rank					*NS*
You understand totally what you need to do for achievement PRP scheme					
Disagree	2	3	2		
Neural	12	14	16		
Agree	86	82	81		
Mean Rank					*NS*

Notes: * significant at p<0.05

However the significantly difference of **performance management** were found where Thais employing within Japanese firms showing the lowest mean rank regarding to satisfaction of reward, confidence of appraisers and understanding their performance evaluations. Interestingly, their understanding of what to do to achieving the goals of the PRP plan was reasonably high with 86%, 82% and 81% respectively. Once pre-determined objectives set and after specifying a list of tasks and/or performance criteria, manager needs to determine how to measure an employee's performance on these

tasks. Information adapted as performance standards should be derived from job descriptions and job analysis leading to a statement of job purpose - using such criteria such as: achievement and output, use of skills and knowledge, adaptability so that the standard will be job/position - related and obtaining a valid and reliable measurement rating. Employees working at sample firms were normally evaluated at least once a year. The need of the measurement method would be taken against previous performance. The criteria of performance management were gathered with multiple criteria and observations as well. As suggested by the interviewer, if a company was newly established certain positions, they did not have a baseline performance to measure against. Hence the company should develop realistic and practical goals based on their business environment such as comparisons to the market rate, comparing with a similar job in the company or with competitors.

All companies used formal performance management and performance standards including qualitative and quantitative measures linked to the level of performance to financial rewards based on the concept of PRP. As Lowery et al. (1996); Buchenroth (2006); Prowse and Prowse (2009) have argued, it is essential for executives to carefully choose behaviours and/or outcomes that can be measures. Practically, compared to personal traits, behaviours were more favourably assessed since the latter were highly subjective leading to misinterpretation and maximising measurement errors which was compatible with Eskew and Heneman (1996); Lowery et al. (1996); Campbell et al. (1998). Rating should be done and recorded promptly as a delay between observation or performance assessment would be decreased the accuracy of the result. A diary or a tape recorder could be beneficially kept all details. Then performance was reviewed by an appraisee with the supervisor at the closing of the annual evaluation period. With the study collecting data in the manufacturing sector, alternative work schedules of employees varied considerably. Different performance criteria should be used to measure the performance of some groups. For instance, working full - time and working part - time need a different standard of performance evaluation in order to be fairly evaluated.

The techniques used to evaluate employee's personality and performances are significantly varied depending on the objectives and the performance criteria determined.

223

What seems clear is that formal observations of individual work performance and the results-oriented approach called management by objectives (MBO), which provides aims and specific targets to be achieved and within time frames, were employed the most. Employee's performance was evaluated and rated by numerical values and sometimes added to a statement by the assessors so that an individual would be informed of the results and feedback which also led to any potential identification of training needs and future managerial potential (Prowse and Prowse 2009). A 360 degree appraisal which ensures that an employees's performance is observed by whose who work most closely with her/him was only used in a few companies due to budget constraints and complexity of the technique. However, performance appraisal process could not be performed effectively unless the person providing feedback had the appraisal skills to provide feedback to people being appraised (Prowse and Prowse 2009). Without a suitable communication and accepetance, the schemes were not successful. As a HRM manager in a Thai owned company noted:

"Generally, performance appraisal should increase employee motivation and productivity. However, it's quite difficult to find an ideal performance appraisal system to satisfy employees who have different needs and expectations concerning appraisal. Besides inefficient appraisal management, I do believe that employees with bad attitudes have lead to the ruination of the successful PRP implementation"

HRM Manager, Thai-owned Company

Therefore, it seems reasonable to assume that communication would be an essential barrier of the perception of Thais in Japanese companies. As indicated by the result of this study, even though all understood how to perform work and reached the rewards, there were considerable disagreements over some aspects (satisfaction of reward, confidence of appraisers and understanding their performance evaluations) among those within Japanese firms and this will be discussed in the next part (Table 7.5).

Moreover, a graphic rating scale with likert scales which was easily implemented in an evaluation procedure was found within all of the companies. Assessment in each firm was on a three, five or seven -scale depending on how objective setting was related

224

to job aspects or tasks, for example, the basis of statement on three scales such as exceeded expectation, fully met expectations and unacceptable. Nonetheless two - level rating scales - Agree/Disagree or Yes/No was used the least in the current study due to the low reliability as the previous statement of Risher (2002). The respondents reminded about a few problems when using a four - or - five rating scale for performance apprisal. A Five - level rating scale may produce errors with invalid results when some identified only a "3" rating. As the earlier survey of Sriussadapron - Charoenngam and Jablin (1999) explained, most Thai employees expressed their feeling or behaviours in a way of Mai -Pen - Rai (never mind/ it doesn't matter/ it's all right/ don't get upset/ everything will work out) when they had no idea or any opinion. Thus, they always made the evaluation easy by rating all items into "3". The trained manager and supervisor can be a part of the solution through giving a communication about the unsatisfied result deriving from only "3" rating and how this invalid score affected their performance apprisal.

"One such common error in performance appraisal is where the jobs assigned of two or more individual produce inter - related performance. I was seriously assessed them, attempted to jusify on realistic contribution. This may arouse a divisive atmosphere when I am unable to link each of actual performance to pay. Maybe disappointment spreads since ......"

HRM Manager, American-owned Company

"They actually know that drift the performance is unlikely to happen, but it cannot eliminate. People do love to be prasied and grateful instead of being blamed by their subordinates, frankly. I however remind myself to fairly evaluate them".

Supervisor, Thai-owned manager

Further, a performance rating form was completed and forwarded to the supervisor for approval in order to evaluate and analyse. At the end of the year the employee's performance was assessed to judge how far he/she had met the pre-determined objectives. Payment was made on the basis of this assessment and a final meeting took places between the job holder and the supervisor to decide performance improvement and development needs. Feedback could be provided verbally and in writing after getting the

225

performance appraisal. Either a printed form or *software packages* can be customised so that selecting aspects from a list of attributes will be described whether successful employees's work habits can be achived or not. The companies in this study chose to develop their own appraisal form and system for accurate reflecting their performance in light of the business's own unique goals and culture. However, all companies were using software to magnitude the capacity of pay appraisal. As Summers (2005) suggestes that goals that set on paper filed in drawers have less energy to drive employee's behaviour through the year. As recommened by the respondent, since documents such as business plans and relevant supporting information were leaved unattended in security rooms, the data and periodically update progress were easily accessible and stored via an internet system and a computer instead. When significant priorities and any were changed, it could be quickly modified on an information system. Moreover, an internet-based system enabled managers to assess progress and to actively manage performance at any time.

"Our Japanese boss has just put the computer in his office, but he is often working manually and happier to work without any high-technology equipment. He told us that the company has grown up successfully since the computer has not developed. I think he believes in his own abilities rather than the robot machine".

Supervisor, Japanese-owned manager

Table 7.5: Results of Communication

Item	TH %	JP %	US %	Kruskal Wallis Test Chi-square	P
You are given feedback on why you received your particular reward					
Disagree	18	24	5		
Neural	30	14	21		
Agree	51	62	74		
Mean Rank	*157.72*	*170.75*	*195.38*	*9.321**	*.009*
Before introducing PRP, there were training programmes for employees to understand how PRP would work in your company					
Disagree	19	32	13		
Neural	35	18	31		
Agree	46	51	56		
Mean Rank					*NS*
Company provides adequate resources which are required for PRP scheme, i.e.equipment, a series of brochures, a letter announcing the PRP implementation etc.					
Disagree	14	26	19		
Neural	37	25	28		
Agree	49	49	52		
Mean Rank					*NS*
You are given useful information what you can do to continue being awarded					
Disagree	11	13	10		
Neural	35	23	32		
Agree	54	64	58		
Mean Rank					*NS*
Communication about PRP flows freely across the company					
Disagree	41	54	39		
Neural	31	41	29		
Agree	29	5	32		
Mean Rank	*185.13*	*149.46*	*191.70*	*13.047**	*.001*

Notes: * significant at $p < 0.05$

(Continued)

Item	TH	JP	US	Kruskal Wallis Test	
	%	%	%	Chi-square	P
The executives always seriously listen to employees' suggestions for PRP improvement					
Disagree	24	32	27		
Neural	34	24	27		
Agree	43	44	46		
Mean Rank					*NS*
The company has the survey of employee's opinion with respect to PRP implementation					
Disagree	27	52	31		
Neural	37	38	34		
Agree	37	10	36		
Mean Rank	*200.77*	*137.36*	*192.20*	*28.532**	*.000*

Notes : * significant at p<0.05

Differences in their perceptions arose regarding communications where the respondents in Japanese companies disagreed most with the free flow of communication across the company and more than half also mentioned that there was no survey on PRP implementation. Sending message to explain the process of linking monetary reward to the targets was the potential influence of PRP system in accordance with Kessler and Purcell (1992); Morris and Fenton O'Creevy (1996); Hanley and Nguyen (2005). It could be severe when sending the wrong message in the improper way. Communications is meant to reinforce the importance of particular objectives for employees, helping them to determine how to proceed in uncertain circumstances, which activities they should pursue to deploy effort and what decision making criteria are. Referring to Japanese management, it would be said that Thai worker in Japanese companies would keep their opinions to themselves concerning PRP practices. Although Japan management tends to place more value on human resource management than in other western countries and have more central power in making decisions within the organisation, Japanese style management in the Thai context may have surprising and unintended outcomes that require local knowledge to solve according the research of Srikum (1993); Shibata and Doyle (2006); Sittifong (2007). Moreover, both Deresky (1994) and Dedoussis (2004) have noted that Japan is a "high-context" culture where feelings and thoughts are not

explicitly denoted and key information is conveyed indirectly by non-verbal behaviour which need to be interpreted in a covert context.

*"It is rather pointless to expect executives to listen to employees considering their performance or work-related issues. **We are doing what we have been told.** Although, we emphasised the job security, the pay plan should ensure that all members have the ability to perform the tasks until completion. The company has to provide us information on how rewards are allocated. Once the performance assessment has been completed, organisations normally require supervisors to discuss the appraisal results with their subordinates. If we do not agree on any points, we should be able to appeal to our supervisor and to the upper management. ...these have not occurred within my company"*

Supervisor, Japanese-owned Company

The clear communication is necessary to explicate of what exactly needed to do so as to turn or improve the year evaluated rating into a greater rating in the following year. Despite the research reported that all companies in the present research organised a two-tied communication programme for workers, this was essentially the same in all cases not only providing the fundamental understanding of PRP schemes, but also its specific implimentations in the context of each section or department. Feedback is a communication channel to help elucidate and improve work processes, workplace circumstances, expected performance, staff training and developmental needs. This is in line with the finding of Miyamoto and Higuchi (2007) investigated that while communication was not carried out and the PRP was a one - way system that failed to reflect the opinions of employees, there was a danger that employees would not be satisfied and motivation would drop. Certainly, when the pay practice could not free flowly could be a toxic since a good proper communication had been shown to increase employee satisfaction and appreciation of incentive compensation benefits. In addition, communication circulates an ideal opportunity to obtain the weakness of the plans and any problems emerged which an assessor or assessee may encounter and find the success ways to tackling these problems involving PRP plans. At the same time, those within Thai organisations demonstrated that they were less likely to receive their feedback relating to job responsibilities. Unexpectedly, even though Thai companies provides

229

employees more nurturing environment than Japanese and American firms counterparts (Table 8.6, Chapter 8), a critical Thai culture, called Kreng jai, is remained deeply within the organisation. This would be understood that the Thais have created a moral climate which rules of non - offense do not apply. Criticism and a means by which insults and irritates are kept to a minimum. Hence, managers may be reluctant to provide their subordinates proper feedback as the managers concern about fear of irritating someone else. In fact, supervisors are necessarily explaining why employees achieved the pay raise and what they need to earn a higher pay. When employees receive useful feedback, they are more likely to modify their behaviour in the ways that will improve future performance. Nevertheless, some employees may reject supervisor feedback when an evaluation indicates performance deficits, they may respond unfavourably. At the very least, they may choose to ignore suggested or required behaviour adjustments. More problematic is the possibility of deviant and retaliatory behaviours against their manager or organisation. Particularly, Meyer et al. (1991) mentions that many employees feel that appraisal feedback causes more confusion than enlightenment.

Table 7.6: Results of Fairness

Item	TH %	JP %	US %	Kruskal Wallis Test Chi-square	P
You are equally paid on a par with those in other companies					
Disagree	30	31	40		
Neural	44	38	35		
Agree	26	31	25		
Mean Rank					*NS*
You were paid in accordance with your responsibilities					
Disagree	13	26	31		
Neural	41	23	34		
Agree	46	52	34		
Mean Rank	*191.10*	*185.77*	*157.52*	*8.469**	*.014*
The fairness of performance assessment raises your doubts					
Disagree	16	19	16		
Neural	38	38	56		
Agree	46	44	28		
Mean Rank	*190.12*	*183.66*	*160.58*	*6.300**	*.043*

Notes: * significant at p<0.05

The finding postulates that there are significantly differences among Thais working in Thai, Japanese and American companies regarding fairness. Importantly, Thais in American companies presented the lowest mean rank in terms of comparing their responsibilities and pay. This supports the finding from previous studies (Stage 1999) that when Thai employees compare themselves with other Thais working for local organisations, they are very satisfied. However, when they compare themselves with expat employees in American firms, the sitiation is inequitable and creates tension with the parent organisation. After having an interview with all potential companies, fairness was taken into their consideration as concluded by Lewis (1991); Marsden and French (1998). A key requirement of any pay system is that to motivate staff and then they should believe it operates fairly. Whether or not employees choose to accept negative feedback or any type pf performance evaluation from their manager depends on a certain degree on their belief that the individual who evaluated them did so fairly. This is

supported the studies of Dowlong and Richardson (1997); Hawthorne (2000), Hanley and Nguyen (2005); Jirjahn and Kraft (2007) who declared that the incentive effects of performance pay would be stronger when employees trust that their performance was accurately measured. Anecdotal evidence suggests that the principle of fairness underpins many PRP schemes, as revealed by the following interview,

"Normally, workers are closely scrutinising their executives or upper management actions, the fairness of performance assessment and equitable pay. Specifically, perceived bias is harmful. High levels of trust can be developed between superiors and subordinates so that trust would be the tool to lessen the doubt. Further, employees should be equitably rewarded on the basis of their individual performance."

HRM Manager, American-owned Company

This means that the fairness of PRP practices is important since when one puts their effort to their work, they would expect a promotion or pay raise in return. More importantly, equity theory argues that perceptions of fairness are a job - related motivational base that can influence the behavioural and affective responses of employees. According to the theory, an employee evaluates the adequacy of his/her outcomes by comparing them with his/her inputs. It is necessarily sufficient to offer both an accurate performance measurement and employees must perceive them as accurate. The interviwees stressed that companies had to make sure that they pay a fair-market-wage rate (external equity) as well as that they reward their employees fairly with respect to their skills, positions and performance (internal equity). Judgments about the existence of fairness of the received reward will foster a state of equity resulting in the display of desirable behaviours for fulfilling the formal contract of employment. A respondent from the Thai company claimed that the fairness of the pay process itself seems to be more important than the actual amount of money received by individuals which are related to the suggestion of Kessler (1994). Interestingly, despite Thais wanted to explicitly express their opinion with against to a Japanese culture; they did not appreciate such a direct communication style, which was also practised by the westerns expatriates as well. This explanation is consistent with Boode (2005); Sriussadaporn (2006) that Thai were more

concerned with the other person not losing face and dignity with bluntly getting the message across.

Agreed with Dowling and Richardson (1997), the sense of workers feel more demotivated or less work harder when they are not getting agequate feedback and support from their assessor, usually their direct superior. The essence of Western civilisation management is based on individualism where people speak their mind freely from independent judgments and are relatively free of social pressure. By contrast, besides avoiding offense to other as discussed above in Table 7.5 relating to Kreng jai concept, Thais behave modestly and speak prudently including avoiding direct discussion about their problems or leaving it trouble until entrenching to a severe situation or unresolved. They were also afraid that if their bosses did not think likewise, they would lose face. Thais need to say "No" or informing in advance when they cannot do the assigned tasks and accepting to say "Yes" when they can do it which would be appreciated by expatriate managers. Presumably, therefore the Thai working within American companies would be loath to show outwardly their opinions regarding their performance or any issues under PRP plans. So the performance evaluation may not precisely link to their actual responsibilities and they perceived the inequity of their reward compared to their performance.

"Thai society desires people politely control their emotion, particularly dissatisfied feeling. Failure to speak their minds frankly will result in lack of clarity of any matters. Thai workers who tend to do some problems should be addressed in a flexible manner and not through the imposition of rigourous expression, but this way upset and is increasing frustration for Western executives"

Line Manager, American-owned Company

Understandbly, employees are satisfied after seeing that the pay differential is not arbitrary and that PRP criteria are carefully defined and implemented. Another important point, Chiecchan (2002) mentioned was the concept of Bunkhun* which plays a crucial

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* Bunkhun: Gratitude and indebtedness (Section 4.2.3 Chapter 4)

role throughout all levels of the Thai social hierarchy. Bunkhun creates a behavioural pattern, which enables people at different social levels to interact in a friendly manner. Bunkhun thus impacts on the demeanour under PRP practices where fairness is noted. In order to express the gratitude to a person who gives them kindness (Sang Bunkhun*), bias may occur in regard to the sense of Bunkhun which would intrude on the performance appraisal or the fairness of PRP policies. Not returning Bunkhun, more particularly to who has special previledge or a high social status, may sour their relationship and may affect the relationship. When employees make mistakes in their work, their performance appraisers would try to cover these up or be lenient on them because of "Bunkhun" and "Sang Bun khun' relations". Consequently, if employees feel that superiors' discretion results in arbitrary performance appraisals, performance pay will be less effective (Jirjahn and Kraft 2007). Likewise, Sila-on (1999); Andrews and Chompusri (2001) noted that powerful networks form the crux of Thai commercial activities, supported by a set of social valued to express the dark side of the local business. This one of the employees within a Thai company, stated that

"In general, despite the company argue for the fairness of performance appraisal and exceeding pay. It is impossible to guarantee the bias of human beings which is a natural aspect. The employee who is a big-named person gains protection and benefits from a person with greater power, finally"

Supervisor, Thai-owned Company

* Sang Bun Khun: In return to reciprocate acts of kindness whenever the opportunity exists (Section 4.2.3 Chapter 4)

Table 7.7: Performance-Related Pay According to Nationality of Owner (%)

Type	Company		
	TH(%)	JP (%)	USA (%)
Increased salary	30	34	36
Piece-Rate	50	17	33
Commission	67	-	33
Bonus	28	36	36
Gainsharing	33	31	35
Profit-Sharing	18	11	71
Stock options	68	12	30

Source: This research

Unfortunately, the size or any quantitative data is omitted as the highly sensitivity of pay issue in Thailand and may be inconvenience caused for the respondents who gave such details. All companies in this research accepted that pay system choice and designs method are administered differently in different organisations. The majority of firms had either one or two individual pay plans which are in line with the report of CIPD (2009). Similarly, Lawler (2000); Long and Shield (2005) explored that many organisations choose to put individuals on multiple performance reward systems; both individual and group pay plans. As applied to recruiting, the person - organisation fit tradition holds that individuals will be attracted to organisations with which they perceive themselves to be compatible with organisational cultures. The study found evidence that salary - increase pay and bonus plans were offered to employees most. In fact, bonus directly link to individual contributions and bonus plans are generally better motivators than salary - increase plans. Bonuses based on individual performance caused an organisation to be perceived as likely to have a more individualist culture. In Thailand information about bonuses is also frequently included in recruitment advertisements. One potential reason is that the mention of invidual and/or team-based bonuses necessarily signals something about work, compensation policies as well as organisational culture. The firms also stated that, at present, bonuses based on team are introduced and more prevalent because of responding to perceptions of a collectivist culture (Kuhn 2009).

Group performance pay plans were used far less frequently that individual pay practices. It should be pointed out that the type of sector (manufacturing) and job characteristics played a critical role in explaining. Understandably, both group and organisation bonus plans try to eliminate some individual problems and encourage teamwork (Wilhelm 1994, Lawler 2000). As been found in this finding, the profit-sharing plan has been used most in American companies. It would make sense that profit - sharing associate with the organisation's culture and the way people think about their company. This way of reward occurs because employer want to originate the better understanding of companies, what their bonus is likely to be, where is come from and how it is computed. The results do support the open communication within American organisation culture related work has done by Stage (1999) and Sriussadaporn (2006). Because performance feedback is so heavily correlated with profit-sharing communication (Sweins and Karmi 2008). Another plausible explanation is that risk preferences depend on the nature of the variable pay plan. Profit - sharing may well fit with American firms operating in Thailand since profit sharing is not guaranteed. Thais working covering with American style may be attractive by profit - sharing because of risk-taking behaviour incompatible with Kuhn and Yockey (2003); Joetan and Kleiner (2004).

Considering to gainsharing, all firms used this pay plans to motivate their workers as gainsharing plans rely heavily on employees' participation and work unit solidarity (Wilhelm 1994; Newman and Nollen 1996; Chenhall and Langfield-Smith 2003) and ensure a more direct link between a change in their department's performance and the bonus (Wilhelm 1994). Gainsharing and organisational development complement each other so that existing operations may have inhibited the development of more fundamental collabourative innovation. Gainsharing personalise the connection between reward and performance at the plant or departmental level, it therefore provides a close line - of - sight for employees. All three groups of companies used gain sharing policies since they may focus on achievement of organisation goals, increasing productivity and total quality improvement.

Since Thai companies treat their employee's like - family atmosphere, they provided their employees with stock options most. The findings of Ettling (1988) stated that stock

ownership treated employees as important partners and the impact had on attitudes and work related behaviours. The use of stock options in Thai firms may provide an alternative mechanism of controlling when direct monitoring is difficult which is consistent with Sriusssadaporn (2006) found that although Thais expects their bosses to possess positive personal charaters such as being friendly, generous, expatriates should keep a small distance to maintain a degree of respect. Further, stock options can motivate Thai employees to remain with the company, instead of leaving the company early, in order to gain the full benefits as stated by Hassen and Hoshino (2008). Our results indicate, however, that the Japanese companies used the option to employees the least. It can be explained that stock options were first introduced into Japanese law in 1995 so it was newly establish and may not prevalent over all Japanese subsidiaries. On the other hand, stock options may turn out to be less proportionate to employee performance than expected leading to the less motivation in Japanese companies since most Japanese firms did not allocate sufficient resources to ensure that their employees understood their remuneration policies as found by Hassen and Hoshino (2008).

7.4 Conclusion

This chapter has concentrated on the statistical analysis of the data acquiring from the survey (352 usable questionnaires) obtaining a response rate of 72%. The objectives of this chapter were to explore, summarise and further analyse. The chapter commenced with the demographic profile. The overview of the results indicates that the respondents working within all companies were more female than male and aged less than 35 year olds. Those who qualified less than undergraduate and undergraduate (or more) were in the vicinity of 48 and 52%, respectively. This study has investigated the key factors which determine the perception of PRP in Thailand.

Then the proposed conceptual model was developed and verified by surveying and semi-structured interview based on the relevant theories and particularly Thai culture. Aspects of performance management, communication and fairness had been found the different perceptions among employees. What and how PRP schemes were operated to be clarified

237

and the supporting explanation rose up. Lastly, the findings were then evaluated and discussed to support the previous research and build up increasing knowledge to derive an understanding the behaviour of Thai employee regarding PRP schemes. Identifying strategic issues is the essence of the strategy process in business management. After obtaining a clear understanding of the PRP used, the next chaper will be revealed what and how employees react to this pay policy according to their demographic differences and the relation among PRP and teamwork, career advancement and organisational commitment will be exhibited.

Chapter 8

Discussion of PRP Practices, Demographic Differences and Related Aspects

(Teamwork, Career Advancement and Organisational Commitment)

8.1 Introduction

This chapter will report results of an analysis using Mann Whitney U test, Kruskal Wallis and partial correlation to test the hypotheses regarding the reaction of employees on the pay plans and relevant facets. This chapter will be divided into three sections; starting with the finding on the PRP perception between different groups relating to their demographic references, moving on the comparison among employees within Thai, Japanese and American firms in terms of teamwork, career advancement and organisational commitment. Finally, the correlation was analysed to give the result of PRP practices and all related variables. Specifically, we seek to explain the patterns of motivational or behaviour change by investigating the perceived impact and significance of each of these three features (teamwork, career advancement and organisational commitment).

8.2 Demographic Differences and PRP

This research aims to investigate the implementation of the introduction of PRP systems from a firm-level perspective, targeting for analysis the PRP systems introduced at local and multinational companies in Thailand. The process of globalisation has brought a new challenging dimension into workplaces throughout the world. International operation has meant that companies are increasingly likely to interact with larger numbers of different culture backgrounds which can lead to exacerbate existing conflicts. Individual

characteristic is a matter of concern to all organisations because demographic variables play an important role in determining an employee's job - related facets. In the business and management literature there are a number of studies that identify an important determinant of demographic variables in general (Manman et al. 1996; Wong et al. 1999; Brown 2001; Cowling 2002; Roth 2003; Roxes and Stoneback 2004; Long and Shields 2005; Tocher et al. 2006). Obviously, individual characteristics with profound values are sufficiently different from nation to nation which require more penetrating study. The characteristics of the person - such as education, experience, age, performance, gender, marital status, work history and so on - reflect similarity and dissimilarity among individuals leading to meaningful understanding for complicated phonemena and outcomes affected by their distinguish demographic features and those who share these features are more likely to be similar. The influence of demographic effects may vary across nations as population and socio-cutural patterns vary (Wiersema and Bird 1993). Also people often perceive promises differently and what one person perceives as a promise may not be cognitively processed as such by another organisational member. As a result, demographic effects on PRP aspects have generated considerable interest so that it is theoretical importance in the study of organisations in Thailand. Far less research has been conducted outside of Western countries concerning PRP practices. Recent research has highlighted the importance of employee demographic composition towards perceptions of PRP.

Table 8.1: Results among gender, age and PRP

Variable		Mean Rank	Mann – Whitney U	P
Gender	Female	174.77		NS
	Male	165.11		
Age	≥35	154.78	11412.500	.02 *
	<35	175.67		

Notes: * Significance at 0.05 level (one-tailed)

Women and men may value different characteristics in a job, thus several studies (Keaveny and Inderrieden 2000; Okpara 2004; Roxes and Stoneback 2004; Moyes et

al.2006) noted that the relative importance of job characteristics is gender - based. The findings explicate that Thai male had no stronger perception on PRP issues than female. This is consistent with Keaveny and Inderrieden (2000) that gender differences in pay satisfaction had been reported even when the level of pay had been controlled for. Prior research by Brown (2001); Baruch et al. (2004), meanwhile, stated that females perceived PRP systems more favourably than males and Kessler (1994) found that successful PRP systems were often regarded by women as a fairer way of proving their worth. Moreover, Thai female workers shown more pay satisfaction than male (Rohatas 1995). By contrast, Tocher et al. (2006) argued that males had stronger preferences for individual performance pay plans those women.

Although men are likely to favour extrinsic rewards such as money and advancement, Thai men did not stress better perceptions over PRP discourses than women, unexpectedly. There are several ways to explain why as previous studies found. Firstly, PRP may not suit with characteristics of Thai men since males and females have distinctive different values and traits due to gender creating different moral orientations resulting in different decisions, needs and practices. Acceptably, Thailand is dominated by power distance and patriarchy (Komin 1991; Pinyuchon and Gray 1997; Stage 1999; Hofstede and Hofstede 2005). A related concept is the tradition of a hierarchical, authoritarian and patriarchal family based on deference, submission and respect. Additionally, in patriarchal families, men are held the most power and authority in the household whereas women are depicted as weak, inferior to men and shaped by social and relational factors. Specifically, Thai men who dominate Thai society normally occupy positions of privilege in the social structures and they exhibit typically Sanuk character (fun orientation in life), more freedom, better opportunities and more flexibility. So, Thai men have bben found much violation of regulations as found by Betz et al. (1989); Limanon (1998). They are going to do with a certain goal in mind and go for it, no matter what other people think. So, a lot of manufacturing companies are particularly appreciating Thai women workers who excel in detailed work are obedient, hard working and loyal (Sathaporn 2006). It is consistency with the study of Choochom et al. (1999) summarised that Thai women had a significant greater scores in terms of total intrinsic, achievement and determination intrinsic than male. All stated earlier portrait the

241

personality of Thai men which may not get along well with PRP fundamental. Because PRP policies are a way to mainly determine by a certain performance evaluation and systematic process. An assessor is able to monitor worker effort and promotion on employee performance. Consequently, the higher is the effective performance, the higher is the pay earned.

Secondly, Thailand is historically a male-dominated society and it continues to influence a modern society. The finding may reflect differential treatment of men and women by firms where the choice of work has likely been influenced by market discrimination in Thailand where employers may judge that women are more likely than men to leave the companies during any given time period for family issued reasons, meanwhile, women may be socialised not to express their discontent publicly or formally. Subsequently, women might give up promotion in the male-dominated bureaucracy and thus focus on intrinsic rewards instead. Consistently, Sun (2007) reveals that the gender inequality in the Thai employment market was pervasive, deep-seated and complicated. This kind of gender segregation and discrimination might be more intensive. In essence, although Thai women act more independently in many spheres than women in most other Third World societies and their labour force participation, legal rights and political spheres are higher than in the rest of the region (Chompookum and Derr 2004; ILO 2008), employment status of Thai women was relatively lower than that of men and they were clustered in low-level jobs including given less opportunity for training than men, making them disadvantaged in the manufacturing sector and ill - equipped to face new occupations in a changing world of work as reported by Sun(2007) ; NSOT (2009). Congrunce with the finding of Jantararoungtong (2003), female workers in Thailand significantly perceived a greater level of gender bias perception regarding recruit/selection, training opportunity, job evaluation and compensation. Supporting with PRP coverage, Thai women are more likely to task more risks in their job performance and in their activities in the labour market in the line with Chauvin and Ash (1994). Thus currently women seem to be relatively free from the traditional rules and norms. More supporting reason should be pointed out that Thai women would perceive an opportunity to be fairly evaluated towards PRP plans as Kessler (1994) found. Hence, Thai women may compete on equal terms and could have a better chance to shine under PRP plans as

PRP is the shift away from the traditional basis for job-based pay towards performance-oriented payment schemes in many organisations seeking to develop the HRM model (Milkovich et al. 1991; Kessler 1994; Shelly 1999). It would appear that Hofstede's Femininity dimension tends to play an increasing role in a Thai society as men and women can both be a breadwinner compared to masculine countries, especially Thai women have received greater opportunities for the fulfilment of multiple social roles.

Employee age is another potential antecedent of organisational behaviour that has been frequently analysed in the business management literature (Finegold et al.2002; Niessan 2006). Changes in maturity of employees influence their perceptions of HRM (Shen 2010). Thus, differences in the experience of each generation have generated a different set of values and attitudes. As predicted, the results presented here have shown that the perceptions of PRP were better among the young than the old which is consistent with the earlier research of Brown (2001). It should be understood that old workers may be demoted their work life and status upon PRP practices. Notably, not all people are motivated by the same factors. In particular, seniority may be more important in Asian contexts, although recent research findings suggest that seniority norms are changing (Chen et al. 2004). These differences have often been explained in terms of greater power distance - the extent to which power and status are unequally distributed within a society-because allocation of rewards to senior employees is an expression of respect in Asian culture where society is tied to a hierarchical system and seniority is a vital part of a social value. Hence, the traditional pay based on seniority is prevalent and has been accepted in principle in Thailand since this is to assure employees that their loyalty and commitment to the organisation is appreciated. This further supports the view that senior group workers receive greater rewards than their counterparts with low seniority, even when they exhibit low task competence and social competence (Rusbult et al. 1995). In line with the findings of Peungpibool (1998) who posited that the seniority reward system had reduced employees' work satisfaction in Thailand and companies should introduce performance based pay than a seniority system.

Clearly, evaluation of PRP requires continuous learning, knowledge and skills on a regular basis to reach the objectives successfully so that older workers would be

degraded under a heavy pressure because of less self-improvement at work. Consistently, evidence of Niessen (2006) indicated that older individuals were less motivated to learn, develop and participate in training than younger ones. Similarly, Sripong (2007) and Adisairattakul (2007) confimed that Thai older employees exhibited low motivation at work and also workers with ages under 25 years had significant higer job motivation than the elderly because the younger were more alert to learn. Essentially, among the key features of the collectivistic orientation is the importance attachment to loyalty and saving - face. If you are older, younger people will give you more respect and will be less likely make you embarrassed, meant losing-face; nevertheless senior employees who are evaluated at the bottom of PRP plans might be embarrassed. As senior employee is assumed to know everything for which s/he is responsible. If the superior cannot do so, his/her position as a senior will be considerably undermined leading to losing - faces. Ultimately, PRP implications require prominent performance and an individual who succeed expected objectives will be rewarded. These criteria may be barricades to older employees towards PRP system.

Table 8.2: Results among Marital Status, Children, Education and PRP

Variable		Mean Rank	Mann – Whitney U	P
Marital Status	Ever	171.82		NS
	Single	168.32		
Children	No	88.75	3162.500	0.02*
	Yes	107.60		
Education	undergraduate	175.13		NS
	≥ undergraduate	168.23		

Notes: * Significance at 0.05 level (one-tailed)

With regard to *marriage and having children*, at times most employees must deal with personal issues that interfere with their job performance. Even if employees find a reward motivating, it does not mean that each unit of the same reward has the same impact relative to the perceived benefit. Results of the analysis of pay valence by Gorman (2000)

had shown that pay valence is greater for married and divorced/widowed individuals than for single (never - married) individuals. At present, concern has been expressed about the impact of family responsibility on organisational behaviour. Surprisingly, the finding shows that those with children had better perceptions towards PRP plans whereas single one did not demonstrate greater perceptions as predicted. Two explanations might be applied. These results are consistent with the argument that marriage increases the value that individuals place on outcomes that pay enables them to attain. Responsibility for family leading a married person attempt to devote more time to income earning than can single men since marriage tends to bring about lifestyle changes such as the purchase of a home, childrearing expenses that increase the need for money (Reed and Harford 1989). As stressed by Korenman and Neumark (1991); Gorman (2000); the majority of newly hired men who were married produced a top great level of performance rating.

An alternative explanation is that in the literature on cross-cutural management, a traditional dichotomy has evolved that distinguishes "Eastern" and "Western" approaches to management. The low individualistic characteristic of Thai culture is also reflected in values associated with the Thai kinship system since Thai society is seen as a "patron – client" relationship, for example juniors deferring to seniors and seniors assuming responsibility for the welfare of juniors (Meesook et al. 1995). The parent - child relationship is viewed by the Thai as basic to social life. Thus, most Thais retain very close ties with their families and childbearing is undoubtedly an important social life event for a couple in Thailand. Certainly, family in Thailand focuses on family hierarchy; sons or daughters can stay with their family as long as they are single or even when they are married. Due to child - rearing responsibilities, Thai workers who have parental responsibilities might expect to gain a higher income under PRP plans. This is an interesting explanation why Thai worker who are married and/or have children might prefer a measurable performance assessment and expect to earn more pay with PRP practices. Consequently, married individuals and those with children would more willingly abide by regulations or policies and more favourably accept any change that a company performs in compliance with PRP policies as a new pay system. Supported by the finding of Taormina (1999), a tendency for married employees is more likely than single employees to view their employers as a family, to which they may feel more

245

obligated. Blegan et al. (1988); Tsui et al. (1994) indicated that married people were more committed and more happier with their job than unmarried people and also married men/women with children were more closely identified with their work than those who had no children. Apart from feeling of obliged to PRP plans, their responsibilities with children enforce them to work with higher performance so that their pay would be a substantial increase on a PRP system since the level of PRP is objectively determined by the work done which meet or exceed the goal.

Against expectations, higher - educated workers did not present a greater perception of PRP. Level of education can be seen as the process of providing an individual with updating and improvement skills and knowledge. However, this finding differs from the previous results of Torrington (1993); Cowling (2002); Kato and Morishima (2002); Long and Shields (2005) who reported that highly educated employees are particularly interested in receiving rewards tailored to individual performance. Two reasons can be put forward to explain this result. One plausible explanation could be that lower educated employees perceive on PRP plans as a vehicle to gain more income. One way of evaluating a person's capability and dignity is the level of education. So parents support and push their children to study more and more as in some countries, including Thailand, the length of service in companies, age and level of education lead to automatic pay increases linking to an uncertainty avoidance culture. This explanation is congruent with Mamman et al. (1996) who confirmed that people from strong uncertainty avoidance cultures are engaged with structured situations - e.g. pay system based on authourity and responsibility, seniority educational attainment, skill, length of service. Thailand had a high Power Distance score reflecting in the power in firms is distributed unequally so that these with lower education may want to improve their standard of living and move upwards to the top of the pay system by rewarding individual based on their work performance, without evaluating their education status as PRP is a necessary precursor for innovation. It pertains to the generation of new and valued management that reflect a broad shift in perspective and reorientation of existing practices of compensation.

Secondly, the better level of education may not guarantee employees performance in Thailand. As noted above Thai society still provides opportunities to employees who

have certain qualifications from universities. A quite different class-linked status is depending on which Thai educational institution they attend and whether they obtain college and university degrees abroad (Sriussadapron - Charoenngam and Jablin 1999). However, the level of education does not assure the ability of Thai employees. Research done by Somsamai (2004); Howard (2008) concluded that the Thai school education system is weak, with large classes and an emphasis on rote learning. As American supervisors commented that the Thai educational system may not adequately encourage Thai people to think analytically and critically in classrooms (Sriussadapom 2006). Moreover, since Thai education is a highway jumping up into higher quality of life, the education system is a profitable business with a slogan - the more students there are, the fewer teachers we hire. Consistently, the secondary education has failed to keep pace with Thailand's growing needs and recent decades Thailand chose to invest heavily in infrastructure, but not in the education of its people, so it is particularly susceptible to weaken its own labour standards in order to compete with its neighbors (McNally 2001). It may also be claimed that educated employees who fail to obtain a good performance towards PRP plans may be losing-face and PRP will thus be unpopular among highly – educated workers. At the same time, despite of having great potential, some workers with lower qualifications may have been dissatisfied with the traditional pay system in which education level was one of evaluation themes. They have seen a new way to gain increased income with PRP schemes.

Table 8.3: Results among Tenure, Work Hours, Work Shift, Position and PRP

Variable		Mean Rank	Mann – Whitney U	P
Tenure	≥5	164.15	8356.000	0.013*
	<5	192.55		
Work Hours	> 48	143.15	7953.500	0.03*
	≤ 48	166.54		
Work Shift	Shift	158.95	11813.500	0.04*
	Office hours	177.55		
Position	Plant	152.37	9664.000	0.002*
	Office	183.21		

Notes: * Significance at 0.05 level (one-tailed)

The shorter the *organisational tenure*, the better the perception of PRP. Tenure is the time employees work within an organisation. As pointed out previously, seniority is a very important issue in Thailand. PRP has been shown to increase productivity in some setting, which may itself increase job satisfaction if workers can witness this and gain in pride, confidence and their self-worth. Upper levels of management within a corporation are generally not available to younger employees in Thailand. Although the older employee typically enjoys increased power and prestige associated with a senior position (Moyes et al., 2006), an individual with longer length of service would be more resistant to PRP schemes serving as a pattern of way to improve workforce's abilities or skills which is in accordance with Marsden (2004). Employees with longer tenure have seen their advantages with a seniority system, rather than a PRP system which is evaluated on individual basis irrespective of tenure. PRP aims at attracting and retaining highly performing and skilled workforce; in a contrast the length of time within a firm may not assure effective performance towards PRP practice. It was notable that PRP is not just another variation on the pay systems; it is also a fundamental change in values and management style. This corroborates Lovett et al. (2006)'s research findings which showed that pay is more positively associated with overall job satisfaction for new employees. Thus employees with a shorter tenure in a company would tend to value a job with meaningful content and would attach greater importance to advancement opportunities - in other words; they prefer jobs that offer a clearer career path ahead of

248

them than workers with longer tenure as such opportunities decline with time in organisations. Hence, an individual with shorter tenure has a better perception of PRP.

The findings have shown that employees working from 9 to 5 o'clock and/or 48 hours a week, which are standard working hours under Thai law, had better perceptions of PRP. While most work during the day, a significant minority works evenings and nights or rotate their hours on a regular basis. Many employees following a set pattern of a "9 – to -5" work day can more normally manage their life than people working alternative shifts. More importantly, Hemsrichart (2000) found that morning shift workers in Thailand had shown better work performance than the afternoon or night shifts workers. Workers with night and/or longer working hours might decrease their performance and productivity since the time of a night or longer period can be destroying their health and harming personal relationships. Certainly, stressful work conditions producing not only excessive time demands at work but also excessive effort required by heavy workloads, thus leaving insufficient time and energy for family - related activities, leading to work-family conflict which might affect on employee's job performance. This suggests that work performance on shifts would be at decreased levels of efficiency because of disturbances of the patterns of rest and activity as much of the literature exhibited (Shepard and Clifton 2000; Ahasan 2002; Toppinen - Tanner et al.; 2002). Besides lower performance and health-problems reported during night or longer responsibility, supervision is normally decresed at night as noted by Folkard and Tucker (2003). This may be a potential barrier on work performance since there may be less supervision at night and less efficiency of machine controlling in the manufacturing sector linking to lower job performance.

Another explanation lies on these findings, those who work more than 48 hours per week have little time left for education and training. This often sets up a vicious circle of underinvestment and low skills that perpetuates the use of long hours. ITUC (2007) showed that almost one in three of the workforce - more than 8 million employees - say that long hours or stress have stopped them taking up some training or education in the last three years. When workers' income increases, people find themselves actively wishing for and striving for things that they dreamed of before. Such employment environments under PRP focusing on the link between high earning and high

performance are justified to keep the individual motivated and that such environments increase worker optimism about future employment. One such strategy of PRP policies is to reward a high performance individual in order to enhance the productivity of the workforce. The salient of managerial decisions to use PRP as output-based-pay derives from the expectation that this pay produces universally superior result. This policy reversal has also brought with it systematic overhauls, including a change from vauge and abstract skill requirements to an appraisal system based on highly objective "Management By Objectives" (MBO). Employees are encouraged to obtain skills-enhancing education and training so as to improve their performance and reach the appraisal standard and reward assessment. Hence, it could be seen that shift workers or longer-hour- workers might perform worse performance against PRP goals, compared to those working daytime or standard hours.

As predicted, the data reveals a significant difference with white-collar employees having a better perception of PRP systems than blue-collar employees. White-collar occupations include managerial and professional occupations, associate professional, clerical, secretarial and sales. White-collar groups are typically not considered dirty or dangerous and do not involve heavy or physical labour (Halle 1987; Booth and Francesconi 2000). Additionally, consistent with prior research of Ellis (2007) where argued that blue-collar and white - collar work were very different regarding perceptions and workplace behaviours. This perception of PRP in this study is supported by of Farh et al. (2004); Piekkola (2005) who found that firms in large industry characterised by the use of skilled workers are more likely to implement PRP schemes. Although PRP policies are set up on a similar basis for both blue-collar and white-collar employees, PRP perceived promises may differ in regard to different categories of employee. The findings also confirmed that the hierarchical concept in Thailand influences employee's attitude. It is generally believed that white –collar employees are of a higher status in a company and work more closely with senior management who has a power of performance evaluation since white-collar jobs, which commonly include a broad range of duties, provide an opportunity to demonstrate superior performance. Further, non-managerial employees, who usually have limited contact with top managers and are likely to see management's values and interests as remote from their own. Even though companies strive to assure fairness of work in an

organisation, blue-collar workers may feel that they are unfairly treated and might be able to be less rewarded. Importantly,the study of Hanley and Nyugen (2005); Reilly (2005) reported that concentration on an individual performance was irrational from the perspective of some blue collar workers and they tend to be distrustful of PRP and they do not have faith in the capacity to make appropriate judgments on their performance in a fair and consistent manner. As a result, white-collar workers in these organisations feel a greater level of PRP perception.

Table 8.4: Results among Firm Size, Union Status and PRP

Variable		Mean Rank	Mann – Whitney U	P
Firm Size	≥500	160.26		NS
	<500	171.99		
Union Status	No	171.63	6915.000	0.009*
	Yes	150.32		

Notes: * Significance at 0.05 level (one-tailed)

Regarding *firm size*, the findings revealed that employees in larger firms did not exhibit a better perception of PRP than those working in small firms. Firm size is likely to be a factor of pay and in many industries advantages connected with the size of operation exist. One such advantage result from economies of scale and a decresing unit cost is linked to an increasing level of activity per time period. Large firms may have a greater propensity to adopt all forms of HR policies since it is more likely that they will have abundant resources to design and implement such policies and because they have more employees across whom to spread the fixed costs of plan development and administration (Brown 1990; Long and Shields 2005; Puspakom 2007). In addition, Poole and Jenkins (1998) found that expanding firms utilised more organisational PRP than other firms, as well as more individual PRP, in fact. However, as an organisation grows larger and more complex, the level of knowledge and understanding regarding the position becomes more demanding, particularly in larger firms where employee effort and productivity is not monitored and so employees are distanced from management and decision making.

Monitoring and communicating regarding to employee productivity become increasingly difficult as the worker's distance from management grows in larger firms. Another possible explanation could be that workers in smaller firms value a mechanism such as PRP that not only makes them feel closer to the decision-makers but also are possibly nurtured by employer participation. Specifically, smaller firms find it easier to communicate and develop monitoring and participation under PRP practices. Such participation tends to promote an industrial relations style or corporate culture conducive to labour cooperation and strong company loyalty by workers. According to agency theory, PRP acts as a monitoring device that links pay and performance, allowing the workers to optimise their choice of effort and resulting pay. In small organisations performance hence can be more easily observed and rewarded by PRP practices. Likewise, Long and Shields (2005) found that the proportion of managers to non-managers may influence pay policy, as firms that are thin in management may rely more on PRP as a way to control employee behaviour than other firms.

The current study has been shown that *non- union employees* demonstrated a better perception of PRP than unionised ones. As Heery (1997) argues, individual PRP has stimulated demands for union representation and unions play an important role in ensuring that PRP is operated fairly and consistently.The aim of PRP has been to increase the input both quantitative and qualitative of workers to the production process (Whitfield and Poole 1997). As the research of Feldman and Scheffler (1982); Mamman et al. (1996) reported that unions raised the level of employee benefits above what non - union firms offered to workers. Acceptably, membership of trade unions has been found to influence preference for a PRP system. As been found in prior research by Punturaumporn (2001); Siengthai and Bechter (2004), connections, called "Mee sen" (Section 4.3.2; Chapter 4) and "who you know" are the matter in Thailand, notably. Some non - unionise employees sometimes do realise that they are unfairly or unequally treated in employment relations due to their unprivileged status and lower expectations. Confirmed by Schmitt et al. (2008); Long and Shield (2005), workforce unionisation may indirectly affect managerial pay levels through unions' ability to negotiate higher wages for workers. So, unionised member was more likely than non - union workers to obtain a higher proportion of total

compensation. Finally, non - union employers would seek for equal payments under PRP schemes based on systematic evaluation and objective assessment.

Another reason is that unionised employees may highly expect the impact of unions on the determination and administration of pay policy, and that their pay should be increased due to union influence. The role of unions in Thailand, however, is not formally accepted and it is extensively convinced that employers are not in favour of trade unions as noted by Stiftung (1980); Brown (2003); ITUC (2007); Chatrakul na ayudhya (2010). Even though there were some evidences to support that workers covering with the union obtained more wages, a firm in Thailand tends to tie pay practices together with other factors such as employers' ability to pay or regional/national labour market conditions, rather than the influence of union, currently. Without a powerful influence on pay schemes of union, employees participating with unions might be disappointed and expressed a lower level of satisfaction with PRP plans. Moreover, unionise employees would judge that PRP could serve to undermine collective bargaining; this is also consistent with Gomez - Mejia and Balkin (1992) and Kohn (1993). As well as Long and Shields (2005) stated that unionised firms were less likely to employ performance based pay.

8.3 Teamwork, Career Advancement and PRP

Table 8.5: Results of Teamwork and Career Advancement

Item	TH	JP	US	Kruskal Wallis Test	
	%	%	%	Chi-square	P
The scheme increases the level of cooperation between employees					
Disagree	24	20	28		
Neural	31	23	31		
Agree	45	57	41		
Mean Rank					*NS*
Due to the effect of PRP, employees tend to work independently and refuse collabourative work					
Disagree	46	59	43		
Neural	32	14	27		
Agree	22	27	30		
Mean Rank					*NS*
PRP strives to achieve an excessive competition at work					
Disagree	45	55	38		
Neural	31	22	31		
Agree	24	23	31		
Mean Rank					*NS*
Since PRP was introduced, employees attempt to get promotion by press others down					
Disagree	45	60	43		
Neural	33	14	28		
Agree	22	26	29		
Mean Rank					*NS*
PRP has contributed to my performance improvement					
Disagree	16	8	5		
Neural	34	36	38		
Agree	50	56	57		
Mean Rank					*NS*

(continued)

Item	TH %	JP %	US %	Kruskal Wallis Test	
				Chi-square	P
You attempt to join in additional training programmes to advance your work skills under PRP scheme					
Disagree	10	3	5		
Neural	34	33	38		
Agree	56	64	57		
Mean Rank					*NS*
The PRP fosters your career aspiration					
Disagree	10	12	17		
Neural	34	41	42		
Agree	56	47	41		
Mean Rank					*NS*
Your supervisor provides you meaningful suggestion when you face any problems at work					
Disagree	17	14	17		
Neural	35	27	39		
Agree	48	59	44		
Mean Rank					*NS*
You are satisfied with your opportunity for growth at the company under PRP scheme					
Disagree	13	12	15		
Neural	31	23	28		
Agree	56	65	57		
Mean Rank					*NS*
PRP plan gives me a better opportunity to obtain the higher position					
Disagree	12	13	13		
Neural	25	22	35		
Agree	63	65	52		
Mean Rank					*NS*

Notes: * Significance at 0.05 level (one-tailed)

Surprisingly, there were no significant differences among Thai workers in Thai, Japanese and American firms in term of teamwork and career advancement. The findings in Table 8.7 further demonstrated that there were significant relationships between teamwork and

255

all elements of PRP scheme. Meanwhile, communication, system design as well as pay-performance link have found positive relations to career advancement.

Differences between American and Japanese management may result from differences in work design, workplace experience, organisational structures and demographic characteristics. More interestingly, teamwork was not destroyed by the PRP plans in Thailand as revealed by Torrington (1993); Brough (1994); Farrell and Morris (2009), contrastly workers' cooperation had increased since. As previously indicated, Thailand is embedded with the collectivism concept where the belief that collectivist, or group, is concerned rather than individualistic where people's focus is on personal achievement and independence (Hofstede 1991). Obviously, collectivism is emphasised by a tight social framework which employees expect their in - group (family, colleagues or firms) to look after them and in exchange for that they owe the in - group absolutely loyalty. A Thai expresses a network of social connections that include extended families and other groups supporting by the research of Sriussadaporn - Charoenngam and Jabin (1999). Actually, the competition at work may cause tension to Thais as they are harmony orientation. Contradicting earlier findings, it can be explained by the different cultures between western and eastern way. Thai culture itself is centred in a unity of groups which in turn provide protection and support to the individual who would give reciprocally loyalty and respect to an organisation when they feel part of teamwork. This is in line with the use of gainsharing of three groups of companies (Chapter Seven) supported that all companies are focusing on a team atmosphere.

Of course, Buddhism is a key component of Thai national identity. They appreciate to offer their help to a co - worker who is struggling at work without hesitation. In regard to one of the most prise valued by Thai people, is Nam Jai (Water from the Heart). This value is reflected in genuine acts of kindness or voluntary extension of help, to someone you know or even a stranger without the expectation of anything in return. More essentially, most employees are tied with Buddhist teachings which strongly believe in Karma, meaning that employees would be ensured that if they do good things, they would be happy and satisfied about their life both now and in the next reincarnation. Thais believe that when they give kindness and help to the others (colleagues), they

256

would receive a greater return (rewards and/or promotion) in the future, exactly. In addition, Thai employees consider their organisation as a big family and have a strong "we" rather than "them and us". The firms is called "our organisation", so they help each other to achieve "our firms'goals" as well. Therefore, Thais in all firms would appreciate to work as a team and encourage co - operation upon PRP settings. Moreover, besides collectivism, this kind of culture is also related to the emphasis on harmony orientation based on femininity dimension.

The current findings (Table 8.7) have found that fairness has strong, positive relations with teamwork (r = .602, p < .01). The explanation is given that not only do employees have differing perceptions in a team about whether they will receive outcomes resulting of engaging in their team but they also vary in how much they value each of these types of outcomes. High performance not followed by a reward will make it less power in the future as stressed by Gerhart et al. (1995). So an individual gears to the performance of each member in a team, whether they are provided proper rewards related to their performance. As following the social exchange relationship, these employees feel that, in return, their effort are being recognised and are being treated fairly with dignity and respect by a supervisor/a firm, they may reciprocate by trusting that firm more and would feel more confident of surviving under the PRP schemes. They may respond by engaging in desired behaviours (e.g., working harder), which ultimately improves their performance.

Further, pay - performance link, communication linking to the system design and performance management of PRP practices are associated to teamwork and career advancement. Compensation might be a major criterion for choosing an organisation, but once they are part of the organisation, employees look for vertical and horizontal growth in the organisation (Paul and Anantharaman 2003). As seen in this research performance appraisal and system design both provide the framework to evaluate employee's performance and offer an opportunity for both the organisation and the individual to review his/her current level of knowledge, identify the gaps and take necessary steps to strengthen their competence leading to training needs in order to increase future performance as well as the identification of the employees' career development

opportunities. In compatible to expectancy theory, when employees realise that their contributions are valued not only by short-term financial rewards but by promotion to higher positions, they feel that their futures are guaranteed in the company. Development will be used as a means of reciprocation if the employee perceives the activity as beneficial to them or companies. Such perceptions intrinsically motivate the employees through obligating in return. Subsequently, employees are evinced to improve capabilities and values for increasing their pay and benefits as the previous finding of Lindholm (2000); Harris (2001); Paul and Anantharaman (2003); Chang and Hahn (2006); Shen (2010). Also Dowling and Richardson (1997) describe that PRP encourage personal and professional development. Apparently, the effective system encourages employee efforts on the right kind of tasks so that they would accomplish expected result.

Furthermore, communication may provide the information needed to adjust employees' performance by providing clear signals about the intended objectives and supplying the necessary motivation by rewarding desirable behaviour. When employees recognise the expected goals via any communication channels, learning or knowledge acquisition can then be linked to developmental activities. Essentially involved, it appears that communication sustains cooperation among employees since teamwork would be derived from the freely flowing communications under a PRP plan. The result is in consonance with that of Lindholm (2000) ; Matveev and Nelson (2004) who expressed the view that feedback and communications regarding to performance management enhanced the employees with more accurate understanding of job tasks leading to a clear sense of direction, especially for who want to progress within the firms but do not know how to proceed. Additionally, the team with skilled communicators is to be able to openly discuss problems and to communicate a desire for trusting relationships upon PRP plans.

Ultimately, despite American based companies are focused on a more individual-oriented style which requires an individual's total sacrifice to the interests of the goals of the business organisation and also the choice of career path is based on an individual's sense of values, the concept of teamwork is creating a work culture that values collabouration has been in place for decades within American organisational levels, similary to Japanese company. The results supported past literature (Hamilton and Nicole 1988; Kline 1992;

Allen et al. 2004; Shibata 2008; Suda 2007) that American managers can learn some managerial practices from the Japanese, including teamwork whereas many recent surveys have found that Japanese HRM has changed in many respects. As a consequence, Thai workforce in multinational and local companies showed no significant differences regarding teamwork and career advancement.

8.4 Organisational Commitment and PRP

Table 8.6 Results of Organisational Commitment

Item	TH	JP	US	Kruskal Wallis Test	
	%	%	%	Chi-square	P
You enjoy discussing your organisation with people outside it					
Disagree	7	27	21		
Neural	27	32	30		
Agree	66	41	49		
Mean Rank	*218.06*	*153.10*	*164.27*	*26.640*	*.000**
You would be very happy to spend the rest of your career with this organisation					
Disagree	24	35	35		
Neural	35	34	49		
Agree	41	31	15		
Mean Rank	*202.43*	*174.20*	*156.69*	*12.524*	*.002**
You do not feel like "part of the family" at your organisation					
Disagree	46	29	19		
Neural	30	33	40		
Agree	24	38	41		
Mean Rank	*209.78*	*170.00*	*155.05*	*18.187*	*.000**
This organisation has a great deal of personal meaning for you					
Disagree	16	33	22		
Neural	36	32	25		
Agree	48	35	53		
Mean Rank	*198.95*	*164.50*	*168.09*	*7.958*	*.019**
Things were better in the days when people stayed with one organisation for most their careers					
Disagree	21	33	22		
Neural	29	18	25		
Agree	50	49	53		
Mean Rank	*190.07*	*133.02*	*193.52*	*30.027*	*.000**

(continued)

Item	TH	JP	US	Kruskal Wallis Test	
	%	%	%	Chi-square	P
Jumping from organisation to organisation does not seem at all unethical to you					
Disagree	20	29	18		
Neural	33	34	30		
Agree	47	37	52		
Mean Rank	*165.58*	*150.68*	*195.48*	*14.414*	*.001**
You think that people these days move from company to company too often					
Disagree	27	30	31		
Neural	16	18	17		
Agree	57	52	62		
Mean Rank	*161.83*	*156.97*	*192.43*	*9.418*	*.009**
Too much in your life would be disrupted if you decided you wanted to leave your organisation now					
Disagree	5	14	18		
Neural	26	49	15		
Agree	69	37	67		
Mean Rank					*NS*
Right now, staying with your organisation is a matter of necessity as much as desire					
Disagree	50	42	63		
Neural	35	44	19		
Agree	15	14	18		
Mean Rank	*181.82*	*153.74*	*189.05*	*8.903*	*.012**
One of the few negatives consequences of leaving this organisation would be the scarcity of available alternative					
Disagree	6	17	23		
Neural	43	45	18		
Agree	51	38	59		
Mean Rank					*NS*

Notes : * Significance at 0.05 level

The Table 8.6 presents the percentage of respendent with respect to their organisational commitment. As predicted, there were significant differences among Thai workers in American, Japanese and Thai companies regarding affective, normative and continuance commitment. Notably, Thais working within the Thai companies expressed the most feeling of enjoy discussing with their firms (66%). Interesting, the workers from

260

American firms had the lowest degree to spend the remaining time of their life within the present companies and this should be concerned that 41% of them stated that they do not feel like "part of family" at work. Starting with affective commitment, it is obviously seen that the labour in Thai companies had a highest perception of this components which is consistent with Resanond (2002); Panyasiri (2008) who reported that Thai employees with a strong affective commitment continue their organisational membership because they want to. It might be that working in Thai companies where fulfilled their emotional attachment might feel greater nurturing and warm climate and more perceived support from their own company due to an acquainted organisational culture. As the research of Niffenegger (2006) and Sitthifong (2007), compared among Japanese, American and Thai companies in Thailand, Thai firms applied a managerial parctices focusing on human-oriented strategy which would be created more family-like atmosphere permeated the company and that was rather unusual for multinational companies. In line with the suggestion of Gelade et al. (2008), a more nurturing workplace is expected in more feminine culture and they are more committed when they are satisfied with the level of cooperation among their colleage and the relationship with managers. Hence, gaining the positive work experience as a relation with the organisation, an affected individual is willing to exert effort within the organisation.

Not surprisingly, the Thai within American companies showed the least in term of the intention to spend the rest of their life with the companies. The findings provide support for Stage (1999); Shibata and Doyle (2006) Sitthifong (2007) that the managerial style of American companies were not concentrate on the way to enhance the attached feeling to the firm. They were no personal relationship with the employees and executed rigid human resources management whereas Thai people focused on Sanuk and Sabai (fun and relaxing work environment). Consistent with Lehmann (2009) who claims the main cause of job satisfaction in Thailand is relationships with peers and supervisors. As a result, the employees in American would less emotionally or mentally sign of affected expressions. With respect to continuance commitment, there was a difference among sample in terms of continuance commitment where workforce in Japanese companies indicated a lowest mean rank regarding necessarity of staying within their firms. Despite the Japanese offers many performance incentives, they provided considerably low wages for employees

261

which is aligned with Siengthai and Bechter (2004). Additionally, some Thai employees in Japanese companies said that they would happier to do work with more freedom and prefer Japanese managers with more of a fun orientation as Swierczek and Onishi (2003) done their study. Eventually, if employees managed to find better opportunities in other company offering a higher salary and matching their Thai characteristics such as warm and flexible work environment, they may quit, referring to the costs that employees perceive when leaving their present company.

Aspects of PRP such as communication associated with both affective and normative commitment whereas communication was strongly related to normative commitment (Table 8.7). This can be explained that communication can affect empowerment of employees towards pay plans. In fact, precise communication between supervisor and their employees - for example feedback and guidance at work, participation in decision making- increasing affected attitudes so that they feel emotionally committed through supporting atmosphere and strengthen the bond between the organisation and employees. Consequently, they may care about what happens to their organisations and feel personally responsible for performing their job duties properly as found by Ananvoranich and Tsang (2004) and Jiahui (2008). However, this contrasts with the finding of Malhotra, et al. (2007) who found that feedback was not found to influence affective commitment significantly. Most specifically, at the entry level, communication linking to PRP plans helps new hires understand their role and become competent with their task; as a result they feel affected reciprocally with firms and add more effort at work.

In terms of normative commitment, a well - designed compensation system can reduce operating costs and compensation which involves both quantity and quality dimensions communicating to employees when employees know the way compensation is disbursed what has to be done and what their expectations leading to normative commitment. Since normative commitment is mostly influenced by intrinsic rewards and refers to a loyalty and sense of debt toward the organisation based on moral obligation and typically develops as a result of socialisation practices (Meyer and Allen 1991; Wang 2004; Malhotra et al. 2007). Importantly, communication makes employees feel that their employer is providing them with more than they can easily reciprocate. This would

increase commitment reflecting an employee's recognition of his or her obligation within the "psychological contract" (Rousseau 1989) to be in effect with the organisation. More explained, feeling of reciprocity is similar to the concept of Bunkhun in Thailand where beliefs become contractual when the individual believes that he or she owes the employer certain contributions (e.g. hard work, loyalty) in return for certain inducements (e.g. high pay towards pay-for-performance), these individuals hold a psychological contract to work harder and improve work processes as called "Tob tan bhunkun"*. To sum up, communication may enhance the normative commitment of employees by providing greater information and making the performance management process more transparent resulting in an employee's feeling towards more organisational contribution. (Paul and Anantharaman 2003).

As the research has indicated that fairness of PRP schemes was associated with all three aspects of organisational commitment - affective, normative and continuance. However, the strength of the relationship between fairness and continuance commitment is rather small. When pay increases to meet their needs, workers soon use other standards, such as equity with respect to their input or with respect to what other receives. Employees with a higher PRP perception are presenting a higher perceived value granted by the organisation which is given such identification and perception of organisation support would be tied workers to an organisation by positively affected emotion and enhancing the "desire" of an employee to stay with the company. Further, as indicated by the result of this study, fairness enhance employee's feeling of obligations towards the organisation, especially as fulfilment of the psychological contract leading to a feeling of obligation on the part of the company, helps them to align better with the goals/objectives of the firms, thus promoting a sense of normative commitment. According to the basic idea behind social exchange is to provide a benefit to an individual in the form of a favour, opportunity to development, pay and benefits and so on. When employees

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*Tob tan bhunkun : To in turn reciprocate acts of kindness whenever the opportunity exists (Section 4.2.3 Chapter 4)

perceive that the organisation values their contributions, then organisations can benefit when employees feel obligated to repay the organisation for benefits provided and any behaviours they undertake to benefit the organisation will be reciprocated.

Another explanation is given by tracing back to the continuance commitment since employees evaluate how the procedural justice of their schemes includes the opportunities for employees to participate in the process. The effort and energy of workers as a major vehicle to reach organisational goals might be one form of investment. When a person is reasonably paid in accordance to their effort, this boosts their continuance commitment since employees are happier about and experience more satisfaction in, their current jobs. Subsequently, they are likely to increase the perceived costs associated with leaving the firm and thus feel less pressure to seek jobs elsewhere which this finding confirms the result of McFarlin and Sweeney (1992); Gerhart and Rynes (2003); Tekleab et al. (2005). It is also compatible with the finding of Benson and Brown (2000) and Zin (2004) concluded that it is not actual pay that matters but the perception of the adequacy of their pay. Moreover, employees would differently respond to perceptions of fairness or unfairness in how pay is allocated. Along with Hundley and Kim (1997), perceived fairness in the distribution of pay across employees is an important determinant of pay satisfaction. It is acceptable in Thai society that saving - face is an essential concept and greater seniority is a highly valued status. When people experience an inequitable evaluation in their assessment, they would be discouraged in work. As a result, they might abandon themselves from colleagues and also be inactive in team-based activities. However, when they perceive the fairness across their rewards, this fulfills their needs and endeavours them to work in the company. The present results are consistent with the findings of Lee and Gao (2005); Tekleab et al. (2005); Vandenberghe and Tremblay (2008), who found that pay satisfaction conveys information relating to the relative standing of the individual within the organisation.

Table 8.7: Pearson's Product-Moment Correlation Matrix of PRP, Teamwork, Career Advancement and Organisational Commitment

Variables	1	2	3	4	5	6	7	8	9	10	11
1. Performance Appraisal	1.000										
2. Communication	.398**	1.000									
3. System Design	.330**	.087	1.000								
4. Pay-Performance Link	.545**	.406**	.269**	1.000							
5. Fairness	.489**	.376**	.244**	.338**	1.000						
6. Setting Objective	.336**	.316**	.164*	.271**	.276**	1.000					
7. Teamwork	.406**	.343**	.338**	.298**	.602**	.242**	1.000				
8. Career Advancement	.090	.205**	.343**	.200**	.126	.122	.061	1.000			
9. Affective Commitment	.147*	.245**	.103	.117	.277**	.111	.188	.023	1.000		
10. Continuence Commitment	.143*	.110	.077	.195**	.186**	.028	.110	.070	.013	1.000	
11. Normative Commitment	.131	.464**	.154*	.189**	.216**	.133	.244**	.170**	.332**	.048	1.000

* Correlation is significant at the 0.05 level (2-tailed) **Correlation is significant at the 0.01 level (2-tailed)

8.5 Conclusion

The related literature undertaking from previous research and expected variable including demographic information and work-related dimension was revised as a conceptual framework. The main focus of this chapter was to explore the potential relationships between the aspects of PRP and teamwork, career advancement and organisational commitment and the fitness of model. This chapter has concentrated on the descriptive statistical analysis of the data acquiring from the survey (352 usable questionnaires). The survey obtained a response rate of 72%. The objectives of this chapter were to explore, summarise and further analyse. The chapter commenced with the demographic profile concluding the background of respondents with regard to three company groups (Thai, Japanese and American). Later, the result of Kruskal Wallis test of the perceptions of teamwork and career advancement was presented to overview the differences of each variable. The next chapter will be presented the conclusion and recommendations of this research and it will offer constructive guidelines for future research.

Table 8.8: Summary Results of Hypotheses Testing

Hypotheses		Results
Demographic Differences (Chapter 8)		
H1	Men perceptions of PRP will be greater than those of women	Not supported
H2	The perceptions of PRP will be greater among the young than the old	**Supported**
H3	The single employess will better perceive PRP than the married ones	Not supported
H4	Employees who have children better perceptive PRP	**Supported**
H5	The higher the education level, the greater the perceptions of PRP	Not supported
Job- Related Context (Chapter 8)		
H6	The shorter the tenure in a company, the greater perception of PRP	**Supported**
H7	Employees with standard working hours will have greater perceptions of PRP than those committed to over-time working	**Supported**
H8	Employees working office hours will have greater perceptions of PRP than those who work shifts	**Supported**
H9	Employees working in an office will have better perceptions of PRP than those who work in a factory	**Supported**
Organisational Context (Chapter 8)		
H10	The bigger the firm, the better the perception of PRP	Not supported
H11	Non-union employees will be a stronger perception of PRP plan than those covering with union participation	**Supported**
Variables Differences and Association (Chapter 7 and 8)		
H12	There will be a significant difference in perceptions on PRP among employees in Thai, Japanese, and American companies	**Partially Supported**
H13	There will be a significant difference in the views of teamwork among employees in Thai, Japanese, and American companies	Not Supported
H13A	There will be a association between employees perceptions of PRP plans and teamwork	**Supported**
H14	There will be a significant difference in career advancement among employees in Thai, Japanese, and American companies	Not Supported
H14A	There will be a association between employees perceptions of PRP plan and career	**Supported**
H15-17	There will be a significant difference in organisational commitment among employees in Thai, Japanese, and American companies	**Supported**
H15A -17A	There will be a association between employees perceptions of PRP plan and organisational commitment	**Supported**

Source : This research

267

Chapter 9

Implementations and Suggestions

9.1 Introduction

The focus of PRP investigation thus so far has been rather narrow the sense that their Western studies whereas this research intends to make a contribution to the debate by making the case for considering Thai culture and the East Asian context. This final chapter will focus mainly on the implementation and recommendations of this study to assure that the objectives presented in Chapter One were met. This chapter is divided into two sections. The first summarises the findings and, the second discusses the recommendations and further suggestions of the study.

9.2 Implementations of Key Research Findings

The present study has examined the perception of Thai workers, working within the manufacturing sector according to PRP policies and explored their relationship with relevant variables (teamwork, career advancement and organisational commitment). Overall, this research is guided by a multi-theoretical framework of motivation and the difference of national culture to examine the research problem. Based on the current findings we can make two major conclusions regarding PPR practices in Thailand; firstly PRP implementations and related aspects comparing to Thai, Japanese and American; then the reaction of employees to PRP schemes with respect to demographic information and related aspects. It is of interest to explore how the alignment of HRM practices with other functional strategy taken together drive firms' achievement, superior international performance and managing complexity in the globalisation era since HRM practices can be viewed as a symbolic or signaling function by sending messages that employees use to define the psychological meaning of their work situation (e.g., Rousseau 1990). Acceptably, culture is a complex phenomenon and much cultural theory is overly general

268

and still developing. Thus, this research aims to add some insights to this important area. As a large amount of research on PRP at the employee and firm level has been conducted both within East-Asia and abroad. On the other hand, research on PRP in Thailand is not extensive, nor has sufficient research been conducted in the field of managerial policies, especially the relation to demographic variables which play a key role in determining an employee's behaviour or pay satisfaction (Brown 2001; Cowling 2002; Kato and Morishima 2002; Roth 2003; Long and Shields 2005; Tocher et al. 2006). The current findings also would enlighten a better understanding all of the variables in order to develop a further knowledge of HRM contents, particularly from an Eastern perspective and in Thai society where rooted on power distance and collectivism, meanwhile, Awashi et al. (2001) argued that the effects of PRP on employees' decisions and satisfaction depends on two work-related cultural values – individualis and power distance since Western managerial theories and practices may not be completely achieve in different culture (Hofstede 1991).

Our study offers supporting evidence that although local employees should adjust to the culture of the parents company, MNCs have to concern with these cultural differences between host and their parent countries as well. "When in Rome, do as the romans do". With regard to the elements of PRP, positive objective commitment is more likely if employees participate in setting objectives which often lead to a sense of ownership. Despite objectives of payment plans were varying considerably depending on corporate culture and strategies, employees perceived their organisational support in setting objective related to employees' goals, their skills and knowledge. As employees differing in goal orientation may differ in the way they work and maintain relationships with other in their work context. Performance is likely to high when challenging goals have been determined since employees try to satisfy the requirements indicated of one form of exchange. Further, follow-up interviews concluded that the design of the pay system must achieve congruency among all of firm's operating systems, the context of business strategies and resources.

Moreover, the main consideration with performance management and system design is to how effective the system encouraging the right kinds of tasks and behaviours.

269

More essentially, the acceptance of the plan by different groups of workers is needed as strongly suggested by Lawler (2000); Risher (2002). Performance appraisal and system design not only provides the framework to evaluate employee's performance; it is also used to explicite the company culture. Since modern economic organisations are complex, this inevitably involves the dispersion of knowledge and information of employees; in addition, it often entails goal incongruencies between the agents (employees) and the principals (managers/employers) because of both asymmetric information and conflicts of interest. The role of performance evaluation in such a setting becomes a key role considering agency theory. Pay system design and performance appraisal are an attempt to control the effort required to meet performance standards and also guarantee the relation between effort, performance and pay. In essence, it is notable to the link between pay plans and the culture of the organisation while designing the PRP system. If the organisation has a team-based culture, individual rewards may not be an efficient choice. Different pay systems attract different potential works depending on their personality traits and values. Ideally, the employee will be motivated to achieve expected responsibilities that will benefit the organisation in addition to benefiting himself/herself. As been found in this finding, for instance, American companies relied on a risk - taking style were most likely to offer employees with the profit - sharing plans reflecting a relation with workers as unitarist and better employment relations to enable staff to share in overall business success. However, Thai companies shared a sense of ownership to their employees and, meanwhile, enhanced the power of control via stock option plans.

In terms of pay - performance link relating to the Expectancy and Equity Theory, the finding assures that individuals always compare their reward with the others; internal or external firms. When the rewards allocated are not compatible with their performance, then they are likely to reduce their effort or any crucial input as noted by Robbins and Coulter (1996); Huczynski and Buchanan (2007). It is imperative that employees perceive a link between level of performance and subsequent reward levels. Apart from PRP serving as an external reward, internal rewards (such a sense of achievement, praise from a supervisor and feeling of success) also induce employees to continue performing. The findings identified a number of problems related to the fairness of PRP practices

when Thai managers tended to produce the lenient performance appraisal which could arouse conflict and tension in firms. It might be seen as the influence of harmony-oriented Thai culture. Thus system design and training programmes would be useful to set rigourous performance appraisals because employees are accepted performance-based compensation as long as they are fair and objective as suggested by Shen (2010).

The majority mentioned the significance of communication and fairness which is reflective a value of the inner work motivation since communication and fairness develop openness and transparency of pay practices and visibly initiate a direct link between effort exerted and the reward based on individual's performance assessment. Clearly, communication is used to carry out the information which an individual would view an opportunity to be rewarded by improving their skills and performance. They are directly informed on how well they have performed through an assessment. Furthermore, perception of fairness leads people to feel attached and obliged to the organisation, supporting social exchange theory (Chapter Five). However, cultural differences may have distorted such elements. For example, foreign manager allows subordinates to share their opinions and debate issues, other cultural factors in the Thai context such as Kreng jai and a tendency to mute differences of opinion may well preclude a totally candid exchange. When workers who keep their voice linking to their suggestions of discussions may lead to some doubts and the ambiguous situation as found in the present results. Proper communication between MNCs and Thai employees need to be dealt. This finding offers supporting evidence that the practice of performance evaluating, communicating and giving feedback is likely to be adapted to the host culture as suggested by Lindholm (2000).

Preference for pay systems will differ according to employee's experience, ability, skill, qualification and standard of living. Each employee may think, act and react differently because his/her past and current circumstances. While demographic differences may have some effect, research has been reluctant to stress this because variables such as age and gender can not be altered by management and selecting employees based on demographics can be judged as discriminatory (Roxes and Stoneback 2004). Nevertheless, it may be possible for managers to develop appropriate human resource

strategies for boosting pay satisfaction and organisational behaviour according to demographic information. Interestingly, most of theexist findings on demographic variables are contradictory. Some research on PRP indicator a relationship between PRP and education, marital status and company size (Cowling 2002; Kato and Morishima 2002; Yong and Buchholfz 2002; Long and Shields 2005; Moyes et al. 2006; Geiger and Cashen 2007). More specifically, male, single, higher-educated and unionise status of this research did not exhibit the greater perceptions of PRP as found by Walsh (2001); Kato and Morishima (2002); Kim (2005); Long and Shields (2005); Tocher et al. (2006). Particularly, inequality within a society is visible in the existence of different social classes (Hofstede and Hofstede 2005). Not only is Thailand a large-power-distance society but status inequality is perpetuated. The perception of Thai people is situated in the traditional feudal Sakdina system where with a carefully articulated hierachical, centralised relationship of mutual obligation, responsibilities and privileges. People can be high or low relating to their age, family background, occupation or professional rank. But also seniority - based pay is obviously been as unfair system (Mahidol University 199; Puengpiboon 2002; Asisontisakol 2005). Obviously, the consistency of the research findings reflects inequality in Thailand and employees with no voice in companies and Thai society (females, lowly - educated workers, individuals with children, non-union members) have looked at the implication of PRP as a new hope to equally provide them a fair reward.

Related on the result of Dowling and Richardson (1997); Beer and Cannon (2004); Stiffler (2006), it it appears that the whole PRP system should be implemented to develop greater trust in the reliabilty and predictability of the link between effort and reward in order to get a better acceptance of the schemes and strengthen motivational and behavioural impact. Since employees will be positively attracted by perceiving fairness and this is a complementary function of PRP. Importantly, the crucial factor in the HRM-performance relationship is how HRM policies shape discretionary behaviour, i.e., the choices wokers often make about the way their work is done, which are neither expected nor required, and therefore cannot officially rewarded by the organisation, which is translated into improved organisational performance (Rynes et al. 2005). Moreover, organisations in Thailand are increasingly building risk into both individual

(such as bonuses) and group/unit-based pay programs (for example, profit - sharing, gain sharing), despite the fact that Thai employees are typically risk averse with respect to pay. So, it would be far - more productive in building cooperative and trustful relations within PRP establishments.

Consistent with Creelman (1995); Wooten and Cobb (1999), the communication of performance appraisal is likely to affect on career development since a two - way flow of information while receiving feedback reinforces the spirit of improvement and achievement of an individual resulting in their knowledge, abilities and skills improvement to attain the objectives, especially where difficult goals require a great deal of effort. At the same time, the psychological contract is relevant to career advancement, since it impacts on employees' and employer's expectation of how an individual's sequence of work experience will unfold and develop regarding social-exchange theory. Employees may engage in developmental activities to partly benefit the organisation to the extent that a positive exchange relationship does exist (Pierce and Maurer 2009). When they perceive mutual organisation support by their organisation, development may be a way for an employee to reciprocate the benefits by enlarging their roles and including behaviours that benefit the organisation entity. In addition, the positive impact of compensation, such as pay and incentives on work attitudes can be derived from the argument that an individual's perception of being valued by the organisation may be significantly influenced by the organisation's compensation for the individual's effort (Meyer and Allen 1997; Chiaburu and Marinova 2006).

Although the previous studies determined the negative outcome of teamwork and PRP (Brough 1994; Lowery et al. 1996; Marsdens and French 1998; OECD 2005; Dowling and Richardson 1997). None are found in this reseach; but PRP programmes surprisingly force Thai employees to develop a co-operative atmosphere in order to achieve goals setting. It would be widely agreed that Thai traditions and values have been shaped by the influence of Buddhism affecting the degree which people in the society value group membership (collectivism) through families, clans or colleagues. Thais contribute to the group and committed to its norms are involved in its activities, social cohesiveness and intense socialisation. Moreover, Thais with strong beliefs of Karma (Action or do good,

273

receive good; do evil, receive evil) would try their best when serving people or even sharing and helping colleagues under PRP because they also believe that will lead to a better life in the future. As a result, when their opportunity arrives, they will be rewarded and/or promoted. Hence a cooperative environment would be created among Thai workers. Higher pay may not always increase operating costs if it is used to enhance overall productivity of the organisation in a Thai context.

With regard to organisational commitment, the employees working in Thai companies exhibited the highest mean rank of this aspect. It can be interpreted that when individuals are emotionally attached and obliged to an organisation, they identify with the organisation and wish to remain a part of a firm. Working in Thai companies might be seen to cultivate their emotional and affective attachment to the firm and could motivate them to work harder. MNCs can design the compensation system based on the type of employment relationship that they want to maintain. Clearly, it is not enough just to have an internally competitive pay. It is necessary to ensure that one's career is competitive with professionals working in similar other organisations. The pay - performance link and fairness which employees obtain from the firm will reciprocate them to stay and they may recognise high - quality exchange relationships and a feel of strong bonding to their organisations. Conversely, if an individual feels that they are not being even fairly evaluated, they may withdrawn psychologically and are less likely to be committed to the organisation and would be likely to seek alternative employment opportunities.

In other words, the most important purpose of strategic compensation practices is to foster an appropriate employee's conception of employment relationship (psychological contract) that if the employment relationship is to be seen fair by employees, they feel devoted to the organisation and recognise the cost of leaving; otherwise they will lose their investment. The present findings have found that employees who value PRP will harbour feelings of responsibility because they have benefited from PRP practices in some capacity or are fulfilled by the opportunities to be rewarded. Nevertheless, when that emotional attachment is reduced, any ties to the company are weakened as the positive affect an employee feels towards their organisation is eroded. Ultimately, some differences of PRP aspects among Thai, Japanese and American firms are emerged. This

finding could be seen as a sign of cultural consideration. Characteristics of national culture do not, of course, mean that everyone in the nations has all the common elements as linked to that culture. However, this is advisable to an involving person to take cultural differences into account.

9.3 Recommendations for Future Research

As in all research, this study has some limitations and suggestions derived from conducting the research and the questionnaire survey which may not underlie theory, but may be fruitful and directly affect further PRP practices. Managers or practitioners can use the findings and also recommendations drawn from this study to develop and improve their compensation policies to influence desirable outcomes within their companies.

9.3.1 Generalisability and Cross Cultural Studies

Besides the fact that, pay is an extremely sensitive issue in Thailand, this research was done during the economic downturn in Thailand as a result of the military coup launched in 2006. Most companies were confronted with a vulnerable economic impact closely related to pay plans. Subsequently, there were fewer companies to participate in this study than expected; the data collected was presented only from the six manufacturing companies. The findings could not be said to be represented of PRP perceptions in other sectors in Thailand and may reduce the generalisability of the findings. Future researchers should consider including employees from other sectors for potential confirmation and to address generalisability issues.

Essentially, it will be interesting for future research to replicate this study by conducting cross - national studies in others countries, Asian or Western, would prove to be a profitable source for comparison with the Thai respondents. It is believed that potential participants from a different culture may demonstrate differences in cultural values. By doing so, the results of the replication study could increase the robustness, add richness, and enhance the external validity. Consequently, conducting the same survey with

different representativeness will enlarge the data which will extend body of managerial knowledge regarding the aspects of PRP in Thailand and East - Asia.

9.3.2 Extending Potential Measurement

This research draws attention to the underlying attitudes between workers within multinational and local companies in Thailand and highlights the need for theorists and management to more closely consider PRP implications in organisations in this nation. Though PRP is not new in Western business, this technique is in the initial stages in Thailand. To my knowledge, there is no primary and secondary data and/or research available regarding PRP plans. In that regard, PRP and related implementation need to be developed. Importantly, Malakul Na Ayudhaya (2003); PSDC (2003) described that the Thai government launched this pay system into public organisations according to Strategic Plan of Public Sector Development Commision (B.E 2003 – 2007; 2007 -2010). Thus, advance research and the measures of core related constructs are required.

Some potential influential factors from inside and outside firm could not be included in the study due to confidentiality, such as the all of the quantity information involving employee's rewards received, locations or meaningful details of firms. Although this study introduced a model shown several factors relating intention to PRP plans among Thai worker in different nationality of their company. It is advised that future research should go beyond demographic differences, teamwork, and career advancement and organisation commitment. More factors should be added to model in order to determine whether other factors contribute to a greater understanding of this model such as job satisfaction or turnover. Moreover, it can be noted that PRP would increase performance (Chapter Two), further research may be undertaken in regard to the effect on performance, productivity and profitability of the introduction of PRP at the firm levels, in order to fully utilised and confirmed a positive effect of PRP plans.

Notably, this is worthy of further research particularly given the relative importance of communication and fairness. Applicability of these findings has generated knowledge of

Thailand and determined why the results are different from those of studies done in the Western countries. Rather than simply focusing on only the facets of pay satisfaction, communication and fairness was, in this study, significantly stressed so it could be an issue for further research to clarify what kind of communication or fairness towards pay plans the employees are expecting or are in need of the most. Subsequently, we can understand more about how integrating of strategic human resource management practices affect work attitudes. Lastly, the relatively low correlations for organisational commitment were worth noting. Although this research is assumed to be the first study between PRP schemes and organisational commitment in Thailand, they demonstrate the need to design more culturally appropriate measures for these constructs for future research based on Thai culture.

9.3.3 A Longitudinal Research and Timing of Study

A longitudinal research has been claimed that is relatively costly and time consuming, it is suggested for future research to enrich knowledge on the relation between PRP implementation and outcomes reflecting the changes overtime. The effect on organisational behaviours comparing pre and post time of introduction the PRP plans should be interesting. As a result, it could provide significant result for relationship or causality in order to derive an essential understanding of the HRM knowledge. Additionally, this study conducted during the ecomomic recession and political conflicts in Thailand. The expected companies denied to be a potential sample as explained above. This further research would survey for getting more detail in the proper time so as to successful contribution regarding PRP practices in Thailand as a crucial Eastern perspective. Longitudinal studies are needed to offset the disadvantages of cross-sectional designs.

9.4 Conclusion

In summary, despite these potential limitations, the results of this study have important implications for both researchers and practitioners. This thesis reports on an investigation of the relationship between PRP and relevant variables (demographic differences, teamwork, career advancement and organisational commitment) within the context of the multinational and local firms. The findings are considered to provide crucial contributions by advancing the relationship among related aspects to a better understanding of the association of variables, for employees in the manufacturing sector. The findings also make a contribution in that it can be concluded that companies should carefully discern the effects of these values in creating and applying any HRM policies for Thais working both local and multinational companies. HRM practices require modification and development to fit with the organisational contexts. The key to a successful organisation lays in effective management of staff (Guest 1994). In addition, the findings prescribe potential implications for the Thai governments and top management to review PRP practices, consistent with work-related aspects within the organisations. Hence, employees will be more likely to perform better and to feel a higher level of satisfaction towards the organisations. To the best of the authors' knowledge, this is the first study that examines the association between PRP within Thailand, to date.

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298

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301

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322

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327

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Appendix A

Hypothesised Model

Figure 7.1: Hypothesised Model
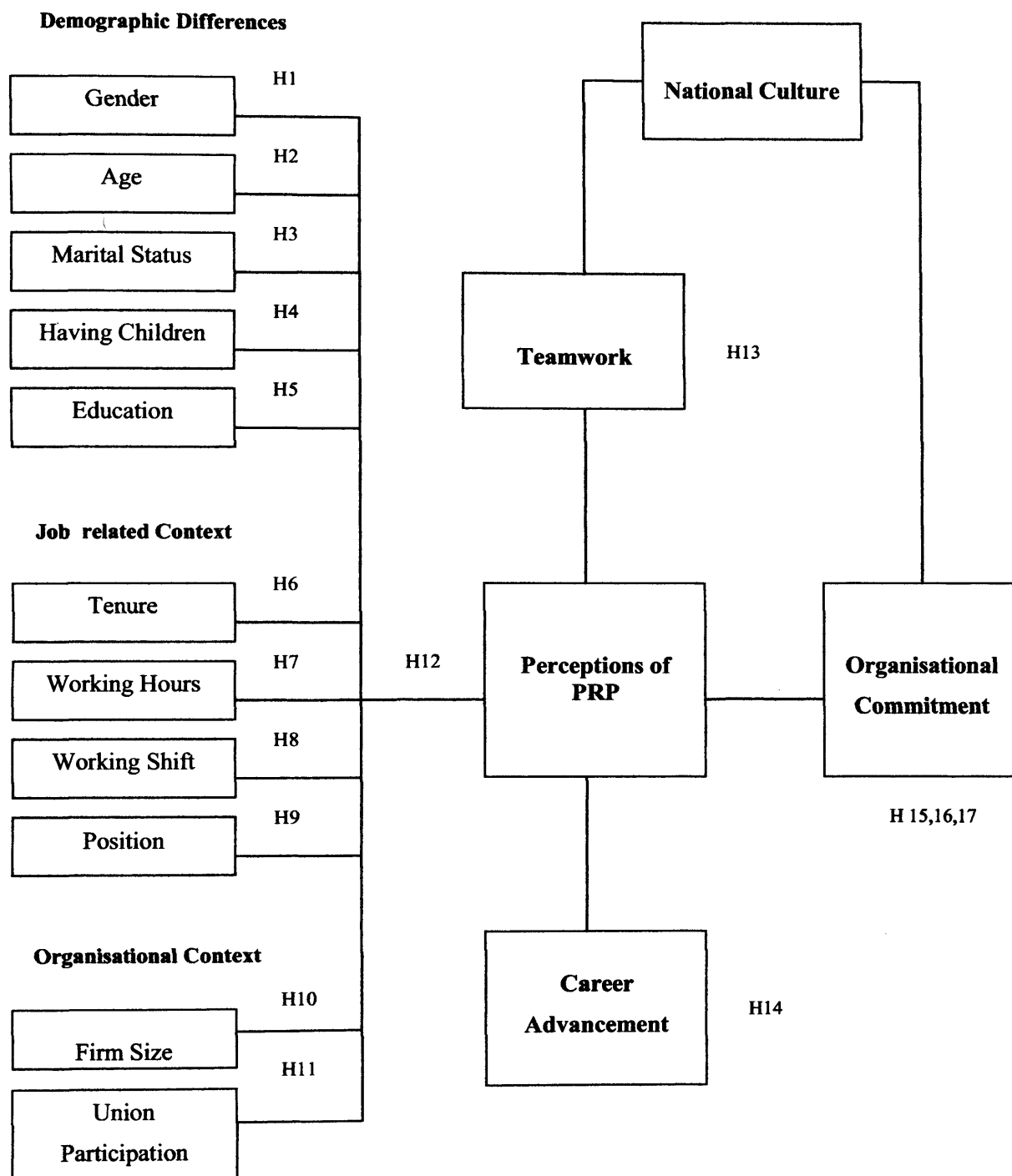
Source: This research

Appendix B

Factor Analysis

Table 9.1: Exploratory Factor Analysis (Varimax Rotation) of PRP elements

Item	Factors and Loadings					
	1	2	3	4	5	6
Communication 1	.712					
Communication 2	.697					
Communication 3	.678					
Communication 4	.646					
Communication 5	.620					
Communication 6	.611					
Communication 7	.570					
Performance Management 1		.739				
Performance Management 2		.687				
Performance Management 3		.684				
Performance Management 4		.641				
Performance Management 5		.568				
System Design 1			.789			
System Design 2			.735			
System Design 3			.693			
System Design 4			.656			
Objective 1				.843		
Objective 2				.815		
Pay – performance Link1					.800	
Pay – performance Link2					.776	
Fairness1						.867
Fairness2						.571
Fairness3						.497
Eigenvalue	7.233	2.245	1.420	1.346	1.249	1.031
% Variance Explained	31.450	9.760	6.172	5.854	5.430	4.482
% Cumulative Variance Explained	31.450	41.209	47.382	53.235	58.665	63.148

Table 9.2: Exploratory Factor Analysis (Varimax Rotation) of Career Advancement

Item	Factors and Loadings	
	1	2
Career Advancement 11	.868	
Career Advancement 22	.847	
Career Advancement 33	.691	
Career Advancement 21		.909
Career Advancement 22		.871
Career Advancement 23		.858
Eigenvalue	2.3553	1.765
% Variance Explained	42.251	29.411
% Cumulative Variance`Explained	42.251	71.603

Table 9.3: Exploratory Factor Analysis (Varimax Rotation) of Organisational Commitment

Item	Factors and Loadings		
	1	2	3
Affective Commitment 1	.888		
Affective Commitment 2	.886		
Affective Commitment 3	.765		
Affective Commitment 4	.564		
Continuance Commitment 1		.891	
Continuance Commitment 2		.882	
Continuance Commitment 3		.878	
Normative Commitment 1			.912
Normative Commitment 2			.906
Normative Commitment 3			.857
Eigenvalue	3.425	2.409	1.597
% Variance Explained	34.252	24.093	15.970
% Cumulative Variance Explained	34.252	58.344	74.315

Appendix C

Questionnaire

A Research Survey on

An Empirical Analysis of National Culture and Performance-Related Pay in Multinational and Local Companies in Thailand

Archabaramee Thapatiwong
PhD Candidate
Business Studies
Cardiff Business School

Under the Supervision of
Prof Jonathan Morris
Dr John Salmon
Cardiff Business School

338

SECTION A

Personal Background

1. Sex   ( ) 1.Male   ( ) 2.Female

2. Age : .... years

3. Married   ( ) 1.Single   ( ) 3. Widowed

                      ( ) 2.Married   ( ) 4. Divorced

4. Children   ( ) 1.Yes   ( ) 2.No

5. Education

      ( )   1.Secondary School   ( )   4.Undergraduate

      ( )   2.High School   ( )   5.Postgrraduate

      ( )   3.Certificate/Diploma

5. How many average hours do you work weekly, on average? ....

6. Which kind of working times are you?

      ( )   1.Office hours   ( )   2.Rotating Shifts

Employment Experiences

8. How long have you been working for your present company? ....years

9. How long have you been doing your present job in the company? .... years

10. What department do you work for? ....

11. Have you worked at any of departments in the company? ....

12. Have you received any of the following types of training in the company?

( ) 12.1 Training involving directs skills for your work – electronic components assemble etc.

( ) 12.2 Training involving indirect skills for your work – teamwork training, leadership training etc.

( ) 12.3 Additional Training – please specify ....

Organisational Factors

13. What is your company?

      ( )   1. An American-owned company   ( )   3. A Thai-owned company

      ( )   2. A Japanese-owned company

14. Firm size (The number of workers)

      ( )   1.Less than 500   ( )   3. More than 1000

      ( )   2.500 – 1000

15. Are you currently a member of trade union?

      ( )   1.Yes   ( )   2.No

16. Have you ever been a member of a trade union?

      (   )   1.Yes   (   )   2.No

SECTION B

17. What kind of the following payment have you ever obtained from your work?

    (   ) 17.1.1 Merit Increments   (   ) 17.1.6 Profit sharing

    (   ) 17.1.2 Piece rates   (   ) 17.1.7 Stock Options

    (   ) 17.1.3 Commissions   (   ) 17.1.8 Others-please specify...............

    (   ) 17.1.4 Bonuses

    (   ) 17.1.5 Gain sharing

SECTION C

For each of the following statements, please *indicate (√)* the extent to which your level of agreement/disagreement with the statement.
Response to each item will be measure on 5-point scales with scale point anchors labeled:

1	2	3	4	5
Strongly Disagree (SD)	Disagree (D)	Neither Agree or	Agree (A)	Strongly Agree (SA)

Statement	Degree				
	1 SD	2 D	3 N	4 A	5 SA
1.You feel satisfied with your recent award from your performance					
2.You feel confident with the appraiser's standards in your company					
3.You understand exactly how your performance is evaluated					
4.You accept exactly how your performance is evaluated					
5.You understand totally what you need to do for achievement PRP scheme					
6. You are given feedback on why you received your particular reward					
7. Before introducing PRP, there was training for employees to understand how PRP would work in your company					
8. Company provides adequate resources which required for PRP - equipment, a series of brochures, a letter announcing the PRP implementation etc.					
9. You are given useful information what you can do to continue being awarded					
10. Communication about PRP flows freely across the company					
11.The executives always seriously listen to employees' suggestions for PRP improvement					
12. The company has the survey of employee's opinion					
13. PRP does not fit organisational culture					
14. There are some problems with the performing of the PRP system within the company					
15. Executives believe that it is not necessary for employees to have any information about PRP beyond that required to perform their jobs					
16. The fundamental of PRP practice is unfair					

Statement	Degree				
	1 SD	2 D	3 N	4 A	5 SA
17. The more producing high performance, the more pay will be awarded					
18. Your individual productivity actually has great impact on any pay award					
19. You are equally paid in the par with those in the other companies					
20. You were paid in accordance to your responsibilities					
21. The fairness of performance assessment raises your doubts					
22. The executives set up PRP goals according to their employee-oriented goals.					
23. The goals of pay plan align with your goals					
24. The scheme increases the level of cooperation between employees					
25. Due to the effect of PRP, employees tend to work independently and refuse collabourative work					
26. PRP strives the excessive competition at work					
27. Since PRP introduced, employees attempt to get promotion by press others down					
28. PRP has contributed to my performance improvement					
29. You attempt to join in additional training programmes to advance your work skills under PRP scheme					
30. The PRP fosters your career aspiration					
31. Your supervisor provides you meaningful suggestion when you face any problems at work					
32. You are satisfied with your opportunity for growth at the company under PRP scheme					
33. PRP plan gives me a better opportunity to obtain the higher position					
34. You enjoy discussing your organisation with people outside it					
35. You would be very happy to spend the rest of your career with this organisation					
36. You do not feel like 'part of the family' at your organisation					
37. This organisation has a great deal of personal meaning for you					
38. Things were better in the days when people stayed with one organisation for most their careers					
39. Jumping from organisation to organisation does not seem at all unethical to you					

(Continued)

Statement	Degree				
	1 SD	2 D	3 N	4 A	5 SA
40. You think that people these days move from company to company too often					
41. Too much in your life would be disrupted if you decided you wanted to leave your organisation now					
42. Right now, staying with your organisation is a matter of necessity as much as desire					
43. One of the few negatives consequences of leaving this organisation would be the scarcity of available alternative					

If you have any further comments or suggestions about PRP scheme, please state them here...
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343

Thank you very much for your cooperation

Please return this questionnaire to **the HR section within two weeks**

and

ask for **a fantastic souvenir** as my appreciation for your help

Appendix D

Interview Schedule Guide

Item	Interview Schedule Guide-Question
Demographic Information	
1	Age
2	Marital Status
3	Education Level
Work Experience	
4	How long have you been working since graduated?
5	Current position and how long have you been working within the company?
6	Have you worked at any of departments in the company
7	Are you currently a member of trade union?
8	Have you ever been a member of a trade union?
Perceptions regarding PRP practices	
9	How long have PRP policies been applied within the company?
10	What problems are out there for employing PRP with the company? And how to solve those?
11	What are the perceptions of employees about PRP practices in the company?
12	Does your company ever seek help and advice from any outsources in the beginning of PRP applied?
13	How are employees to be prepared for launching the PRP practices within the company?
14	What kind of PRP awarded to employees?
15	How important are relationships among PRP and demographic information?
16	What is the difference among perceptions of related groups regarding PRP? (Sex, gender, marital status, education level, having children, work shifts, work hours, workplace, organisation tenure and unionisation)
17	What are the implications of the relevant issues of PRP applying within the company? (Setting objectives, System design, Performance Appraisal, Pay-performance link, Communication and Fairness)
18	What are the link of PRP plans on teamwork, career advancement and organisational commitment and how would you describe these relationships?
19	How to achieve the implication of PRP system in Thailand?
20	What are the attributes of successful PRP?
21	Could you describe disadvantages of PRP within the firm?
22	What is the theoretical and practical implication of PRP plans within the firm?
23	What is the effect on PRP towards your performance?
24	What are your suggestions regarding PRP employed?

Thank you very much for your cooperation

346