

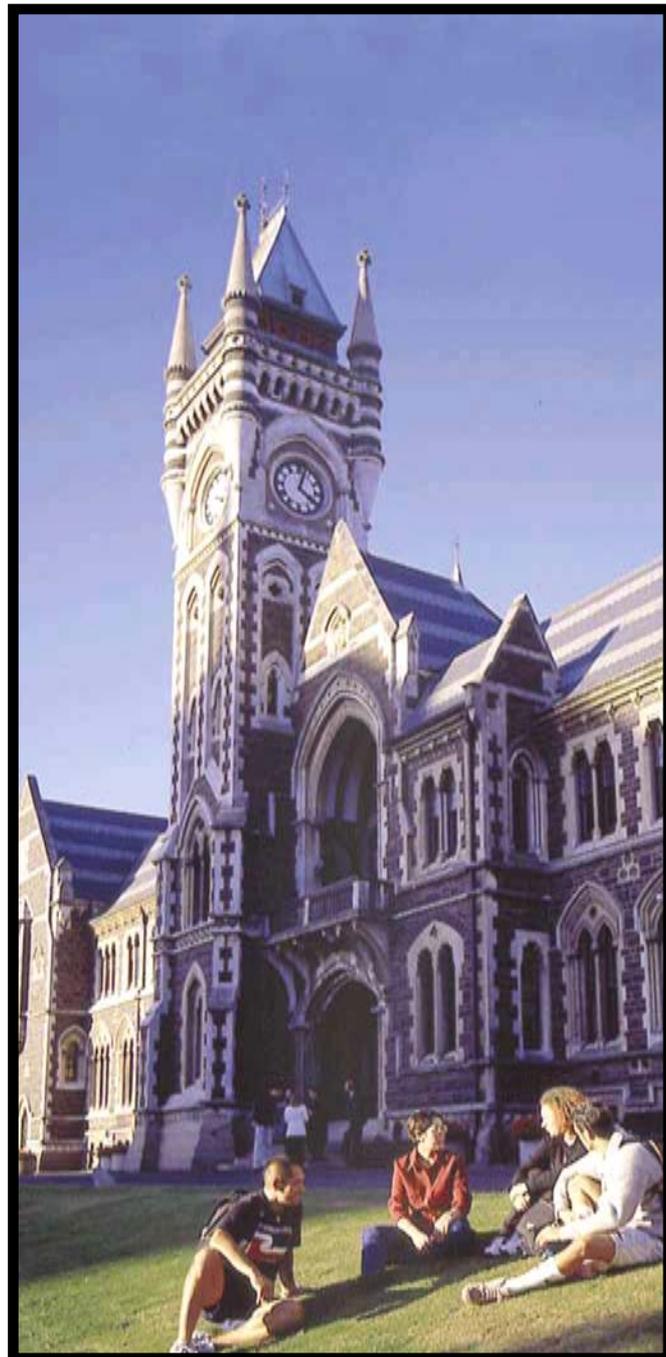
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EDITORIAL

This journal is once again proud to publish some of the best pieces of work by graduate management students at the University of Otago.

The papers in this volume were written by students taking 400 level papers, either for BCom (Hons), Post-graduate Diploma or for MBus (taught Masters).

Full time honours students took the equivalent of three, 36 point taught papers a year, plus a 20,000 word research paper worth 36 points; MBus students took the equivalent of four 36 point taught papers plus two research papers. The taught papers normally require four essays of around 4,000-5,000 words.

All students at this level are free to submit papers for this Review, subject to the supervising staff member having graded the paper at A or A+.

We congratulate those students whose work is represented here.

Alan Geare
Editor

Managing Expatriates on International Assignments

Gitte Brynningsen

Introduction

The world is becoming more and more global and to be successful, many companies have to compete on the global playing field. This is due to the fact that costs associated with the development and marketing of new products are too great to be amortized only over one market and production costs can be cheaper elsewhere around the world. This globalization of companies is making it more important than ever to understand how multinational enterprises can operate more effectively. One major component of this understanding is the field of human resource management (HRM), and in particular, the field of international human resource management (IHRM; Schuler, Dowling & De Cieri, 1993).

According to Harvey and Moeller (2009) there are currently 850,000 subsidiaries of multinational corporations operating globally. Furthermore, 65 per cent of MNCs surveyed in a GMAC global relocation survey are expecting expatriate manager numbers to rise steadily over the next decade (Harvey & Moeller, 2009). Expatriate managers continue to be a viable means for exercising control over foreign operations and they can therefore have a direct impact on organizational performance. This, together with the underlined fact about the growth in the expatriate cadre worldwide, makes it of highly interest to examine the HRM process of international assignments. Furthermore, an international assignment is the single more powerful experience in shaping the perspective and capabilities of effective global leaders. People are the key to success; they are the ones behind the strategy. However, an international assignment is also the single most expensive per-person investment that a company makes in globalizing their people (Black, Gregersen, Mendenhall, & Stroh, 1999).

This paper will discuss some of the most relevant stages of the IHRM process, beginning with the selection and concluding with the repatriation stage. It begins with a few definitions and then describes the IHRM process, where each stage is described and discussed in terms of contradictions in the literature. The paper concludes with implications for the company. *(Note that the version presented here is a condensed extract from a substantially more complete original paper.)*

Strategic International Human Resource Management

It is important to distinguish between IHRM and strategic international human resource management (SIHRM). According to Taylor, Beechler, and Napier (1996) IHRM can be defined as "the set of distinct activities, functions, and processes that are directed at attracting, developing, and maintaining a multinational corporation's human resources. It is thus the aggregate of the various HRM systems used to manage people in the multinational corporation, both at home and overseas." This highlights that IHRM is

concerned with identifying and understanding how multinational corporations manage their geographical dispersed workforces in order to leverage their HR resources for both local and global competitive advantage.

Strategic human resource management (SHRM) is used to explicitly link HRM with the strategic management processes of the organization and to emphasize coordination or congruence among the various human resource management practices. Thus, SIHRM is used to explicitly link IHRM with the strategy of the multinational corporation. This leads to the definition of SIHRM as "human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises" (Schuler et al., 1993, p. 422).

This definition shows that managing people is one of the aspects of SIHRM, both domestic and international.

Strategic Orientation

When looking at the human resource management process of international assignments and the management of people, the parent company's SIHRM orientation is a key aspect. Taylor et al. (1996) define the parent company's SIHRM orientation as "the general philosophy or approach taken by top management of the MNC in the design of its overall IHRM system, particularly the HRM systems to be used in its overseas affiliates". This SIHRM approach is important because it determines the way in which the MNC will manage its IHRM function. Furthermore, the MNC's SIHRM orientation determines its overall approach to managing the tension between integration and the resultant pressure for internal consistency and differentiation and the pressure for external consistency.

Three generic SIHRM orientations can be identified: adaptive, exportive and integrative (Taylor et al., 1996; Harvey et al., 2001)

The adaptive SIHRM orientation is one in which the top management of the MNC attempts to create HRM systems for affiliates that reflect the local environment. This means low internal consistency with the rest of the company and high external consistency with the local environment. Differentiation is emphasized and the MNC generally copies the HRM systems that are being used locally. This approach is consistent with a polycentric approach to MNC management (Taylor et al., 1996). In the polycentric approach the MNC treats each subsidiary as a distinct national entity with some decision making autonomy. Here, subsidiaries are usually managed by local nationals and there is limited intervention or control from the parent organization (Dowling & Welch, 2005; Harvey et al., 2001).

An exportive SIHRM orientation is one in which top management of the MNC prefers a wholesale transfer of the parent company's HRM system to its overseas affiliates. This means high internal consistency and low external consistency. The parent company is replicating the HRM policies and practices used in the home country to its overseas affiliates, leaving the overseas affiliates with almost no autonomy. This orientation emphasizes high integration of the affiliate's HRM system with that of the parent company and it is consistent with an ethnocentric approach. Here affiliates are managed by staff from the home country (Dowling & Welch, 2005; Taylor et al., 1996).

An integrative SIHRM orientation attempts to take the best approaches and use them throughout the organization in the creation of a worldwide system. In this SIHRM orientation the focus is on substantial global

integration with an allowance for some local differentiation. This approach is consistent with the geocentric approach that recognises that each part (affiliates and headquarters) makes a unique contribution with its unique competence. Staffing subsidiary locations focuses on using the most qualified personnel regardless of nationality, which includes both local and home country nationals, but also third country nationals, which are managers from neither the parent nor the host country. The integrative SIHRM orientation combines both characteristics of the parent company's HRM system with those of its overseas affiliates, which means high internal consistency and moderate external consistency (Harvey et al., 2001; Taylor et al., 1996).

As this description implies, the SIHRM orientation of an MNC reflects different roles for the headquarters and affiliates in the SIHRM design.

The company's international strategy affects the choice of SIHRM orientation and top management's attitude toward this orientation can have a significant impact on the direction of the corporate staffing configuration.

All aspects of people management and thereby the process of managing expatriates on international assignments apply to all companies engaged in transferring people across national borders. This paper will therefore not distinguish between companies in different internationalisation stages. However, it is important to consider, that slightly different issues can emerge as a function of the stage or pattern of a company's internationalisation.

The Process of Managing Expatriates

It is very important to develop a basic framework for the discussion of how to manage expatriates on global or international assignments. Black et al. (1999) use people management to effectively move and manage people in global assignments. They identify a Global Assignment Success Cycle to conceptualize the term people management through. They view people management as a set of activities instead of a function of a specific department. This means that each activity builds upon the others as the process becomes an integrated package. They identify five generic functions of managing people: Recruiting/selecting (getting the right people), training (helping people to do the right thing), appraising (determining how people are doing), rewarding (encouraging the right things that people do), and developing (doing things right for people).

This is more or less inline with most other researchers who identify at least four stages; selection, training (and development), adjustment and repatriation (Konopaske & Ivancevich, 2004; Forster, 2000). Some researchers extend this and also include other stages such as compensation, appraisal, and retaining (Harvey & Moeller, 2009; Dowling & Welch, 2005; Briscoe, Schuler, & Claus, 2009).

No matter how many specific phases the process is divided into the process of managing and supporting expatriates on international assignments can be divided into three broader phases; before the assignment, during the assignment and after the assignment. The phase before the assignment would usually contain identification, selection, training and development, and compensation. The argument for putting compensation in the phase before the assignment is that it is typically agreed upon before the expatriate go on the assignment. During the assignment stages such as adjustment,

integration, appraisal and rewarding are important while focus after the assignment should be on repatriation and retaining.

This paper will look at the stages recruitment and selection, training and development, adjustment, integration, repatriation. These stages are chosen since it seems like they have the highest impact on the success or failure of the process.

Before the Assignment

This phase contains selection and training of the expatriate. The time before the assignment can vary, sometimes the international assignment arises because of problems that have to be fixed quickly, other times it is a process that expands over several months. No matter how long the time horizon is the company should pay attention to the selection and training stages in the process of managing expatriates.

Selection

Some international assignments arise because of a problem in a subsidiary. When this is the case, many companies have a strong desire to fix the problem as fast as possible, resulting in an obsession with the technical and managerial qualifications of the candidates and their presumed ability to solve the short-term problem. This process, however, ignores the human resource department and their ability to help. They only consider a narrow range of potential candidates. This process also overlooks the ability of the candidates and their families to adjust to and function effectively in a new cultural environment. This technically oriented selection process can easily result in costly premature returns or ineffective performance throughout the assignment (Black et al., 1999).

Most often, however, companies have motives such as means of management development and organisational development, control and coordination, insufficient qualified local country nationals, and a need to transfer know-how for international assignments (Scullion & Collings, 2006; Torbiörn, 1994). This triggers the need for recruitment and selection.

In recent years the trend has moved towards viewing expatriate assignments as unattractive. This makes the selection process more about finding people who are willing to go rather than selecting the best candidate from a large pool of applicants (Selmer, 2001). If this is the case the selection process might become less important. However, even though there might only be a slight number of potential candidates there will presumably always be a need for some kind of selection, for which reason this stage is described and discussed here.

According to Forster (2000), one of the main reasons put forward for a purported high failure rate among expatriate employees is the inadequate selection criteria used by many multinational corporations. Others state that selection can influence the adjustment; if you choose the right people they are more likely to adjust to the foreign culture and environment and thereby succeed in the international assignment. This is essential for the company making selection of great importance (Anderson, 2005).

This means that developing appropriate selection criteria has become a critical SIHRM issue. A GMAC-GRS survey from 2002 even found that locating

suitable candidates is the top relocation challenge facing companies (Dowling & Welch, 2005).

When companies send people on international assignments they want the highest possible return on investment. For this to be possible, according to Black et al. (1999), companies need to integrate strategy into the selection process of global and international employees. Furthermore, when a company increases its global reach and moves through various stages of globalization, it needs to pay more attention to the selection process, which becomes increasingly important.

Researchers have identified several factors that should be considered in the selection of successful international managers. These factors include, among others: strategic factors, conflict resolution skills, leadership skills, communication skills, social skills, flexibility and stability, technical ability, cross-cultural suitability, family requirements, MNE requirements, language, and gender-related factors (Black et al., 1999; Dowling & Welch, 2005; Anderson, 2005). Most of these criteria can be divided into technical competence/skills, interpersonal competence/skills, domestic circumstances and cultural circumstances.

Many researchers (Black et al., 1999; Scullion & Collings, 2006; Dowling & Welch, 2005) come to the conclusion that the selection stage is of great importance for the international assignment to be a success for which reason companies should pay attention to this stage and make it as effective and optimal as possible.

After the company has decided which selection criteria are most appropriate and relevant, it needs to determine how to evaluate candidates effectively on those criteria. There is a wide range of selection tools available; however, most companies tend to rely on a very limited range (Black et al., 1999). Some of the most used selection methods are: biographical and background data, work samples and interviews. These methods each have their strengths and weaknesses for which reason a combination of selection methods would be optimal to use in selecting the right candidate (Black et al., 1999; Gertsen, 1990; Scullion & Collings, 2006). Harris and Brewster (1999) are questioning the selection process and they show that the expatriate selection is often an ad-hoc process. They suggest that the selection process can be started through a casual conversation about an assignment between executives chatting around the coffee machine.

Another thing to consider is who should evaluate the candidates. Most often, only one individual, the line manager with the overall responsibility for the international unit, makes the decision, although others may also be involved in the selection process. The human resources department is often underutilized; it often plays an after-the-fact role. If companies want to become more strategic in their selection process, they need to learn how to incorporate human resources departments' knowledge with that of the line managers in home and host countries (Black et al., 1999).

Sending an expatriate to a foreign country often involves sending a whole family. This implies that when a candidate is being evaluated for an international assignment, the selection process needs to look at the candidate's managerial skills and experience as well as the candidate's family. Research and experience have shown that the success of an international assignment is highly dependent on the attitudes of a manager's family at the time the offer is made to relocate and the ability of the family to adjust during the global assignment. The company needs to recognize the role of

the entire family unit in determining whether the manager will accept the offer, adapt successfully to life and work in the foreign location, and complete the assignment. This is achieved by evaluating the candidate from a systems perspective that includes family as an integral part (Black et al., 1999).

Training

International assignments are often more complex than domestic assignments since they involve going to another country and a different culture. This is where training is helpful; it can prepare the expatriate going on the international assignment.

A fundamental criterion for a company's success is its employees' ability to understand, appreciate and adapt to other cultures and to develop a global mindset (Scullion & Collings, 2006). Researchers also suggest that it is essential to ensure that international assignees are adequately trained as so to maximise the benefits that are to be gained from the international career move both in terms of advancing the individual's career but also in terms of adding value to the organisation (Scullion & Collings, 2006). Therefore, once an employee has been selected for an expatriate position, training is considered to be the next critical step in attempting to ensure the expatriate's effectiveness and success abroad, particularly where the destination country is considered culturally tough and very different from the domestic culture.

Most studies involve the training stage in the process of managing expatriates on international assignments leading people to think that training is of great importance. However, there seem to be contradictions in the literature about the effect of cross-cultural training.

A study conducted by Caligiuri, Phillips, Lazarova, Tarique, and Bürgi (2001) found that cross-cultural training was valuable to the extent it provides accurate expectations among expatriates and therefore creates greater possibility for their expectations to be met or surpassed. The study suggests that the more tailored and relevant the pre-departure cross-cultural training, the more expectations were either met or positively exceeded. The study shows that having accurate expectations, in turn, positively affects cross-cultural adjustment, and that accurate expectations can be formed by tailored and relevant pre-departure cross-cultural training. Black et al. (1999) state that cross-cultural training programs enhance global managers' job performance, adjustment to their new cultures, and cross-cultural managerial skills. Bennett, Aston, and Colquhoun (2000) also found that if cross-cultural training is competently managed and well executed it can be a key intervention in promoting assignment success, averting failure, and increasing the return on investment for all parties involved: the employee, the family members, and the company that sends them abroad.

Other studies do, however, find contradictory results. A study conducted by Puck, Kittler, and Wright (2008) found that cross-cultural training has little if any effect on general, interactional or work-setting expatriate adjustment. They did however find a significant impact of foreign language competence. This study focused on pre-departure cross-cultural training which means that a possible implication for practise is that future expatriates may receive sequential training or post-arrival training as mentioned earlier. Selmer, Torbiörn, and De Leon (1998) support this finding and states that it is not clear from empirical studies that pre-departure training can provide international managers with the necessary qualities.

For the international assignment to be successful, as with the selection process, it is critical that the family unit be regarded as a mutually supportive team. The importance of training all family members for their new roles and responsibilities is clear, since satisfaction of the employee's partner/spouse and family has a significant impact on employees effectiveness overseas (Bennett et al., 2000; Kupka, Everett, & Cathro, 2008).

From this it is difficult to determine if cross-cultural training have an impact on adjustment and thereby the success of the expatriate. And it seems like that companies do not pay that much attention to cross-cultural training. Gertsen (1990) found that although most personnel managers claim that training is important, not very much is actually done in this respect. Only about 20 per cent of the companies surveyed offer any kind of formal pre-departure training. The reasons mentioned for not offering training can be grouped into three main types: inappropriateness of training, cost of investment, and time constraints. Some of the reasons stated by the Danish companies in the research by Gertsen (1990) include that they send to few employees abroad to make it worthwhile, they only send people abroad if they already have international experience; therefore, they do not need training, they only send their employees to countries that are culturally so much like Denmark that training is unnecessary, they cannot afford it, and they do not have time for training (Gertsen, 1990). In the past, US multinationals have been reluctant to provide even a basic level of pre-departure training, however, this is slowly changing. A study from 1984 found that only 25 per cent of US multinationals offered extensive pre-departure training programs and a 1989 study found that only 13 per cent indicated that they would offer expatriates a pre-departure program. A 2002 study found that cross-cultural training of at least 1 day's duration was provided by 64 per cent of responding companies. Only 13 per cent in the survey always provided expatriates with access to cultural awareness courses, although a further 47 per cent provided briefings for culturally challenging postings (Dowling & Welch, 2005). A survey from 1995 showed that about 62 per cent of US companies offer some type of cross-cultural preparation, but it also found that on average, those who receive training get less than a day of it (Black et al., 1999).

These different findings show that cross-cultural training might not be given the attention it should and that companies might not be aware of its importance. Even though there is contradiction in the literature about the impact of cross-cultural training it seems to be of some importance and should not be ignored.

During the Assignment

When the expatriates and their families are send overseas adjustment and integration are very important aspects of the process of managing expatriates.

Adjustment

Regardless of the importance of careful expatriate pre-departure selection, preparation, and training, many believe that it is after arrival in the foreign location that the most important work can be done to ensure the success of the expatriate assignment (Vance & Paik, 2006).

Research on cross-cultural adjustment has been geared more toward a somewhat haphazard search for factors that influence cross-cultural adjustment, rather than toward theoretically explaining the adjustment process and why certain factors could be expected to influence adjustment. In the rare cases in which a theoretical perspective has been applied to cross-cultural research, the U-Curve theory of adjustment has been one of the most consistently used (Black & Mendenhall, 1991). A review of the empirical research and findings on the U-Curve theory showed that the majority of the articles indicate support for the U-Curve hypothesis; however, several problems prevented them from simply accepting U-Curve as a supported phenomenon. Most of the studies did not offer statistical tests of the data or report statistically non-significant findings. Even though the U-Curve Theory is a description of adjustment over time, only two out of eighteen studies were longitudinal in nature. Thus, the lack of consistent methodological rigor in many of the studies makes generalizing their results problematic. Furthermore, studies operationalized adjustment in very different ways, which can account for some of the differences in the findings and make comparing findings problematic.

To be useful for companies dealing with managing expatriates on international assignments the theory should be a theoretical framework of how and why individuals move from one stage to the next, rather than a description of phases of adjustment.

Vance and Paik (2006) state that during the culture shock stage the individual is struggling with four major adjustment dimensions in the host country: adjustment to work, general adjustment, interaction adjustment and psychological adjustment. This is partly supported by Aycan (1997) who divides adjustment into psychological, socio-cultural and work domains. Black et al. (1999) also supports this and states there are three related but separate aspects or dimensions of cross-cultural adjustment; adjustment to work, adjustment to interaction with host-country nationals, and adjustment to the general non-work environment. Black et al. (1999) divide factors influencing the adjustment dimensions into two categories – those that influence adjustment before departure and those that influence adjustment after arrival. The factors influencing adjustment before departure are related to anticipatory adjustment, which is influenced by accurate expectations and training. The factors that influence adjustment after arrival is further divided into four separate categories; factors related to the individual, to the job, to the organisation, and to non-work issues. Dowling and Welch (2005) mentions factors such as inability to adjust to the foreign culture, length of assignment, willingness to move, work environment-related factors, and the employment relationship (the psychological contract) to have an influence on the adjustment. Aycan (1997) states that adjustment is a multifaceted phenomenon which is influenced by both the expatriate manager's characteristics and the organisational approach to expatriation. In this model, factors influencing adjustment is divided into employee characteristics and organizational characteristics in the pre-departure period, and employee characteristics and organizational characteristics in the post-arrival period. These factors influence general adjustment (made up by psychological adjustment and socio-cultural adjustment) and work adjustment.

Research done by Huang et al. (2005) focuses on the relations between expatriates' personality traits and their adjustment to international assignments. They found statistically significant relationship between

expatriate adjustment and the personality traits extroversion, agreeableness, and openness. Florkowski and Fogel (1999) found that perceptions of local ethnocentrism had a negatively effect on work adjustment and commitment to the host unit, particularly when cultural distance was low. They also found that European expatriates were more likely to react negatively to perceptions of host ethnocentrism than were their American counterparts. These are factors outside the control of the company, but are still important.

Another important factor influencing the expatriate's adjustment is the adjustment of the spouse and family. Research has repeatedly confirmed the enormous importance of the spouse/partner/family for a successful international assignment (Kupka et al., 2008; Kupka & Cathro, 2007; Harvey, 1998; Foster, 2000). Poor spouse adjustment is the single greatest cause for expatriates terminating their foreign assignment early (Black et al. 1999; Konopaske, Robie, & Ivancevich, 2005). This suggests that just as with selection and training, it is very important to consider the adjustment of the spouse and family as well as the expatriate. Konopaske et al. (2005), Kupka and Cathro (2007), Kupka et al. (2008) and Caligiuri et al. (2001) have all studied the adjustment of the spouse. Most findings suggest that the spouses are often home alone and unprepared and that the company do not provide the necessary support.

Integration

A manager who takes on an assignment in a foreign country has the immense task of adapting to a new culture and new business practises. The company, who sends the expatriate, naturally wants to get the most out of this employee, both during the assignment and after repatriation. But the question of allegiance often gets in the way of the individual's and the company's success (Black & Gregersen, 1992). This means that expatriates all over the world find themselves torn between their allegiance to their parent company and their allegiance to foreign operations. This balance is very important but also a very difficult task. According to Black and Gregersen (1992) the high competitive pressure, great geographical distances, and wide cultural diversity of global operations combined with ineffective management of expatriates can set off a vicious cycle that erodes or even destroys a company's global competitive position. Unbalanced allegiance can lead to a variety of failures during and after the international assignments. As managers hear about these failures, companies find it increasingly difficult to attract top international candidates. This means increasingly worse candidates are sent overseas, producing even worse organisational results and more failed careers. This further limits the pool of willing and qualified candidates. Over time this means the company's overseas competitive position erodes. And this cycle spirals downward until it becomes nearly unstoppable (Black & Gregersen, 1992).

Today's multinationals need managers who are highly committed to both the parent company and the foreign operation and who try and are able to integrate demands and objectives of both organisations (Black et al., 1999; Black & Gregersen, 1992). Research do however suggests that managers with high dual allegiance are a rare commodity. Black and Gregersen (1992) and Black et al. (1999) groups expatriate managers into four patterns of allegiance. They can be too committed to the parent company or to the local operation; they can be highly committed to both organisations or to neither. Too committed to the parent company is called

expatriates who leave their "Hearts at Home", too committed to the local operation is called expatriates who "Go Native", highly committed to both organisations is called expatriates who see themselves as "Dual Citizens" and not committed to any of the organisations is called expatriates who see themselves as "Free Agents". These patterns of allegiance are of great importance but of greater importance are the factors that cause them and the related organisational and individual consequences.

High dual allegiance was found by Black et al. (1999) to lead to a higher probability that the managers would stay in their foreign assignments for the expected length of time, would stay with the company upon repatriation, and would adjust well during the overseas stay. These expatriate managers were interested in fully understanding needs, objectives, constraints, and opportunities with respect to both the foreign operation and the parent company. This created two possibilities; effectively implementing home-office policies in the foreign operation, and passing information and guidance from the foreign operation to corporate headquarters.

Black et al. (1999) found that the most powerful job factor creating dual allegiance was role discretion, which is simply the freedom that the manager has to decide what needs to be done, how it should be done, when it should be done, and who should do it. Role conflict is another important factor in determining whether expatriate managers have low or high commitment to both the parent company and the foreign operation. The single most common source of role conflict was found by Black et al. (1999) to be confliction expectations, demands, or objectives between the parent company and the foreign operation. Role ambiguity, role clarity, and clarity of repatriation programs were also factors related to high allegiance to both the parent and the foreign operation.

It requires serious thought and commitment from the company to create dual citizens. Furthermore, dual citizens are rare and at the same time they may be quite attractive to other companies, who may try to steal them away. Most important is what companies can do to effectively manage this dual allegiance. Many companies might be aware of the issues concerning expatriates' dual allegiance, but few have a clear understanding of the causes and consequences of the different patterns (Black & Gregersen, 1992; Black et al., 1999).

According to Black et al. (1999) it may be possible to capture most of the positives associated with each of the four patterns while avoiding most of the negatives by matching a particular pattern of expatriate allegiance to a particular strategic role of a foreign subsidiary. In this sense, because an island subsidiary by their strategic function does not require high information and knowledge flows in or out, "free-agent" expatriates' few connections with or little loyalty to the overall organisation is of less consequence. Implementor subsidiaries need someone who has the connections into and orientation toward the source of information, knowledge, technology, and products that are to be implemented. A "heart at home" expatriate may be the ideal fit for this requirement and conversely, a "free-agent" or "go-native" expatriate would be a very poor fit for this strategic situation. Innovator subsidiaries draw from the local context to produce the information, knowledge, products and innovations to send out to the parent organisation and other foreign subsidiaries. A "go-native" expatriate may be a great fit for this strategic situation since their natural affinity for and knowledge of the local environment can be just what the parent company needs in terms of

networking and tapping into the local talent pool. The dual directional flow of information, knowledge, technology, and products within integrator subsidiaries requires dual-citizen expatriates. The "dual-citizen" expatriate might function effectively in any of the four strategic subsidiary patterns; however, no other type of expatriate other than the "dual-citizen" would work as effectively in an integrator subsidiary (Black et al., 1999). The critical issue is therefore to ensure that managers of a particular commitment profile are matched with the appropriate assignment and subsidiary.

However, this match between managers and assignment and subsidiary is often a difficult task and often, the company will have too many managers going in one direction or the other. This highlights the need for counterbalancing whatever tendency the manager may have. A company with too many managers who have a "go-native" tendency can counterbalance this tendency by having managers come home for several years before sending them overseas again, by selecting managers with longer tenure in the parent company, by instituting a systematic sponsorship program, and by providing pre-departure and/or post-arrival cross-cultural training for managers. To counterbalance the tendency to leave one's "heart at home" companies can use younger managers instead of senior managers with long tenure in the parent company, help expatriate and their families to adjust to the general non-work environment, help families interact with host-country nationals, and provide training and preparation (Black & Gregersen, 1992; Black et al., 1999).

The most important step for a company is, however, to create high dual allegiance. Steps to be taken to create dual allegiance are greater role clarity, greater job discretion, and lower conflict, which are all related to the work environment. According to Black and Gregersen (1992) and Black et al. (1999) "dual citizen" expatriates are best developed through careful selection processes, pre-departure and post-arrival cross-cultural training programs, well-planned strategies that translate into career systems with clear and consistent job expectations and appropriate levels of freedom and discretion, and repatriation programs that reintegrate expatriates and effectively utilize their knowledge, skills, and experience. These steps will help companies manage dual allegiances more effectively and help expatriates serve two masters more successfully.

When companies send expatriates overseas it is not only important to help them adjust once they are in the foreign country, it is also very important to integrate them so the international assignment will be a success.

After the Assignment: Repatriation

Some might think that the process of managing the expatriate on an international assignment is over once the expatriate returns to the home country. Some actually forget their employees when they are overseas. But one of the most important phases in the process of managing expatriates is the repatriation stage – and it is often forgotten.

The question from companies around the world is often: "why should we pay attention to the adjustment of expatriates and their families during repatriation?" Based on research and experience by Black et al. (1999) failure to pay attention to repatriation adjustment can have a negative impact on

the bottom line, which can mean reduced executive and managerial performance.

Black et al. (1999) found that when expatriates adjust effectively during repatriation they are better performers. Furthermore, when the family of an expatriate adjusts during repatriation, a positive spillover effect occurs in which the productive home situation spills over to work and increases an expatriate's effectiveness. Stevens, Oddou, Furuya, Bird, and Mendenhall (2006) found that development and implementation of supportive HR policies and practises did have an impact on how satisfied and attached the repatriates felt.

This highlights the importance of focusing on the repatriation process and the adjustment together with the factors influencing the adjustment. Dowling and Welch (2005) group the major factors that have been identified as moderators of re-entry readjustment into two categories: job-related factors and social factors. Job-related factors include career anxiety, work adjustment, coping with new role demands, and loss of status and pay. Social factors include family's adjustment and effect on partner's career. Black et al. (1999) identify three basic areas that expatriates and their families adjust to when returning home. These are: adjusting to new jobs and work environment, adjusting to communicating with home-country co-workers and friends and adjusting to the general living environment. They divide adjustment into pre-return adjustment and post-return adjustment. Factors influencing pre-return adjustment are information exchange, sponsors, home leave, and repatriation orientation. Factors influencing post-return adjustment are divided into individual factors, job factors, organisational factors and non-work factors. This is supported by Suutari and Brewster (2003).

Several problems have been observed when repatriating expatriate managers to their home country after the completion of their international assignment. The biggest issue discussed is probably the number of expatriates who do not successfully complete their terms in a foreign assignment. Some of the problems that appear to be most troublesome upon repatriation is; financial issues, family issues, individual expatriate manager issues, organisational issues, future career issues, (Harvey & Moeller, 2009; Dowling & Welch, 2005; Scullion & Collings, 2006; Suutari & Brewster, 2003).

Much can be done by the company to achieve successful repatriation of their expatriate managers. Some of the initiatives include defining the strategic functions of repatriation, establishing a repatriation team, targeting high-risk repatriates, managing expectations with accurate information, establishing home-country information sources, preparing the home-country job environment, developing appropriate compensation, facilitating adequate housing, providing support groups, planning for "downtime", appreciating contributions to the company, integrating them into the company (Black et al., 1999; Jassawalla & Sashittal, 2009; Pollitt, 2007; Suutari & Brewster, 2003).

Managing the Entire Process

On the basis of the description of the different stages of managing expatriates on international assignments it should be clear that it is very

important to manage the whole cycle and not only a few stages. Furthermore it should also be clear that expatriate managers are simply too important to the current and future financial health of a company to relegate them to a low priority on the top management's "worry-list" – expatriate managers do indeed play important strategic roles for a company. It is important for the company to have a strategic and systematic approach to international assignments compared to a more tactical and reactive approach.

Implications for the Company

As stated previously inadequate managing of expatriates on international assignments can have several implications for the company.

As mentioned earlier some of the implications for the company can be costs associated with failed assignments and replacement of the expatriate, damaged relationships with customer and suppliers in the foreign country, and costs associated with high turnover after repatriation (Black & Gregersen, 1992; Black et al., 1999). The latter will be of focus in this section.

Studies have shown that many expatriates leave shortly after repatriation meaning that companies lose a lot of talented and experienced international staff. It is unrealistic to assume that all proposed remedies in the literature have entirely escaped companies' notice. However, there is little evidence to suggest the remedies are producing results; post-repatriation related dissatisfaction persists, and high turnover and associated loss of learning continue. Even worse is the fact that managers are increasingly defining expatriate assignments as preparation for careers in other companies and repatriates seem increasingly reluctant to accept other expatriate assignments (Jassawalla & Sashittal, 2009; Suutari & Brewster, 2003, Black et al., 1999).

The company's return on investment is no longer long-term when repatriated expatriate managers leave shortly after repatriation. It is very costly for the company to send people on international assignments, and when these people do not stay in the company and make use of their international experience, knowledge and skills, it becomes even more costly for the company. And because these employees often leave to join competitors, the company has de facto financed the development of global leaders for its rivals (Black et al., 1999; Jassawalla & Sashittal, 2009).

The proportion of expatriate managers who quit and leave within one year after repatriation is approximately 20 per cent for U.S expatriates (Black et al., 1999). This means that U.S companies face a 20 per cent change that they will not receive a long-term return in this substantial investment. Suutari and Brewster (2003) found similar results in their research of Finish expatriates. Turnover among expatriates therefore becomes a very important aspect to understand for companies to be able to retain their repatriated expatriates.

Stroh (1995) found that variables such as corporate values related to the importance of an overseas assignment to the organisation, whether the organisation has a career development plan for expatriates, and the perceived impact of corporate turbulence on being able to place expatriates adequately upon their return to be significant predictors of turnover among expatriates. Based on this research career is an important factor, when

expatriates are going on international assignments and when they evaluate them as either positive or negative. This is supported by Stahl et al. (2002), who found that expatriates' career orientation is an important factor in expatriates' motivation for accepting an international assignment, and thereby important for the success of the international assignment. Dickmann et al. (2008) also found support for the importance of career when expatriates decide to accept an international assignment. They also found that companies significantly underestimate the importance of career, work/life balance and development considerations and overestimate the financial imperative and some family motives. According to Black et al. (1999) expatriates ask themselves two fundamental career questions when considering an international assignment: Will this assignment put me in a strategic business role? Will this assignment lead to my advancement? This underlines the importance of the career aspect when looking at turnover among expatriates and the motives for going on an international assignment.

A high turnover among expatriates can lead other managers to view international assignments as unattractive, especially when career is proved to be one of the motives for accepting an international assignment. Furthermore, if expatriates accept international assignments to develop their future careers, and this does not happen, they view the international assignment as unattractive and this is the word they spread. Brown (2008) states that there is evidence of high resistance to international assignments in the traditional source pools due to career, family and stress concerns. Failed assignments, rumours of expatriates not performing well, and turnover problems among expatriates can lead the best managers to view international assignments as bad for their career. This reputation makes it difficult for companies to recruit and send top-quality candidates on international assignments which, in turn, increase the likelihood of more failures. This can be linked back to the selection stage, where it might be more about getting people to go rather than selecting the best candidate. When companies are not able to select the best candidate this increases the likelihood of failed assignments, and this again can lead to resistance. Now the wheel is spinning and this creates a vicious cycle.

This vicious cycle can also have overall implications for the company since it may lead to shortage of leaders who have vital understanding and experience in the global arena. This can result in poor strategic planning and implementation and an ever-worsening competitive position globally. This may erode or destroy a company's global competitive advantage (Black et al., 1999).

Even if the only objective for the company is to solve a problem or fulfil a position in a foreign subsidiary due to lack of qualified local employees this all shows that the company needs to focus on the whole process of managing the expatriates, otherwise it can have vital consequences for the company.

Conclusion

The world is becoming more and more global making it more important than ever to understand how multinational enterprises can operate more effectively. One major component of this understanding is the field of human

resource management, and in particular, the field of international human resource management.

Expatriate managers continue to be a viable means for exercising control over foreign operations and they can therefore have a direct impact on organizational performance. This, together with the growth in the expatriate cadre worldwide, makes it of highly interest to examine the human resource management process of international assignments.

The process of managing expatriates of global assignments includes several stages. This paper examined selection and training before the international assignment, adjustment and integration during the international assignment and repatriation after the international assignment. Much research has been done in the field of managing expatriates resulting in many different findings.

If companies do not pay attention to the process of managing expatriates on international assignments it can result in a vicious cycle, where resistance toward international assignments is leading to fewer candidates for the international assignments, which, in turn, lead to an increased likelihood of higher failure rates. This again will lead to resistance and this cycle can carry on going.

This vicious cycle can also lead to shortage of leaders who have vital understanding and experience in the global arena, which can result in poor strategic planning and implementation and an ever-worsening competitive position globally. This may erode or destroy a company's global competitive advantage.

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Managed Sex Workers: Employees or Owners of Enterprise?

Katie Diehl

Introduction

This essay intends to determine the employment status of sex-workers in New Zealand following the introduction of the Prostitution Reform Act (PRA) in 2003 and the subsequent decriminalisation of the sex industry. In 2008 the Ministry of Justice reviewed the efficacy of the PRA during its five-year operation.¹ The report paid particular attention to the promotion and maintenance of rights of sex workers operating in larger commercial brothels, revealing concerns about the legal certainty of their current employment status as independent contractors. The conclusion of the report highlighted an urgency to ascertain the employment status of sex-workers to assist in the promotion of their rights within the workplace.²

In response to these conclusions, this essay will attempt to establish the employment status of sex-workers in New Zealand. This will be achieved, firstly by providing a brief dialogue of the history and current status of prostitution in New Zealand to provide a context for dominant issues arising in following sections. Secondly, the remainder of the essay will explore the statutory and common law tests applied to determine employment status. These tests will be applied in conjunction with relevant factual information pertaining to typical experiences in the sex industry generally. This information will be based on from interviews and surveys compiled by the Ministry of Justice³ and the University of Otago.⁴ Thirdly, an overall conclusion will be made of the employment status of sex-workers based on the results of each statutory test. Determination of employment status will assist the promotion of rights for sex workers generally and may entitle sex-workers to rights afforded to workers in other industries.

Prostitution in New Zealand

The prostitution industry has been an established part of New Zealand society since colonisation.⁵ Shifts in attitudes and ideologies within the community have caused the industry to be the subject of significant debate spanning decades. However, the current dominant opinion regarding management of prostitution is now articulated in the Prostitution Reform Act 2003 (PRA).

¹ Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003 (Ministry of Justice, Wellington, May 2008)

² Ibid

³ Ibid

⁴ Gillian Abel, Lisa Fitzgerald, Cheryl Brunton, The Impact of the Prostitution Reform Act on the Health and Safety Practices of Sex Workers : Report to the Prostitution Law Reform Committee; (Department of Public Health and General Practice, University of Otago, Nov 2007)

⁵ Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003 (Ministry of Justice, Wellington, May 2008) 26

However in order to appreciate the importance of the Act to the sex industry it is necessary to briefly outline the situation prior to its inception.

History

Prior to the Prostitution Reform Act 2003, prostitution was a criminal offence. The Crimes Act 1961 provided offences for brothel keeping, living on the earnings of prostitution, and procuring sexual intercourse. The Crimes Act imposed severe penalties for infringement including imprisonment.⁶ The Summary Offences Act 1981 also prohibited minor prostitution offences such as solicitation for sexual services.⁷ However, the actual provision of sexual services for payment was not an offence under any New Zealand legislation.

In 1978 the Massage Parlours Act 1978 was introduced to create a regime for the licensing of massage parlours.⁸ The Act also fostered avenues for prostitution to operate covertly within massage parlours, despite the threat of criminal conviction. The illegitimate and illegal nature of sex work provided an opportunity for the adoption of exploitative practices and abuse by operators in which sex workers could not seek any legal avenue of redress.⁹ Individual owners and operators were free to set conditions without the constraints of employment law.¹⁰ This history has scarred the sex industry with brothels continuing of some of these practices despite decriminalisation and the framework instituted by the PRA.

Prostitution Reform Act 2003

The Prostitution Reform Act 2003 removed all offences and penalties relating to prostitution. Additionally it aims to create a regulatory framework to safeguard the human rights of sex workers and protect them from exploitation whilst also promoting the welfare and occupational health and safety.¹¹ Whilst the Act regulates and fulfils a variety of purposes relating to the operation of the entire sex industry, in order to meet the objectives of this essay, provisions only relating to employment status will be discussed.

First, the Act imposes a certification scheme, which, in effect separates brothels into two distinct classes.¹² Firstly, small owner-operated brothels (SOOBS) exist in situations whereby no more than four sex workers work in a particular locality and where each individual sex worker retains control over his or her earnings. SOOBS are exempt from the brothel operator certificate scheme. Secondly, owner-operator brothels exist when more than four workers work in a particular locality or when a worker does not retain control over his or her earnings. Such brothels are not exempt from the certification regime. Thus the PRA effectively creates two classes of workers within the sex industry, divided solely on the premise of whether the worker retains control over his/her earnings and/or the size of the business. This may have significant implications for employment status, which will be discussed in depth to follow.

⁶ Crimes Act 1961, s147-149

⁷ Summary Offences Act 1981, s26

⁸ Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003 (Ministry of Justice, Wellington, May 2008) 21

⁹ Ibid 21

¹⁰ Ibid 151

¹¹ Prostitution Reform Act 2003, s3

¹² Prostitution Reform Act 2003, s4

Second, the PRA provides several protections for sex workers from exploitative practices. Section 7 of the Act ensures the validity and legality of contracts for commercial sexual services. Section 16 of the Act prevents compelling or inducing persons to provide commercial sexual services or earnings from prostitution. 'Compelling' and 'inducing' includes acts relating to the use of power within authority, supplying or withholding the supply of any drugs and the making accusations or disclosures about an offence or misconduct committed by any person that would seriously injure their reputation. Furthermore, section 17 of the act provides the right for sex workers to refuse to provide commercial sexual services. These provisions relating to the level of control a sex worker has within his/her role may have implications for the determination of employment status.

Aside from specific provisions, the introduction of Act as a whole has also dramatically impacted the operation of the sex industry. Thus the following dialogue seeks to describe the current status of the sex industry in New Zealand and the impact the Act has made.

Current Status of the Sex Industry in New Zealand

The University of Otago recently conducted an assessment as to the size and extent of the operation of the sex industry in New Zealand.¹³ The survey identified three types of prostitution presently operating in New Zealand, namely street workers, private workers and managed workers. This distinction requires that employment status be determined for each type, given their different working arrangements.

Of the 2332 sex workers identified throughout New Zealand, approximately 17% were classified as street workers; street workers whom seek trade on the streets predominantly in the red light districts. The PRA also allowed for the emergence of private workers whom typically operate within their own homes or with other workers from shared premises and generally fall under the definition of Small Owner-Operated Brothels as outlined in the Act. Private workers now compromise approximately 31% of the industry. Lastly, managed workers are workers whom are employed in Massage Parlours or Escort agencies; currently they represent over half of the sex industry.¹⁴

Current Employment Conditions

The Prostitution Reform Act 2003 empowered sex workers, in particular managed workers, to take greater control of their employment circumstances. The legalisation and legitimisation of the industry entitled sex workers to the rights afforded to workers in other industries. However the extent to which these rights are being granted within the industry is uncertain. This is predominantly prevalent in the managed sector of the industry as opposed to street workers or private workers whom have a greater autonomy over their work.¹⁵ Recent reports suggest that this

¹³ Gillian Abel, Lisa Fitzgerald, Cheryl Brunton, *The Impact of the Prostitution Reform Act on the Health and Safety Practices of Sex Workers : Report to the Prostitution Law Reform Committee*; (Department of Public Health and General Practice, University of Otago, Nov 2007)

¹⁴ Ibid 38

¹⁵ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 156

situation is due to the lack of awareness about employment rights and also the unwillingness of brothel owners to depart from business practices developed prior to decriminalisation.

It is unclear as to the specific knowledge sex-workers, in particular managed sex-workers, have regarding employment rights and responsibilities, especially regarding the distinction between independent contractor and employee. The Crime and Justice Research Centre noted that there was a mixed response regarding awareness of rights and additionally the degree in which sex workers are willing to seek to enforce those rights. Although most were thought to be aware of their rights, there was a more vulnerable class of workers including those whom are new to the sex business and those who did not speak English as a native language. Further, one non-government organisation (NGO) stated that:

...with the nature of the work, they walk across town, get another job and lose the energy to follow it through (NGO)¹⁶

This situation has resulted in little litigation regarding the employment status of managed sex workers.¹⁷ Furthermore, despite decriminalisation, prostitution still retains a degree of social and moral stigma held by the community. Thus, sex-workers may be hesitant in enforcing their rights via legal avenues due to fear of exposure to family and friends whom may have been unaware of their occupation.¹⁸

As noted above the illegality of the sex industry allowed for exploitative practices to develop and become engrained in management practices. Lack of awareness, of both sex-workers and brothel operators, about rights and responsibilities and their enforceability has resulted in the continuation of exploitative practices and the abuse of rights for some sex-workers. Although some operators have altered their practices to comply with the PRA, it has been argued that they have not gone far enough.¹⁹ The Ministry of Justice has urged the importance of gaining clarification of the rights and responsibilities of sex-workers and brothel operators in their employment relationship, to ensure fairer practices for the future.

Employment Relations Act 2000

The Employment Relations Act 2000 (ERA) governs all the contracts for service between employers and employees. The Act provides definitions and procedures for distinguishing between contracts of service (employees) and contracts for service (independent contractors) and thus will form the legal foundation for the determination of employment status for sex workers.

Section 6(1)(a) states that an employee is any person of any age employed by employer to do any work for hire or reward under a contract of service. The Employment Authority has jurisdiction to decide whether a

¹⁶ Dr Elaine Mossman and Pat Mayhew *Key Informant Interviews: Review of the Prostitution Reform Act*, (Crime and Justice Research Centre, Victoria University of Wellington, Ministry of Justice, 2007) 48

¹⁷ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 156

¹⁸ *Ibid* 152

¹⁹ *Ibid* 154

person is under a contract of service or a contract for services.²⁰ In making a determination of employment status, the Court must establish the real nature of the relationship between the parties. The parties can apply to the Authority for a declaration of employment status.²¹

The distinction between a contract of service and a contract for services is critical. An employee for a contract of service is entitled to a various range of rights under national legislation. Employees are entitled to the minimum wage,²² wage protection rights,²³ holiday pay,²⁴ sick and bereavement leave, parental leave²⁵ and further protections under anti-discrimination legislation²⁶ and the Privacy Act 1993.²⁷ Employees also have access to the personal grievance procedure as outlined in the ERA in seeking to enforce their contract. However employees are subject to the conditions of work and other controls as set by the employer e.g. hours of work, fees etc. Additionally, employees are not responsible for taxation relating to their income.²⁸

Whilst independent contractors have the freedom to set their own conditions of work, they have the responsibility for paying their own tax requirements including GST, and ACC levies. Additionally independent contractors possess further responsibilities under the Health and Safety in Employment legislation and must enforce their contract through the civil courts.²⁹ Thus the determination of employment status in the sex-industry is fundamental in the enhancement of sex-worker rights.

Employment Status in Prostitution

As noted above, there are three types of prostitution operating within New Zealand namely street workers, private workers and managed workers. This essay intends to assess the employment status of each type of prostitution under the current employment legislation. Factual data required for this assessment will be derived from recent surveys and interviews undertaken by the Ministry of Justice and University of Otago.³⁰

²⁰ Employment Relations Act 2000, s6(2), s161(1)(c)

²¹ Employment Relations Act 2000, s6(5)

²² The Minimum Wage Act 1983 entitles the employee to minimum rates of pay for various categories of workers.

²³ The Wages Protection Act 1983 prohibits unauthorised deductions from wages, specifies how wages are to be paid, and allows employers to recover overpayments and for employees to recover underpaid wages.

²⁴ The Holidays Act 2003 gives all employees an entitlement to four weeks' paid holiday, 11 days' statutory holiday and periods of paid sick leave and bereavement leave.

²⁵ The Parental Leave and Employment Protection Act 1987 prescribes minimum entitlements to parental leave and protects the rights of employees who are pregnant.

²⁶ The Human Rights Act 1993 prohibits discrimination on a range of grounds including gender, occupation, family and marital status

²⁷ The Privacy Act 1993 sets out a series of good practice principles which are intended to promote and protect privacy

²⁸ The Income Tax Act 2004 requires employers to make deductions from employees earnings and make payments towards the Kiwisaver scheme

²⁹ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 155

³⁰ Gillian Abel, Lisa Fitzgerald, Cheryl Brunton, *The Impact of the Prostitution Reform Act on the Health and Safety Practices of Sex Workers : Report to the Prostitution*

SOOB'S and Street Workers

Both SOOB's and Street workers typically work privately, controlling all factors in how they commence their work and reaping full profit from that work. Given the nature of self-owned operator brothels and street workers it is clear that both types of prostitution are undeniably independent contractors. The sole contract in these situations is purely between the worker and the client with no other intermediary. This conclusion is not disputed within the industry and is approved by the Ministry of Justice.³¹

Managed Workers

The employment status of managed workers is far more controversial and difficult to determine. Prior to decriminalisation, brothel owners treated their workers as independent contractors, as an attempt to remove themselves from the activity of prostitution to be absolved from criminal liability.³² Despite the rationale of this scenario being no longer of issue, owners and operators of brothels still consider managed sex-workers to be independent contractors as opposed to employees.³³ The Ministry of Justice report has expressed concerns about the legality of the current employment status of managed workers:

The standard position in the industry is that sex workers working in brothels are independent contractors. However, legally, this is by no means certain.³⁴

As noted previously, the determination of employment status is critical for the advancement of rights for sex-workers. Thus the employment status of managed workers will be the focus of the remainder of this essay.

The determination of employment status under current law requires the analysis of fact in conjunction with a series of statutory and common-law tests. For the purposes of this essay the analysis of factual circumstances of working conditions within brothels will be derived from recently published reports from the Ministry of Justice. This report covers the working conditions and general practices as typically experienced sex workers working in brothels. However, it is foreseeable that the combination of facts analysed will not be totally representative of all managed workers in the industry. Thus, this essay will not be a determinative conclusion for all managed sex-workers, but rather an exploration of possible responses from the courts regarding the experience of a typical sex worker within the industry.

Law Reform Committee; (Department of Public Health and General Practice, University of Otago, Nov 2007)

³¹ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 155

³² *Ibid* 155

³³ Dr Elaine Mossman and Pat Mayhew *Key Informant Interviews: Review of the Prostitution Reform Act*, (Crime and Justice Research Centre, Victoria University of Wellington, Ministry of Justice, 2007) 43

³⁴ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 151

Independent Contractors vs. Employees: The Employment Status of Managed Workers

There is a considerable body of law discussing the distinction between independent contractors and employees. Section 6 of the Employment Relations Act 2000 states that the real nature of the employment relationship must be determined to establish the status between the parties this assessment requires the consideration of all factual circumstances within the employment relationship.³⁵ It was noted in *Hook v JB's Contractors Ltd*³⁶ that in accordance with the Employment Relations Act 2000, the first matter to address is the intention of the parties upon entering the employment relationship.

Aside from statutory guidance on employment status, *Bryson* also highlighted the importance of common laws tests. Such tests have been developed by the courts over several decades to assist in the determination of whether an employee is an independent contractor or employee. These tests include the control test, integration test, fundamental test and the multiple test.

This essay will endeavour to assess the employment status of managed workers in accordance with both statutory requirements and common law tests. Each test will be discussed in the development of an overall conclusion.

Intention of the Parties

Section 6(3) of the Employment Relations Act 2000 requires the court to consider the intention of the parties; although this is not conclusive in determining the real nature of the relationship. Intention can be shown by reference to any contract, oral declarations, conduct and by reference to the commercial environment, including industry practice.³⁷ The Court may disregard intention if the contract does not reflect the nature of the relationship in practice.³⁸ It is clear that the intentions of sex workers and brothel operators regarding their employment relationship will be a question of fact based upon the circumstances of each case. However, whether a contract exists at all in the relationship can be conclusive of intention.

Written and Verbal Contracts in the Sex Industry

At the commencement of the relationship brothel operators and sex-workers will negotiate a form of contract expressing their intentions regarding whether their relationship is that of an independent contractor or an employee. Written contracts expressing this relationship have become more common since decriminalisation but are by no means universally adopted. Typically, most contracts between the parties in the sex industry are verbal exchanges, whilst this doesn't affect their enforceability, clarifying established terms and conditions become more difficult.

In a situation whereby the parties possess a written contract, the court may use the contract as the intentions of the parties. However, as mentioned the court may disregard the contract if it is believed that in practice the relationship does not reflect the contractual intention. Furthermore it is

³⁵ *Bryson v Three Foot Six Limited* (2005) 7 NZELC 97, 866; [2005] 1 ERNZ 372 (SC)

³⁶ *Hook v JB's Contractor Ltd* (2001) 6 NZELC 96, 207

³⁷ *Hook v JB's Contractor Ltd* (2001) 6 NZELC 96, 207

³⁸ *Koia v Carlyon Holdings Ltd* (2001) ERNZ 585

foreseeable that the court is less likely to give weight to the intention reflected in the contract if the court believes that there was unequal bargaining power between the parties during negotiation.³⁹ Given the vulnerability of some sex workers, particularly those new to the industry or those whom cannot speak English, unequal bargaining power during contract negotiation appears likely.

If the parties possess a verbal contract other factors will be assessed to establish the parties intentions.⁴⁰ Such factors, such as parties conduct, will be dependant upon the factual circumstances of the case. Despite this *Kiwikiwi v Maori Television Service*⁴¹ suggests that the absence of a written employment agreement between the parties indicates that a worker is an employee. In justifying this position, the judge highlights that typically when an organisation engages the services of an independent contractor, it could be reasonably be expected that such an agreement would be formalised in writing. This may be a valid consideration for the court and for the sex industry given the prevalence of verbal contracts.

Industry Practice

Frequently industries may have defined practices in managing the status of the employees working within that industry. If industry practice is well established it can be of assistance to the court in establishing the intention of the parties.⁴² As noted the standard industry practice in the sex industry dictates that sex workers are independent contractors. Yet despite this some operators do operate their brothels under an employer/employee type relationship.⁴³ Given this variance and the questionability of the legality of this approach, it can be clearly said there is no consistent practice within the industry, thus it is likely that the court will not be able to incorporate industry practice as a means of clarifying the parties intentions.

Control Test

If the employee has the freedom to control the method in which the work is completed then this is indicative of a contract for service. If an employer directs the work to be done, the way it is to be done and when it is to be done, this is indicative of a contract of service.⁴⁴ Relevant factors include whether the employer supplies the tools of the trade, controls the hours and conditions of work as well as whether who controls the hiring of additional helpers to complete the task.

Hired Helpers

If a worker employs additional workers, either as replacements for their own personal absence or for assistance in the work, this is indicative of a contract for service. However where a worker is expected to produce a replacement for their own absence the court has made two separate distinctions.

³⁹ *Clark v Northland Hunt Inc* 27/11/06, Perkins J, AC66/06

⁴⁰ *Cuttance (t/a Olympus Fitness Centres) v Purkis* (1994) 2 ERNZ 32

⁴¹ *Kiwikiwi v Maori Television Service* (unrep, EC, AC 55/07, 2 November 2007)

⁴² *Bryson v Three Foot Six Limited* (2005) 7 NZELC 97, 866; [2005] 1 ERNZ 372 (SC)

⁴³ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 157

⁴⁴ *Hook & New Zealand Educational Institute v Director-General of Education* [1981] 1 NZLR 538

Specifically, the distinction is drawn between whether the worker or the employer is responsible for the payment of the replacement. For instance, in *Cuttance (t/a Olympus Fitness Centres) v Purkis* it was held that a gym instructor whom, on her absence, had to find a substitute was not an independent contractor because the employer directly paid the substitute.⁴⁵ However in *Cunningham v TNT Express Worldwide (New Zealand) Ltd*⁴⁶ the Court of Appeal held that a courier driver, who was expected to provide his own substitutes on his absence, was an independent contractor because he was responsible for their payment.

In the context of managed sex-workers, brothel operators expect that the worker will arrange a replacement should he or she be absent from the designated shift. However it is unclear from the factual sources as to whom is responsible for the payment of the replacement. However the system in which brothels collect fees from clients and pay sex-workers does imply that it would be both illogical and inefficient for the sex-worker to pay the replacement. Thus, it is foreseeable that the employer will be responsible for the payment of the replacement, indicating a contract for service.

Hours of Work

Typically, most brothels work in set shifts with the workers choosing which shifts they want, with some degree of flexibility. There is also evidence that some brothels do operate a pre-arranged booking system.⁴⁷ However it is clear that the hours of operation of the brothel, the division of shifts and the required staffing level is determined and controlled by the brothel owner. Whilst there is some flexibility in hours of work, the sex-worker is constrained by the hours of the shifts and is not entitled to come and go as he or she pleases. This practice is necessary in order for the brothel to run an efficient business, but in turn maybe significant control to warrant the sex-worker as an employee.

Method of Work

Aside from health and safety regulations dictated by the PRA, there is no evidence to suggest that brothel operators control the method in which a sex-worker provides the service. Indeed, given the nature of the industry it would not be practical or good business to place arbitrary controls over a personal service.

As noted above, brothel owners also control the range of services provided by the sex-worker through pre-determined service "menus". Although the worker is entitled under s17 to decline to provide the service, it is unclear whether the reality of the situation enables them to do so.

Bonds and Fees Systems

The bond system originated prior to decriminalisation and has continued to remain in practice. The bond system requires a worker to lodge a bond with the brothel operator as a security for the continuation of service.⁴⁸ On the

⁴⁵ *Cuttance (t/a Olympus Fitness Centres) v Purkis* 1994 (2) ERNZ 321

⁴⁶ (1993) 1 ERNZ 695

⁴⁷ Dr Elaine Mossman and Pat Mayhew *Key Informant Interviews: Review of the Prostitution Reform Act*, (Crime and Justice Research Centre, Victoria University of Wellington, Ministry of Justice, 2007) 43

⁴⁸ *Ibid* 153

failure of the completion of work, the sex worker runs the risk of losing the bond to the brothel operator. Additionally a worker may also be fined for minor misdemeanours such as arriving late. However, the legality of bonds and fees has been questioned by both the Ministry of Justice and the New Zealand Prostitutes Collective, thus it is uncertain as to how bonds may be perceived by the courts in this context.⁴⁹

Despite the legality of the bonds and fees being highly questionable they are still a factor of consideration in the determination of the status of an employment relationship. Bond and fees systems are utilised in brothels as a means of financial security for the owner and as a means to direct the behaviour of the sex workers. The need for such a system is an indicator of the reliance brothel owners place in their sex-workers to run a successful business.

Indeed the imposition of penalty for undesirable workplace behaviour bears greater analogy to the warning system that is present in employment relationships. These factors considered it is likely that bonds and fees will be an indicator of a contract of service.

Fundamental Test

The fundamental test requires an examination of whether the employee was in business on his or her own account.⁵⁰ This may include analysing factors such as whether the employee undertook some financial risk, had responsibility for investment management and the ability to profit from sound management in the performance of the task.⁵¹ Furthermore, this may also include whether or how a claimant structures his or her alleged self-employer business this may include considerations such as how the claimant is paid, taxation and the description of GST invoices.

Financial Risk

If a worker undertakes degree of financial risk, then this is considered to be an indicator that the worker is an independent contractor. In the context of managed sex-workers, it is likely that the payment of a bond for the fulfilment of service may be a degree of financial risk required to be an independent contractor. However the legality of bonds is highly questionable, thus it is uncertain in how they will be perceived by the court when assessing employment status. Aside from the bonds system, it is hard to perceive that managed workers undertake any other financial risk.

Responsibility for Investment Management

If the worker's conduct shows that they are responsible for the investment management of the business then this is an indication that the relationship is a contract of service. Sex-workers responsibility for investment management has not been through evidenced from research and nor can it be reasonably contemplated as occurring. Sex-workers are typically contracted to one brothel, operate at an individual level, and do not require additional capital input. Thus, managed sex workers are not in the position to investment

⁴⁹ Ibid 153

⁵⁰ TNT Worldwide Express (NZ) Limited v Cunningham [1993] 3 NZLR 681 (CA)

⁵¹ Lee Ting Sang v Chung Chi-Keung [1990] 2 AC 374 citing COOKE J in Market Investigations Ltd v Minister of Social Security [1969] 2 QB 173, 184-185

money to broaden and expand their business interests. Sex-workers do not have any responsibility for investment management.

Ability to Profit from Sound Management in the Performance of the Task

A contract for service is indicated if a worker is able to profit from sound management in the performance of the task. Managed sex work allows no opportunity to profit from quality work as the brothel owner retains control over the earnings of their workers.⁵² The worker will receive a set fee regardless of how well he or she may complete the task. Additionally, the ability to profit is further restrained by limitation clauses that prevent a sex-worker from operating at a competing brothel at the same time.⁵³ This factual scenario bears greater analogy to that of an employee in comparison to an independent contractor.

Integration Test

The integral test primarily assesses whether the worker is performing a role that is part and parcel to the organisation:

Under a contract of service, a man is employed as part of the business and his work is done as an integral part of the business; whereas under a contract for service, his work, although done for the business, is not integrated into it but is only accessory to it.⁵⁴

In order for a worker to be integrated into the business, they must be part and parcel to the operation of the business and the service it provides. Prior to 2003 brothel owners limited their services to merely providing a venue for massage services in order to avoid criminal conviction. The introduction of the PRA now enables brothel owners to provide customers with an overall service or alternatively provide a medium in which sexual services may take place. Therefore, the type of business the brothel owner is providing and whether the sex-worker is integral to that business will frequently be based on the circumstances of the case. However it is possible to generally assess whether a sex-worker is integrated into a brothel that provides an overall service or a brothel that arranges commercial sexual services to occur.

Integration of Sex-workers within a Brothel that Provides Sexual Services

Sex-workers are integral to a brothel that provides commercial sex services. A brothel that provides commercial sexual services cannot operate without sex-workers. Thus sex-workers working in this type of business of prostitution are employees.

Integration of Sex-workers within a Brothel that Arranges Sexual Services

Whether sex-workers are integrated into a brothel, whose business is to arrange sexual services, is not clear. This is exacerbated by ambiguity surrounding the word 'arranges,' indeed it is unsure where a brothel crosses the

⁵² This conclusion is supported by the definition of brothel, as defined in s4 of PRA, which anticipates that the owner/operator of a brothel will retain control over the earnings of their workers.

⁵³ Case U26 (1999) 19 NZTC 9,243

⁵⁴ *Stevenson Jordon & Harrison v McDonnell & Evans* [1952] 1 TLR 101 (CA)

line from arranging commercial services to providing sexual services. Further it is uncertain as to whom the brothel owner is providing a service for, brothel owners appear to be providing a service for both sex-workers and their clientele. For instance, brothel owners', who arrange sexual services, provide a venue and other overheads, for sex-workers to conduct their private work. However brothel owners also provide the availability of sex-workers to clients in a secure hospitable environment. Indeed it seems that typically brothel owners operate on a spectrum between these two services, as both are integral to the survival of the business. The distinction is critical for the assessment of employment status; if brothels were merely offering a venue for sex-workers to conduct their private work this would indicate a contract for service. However, if brothels were operating to serve the needs of their clients, sex-workers are integral to the operation of the business, which is indicative of a contract of service.

Several factors indicate that typically brothels primarily operate to provide a service to their clientele. First, brothels typically advertise their services to potential clientele. Advertising is usually directed at building a corporate identity to distinguish the brothel from others providing a similar service, for instance brothels which provide an upmarket discreet service.⁵⁵ The brothel owner also advertises vacancies for sex-workers whom are able to uphold the reputation the brothel wishes to represent. Thus the brothel owner does not advertise for just any sex-workers to use their venue. Rather workers are employed and selected on the basis that they will continue to attract and maintain clientele, by maintaining the representation desired by the brothel owner.

Second, the provision of an all inclusive price schedule by the brothel owner also indicates that brothels operate to the needs of their clients. If the brothel owner were merely providing a medium and a venue in which sexual services could occur, it does not appear as part of the business sphere to set fees and indicate the range of services offered by individual independent sex-workers. Although it is efficient to have some form of guidance as to the price of services offered, this should not be set by the brothel operators if their only gain is the fee derived from the arrangement of services. This practice oversteps the sphere of strict arrangement of sexual services.

Furthermore, control mechanisms that regulate the hours of work, management of worker absences and the type of clients accepted go beyond what would be considered to be encompassed in a business that arranges commercial sexual services.

Therefore it appears that upon the spectrum in which arranging sexual services can encompass a typical brothel aims to provide a service to the client as opposed to the sex worker. Thus a worker in this scenario would be considered an employee.

Multiple Test

The multiple test is a recognition that applying one of the traditional tests will not suffice to assess the real nature of the employment relationship. It was noted in *TNT Worldwide Express (NZ) Ltd v Cunningham* that several tests may need to be considered to ultimately determine what the nature of the relationship between the parties is.⁵⁶ So far this essay has employed several

⁵⁵ Case U26 (1999) 19 NZTC 9,243

⁵⁶ [1993] 3 NZLR 681 (CA)

individual tests used to establish employment status of sex-workers, however several other factual considerations must also be analysed to determine the real nature of the relationship such as whether the employee supplies their own equipment, who determines what work is to be completed and the arrangement of taxation affairs between the parties.

Supply of Own Equipment

If a worker supplies his or her own equipment this is indicative of a contract for service. In the context of prostitution, the sex worker typically provides personal equipment such as condoms, lubricant and toys. However the brothel operator provides for general expenses such as the room, towels, laundry, showers, music and other overhead items.⁵⁷ However sex-workers must pay a fee to the operator for the use of these items. Thus sex-workers are responsible for all of the expenses relating to each job, this is a factor indicating that managed sex workers are independent contractors.

Work to be done

Typically a brothel operator will control clients available to the sex-worker, although this is generally done in the sex-worker's best interest e.g. turning away drunk or violent clients. Alternatively, a brothel operator may accept clients that do not meet the standards of the sex-worker; although s17 of the Prostitution Reform Act 2003 does give sex-workers the right to refuse to provide commercial sexual services. Despite this provision there is evidence to suggest that a sex-worker may only refuse if they have a good reason.

If they do refuse we need an explanation. We won't allow nationality to be the reason – they don't have a right to discriminate. If the client is intoxicated or abusive, they don't have to if they don't want. (Brothel Operator, CJRC, 2007)⁵⁸

A recent survey assessment of the ability for managed sex-workers to refuse clients within the 12 months preceding the survey. The results suggested that 37.5% of managed sex-workers interviewed felt they had to accept a client when they didn't want to. Further, of the 61.3% of workers who had refused to accept a client, 12.4% were penalised for doing so.⁵⁹ Although, this is not a blanket approach across all managed sex-workers, it does provide an indication of the level of control brothel operators have over the sex-worker in deciding the work to be done.

Taxation

The courts have used specific taxation arrangements between the parties as a relevant consideration when assessing the nature of the relationship between the parties. At the initiation of the contract the parties will establish how tax matters are to be arranged. If the employer agrees to deduct PAYE this is indicative of a contract of service. However if taxation matters are left to the worker this is typically reflects a contract for service.

⁵⁷ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 156

⁵⁸ *Ibid* 45

⁵⁹ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 45

As mentioned above, most brothel operators regard their workers to be independent contractors and thus do not deduct tax or other employee incurred costs such as Accident Compensation Levies. Additionally brothel owners do not pay holiday pay, sick pay, other special leave or other requirements deemed by employment legislation. In the absence of PAYE payments from the employer the Inland Revenue Department automatically treats brothel workers as independent contractors for taxation purposes.⁶⁰

However taxation arrangements are not a defining factor in the determination of employment status.⁶¹ Given the uncertainty of the employment status of prostitution it is likely that taxation issues will be a matter to be dealt with after the confirmation of employment status as opposed to means of determining it.

Summary

Overall, the tests as described above, suggest that real nature of the relationship between managed sex-workers and brothel owners is that of employer/employee. Despite the traditional status of sex workers as independent contractors, it is clear that in practice the real nature of the relationship between the parties is a contract of service. Several key factors revealed in the above tests support this conclusion.

- The reliance of verbal contracts within the industry. Independent contractors typically rely on written contracts before engaging their services
- Hours of work are controlled by the operator
- Sex workers are not expected to pay their replacements should they be absent from duty
- Subject to s17 of the PRA, brothel operators determine the type of services available, the fees to be charged, and the type of clients acceptable
- Fees from the client are typically paid to the brothel owner as opposed to the sex worker
- Bonds system. Indicate a desire to control how the work is done and a level of integration into the business.
- With the exception of bonds, all other financial risk is borne by the brothel operator
- Sex workers have a limited ability to profit from the sound management of the task due to the controls put in place by the brothel operator
- Sex workers are fundamental to the operation of a brothel that offers commercial sexual services

⁶⁰ *Report of the Prostitution Law Review Committee on the Operation of the Prostitution Reform Act 2003* (Ministry of Justice, Wellington, May 2008) 155

⁶¹ *Hook v JB's Contractors Ltd* (2001) 6 NZELC 96,207

However, there are factors that suggest that the relationship between the parties is a contract for service

- Inland Revenue department treats sex workers as independent contractors in absence of PAYE payments from the employer
- Industry practice generally dictates that sex workers are independent contractors
- Sex workers must provide all their own equipment and pay a fee for the facilities used at the brothel

Although rebuttal to each of these points both for and against a finding of a contract of service can be made, the writer believes that overwhelmingly the strength in argument lies in favour of a contract of service. As noted in previous sections, this analysis represents the position of a typical sex worker but does not attempt to provide a solution for each individual case given the likelihood of factual variation. This analysis however does provide an indication of how specific facts may be interpreted by the court.

Conclusion

The management of prostitution in New Zealand has been a controversial issue for several decades. Despite the introduction of the Prostitution Reform Act in 2003, several concerns about the rights of sex workers still remain. It was highlighted by the Ministry of Justice in their assessment of the current operation of the PRA, that of particular concern was the uncertainty surrounding the employment status of managed sex workers working in larger commercial brothels. Specifically the Ministry of Justice were tentative in confirming the legality of sex workers current employment status as independent contractors.

This essay sought to address these concerns by analysing the current employment conditions of managed sex-workers in conjunction with developed employment status tests. Section 6(3) of the Employment Relations Act 2000 requires that the Court must assess the real nature of the relationship. To assess the real nature of the relationship between managed sex workers and brothel operators the control test, fundamental test, integration test and multiple test were employed. The overwhelming conclusion from each of these tests revealed that the relationship between managed sex workers and brothel operators was one of employee/employer.

This may have significant implications for the sex-industry. For instance, sex-workers would be entitled to the rights afforded to workers of other industries and have greater protection from exploitation due to the ability of government agencies to become more involved. However, this may lead to significant increases in running costs for brothel owners. It may also be more financially viable for sex-workers to operate as independent contractors as opposed to earning a wage under the status of an employee. Further it is uncertain as to which status would greater uphold the provisions of the PRA. Such implications may be the basis for significant investigation in the future.

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China's Management of the Olympic Games 2008 – Success or Failure?

Friederike Fehr

Abstract

Modern Olympic Games are predominantly used to increase economic and political power and improve awareness and reputation of the host country. This paper investigates how China, with its authoritarian system and its aspiration for modernity, handled socio-cultural changes and challenges before, during and after the Beijing Olympic Games 2008. It will be examined with regard to how far the Chinese government accommodated the request for more human rights in China, how it treated its citizens, and what role Chinese culture, nationalism and sports history plays in its Olympic and prospective ambitions. Contextualized within the discussion will be China's intended transformation from a developing to a developed country, and coherent challenges like political instability and the undertaking of significant changes in order to guarantee a successful event. Economic and environmental developments proceeding in the period between 2001 and 2009 will also be considered. In conclusion, impacts for the nation and in particular for politicians and Chinese society will be extrapolated. *(Note that the version presented here is a condensed extract from a substantially more complete original paper.)*

Introduction

On 13 July 2001, the 112th International Olympic Committee (IOC) announced that Beijing won the bidding to host the XXIX Olympiad in 2008. The entire city of Beijing turned into a "flag-waving, horn-honking, music-jamming, firecracker-exploding party" (Abrahamson cited in Ong, 2004, p. 35).

For decades China had been fighting to become the venue for the Olympic Games in order to further its political influence and accelerate its role in international affairs. However, the IOC's decision for Beijing as host city caused dissension in the rest of the world. Politicians, journalists, activists and people worldwide could not understand why China, with its controversial policy on human rights, won the competition to host the Olympic Games in 2008. The reaction was so strong because the Olympics are such a treasured event with a long history and known around the world, across countries and cultures. Although all Olympics faced certain controversies, those in China can be classified as very serious and extensive, which will be discussed within the paper.

Originating in Europe, modern Olympic history goes back to the year 1896 when the first Games took place in Athens, Greece. The ancient Olympics were religious festivals to honor the Greek gods and celebrate collectively (Davis, 2008). Since then, the size and scope of the Olympic Games have changed significantly with regard to the number of athletes and the budget spent on preparations. In 1896, the Athens Olympics featured 43

events with 241 male athletes from 14 nations. Comparing these figures with those of the Summer Olympic Games 2000 in Sydney, which comprised 300 events with 10,651 athletes from 199 nations (Matheson & Baade, 2003); the event's international expansion becomes obvious.

Even at the beginning of the 20th century, the Olympics were seen as an event that brought economic wealth and political power to the host country (Findling & Pelle, 2004). However, the degree to which host countries use modern Games as an economic boost, marketing tool and political platform has increased significantly within the last two decades. Host countries and sponsors have proceeded to invest high amounts of money in construction, and environmental and societal improvements in order to represent the city in as favorable a light as possible. Olympic history showed that the possibility to use the Olympic Games for national improvements has been predominantly awarded to Western, industrialized countries. Before the Beijing Olympics 2008, the event had been held in developing countries only in 1968 and 1988 (Cashman & Hughes, 2001). Reasons for that might be that developing countries would be challenged to match up to developed countries' ability to provide good planning and sufficient lead time for implementing improvements, find financial support, and create awareness and attraction for their country. Besides, developing countries often face political instability which is a risk factor for the event.

China was the third Asian country to host the Olympic Games. The country hoped to finally lose its status as a developing country and become a global, modernized and unified nation. But has this happened?

In this paper, China's management of economic, environmental and socio-cultural changes before, during and after the mega sports event will be analyzed. The focus of this research will rest on the socio-cultural perspective, which was predominantly affected and debated before and during the event, and is of high importance in regard to China's domestic development as well as its international relations. As the Olympic Games took place as recently as August 2008, the analysis will primarily concentrate on the timeframe between the proclamation of the win (2001) until one year after the event (2009).

The next section of this report deals with reasons and benefits for developing countries to become an Olympic host and mentions events in politically unstable, developing regions as Japan 1964, Mexico 1968 and Seoul 1988. Before the Olympic Games, China was afraid of political attacks. With the analysis of previous Games in developing countries, the author will relate former problems to the Beijing Olympic Games in order to see whether China considered these in its preparation. The third section briefly describes China's Olympic history, which goes back to the start of the modern Olympics in 1896, in order to point out the country's longstanding ambition to host the Games and occurring obstacles. Within the fourth section, the country's economic, environmental and socio-cultural status in 2001 will be described. The following section treats the country's preparations in the seven-year-period until 2008; here the focus lies on China's management efforts to integrate its citizens in the Olympics, with a discussion of socio-cultural controversies. In the sixth section, occurrences during the event will be briefly described. The seventh section finishes off with a post evaluation of the Olympic Games and its impacts on the country's economy, environment and especially its society. In the conclusion, the author summarizes major findings and gives a prognosis for China's future.

Reasons and Benefits for Hosting the Olympic Games

The Olympic Games is the most prestigious sports event that a city can organize. According to Preuss (2002), the event represents an extraordinary sporting, cultural, social and environmental legacy for the host city, the region and the country. The selected country has the chance to use the mega sports event as a catalyst for urban development. Changes, which would normally have taken several years or even decades, must be implemented within the short timeframe of seven years (lead time).

Besides the environmental improvement, hosting the Olympics is expected to act as economic boost by the creation of new jobs and attraction of foreign investment. Furthermore, it leads to an increase in national revenue from Olympic tourism, including tourism spending and Olympic related visits. Olympic media is used before and during the event to enhance the image of the host city or country by advertising and promotion as well as by Olympic-related reporting (Weed, 2008). International sponsorships are a decisive tool to break even. Long-term benefits are an improved image and a higher level of awareness. These impacts can stimulate tourism but also business activities and lead to economic wealth for the region.

Developing countries have begun insisting on their right to host the Olympic Games to thus obtain economic and environmental benefits. However, these countries have to consider that this is related to high investments in infrastructure, communication systems, and environmental changes. Due to a big gap in living standards and demands between developing and developed nations, respective economic, environmental and socio-cultural improvements are cost- and time intense. Government spending is limited in developing nations, which implies the activation and recourse to external investment and sponsorship. Because of the short lead time between winning the bid and executing the event, especially poorer countries must take advantage of fast improvements.

Developing countries often face national and political instability due to dissatisfaction and turmoil, caused by deficient supply of citizens, corruption, and lack of communication. Therefore, major targets for an Olympic host country are, apart from economic benefits, national stability and an increase in political power.

By 2008, Mexico City and Seoul were the only not-yet-developed nations that had the privilege to host the Olympic Games. In both cities, major protests led by university students occurred shortly before the Games opened and posed a serious threat to the operation of the Games themselves (Ong, 2004). However, the protests had different social contexts. Beijing might have taken these incidents as lesson of how to cope with similar upcoming protests or even attacks.

China's Olympic History

China's attempt to become part of the Olympic community and its sporting history go back to the beginning of the Olympic Games in 1896. In that year, the first football games with western character took place between universities and several athletics championships were organized in Beijing, Shanghai and Nanjing (Conrad, 2004). In 1910, modern sports peaked with the first national athletic contests which attracted tens of thousands of visitors. In 1921, Olympic and Chinese histories were linked for the first time.

Wang Zhenting became the first Chinese member of the IOC and thereby symbolized the legitimacy of the Chinese government. China sent one athlete to the Games in Los Angeles, but he failed completely. These circumstances once more caused conflict between politics and sport, as Chinese newspapers stated afterwards that:

Chinese have to wake up of their dreams. Western sports is good for rich nations, but not for China....Chinese should abolish western forms of sport and foster traditional, Chinese sports...We don't need Olympic Games (Conrad, 2004, p. 6).

However, China's Olympic development was not inexorable. In 1936, at the propaganda Games in Berlin, the Chinese team consisted of 69 athletes. In 1947, the IOC admitted two additional Chinese members. When Mao Zedong announced the foundation of the People's Republic of China on 1 October 1949, China was already an inherent part of the Olympic movement. With the establishment of the PRC, a new era of Chinese history started but also a controversial relationship between the IOC and China in regard to Taiwan. The PRC's withdrawal from the IOC brought the PRC political and sportive isolation from international events. "Ping Pong diplomacy" eventually brought China back to international relations. In 1977, the new IOC president Lord Killanin, who was very positively-minded towards China, visited the country. After Mao's death in 1976, the new leader Deng Xiaoping supported the idea of two politically and socially distinct systems within the country.

In 1979, after 20 years of controversy and negotiation, the IOC voted again and decided that athletes from mainland China as well as from the island (Taiwan) would be permitted to take part in the Olympic Games with their own flag and hymn. From that time, the name of the Olympic Committee of the PRC was presented as "China Olympics Committee" and Taiwan's as "Chinese Taipei Olympic Committee". This regulation enabled both parties to participate in the same competition and events. At the 1984 Olympic Games in Los Angeles, athletes from both Chinese parts entered the Olympic arena collectively for the first time (Guoqi, 2008).

The notion of allowing China to host the Olympic Games in the future was already being considered in 1984, by J.A. Samaranch, the successor of Killanin. Directly after the resumption of involvement in 1979, Deng Xiaoping mentioned China's willingness to host the Olympic Games, as soon as time was ripe. As far as the Chinese government was concerned, only the capital qualified as a venue for the Olympic Games whereas in other countries, various cities of a nation could contest for the rights to be host. In 1991, the Chinese government announced Beijing's bid to host the 2000 Games, which caused primarily negative reactions. The Western world was very concerned about the human rights record in China. Providing a convincing proposal with careful planning and strong public support, Beijing turned into a favorite and was particularly disappointed when Sydney won the bid - 45 to 43 votes. However, China's ambition to host the Games in the near future did not end.

Never before in Olympic history have there been so many controversies about a potential venue. Especially in the media, China's application to host was debated and faded the other applicants (Istanbul, Osaka, Paris and Toronto) into the background. The IOC claimed to disregard political circumstances and just evaluate the venue potential of all applying cities. However, the host decision was basically "pro China" or "contra China".

Since the 1998 Winter Games in Nagano, environmental pollution became the third dimension of the Olympic movement, apart from sport and culture (Beyer, 2006). Sydney was the first city to win an Olympic bid with a set of environmental protection measures attached to its application. Learning from this strategy, Beijing also presented an environmental plan applicable to all segments of the Games, including venue construction, transportation, pollution control, and waste management. The country invested a lot of money in environmental improvements prior to the vote in order to increase its chances.

Note: Two lengthy sections have been removed at this point. The first examined the status of China in 2001, and the second analysed preparations during the period between 2001 and 2008, both sections dealing in depth with economic, environmental, and socio-cultural aspects.

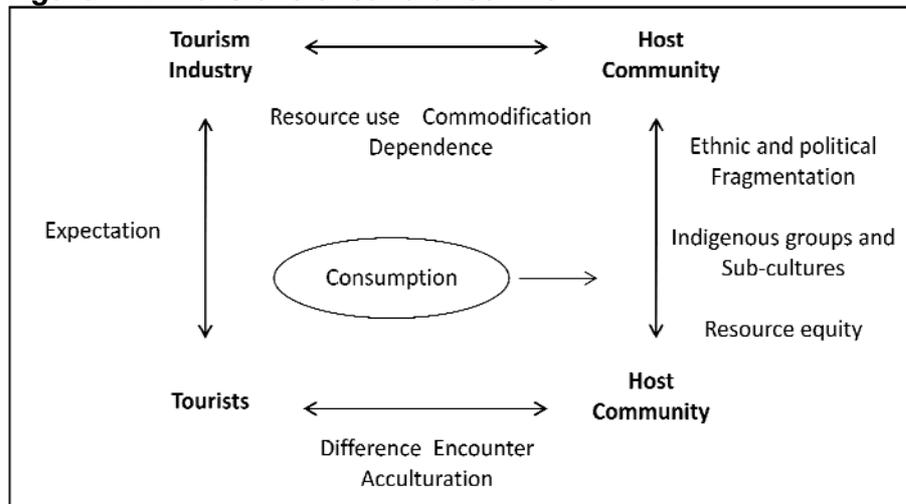
During the Games: 8-24 August 2008

Because of many protests in advance of the Games, the Chinese government was afraid of attacks or incidents during the event. Despite the high security level, some negative occurrences took place during the event. Within this section, tourism during the Olympic Games will be described and the government's use of media for image creation identified. Furthermore, the slogan of the Olympics and its adequacy are going to be discussed.

Tourism

Expectations, in terms of tourists attending the Olympic Games were very high. The Chinese government prepared in advance by creating sufficient hotel capacity, giving its citizens language and behavioural training, and drawing up guidelines. Despite these preparations, there was still a high potential for cultural conflicts, as Figure 1 outlines. According to Robinson and Boniface (1999), cultural conflicts are not limited to encounters with tourists but may also develop within a society in terms of existing sub-cultures or ethnic fragmentation. The degree of conflict is dependent on the broader cultural context of the groups.

With regard to China, an ethnic and political fragmentation definitely existed between China and Tibet as well as China and Taiwan. According to Xu (2006), the decision for China to be host country challenged the ethnic and national identity of the Taiwanese people. These tensions could also impact tourism at the destination. Cultural and ethnical conflicts may end at worst in terrorism, which has been identified as a major risk associated with mega events (Toohey in Qi, Gibson & Zhang, 2009). There were no terrorist attacks during the Olympic Games 2008, however an incident took place which has affected China's image negatively. An American couple was attacked in central Beijing at a popular tourist site by a Chinese, who then committed suicide. The man, who was killed, was coincidentally the father-in-law of the US Olympic Men's Indoor Volleyball Head Coach Hugh McCutcheon. This is probably the reason why the occurrence was covered in depth in the media. Due to the fact that tourists generally tend to avoid destinations which they perceive risky, the occurrence could have had an impact on tourist arrivals (Sönmez & Graefe in Qi, 2009). The Chinese government tried to avoid this scenario by the creation of superior security levels in Beijing and promoting China as a secure and peaceful nation via the media.

Figure 1: Dimensions of cultural conflict

Source: Dimensions of cultural conflict (own compilation from Robinson & Boniface, 1999, p. 7).

Although tourism to the host destination is usually expected to grow in the year of the Olympic Games, China recorded no growth in international arrivals. According to official statistics (2009), inbound arrivals in 2008 were around 130 million, which has been the first drop in the sector since 2003 (Dingding, 2009). Reasons for this unexpected low number of tourists can be related to the high amount of tickets sold within China (70%). Furthermore, officials prohibited public viewing in advance of the Games and announced high security controls, which might have decreased the interest in traveling to the city just for curiosity. On the other hand, domestic travel to the region is expected to have increased. However, the author found no valuable statistics for this assumption.

Image/Media

Before and also during the Olympic Games, China received positive media coverage in regard to diversity and ancient history of Chinese culture, and the country's effort in hosting the unique event. Nevertheless, major global media coverage was negative and related to China's relationship with Tibet, present protests, and environmental problems.

Due to strict security precautions and the fear of negative publicity, only a few media were allowed to follow the event ("Taking the fun out of the Games", 2008). Even internet access was limited during the Games. The IOC failed to press China to guarantee internet access during the Games and thus, thousands of journalists were not able to look for web pages relating to political themes ("Games flame lifts spirits in host city", 2008).

Although China strived to promote enthusiasm and joy and show humanity, the perception during the Games was different. In Sydney (2000) as well as Athens (2004), people partied on the streets, hired street musicians to perform outside the venues and even invited those without tickets to picnic beside huge outdoor Olympic viewing screens (Magnier, 2007). In contrast, Beijing (2008) suspended outdoor musicians and discouraged foreign entertainers. Reasons are supposed to be the government's fear of losing security control and thus an increased risk of attacks. Liu Shaowu, security director for the Olympic Committee, even stated "We don't want to have a festive atmosphere at venues" (Magnier,

2007, p.3 0). This contradicts with the official positive ambition of China as well as the intention and spirit of Olympic Games.

The Paralympics, the Olympic Games for athletes with physical disabilities, which are organizationally associated with the Summer Olympics, took place from 6 to 17 September 2008. Because the country has often been criticized in regard to violations of human rights, the Chinese government is supposed to have used the Paralympics to keep its "face" and show tolerance. Due to the high media coverage at the Olympic Games, attention was still present which facilitated China to bring the subsequent event into focus. The connection of the Olympic Games with the Paralympics, which was introduced in 1992, is generally a good idea to put the two events on the same level of importance.

Audience records in China during competitions of national athletes and teams were very high. On average 300 million Chinese followed the competitions (New York Times, 2008) which indicates high interest and generates nationalism. However, the whole event and related circumstances seem to have exhausted Chinese citizens. Many Chinese expressed that they were waiting the Games to be over to return to normal life (World Focus, 2008).

"One World One Dream" - Dream or Reality?

To reflect their determination to bring China to the world and indicate a sense of inclusiveness, Beijing announced its slogan for the 2008 Beijing Olympic Games "One world, one dream". The capital's choice of logos, emblems, and slogans for the Olympics all reflected the deep Chinese commitment to internationalization. This means their engagement in international ideas, trends and processes. Besides, the slogan represents the universal values of the Olympic Games, which are unity, friendship, progress, harmony, participation and dream (see Figure 2).

Figure 2: Official logo for Beijing Olympics 2008



Source: <http://www.guilintourist.com/Uploadfiles/2008073110214026385.jpg>

China's ancient culture and its philosophy of "harmony of man with nature" build the basis for a peaceful event. The country used the official slogan to demonstrate the nation's ambition for the harmonization of world civilizations. However, this attitude was in contradiction to the real political and societal circumstances within the country. Because mainland China has faced political discrepancies with the island (Taiwan) and Tibet, and is known for human rights violation, the slogan was inappropriate. Taiwan and China are long-time rivals especially in regard to history in sports. When the decision in favour of China was made, Taiwan's reactions were mixed. On the one hand, they congratulated China, but on the other hand, Taiwanese politicians mentioned being afraid of a deepening in nationalistic sentiments

hindering democratic development in China (CNN in Xu, 2006). Taiwan then tried to take advantage of the Olympic Games in order to realize its dream of building a Taiwanese nation formally independent of "one China". But implementation turned out to be almost impossible. China had the advantage over Taipei in regard to "One China" because the idea has been legally and extensively embedded in China's international relations since the 1970s. The management of a peaceful reunification became a major challenge for the Olympic Games 2008. The final deal of "one China" is a compromise solution to the "two Chinas problem". It is politically and legally more favorable for Beijing but acceptable for Taipei and required a high level of flexibility from both sides.

"One world, one dream" can also be interpreted as a Chinese attempt to emphasize the overall wish for peaceful Olympics and an attempt to try to soothe activists in advance. An indication of China's fear of attacks and terrorism is reflected in its military and security armament before and during the Games. The Chinese government employed 110,000 security personnel and more than one million residents enlisted to help detect terrorist threats (Focus on security, 2008). Authorities also arranged a "no-fly" zone around the city for the opening ceremony. These measures went against the official aim of striving for a unified world. Although other Olympic hosts also implemented security measures, the intensity did not match those of China.

All in all, one can assume that China used the slogan to officially fulfill international claims for peace and stability within the country but also in regard on its foreign policy. It is a further attempt to keep "face" and to demonstrate ambition for unification.

Politics

Politics have become an active part of the Olympic Games, especially in 2008. A few Tibetan activists, primarily students, succeeded in bypassing security controls and protested for a free Tibet at the Great Wall. Although the scope of protests during the Games was not comparable to those in previous Games (such as Seoul and Mexico), numerous protesters were arrested. On the one hand, the moderate amount of protests showed that China did good spadework in regard to conflict management and probably learned from previous Games. However, according to Human Rights Watch (2008), the ministry of foreign affairs investigated anonymous death threats against at least ten foreign journalists, which would correspond to the number of similar incidents in Seoul and Mexico. The only difference is that the Chinese government was deft at concealing these offences.

One Year After

The Olympic Games 2008 can be described as very spectacular and unique. Within the last section, economic, environmental and socio-cultural impacts of the Olympic Games 2008 will be described and conclusions for China will be drawn.

Economic Perspective

China's economic situation is expected to improve after hosting the Olympic Games. Although no empirical evidence exists for a guaranteed economic boost after hosting the Olympic Games, China is aiming to take advantage of

the Beijing Games 2008. Apart from economic impacts, the country will benefit from nonmonetary impacts such as increased awareness and an enhanced image, which are considered as secondary impacts of a sporting event (Turco et al., 2002). These are expected to cause legacy effects in terms of increased tourism and attraction of business. Economic long-term benefits for China can be identified at the earliest in five to ten years. According to Owen (2005), these depend on how well the Olympic related investments can be incorporated into the overall economy in the years after the event. This section will outline how the financial crisis influenced China, identify the current economic situation, and investigate how profitable China's Olympic venues are used one year after the event.

Because the Beijing Olympic Games and the worldwide financial recession occurred in the same period, it is very difficult to identify the economic impacts of the 2008 mega sports event. By the end of 2008, China was the third largest economy in the world, after the United States and Japan, with a GDP of US\$4.4 trillion. In late 2008, as China commemorated the 30th anniversary of its historic economic reforms, the global economic downturn began to slow foreign demand for Chinese exports for the first time in many years. Experts forecast economic growth in 2009 to be between 6% and 7%, which is below initial governmental calculations of 8% (China Wirtschaft, 2008). Statistics for the first half of the year showed an economic growth of 7.1%, driven primarily by domestic demand (IMF, 2009). This figure shows that China is not significantly suffering from the worldwide economical downturn. China remains an important country, even in a world-economic comparison. Today, it is the third largest trading nation and has, with more than US\$1.9 trillion, the highest foreign exchange reserve worldwide (CIA World Factbook, 2009). Within 19 years, the country's position as trading nation improved from being ranked 15th in the world to third which is an enormous economic development (Donald & Benewick, 2005).

Due to the financial crisis, foreign trade lost some of its dynamics. Imports and exports increased by 18% in 2008, however within the previous three years its annual growth rate was about 23%. Chinese exports had a growth of 17% up to US\$1.43 billion and of which 50% were exported to Europe, United States and Japan. Approximately two thirds of all Chinese export products were produced by foreign investing companies. Imports grew by 18.5% and summed up to US\$1.13 billion. One third of these came from other Asian nations as Japan, South Korea, and Taiwan. The total foreign trade volume was US\$2565 billion in 2008.

China's service segment, which encompasses tourism, contributed around 40% to the country's GDP in 2008 (Tian, 2008). In comparison to developed nations, whose average contribution is 65-75%, tourism is not very important in China's economy. The Olympic Games increased international awareness for China as a tourist destination and promoted the country's cultural history. A high number of UNESCO-endorsed world cultural heritage sites, its diverse geography and its size are a good basis to gain leverage. The Chinese National Tourism Administration (CNTA) declared 2009 as eco-tourism year to proceed with the concept of a "green" country by creating more environmentally friendly places and travel, and to satisfy new trends of tourism consumption.

However, the official forecast of the tourism sector's development in 2009 was fairly negative. According to the CNTA, the inbound tourism sector

is facing considerable challenges this year and is expected to grow by only 1.5% to reach the 2007 level of 132 million tourist arrivals (Dingding, 2009; Ryan & Huimin, 2009). The main reason for this trend is again the global economic slowdown. Because major markets as the US and Japan suffered greatly from the financial crisis, China has to look for other markets. These could be neighboring countries and regions such as Russia and East Asia, and countries and regions which are less affected by the financial crisis, for example: Australia, the Middle East, and Latin America. The WTO forecasted the growth of international tourism to increase between zero to two percent in 2009. Nevertheless, tourism managers and the government have to consider whether tourist arrivals actually decrease because of the financial crisis or if other potential reasons such a negative attitude towards the authoritarian system and human rights abuse might be causes.

The Beijing city government stated that the city built 12 permanent and eight temporary new venues and refurbished 11 others at a cost of US\$1.9 billion (Swanson, 2008). Officials promised to change Olympic venues from 2008 into public institutions or other business projects. The vice-president of the Beijing Olympic Economy Research Association mentioned after the Games, that it could take decades for the Bird's Nest and other venues to pay for themselves. The Chinese government decided to use the Bird's Nest Athletic Stadium as a tourist attraction, which turned out to be very profitable. Around 20,000 people buy a \$12 ticket every day to enter and walk around the stadium (Reynolds, 2009). People have the chance to experience their "own medal ceremony" for an extra fee. By the end of 2009, the stadium's owner has planned to start staging occasional concerts and even an opera. The stadium's investors expect to break-even in about ten years if tourist figures stay firm.

However, investors and the government have noticed that memories of the Olympics will not pay off in the long run. In August 2009, the BOCOG official Jiang Xiaoyu wrote in the state media: "Some Olympic cities staged very successful Olympics, but their image suffered after the Games because they failed to use the sport venues effectively" (China Daily, 2009). This shows that China is afraid of experiencing financial and image losses. Therefore, new attractions had to be developed. The Water Cube, funded by public donations, is used as a swimming pool and has been recently converted into a water stage for the Imperial Russian Ballet. The aquatic centre, developed and managed by state-owned Assets Management Co Ltd, received more than 4.5 million visitors over the past year (Ban, 2009). It is more popular than the other two Olympic venues in the area. Upcoming sports events like the China Open tennis tournament will be held in Olympic venues. These attempts show that the Chinese government strives to profit from its new venues and at the same time create public events. Because of the overall expense of maintaining venues, uncertain future visitor numbers, and the financial crisis, it is difficult to forecast whether the venues will pay for themselves in the future.

Environmental Perspective

Similar to the economic perspective, long-term benefits for China's environment will be identified in five years at the earliest. So far, Beijing has benefited primarily from environmental improvements such as the planting of trees, solid waste control and water improvements. However, it is doubtful whether measures like decreasing the air pollution level and minimizing noise

were just short-term oriented for the Olympic Games or whether they should lead to sustainable environmental improvements. Keeping other environmental problems in mind, this section will concentrate on air pollution and energy policies after 2008.

Although concepts such as “greening” cities and replacing coal with alternative energy will generate long-term benefits for the region, the regulation of traffic volume generated only short-term improvements. Abandoning millions of cars from the streets is definitely a successful method to improve air pollution scores, however it was only implemented for a few weeks before and during the Games. After the 24th August 2008, the regulation was scrapped and thus created only short-term benefit.

It seems as if only Beijing profited from “greening” the city in advance of the Olympic Games. However, the continuous growth of China’s economy leads to further increases in energy consumption and massive waste production. The constant rise in numbers of private cars will cause further exceeding of air pollution levels and it is not foreseeable, how the Chinese government is trying to stem this problem. In order to achieve long-term benefits not only in Beijing but also in other highly polluted areas, the Chinese government has to extend environmental improvements by setting in new laws regarding CO2 emission limitations.

Socio-cultural Perspective

China's economic progress has been accompanied by a steady expansion in its global cultural and diplomatic influence. This approach, called soft power, can be defined as “a nation’s winning influence abroad by persuasion and appeal rather than by threats or military force” (Pan, 2006), and has become more and more important for China. Experts say the country uses soft power alongside hard power, including its military threat and its ability to impact other countries’ political and economic security. China’s influence is not only limited to other developing countries but on many states, because it is an UN Security Council member. The country has implemented its soft power by transferring its culture and citizens to the world and thereby aims to become a global player as the United States. Setting this approach into context with the country’s activities, the hosting of the Olympics was probably one very important step for the government to further its soft power. The appearance of dozens of foreign leaders during the Games, including US President George W. Bush, meant the world had effectively endorsed the Communist Party’s rule, despite its continued political repression. Their presence encouraged the Chinese government and authorities to ignore appeals for human rights.

However, decisions made by politicians and the government in advance and during the Olympics seem to have also had negative impacts for them. The government’s high security level stemmed protests but could not quell them totally. Instead of reacting on international claims for change, officials refused to introduce new human rights policies. This attitude has left a negative global impression of the country and it is doubtful whether international politicians will continue to stick to China in the future. Besides, delegates and heads of state seem to become aware of China’s execution of soft power and are skeptical about its prospective exertion of influence. In regard on the country’s striving for turning into a developed country, the human rights abuse will definitely be an obstacle.

The Olympic Games 2008 have also had impacts on the country’s citizens. For China, the Olympic Games have been a historic event, not only

because of its long-lasting dream to host the mega event but also in regard on the nation's athletic success. With 51 gold medals and 100 medals in total, China has beaten all previous records. The event increased Chinese nationalism and pride. The IOC offered a positive summary from the Games in mentioning that selecting China had been the right choice, even in creating a bridge between the country and the rest of the world (Yardly, 2008). The international awareness of China and its culture definitely increased which is a positive development for its citizens and evoked pride.

According to Crockett in Tian (2008), a further positive impact of the Beijing Olympic Games is a wider participation in sports. Many nationwide, citywide, community- and institution-sponsored sport events have been or are planned to be held in order to encourage Chinese people to participate in physical exercises. Several of the new venues in Beijing, which have been constructed for the Olympic Games, will be used for public sport events or recreation and thus improve life in the capital.

However, the event primarily created benefits for the capital and other big cities instead of nationwide improvements. The continuously growing economic and societal disparity between rural and urban regions has become bigger rather than smaller. The government strives to increase overall wealth of the country, but this implies the adjustment of living standards and technological progress. It is doubtful whether increasing disparities will lead to dissatisfaction or even riots within the society, because many poor people live almost isolated in villages with no access to technology or media and self supply.

Prospective

It is generally difficult to give a future prognosis for a country, and especially for China, because of the nation's striving for superlatives (in economy, society, and image). Its arrival on the international scene is dependent on the prospective handling of human rights and its authoritarian system. The country seems to have become aware of that and is starting to react correspondingly.

In September 2009, China's president Hu Jintao called for a world without nuclear weapons. He joined Barack Obama's request and mentioned that he will "call for a complete prohibition and thorough destruction of nuclear weapons" ("China calls for world without nuclear weapons", 2009). The US, China, Russia, France and Britain are the world's declared nuclear powers, but the US and China recently have announced plans to elaborate a key treaty for nuclear disarmament. At the same conference, Jintao reacted to criticism of China's human rights record by arguing in support of tolerance in society. These two statements should be challenged because it is rather improbable that China will destroy all its nuclear weapons, which it has developed and constructed within the last decades, and will finally change its human rights policy in favor of its citizen. It seems as if China has recognized that after the Olympics 2008, with all the human rights protests and increased attention, it is time to undertake a further step for a more peaceful nation and thus increase the country's acceptance in the rest of the world. One can conclude that China, as many other countries before, has used and will use the mega sports event to accelerate its economic progress and further increase political influence.

China's economic prospective is overall positive, which however cannot be directly traced to the Olympic Games. According to the International

Monetary Fund (2009), the global economy seems to be recovering from the financial crisis and is expected to grow by 4% in 2010. China faces positive economic development in 2009/2010 in comparison to European countries. This was perhaps down to the fact that the country was not highly affected by the financial crisis and is still one of the leading countries for incoming FDI.

The country's Olympic management and ambition seems to act as a model for other developing countries. New Delhi is preparing for the Commonwealth Games 2010 and is trying to follow China in regard to a successful event. To present a modern India, the country is spending \$US325 million in infrastructure and environment but is also considering the socio-cultural perspective (Questions and chaos as India gears up for Games, 2009). The government plans similar politeness-training as China did with its citizens. The question is, to what degree do you manipulate people and is that ethically correct? It is questionable whether China represents a good example for socio-cultural training as they interfered in privacy and human rights.

Recently, the International Olympic Committee announced that Rio de Janeiro will host the Summer Games 2016. Although Chicago was favored to win the race, the IOC decided that it is time for a South American city to host the Games (Romanos, 2009). It seems as if China's successful hosting has made a positive impression and has increased chances for other developing countries to host the Games.

Conclusion

China's economic and societal position in the world has changed significantly within the last 60 years. Considering that China in 1949 had still an illiteracy rate of almost 90% ("China", 2009) and its GDP was almost 42 times smaller than in 1998 (Mkhize, 2007), the country has gone through an enormous development. Especially within the last 30 years, China has made a huge effort to increase international awareness of the country, improve its economic position in the world, and raise its internal power.

The changes that the west hoped would be brought to China by the games are not exactly the same changes that the Chinese themselves hoped for (Brownell, 2008). With the hosting of the Olympic Games, a long held dream came true and China strategically used the games to promote its culture and modernity as well as to accelerate its role in international affairs. The rest of the world hoped that with hosting the event, China would also change its attitude towards its human rights legacy and approach with Tibet and Taiwan.

Although criticism in advance of the Olympic Games was high, China's management of the event can be seen as overall positive, because the country prepared one of the most spectacular Games in Olympic history, without particular incidents. Reasons for that were the BOCOG's extensive economic, environmental and socio-cultural preparations. The government implemented tremendous high security controls in the region of Beijing, which can be declared by previous protests for a free Tibet and human rights, as well as the fear of similar circumstances as in 1989 at Tiananmen Square.

In consideration of previous Olympic Games in developing countries and their problems, China involved its public into preparations. But the

manner of doing so represented once more the government's influence on its citizen and its human rights abuse. Probably based on their culture and tradition, Chinese did not protest or refuse to obey orders in the preparation process. However, some people expressed their anger about measures as the concealment of lower social classes during the event.

Hosting the Olympics 2008 has brought positive as well as negative impacts to the country. Direct effects on China's economy are hard to measure, because the financial crisis and the mega sports event occurred in the same time period. Decreasing purchasing power of foreign investors and shrinking demand of export goods also affected China's economy in 2008/2009. Although revenues of sponsorships and marketing were high, they could not cover expenses for constructions, environmental and other changes. Because of high foreign investments, China does not seem to suffer from this result but is expected to benefit in the long-run. Huge media attention increased the country's international awareness. Actually, the recent host of the Olympic Games should be a pull factor for tourists to visit the country. However, tourist arrival forecasts for 2009 have shown just a slight increase by 1.5% (Dingding, 2009). This trend can be justified by a forecast of the WTO, according to which global tourism will stagnate in 2009 due to the financial crisis. A different explanation could be a higher awareness of China's human rights abuse which lead to negative attitudes or increased perceived risk.

Environmental improvements proved advantageous primarily for the region around Beijing. It is doubtful whether Beijing will profit from these measures in the long-run, because further economic growth in the region will lead to increased air pollution and more construction, which consequently displace public green space.

In regard to socio-cultural impacts, negative as well as positive impacts can be identified. From the Chinese citizen's perspective, it can be assumed that nationalism and pride have increased and that most Chinese offer a positive summary of the Olympic Games. Hobsbawm cited in Guoqi (2008) stated that sports are uniquely effective in defining national identity and the sense of belonging.

From an outside perspective, it is more probable that China primarily used the Olympics to increase its political power and strengthen international business relations. The attendance of political leaders at the event supported the regime in its human rights policy, and thus squashed all previous undertakings for freedom of expression and a unified country.

Recent developments such as new death penalty legislation and the president's call for the destruction of nuclear weapons are steps in the right direction. Nevertheless, it is doubtful whether China will ever ensure absolute freedom of expression and approach Taiwan and Tibet. Looking back, the country has often promised to change, only recently in advance of the Olympic Games, but without any noticeable consequence. Political and societal conflicts within the country have existed for centuries and are therefore difficult to overcome and require harmonization and acceptance from all parties. Because of China's increasing economic and political influence in international affairs, the mainland might not see a need for reconciliation with Taiwan and Tibet. Because of these still existing controversies, China's prospective development in regard on socio-cultural as well as economical aspects is not predictable. The country should use its newly acquired power to balance disparities within the country, especially in

regard on its strived transition into a developed nation. Considering the citation of Kofi Annan, saying “a genuinely developing country is one in which a civil society is able to insist, not only on material wellbeing, but on improving standards of human rights and environmental protection” (United Nations Information Services, 2000), China has to improve its treatment of citizens and optimally approach Taiwan and Tibet in order to achieve its goal of transition and international diplomatic recognition.

Despite all the criticism, the country’s Olympic management and ambition seem to act as a model for other developing countries, and appear to have led to a higher willingness within the IOC to prospectively award hosting rights more often to a developing country, such as for 2016 to Rio de Janeiro.

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Note: A complete list of references is available on request from the supervisor. Only book, journal, and academic working paper items cited in this abbreviated version are listed here.

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Green Supply Chain Management: A Literature Review

Jamal Fortes

Birds flap their wings in oil-infested coastal waters, unable to take off.

Trees in a coniferous forest have lost all but a handful of their needles.

An empty landscape is scarred by open-cast mining. These are just some of the images that have brought home the enormous costs to the natural environment of industrial development Preuss (2005, p. 1).

Abstract

Sustainable development has made remarkable progress in establishing environmental and social sustainability towards operations management and the supply chain. Manufacturers in the late 1980's went beyond what was required in the legislation and went for a greener approach in their operations systems. The purpose of this paper is to briefly review the literature of the green supply chain management (GrSCM) over the last twenty years. The key themes that came out of the literature are: green operations, green design, green manufacturing, reverse logistics and waste management. This paper will briefly discuss these issues. This paper will also mention the reasons why organisations would opt for a green supply chain. This essay will then conclude that there is a gap in the literature in terms of the stakeholder views towards green supply chain management. Knowing the different stakeholders' views to greening initiatives requires qualitative study such as interviews – to portray the different views about the concept and how this would implicate management decisions.

Key words: Green supply chain management (GrSCM), literature review, green design, green operations and reverse logistics.

Introduction

Supply chain management has traditionally been viewed as a process wherein raw materials are converted into final products, then delivered to the end-consumer (Beamon, 1999). This process involves extraction and exploitation of the natural resources (Srivastava, 2007). It is important to note however that we live in a decade where environmental sustainability has been an important issue to business practice. Since the early 1990's, manufacturers have been faced with pressure to address Environmental Management (EM) in their supply chains (Wu & Dann, 1995). This is not an easy task to do however. Adding the 'green' concept to the 'supply chain' concept adds a new paradigm where the supply chain will have a direct relation to the environment. This is interesting because, in history, these two paradigms were once in head-on collision with each other (Srivastava, 2007).

Supply chains, in an operational sense, are about extracting and exploiting raw materials from the natural environment.

This paper will provide an overview of the Green Supply Chain Management (GrSCM) literature. Knowing the wider perspective of the Green supply chain is an important step in knowing the branch of environmental sustainability. There are large amounts of literatures that surround GrSCM, especially from 1989 to the present. But the key themes that came out of the GrSCM literature over the last twenty years are the concepts of *green design*, *green operations*, *reverse logistics*, *waste management* and *green manufacturing* (Guide & Srivastava, 1998; Srivastava, 2007). The purpose of this paper, however, is to discuss some of these issues and provide an overview of the academic perspective of the GrSCM literature. This paper will provide a brief introduction to traditional supply chain management and the chronology of GrSCM. This paper will then discuss the concepts of Green Design and Green Operations. At the end, this paper will briefly mention why organisations opt for a Green supply chain. This paper will mention some of the key academics in the field and their arguments around green operations.

Supply Chain Management: Back to the Basics

The term 'supply chain' was coined in the mid 70's. Banbury (1975) used 'supply chain' as a term of passing on electricity towards the ultimate consumer. It was not until the 1980's, however, that the term 'supply chain management' came into context. Oliver and Webber (1982) discussed the potential benefits of integrating internal business functions of purchasing, manufacturing, sales and distribution into one cohesive framework. Stevens (1989) has defined supply chain management as the integration of business functions involving the flow of materials and information from inbound to outbound ends of the business. Dyadic or party relationships between suppliers are becoming part of the supply chain process (Harland, 1996). Here we see the formulation of a supply chain framework in terms of establishing contracts between firms. Organisations have been given the the opportunity to either vertically integrate or market their products in connection with other partners (Stevens, 1989).

Supply Chain Integration

In the early 1990's, supply chain management evolved dramatically with the increasing importance of the relationship with other suppliers (Harland, 1996). Slack (1991) and Christopher (1992) explain that the reason for this was the emergence of a globalised marketplace. Wood (1997) argues that firms need to become more integrative amongst other firms to reduce the vulnerability of the supply chain. There are various case studies where firms are becoming more integrative to their supply chain partners. Lamming (1993) and Womack, Jones and Roos (1990) mention the Japanese automotive industry and the Italian craft-based industry as basic examples. Lean and Just-In-Time (JIT) Management have added factors that helped enhanced the operational processes of the supply chain (Wood, 1997; Power, 2005). The requirement for organisations to become actively responsive to the needs of customers has increasingly been important (Christopher, 2000). Power (2005) observes that speed (delivering customer demand quickly),

agility (responsiveness to customer demand) and leanness (doing more with less) are the contributing factors that would make firms more competitive.

The Chronology of Green Supply Chain Management (GrSCM)

Green supply chain management (GrSCM) is an emerging field that strands out of the traditional supply chain perspective. The "quality revolution in the late 1980's and the supply chain revolution in the early 1990's" have sparked businesses to become environmentally conscious (Srivastava, 2007, p. 53). GrSCM has gained popularity with both academics and practitioners to aim in reducing waste and preserving the quality of product-life and the natural resources. Eco-efficiency and remanufacturing processes are now important assets to achieve best practice (Ashley, 1993; Srivastava, 2007). Global market demands and governmental pressures are pushing businesses to become more sustainable (Guide & Srivastava, 1998; Gungor & Gupta, 1999). Walton, Handfield and Melynyk (1998, p. 2) even claim that "increasing government regulation and stronger public mandates for environmental accountability have brought these issues into the executive suites, and onto strategic planning agendas."

The key themes that came out in the literature over the last twenty years are the concepts of: *green design, green operations, reverse logistics, waste management and green manufacturing* (Guide & Srivastava, 1998; Srivastava, 2007). The very first green supply chain came into context in 1989. Kelle and Silver's (1989) article was the first of this literature that developed an optimal forecasting system for organisations to use to forecast products that can be potentially be reused. This forecasting system, however, was highly contentious because returning individual containers is not usually known with certainty, so therefore, their findings may somewhat be incoherent.

The first green design literature came into context in 1991. Navin-Chandra's (1991) article was the first of the literature to consider the need for a green design to reduce the impact of product waste. Works of Ashley (1993); Allenby and Richards (1994) and Zhang, Kuo, Lu and Huang (1997) came into context and expanded the framework of green design. Life-cycle analysis was an example of a framework that came out of green design. Works of Arena, Mastellone and Perugini (2003), Beamon (1999) and De Ron Penev (1995) all discussed life-cycle analysis as a framework.

Green Operations in terms of reverse logistics was an important concept that came out of the GrSCM literature. Apart from Kelle and Silver's (1989) article, works of Pohlen and Farris (1992); Stock (1998) and Tibben and Limbke (2002) all provided case studies on reverse logistics. The use of plastics and bottle recycling are mentioned in some of these articles. Carter and Ellram, (1998); Srivastava and Srivastava, (2005); Shih, (2001); Nagorney and Toyasaki, (2005) and Min, Ko and Ko, (2006) are all academic perspectives of reverse logistics.

Waste management is another topic that came out of the GrSCM literature. This came into prominence with the work of Roy and Whelan (1992). This article created a standardised model for reducing electronic waste without harming the environment. After this article, different waste management issues came into context particularly around recycling and

remanufacturing. Works like Owen (1930), Hannah and Newman (1995); Sarkis and Cordeiro (2001) and Nagorney and Toyasaki (2005) are all examples of trends of waste management becoming an issue.

Green Manufacturing, on the other hand, was not conceptualised until 1993 in the work of Crainic, Gendreau and Dejax (1993). This article established a comprehensive green supply chain model in terms of transporting containers from land to sea and vice-versa. Ideas of green manufacturing were then developed further by Van Der Laan and Salomon (1997); Guide and Srivastava (1998) and White, Masanet, Rosen and Beckman (2003).

There are other comprehensive reviews around GrSCM, particularly in the late 1990's where issues such as green production and planning and manufacturing (Bras & McIntosh, 1999; Sarkis & Cordeiro, 2001; Van der Laan, Salomon & Dekker, 1996) and product recovery (Gungor & Gupta, 1999; Van Der Laan et al., 1996) are discussed. Barros, Dekker, and Scholten (1998) discuss recycling in the supply chain and Darnall, Jolley, Jason and Harnfield (2008) critique GrSCM by saying that Environmental Management Systems (EMS) are making less progress in reducing environmental harms. Some studies, however, are of limited focus. Van Der Laan et al. (1996) only discussed product remanufacturing and disposal, and Zhang et al. (1997) only discussed environmental technologies and design. Journals that are useful to GrSCM are *Organisations and the Natural Environment*, *Business Strategy and Environment* and *Journal of Operations Management*. Some key authors of the field are Srivastava (2006; 2007), Gupta (1999) and Guide (1998; 2003). Some of the famous books of GrSCM are from Allenby and Richard's (1994) '*The Greening of Industrial Ecosystem*' and Preuss's (2005) '*The Green Multiplier: A Study of Environmental Protection and the Supply Chain*' and Sarkis's (2006) '*Greening the Supply Chain*'.

Green Design

Green design is an important sub-topic to Green supply chain management. It is about designing a product or a service that encourages environmental awareness. Fiksel (1996) argues that organisations have definite potential to become eco-friendly towards product re-manufacturing. Heavy industries that have complex supply chains should take into consideration the benefits of reverse logistics (RL). Beamon (1999) acknowledged the development of ISO14000. This was introduced as a result of the Rio Summit on the Environment in 1992. There are growing pressure groups that calls for firms to encourage 'greening' in the supply chain.

There are several literatures that relate to Green Design. Barros et al. (1998) proposed a two-level location model on product recovery with the support of the Dutch government. Johnson (1998) examined the role of purchasing in reverse logistics system and design. In this study, twelve American manufacturing plants participated and it appears that all of them were in favour of reverse logistics without government legislation having been imposed. Taleb and Gupta (1997) created applied algorithms to design a product recovery system. This study shows that 'core algorithms' and 'allocation algorithms' are the scheduling systems that would help reduce waste.

Life-cycle Analysis

Life-cycle analysis is an important sub-concept to Green Design. Life-cycle analysis was introduced to measure environmental and resource related products to the production process (Srivastava, 2007). This measurement involves in stages from extraction of raw materials, production, distribution, and remanufacturing, recycling and final disposal. Gungor and Gupta (1999, p. 818) comments that life cycle analysis "examines and quantifies the energy and materials used and wasted and assesses the impact of the product on the environment." Government regulations are also an added factor for organisations to work towards life-cycle analysis. Works of Arena et al. (2003), Beamon (1999) and De Ron Penev (1995) all discussed life-cycle analysis as a framework.

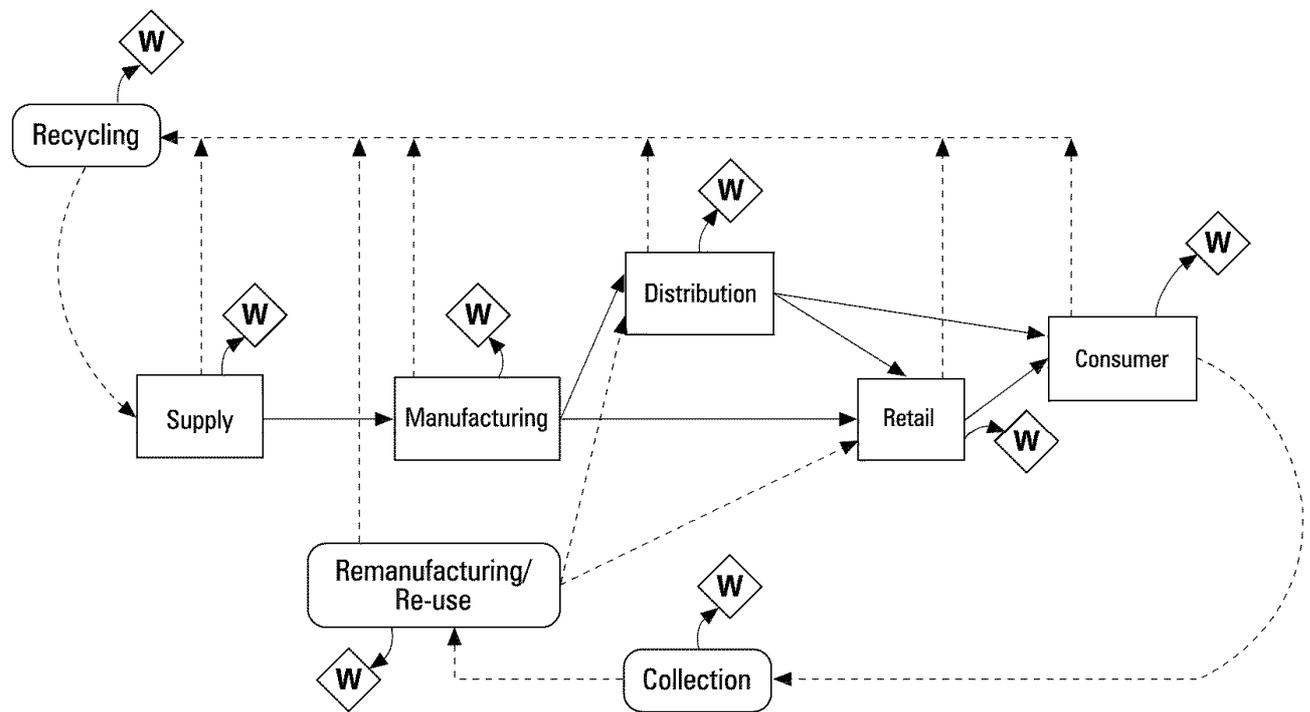
Green Operations

Reverse logistics

Reverse Logistics (RL) is the opposite of traditional or forward logistics (Beamon, 1999). Dowlatshahi (2000) and Carter and Ellram (1998) define reverse logistics as a process where a manufacturer accepts previously shipped products from the point for consumption for possible recycling and re-manufacturing. Beamon (1999) illustrates the fundamentals of reverse logistics (See Figure 1). The diagram shows the works around RL involving managing the flow of materials towards remanufacturing and recycling, which in this sense reduces the costs of making new products (Dowlatshahi, 2000). Thierry, Wassenhove, Van Nunen and Salomon (1995) reports that reverse logistics have been widely used in automobile industries such as BMW and General Motors. Other companies such as Hewlett Packard, Storage Tek and TRW are also using reverse logistics as a supply chain process. Doing this would eventually help firms become more competitive in their own industry (Srivastava, 2007).

Collection is the first stage in the recovery process. Products are selected, collected and transported to facilities for remanufacturing (Srivastava, 2007). Used products came from different sources and should be brought to product recovery facility to begin the converging process (Thierry et al., 1995). Sorting and Recycling are also an important mechanism when sorting reusable products. Cairncross (1992) and Srivastava (2007) suggest that collection schemes should be classified according to materials whether separated by the consumer (separation at source) or centralised (mixed waste). The goal is to sort products that can be reused to reduce costs of making new products.

Figure 1: Green Supply Chain Management

**Key**

 Waste (or disposed) materials

Source: Beamon (1999)

Research Methodology

Dowlathshahi (2000) claims that Reverse Logistics (RL) is mainly a practitioner based view. But there are comprehensive academic journals, particularly quantitative studies, that shows and supports reverse logistics. Umeda, Tsakagushi and Li (2003) established a mathematical reverse logistics model in electrical appliances in Japan. The reason for this implementation was a result of governmental regulations been made. Ravi, Ravi and Tiwari (2005) add Analytical Network Process (ANP) based decision model to enhance reverse logistics for EOL Computers. This study used a balance scorecard approach that has four different dimensions (customer, internal business, innovation and learning and finance) to enhance the validity of the model. Nagorney and Toyasaki (2005) developed an integrated framework to reduce electronic waste. In this study, multi-tiered e-cycling network equilibrium model was used to enhance the reverse supply chain. This model can be applied to a variety of recycling issues and policies in Japan and the European Union.

There are also qualitative studies done on Reverse Logistics, mainly in the forms of surveys and semi-structured interviews. Guide and Srivastava (1998) have based their methodology on using semi-structured interviews and surveys to managers in remanufacturing facilities. In this study, managers used inventory buffers (delay buffers) to aid coordination and control in the flow parts of remanufacturing and reassembly stages of the

chain. Rao and Holt (2005) used questionnaires to ISO14001 certified companies in South East Asia. Zhu and Sarkis (2004) made a survey to 186 manufacturing enterprises in China in remanufacturing. Cairncross (1992), Kopicki, Legg, Berg, Dasappa and Maggioni (1993) and Gatenby and Foo (1990) are studies that are more theoretical in regards to environmental consciousness of the supply chain.

The Case of Kodak: Green Technological Advancement

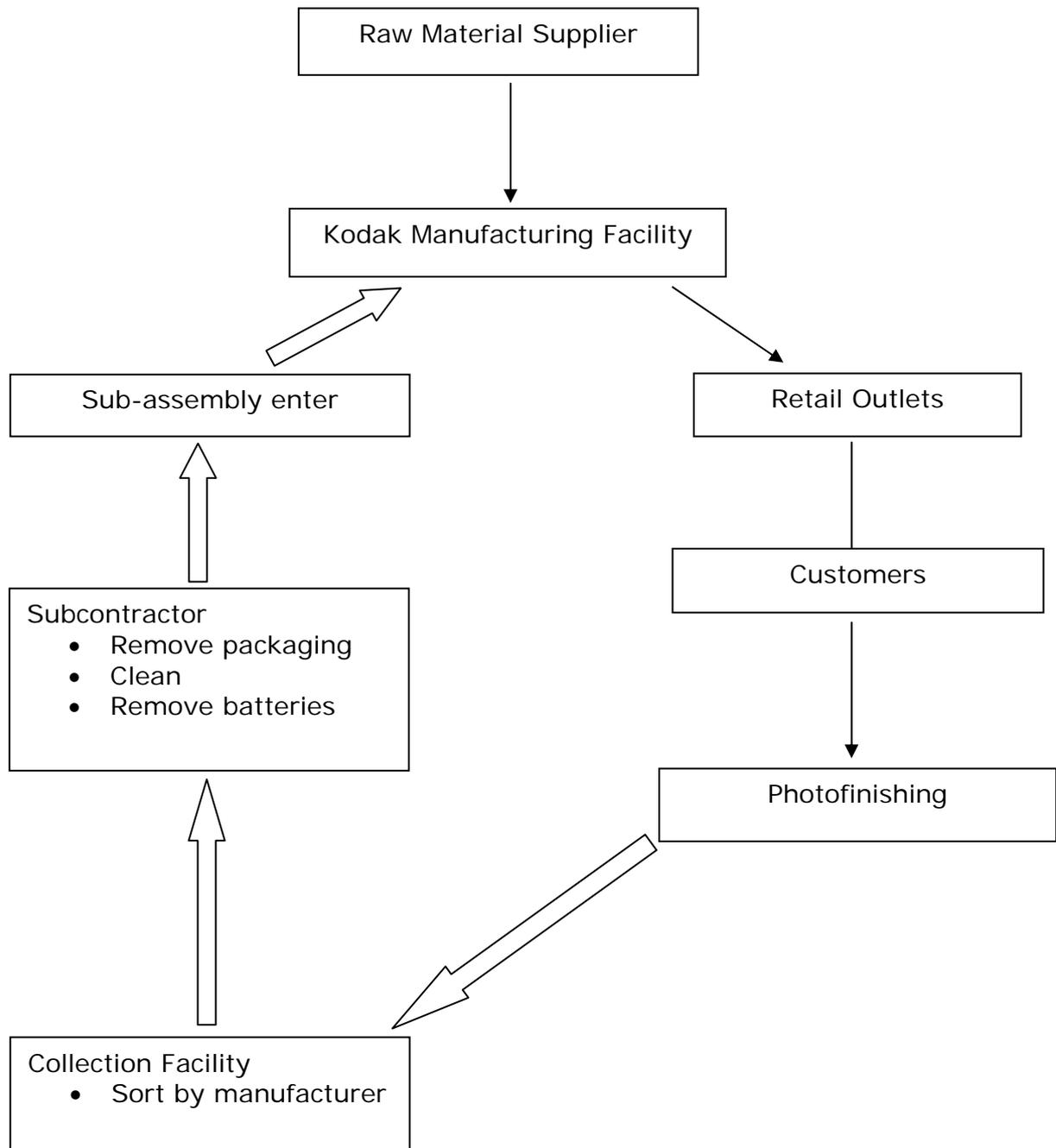
Since the early 1990's, the need for technological advancement to Green Operations is becoming more popular. Wu and Dunn (1995) claim that the 'new economy' has encouraged firms to be more environmentally sustainable and eco-efficient. Kodak is an example of a company that has a re-manufacturing line to the supply chain (See Figure 2). It is reported that 310 million single-use cameras have been returned since 1990 (Kodak, 1999; Guide, Jayaraman & Linton, 2003). Although the timing of returns of single-use cameras is unknown, Kodak has managed to allocate 310 million single-use cameras back into their production line. The reason for this success came from its own product design (Guide et al., 2003). Kodak's single-use cameras are simple, reusable and easy to recycle, and because of this, Kodak has managed to reuse their products and save costs.

Guide et al. (2003) also used Xerox Europe, US Naval Aviation and Kodak as case studies to Green Operations. Due to various legislation, companies are encouraged to have Green Logistics (Guide et al., 2003). Producer responsibility has been, and still is, a growing issue. This issue is important because organisations are now starting to become sensible to preserving the natural resources and the environment (Guide et al., 2003; Umeda et al., 2003, Srivastava, 2007).

Why Change to Green Supply Chain Management?

There are different motivators for companies to switch to 'green' in their supply chain. Although some of the motivators are quite unclear, Wu and Dunn (1995) suggests that some organisations are simply doing this because it is the right thing to do for the environment. Perhaps some are more radical to environmental change, but others may not (Wu & Dunn, 1995). Studies, however, have shown that profitability and cost reduction are some of the main motivators for businesses to become 'green' in the supply chain (Srivastava & Srivastava, 2006; Srivastava, 2007; Darnall et al., 2008). Johnson (1998) argues that reverse logistics were motivated primarily by economic factors and not concerns about protecting the eco-system. Tibben-Lembke (2002) and Van Hock and Erasmus (2000) suggest that reverse logistics can only bring about profitability, reduction of waste and, advertising. Zhu and Sarkis (2004) took this idea further and argued that most of the 186 participants in their study all agreed that GrSCM practices are only about 'win-win relationships on environmental and economic performance'.

Figure 2: Kodak's Green Remanufacturing Line



Forward flow -

Reverse flow -

Source: Guide et al. (2003)

Companies, however, need to acknowledge that there are hidden values to reverse logistics (Mollenkopf & Closs, 2005). Jayaraman and Luo (2007) claims that customers, on average, return about 6% of the products they buy. These products can be from plastic bottles to boxes. Organisations are able to cost-save if they can capture this 6% return from the consumers. Doing this, however, still remains in question. Srivastava and Srivastava (2006) suggested a model to manage product returns. The study utilised average-life cycle of product data, past sales forecast demands to support their analysis. Semi-structured interviews to 84 stakeholders were used to triangulate the findings of the model. The findings shows that reverse logistics can cost-save only if done correctly. Saying this means that organisations must have a core vision to encourage Environmental Management before going any further to green logistics.

Conclusion

The purpose of this paper is to briefly provide an overview of the Green supply chain literature. This paper has argued that GrSCM has helped reduce the ecological impacts of industrial activity. Key academics have argued different angles to GrSCM. Works such as Carter and Ellram (1998); Srivastava and Srivastava (2005); Shih (2001); Nagorney and Toyasaki,(2005); and Min et al. (2006) discussed reverse logistics, whereas Arena et al. (2003) and Beamon (1999) discussed life-cycle analysis. But the key themes that came out of the GrSCM literature over the last twenty years are the concepts of *green design*, *green operations*, *reverse logistics*, *waste management* and *green manufacturing* (Guide & Srivastava, 1998; Srivastava, 2007). This paper, however, briefly discussed some of these issues and provided, first of all, a brief introduction to traditional supply chain management, then a discussion to the chronology of GrSCM and green supply chain as a discipline. This followed by brief discussions of *green design* and *green operations*. The last part of this paper briefly touched on the motives for organisations to go towards green operations.

Although GrSCM has been comprehensively reviewed, there are areas around Green supply chain that still require further study. One is a gap in the literature in terms of the stakeholder's views towards green supply chain. Stakeholders would definitely have different views about this and can sometimes be conflicting from the company's point of view. Normally, when the word 'natural environment' and 'sustainability' comes into the picture, most operation managers and stakeholders would see this as a constraint to the organisation's generation of profits (Srivastava, 2007). Some stakeholders would go against green supply chain management and some would not. This paper recommends that researchers should focus more towards qualitative study such as interviews in understanding the different stakeholder views towards green supply chain management to portray the different views about the concept and how this, in the end, implicates management decisions.

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Strategic International Human Resource Management towards achieving Sustained Competitive Advantage

Rebecca Johnson

Introduction

Managers in today's continuously evolving and very competitive economy agree that some form of Human Resource Management (HRM) is necessary as people are both the face of their organisation and the means through which they can effectively run their business and therefore be successful. Strategic Human Resource Management (SHRM) takes a step further from HRM by linking an organisation's HRM practices to the overall strategy of the business and assists them in gaining competitive advantage. International SHRM (SIHRM) is a step further again, recognising that there is a need to differentiate HRM across countries and cultures, an area that is increasingly being recognised as a cause of business success or failure (Deresky, 2008). This literature review aims to justify why SIHRM is necessary in international business in order to achieve sustained competitive advantage. It begins with a discussion of Porter's (1985) industry perspective of competitive advantage followed by the resource based view of competitive advantage and the criteria for sustained competitive advantage according to the resource based view, including why SHRM can be a source of sustained competitive advantage. Finally the differentiating factors between domestic and international SHRM and the importance of employing SIHRM practices if a business is to have sustained competitive advantage on an international level are discussed.

This literature review is the beginning of a series of studies the author is intending to undertake towards designing an SIHRM policy for the New Zealand fertiliser co-operative Ravensdown. In 2008 Ravensdown expanded their operations into Western Australia through merging with a Western Australian fertiliser co-operative, more recently they have formed a relationship with the Queensland Cane Growers Association who are frustrated with their current corporate fertiliser suppliers and are looking for a cooperative fertiliser supplier to be established in the state (Ravensdown, 2009). Ravensdown already has an active HRM Department and some very effective HRM policies and practices; however, although New Zealand's and Australia's cultures are similar the expansion into various states of Australia will mean that some aspects of their HRM policies and practices may need to be reassessed in order to continue to effectively manage their people. The proposed SIHRM policy will also consider the potential for expansion into further locations throughout Australia.

Human Resource Management

HRM is concerned with managing the people who are directly employed in an organisation towards achieving the organisation's goals (Wright, McMahan, & McWilliams, 1994). This is accomplished through attracting and selecting people that the organisation needs to get the work done, motivating them to exert the necessary amount of effort to effectively complete tasks by rewarding them with compensation packages and retaining the employees that are crucial to the organisation's success (Macky & Johnson, 2003). HR also addresses training and development needs to assist both individual and organisational learning (Delahaye, 2005) and ensures the organisation complies with legislation, policies and procedures and operates within limitations that have been set, for example, budget constraints (Macky & Johnson, 2003).

One example of the many positive feedback loops in effective HRM is that the organisation will have human resources that are motivated to perform to their full potential and a low turnover as people will be increasingly loyal and committed to the organisation. In addition the organisation's ability to attract motivated employees will also increase as they develop a strong reputation for superior HRM (Schuler & MacMillan, 1984). This is not a new theory, in the 1920's managers of a factory in America were attempting to determine the best level of light for the optimum worker productivity. They soon discovered that with every change in the lighting levels, whether it was an increase or decrease, the workers productivity increased. It was later realised that these increases in productivity were not because of lighting levels but because the workers appreciated the apparent concern that management had for the workers. In this respect, HRM is not a new field. SHRM, on the other hand is only gaining momentum as there is increasing acknowledgement in both academia and business practice that there is an association between the people and the success of an organisation.

SHRM is the link between the organisation's strategy and their HRM function. It is concerned with how HRM contributes to the overall effectiveness of the organisation, by ensuring that the people in the organisation are managed effectively to ensure the objectives and goals of the organisation are met (Becton & Schraeder, 2009). SHRM looks at the management of human resources from a macro perspective, rather than the narrow, more internally focused HRM. It focuses on the long term as this is where organisations have potential to gain advantage; short term 'fixes' are nowhere near as effective. Organisations adopting SHRM practices and policies realise the need to be flexible to change, adaptive, innovative, and anticipate what is going to happen in the future for the business (Becton & Schraeder, 2009). Most importantly managers must recognise that as each organisation's strategy is different; therefore SHRM practices and policies that are effective in one organisation's won't necessarily be effective in another organisation. The policies and practices must be tailored to each individual organisation taking into consideration these differences and therefore aligning the practices and policies that are implemented with the overall strategy of the business (Becton & Schraeder, 2009).

Competitive Advantage

Industry Perspective

From an industry perspective (Wright, et al., 1994), Porter (1985) states that there are two ways in which a business can gain competitive advantage over its competitors; cost reduction or product differentiation. The cost reduction strategy involves producing a similar quality product or service at a lower cost than competitors; therefore provided they can command a similar price, they will have a higher profit margin than competitors. The product differentiation strategy on the other hand, involves producing a differentiated product to competitors that is unique in a way that is of high value to consumers. By being unique, they can command a higher price for the product; provided this price margin is greater than the increased costs of producing the differentiated product, they will receive a greater profit. Porter felt that these two methods were mutually exclusive and that organisations must choose one strategy in order to potentially gain competitive advantage because differentiating a product usually involves higher costs. However, the opposite is also true; in order to be the cost leader, they often need to forego some differentiation in the product or service (Porter, 1985).

Porter's view that cost leadership and product differentiation are mutually exclusive has been extensively debated. Schuler (1989) later added to Porter's (1985) theory by differentiating between innovation and quality enhancement, both similar to Porter's idea of product differentiation. Innovation is a method of gaining competitive advantage which involves designing and producing complex and rapidly changing products that are different to competitors'. Quality enhancement involved producing a higher quality product to those of competitors. Schuler (1989) felt that an organisation could pursue more than one of these three strategies (cost leadership, innovation or quality enhancement) simultaneously; however, individual product lines could not adopt more than one strategy at the same time.

Traditional HRM pursued a cost leadership strategy, with human resources being viewed as a cost that like other production costs, needed to be minimised as much as possible. Today however, human resources are viewed as a valuable asset through which strategies can be pursued and competitive advantage can be gained. More businesses are beginning to recognise the value people contribute to organisations and therefore adopting SHRM practices, linking the implementation of their strategies to their human resources. SHRM resembles more of a product differentiation strategy as individual organisations have different strategies and therefore different ways of implementing their strategies through their human resources.

Resource Based View

According to Barney's (1991) resource based view of competitive advantage, which has a focus on the organisation itself, rather than the industry. An organisation will have competitive advantage when they are implementing strategies that will create value for the organisation but are not being implemented by any current or potential competitor at the same time. Two conditions that must be present in order for this to happen are that the resources the organisation uses in achieving competitive advantage must be heterogeneous in that they must be different to other organisations, and they

must be immobile so that they cannot be easily transferred to or obtained by other organisations. Furthermore, sustained competitive advantage is only achievable when competing organisations are unable to replicate the benefits the organisation receives as a result of the competitive advantage.

Resource Based View: Human Resources as a Source of Sustained Competitive Advantage

The first criterion for competitive advantage in an organisation is that the resources must be valuable (Barney, 1995). However, how can an organisation's resources – particularly human resources - be accurately valued? (Priem and Butler, 2001). This is not in terms of their salaries, but of the value that they provide for the organisation (Wright, et al., 1994). Value is not something that can be assumed. The resources must first be understood in relation to the specific market the organisation is operating in (Barney, 2001), meaning the specific skills and capabilities each person holds will provide more or less value depending on the market in which the organisation operates. From there, value can be determined by whether or not these skills and capabilities enable the organisation to exploit its opportunities and reduce the effect of its threats and how the organisation recognises and responds to these opportunities and threats in the changing environment (Barney, 1995).

The fact that both the demand for labour is heterogeneous – each organisation requires different knowledge, skills and capabilities of their employees, and the supply of labour is heterogeneous – each person has different knowledge skills and capabilities to offer and contributes to the organisation, therefore, the value that each person can add to an organisation varies. The fact that an organisation's resources are valuable does not mean that this will always be the case; technology customers and markets change, organisations that sustain their competitive advantage are continuously trying to find ways that their original capabilities and resources can be used in new and different ways to address these changes (Barney, 1995).

Valuable resources must also be rare if an organisation is to achieve competitive advantage (Barney, 1991). If a number of organisations possess and exploit valuable resources then only competitive parity will exist between the organisations, rather than one organisation holding competitive advantage. In terms of human resources, if an organisation was to adopt scientific management practices where jobs are split up and simplified, the organisation would not require people with different knowledge, skills and capabilities; therefore the people they employ are not rare (Wright, et al., 1994). Therefore, the organisation will not be able to achieve advantage over competitors who require their employees to have the same knowledge, skills and abilities. On the other hand, if the business has jobs that require differences in knowledge, skills and abilities and therefore the contributions that individual employees make are different, each individual is rare and can contribute to the organisation's competitive advantage (Wright, et al., 1994).

Priem and Butler (2001) however, argue that it is not the rarity that is the key here (although it is still important); rather, the difference in the value generated by an organisation is what will provide them with competitive advantage. Meaning if an organisation continuously generates value that is greater than their competitors, they must be exploiting at least one rare

resource, even if they do not know which resource that is. On the other hand they also argue that the opposite is not true, that is having rare resources does not lead to the ability to generate greater value than competitors. However, are Priem and Butler looking at this the wrong way? Rather than having rare individual resources, the mix of resources and the way they are used in combination is what is rare and unique. This is very true when considering people as a resource, it is the combination of knowledge, skills and capabilities that is unique and rare rather than any individual's knowledge, skills and capabilities. For example, if the cognitive ability levels of the population are normally distributed, people with higher cognitive abilities are therefore rare; an organisation that employs people with a higher cognitive ability compared to their competitors will be more likely to gain competitive advantage through their rare resources (Wright, et al., 1994). This mixture of rare resources will be the source of competitive advantage rather than any individual employee.

However, the fact that resources are valuable and rare and therefore provide an organisation with competitive advantage does not mean that this competitive advantage will be sustainable (Peteraf, 1993). Many of the factors involved in production are increasingly able to be imitated; the human resources in organisations will gradually become one of the most important sources of competitive advantage (Deresky, 2008). It is possible that over time, individuals will be imitable in terms of their ability and skill levels; however, the behaviours that the employees' exhibit can be the source of competitive advantage (Wright, et al., 1994), as can the unique combinations of human resources within the business.

In order to achieve *sustained* competitive advantage, there must be some form of limitation to stop the advantage an organisation holds from being competed away (Peteraf, 1993). The resources providing competitive advantage, in this case the unique mix of people and their combined knowledge, skills and capabilities, must not be able to be imitated by competitors or be substituted for another resource (Barney, 1991; 1995). An organisation's resources may be imperfectly imitable in three ways: the organisation's history, causal ambiguity of the competitive advantage or because the resource is socially complex (Barney, 1991; Reed & DeFillippi, 1990; Wright, et al., 1994).

An organisation's history and their path to their current position is uniquely shaped by many different factors which cannot be replicated (Barney, 1991). No matter how closely a competitor can replicate an organisation's resources, there is no substitute for the experience and the knowledge gained as a result of experiences, or the time and effort that have been invested into an organisation (Dierickx & Cool, 1989). In particular the behaviours of the people are a crucial differentiator and can be better sources of competitive advantage as having the skills and abilities does not ensure that the behaviours will be demonstrated (Wright, et al., 1994). Another aspect of the history of an organisation's that can provide competitive advantage is the organisational culture and norms that have been developed (Wright, et al., 1994). Organisational culture, more importantly positive culture, cannot be established over night, it will take many years to develop, with many aspects of the organisation's history having an impact on it.

The decisions that are made throughout the life of the organisation are also of great significance. Clearly the 'big decisions' that are made shape the direction the business takes. However, less obvious is the impact that small

decisions have on the history of the organisation. Small decisions are made more frequently and aren't as obvious to the outside world, in particular the competitors, therefore, although the impact of these decisions may be less visible; understanding the sources of advantage behind them can therefore be difficult (Barney, 1995). Organisations tend to be successful not through doing one or two things right, but doing many of the smaller things right. For example, rather than having a few highly effective departments and only being mediocre in others, successful companies will be effective in every aspect of their organisation, therefore organisations attempting to imitate what the organisation is doing will have difficulty in understanding the sources of advantage (Barney, 1995).

The second way in which resources can be difficult for competitors to imitate is due to the causal ambiguity of the source of competitive advantage (Barney, 1991; Reed & DeFillippi, 1990; Wright, et al., 1994). The more ambiguity there is, the higher the barriers to imitation will be (Reed & DeFillippi, 1990). As previously mentioned, it is often a combination of resources that an organisation uses to achieve competitive advantage rather than an individual resource, therefore, the outcome of an organisation is a result of all aspects working together rather than just the sum of all its parts (Wright, et al., 1994). Causal ambiguity arises because it is difficult to determine which of the many resources employed is providing competitive advantage, or if it is another resource that is not described (Barney, 1991). Ambiguity also varies depending on the amount of tacit knowledge that people gain from experience, complexity due to a large number of interdependent knowledge, skills and abilities being present, and transaction specific knowledge skills and abilities that are used in business (Reed & DeFillippi, 1990). For this reason, competitors or organisations who are attempting to imitate the organisation's resources and functions have difficulty in determining which actions they should take to do this successfully in order to gain the competitive advantage.

To be a source of sustained competitive advantage, both the organisation possessing the resources and those attempting to imitate them must face the same causal ambiguity (Barney, 1991). If the possessing organisation can understand the source of competitive advantage, although it may take time and effort, imitators will be able to understand it too. In other words, an organisation can understand that it is their mix of people that are providing them with competitive advantage, but if they understand exactly how that mix is successful in comparison to a less successful group of people, then their competitors will eventually be able to understand it as well and the competitive advantage will be lost.

Social complexity is the third way in which an organisation's resources can be a form of sustained competitive advantage. Unlike most resources employed by the business, for example physical resources that are purchased and used, human resources are difficult to manage and influence (Barney, 1991). The people in an organisation are what make it socially complex, a complexity that is amplified if there are variations in the cultures of the people in an organisation. For example, the relationships the organisation engages in, the relationships between people within the organisation and the organisational culture. These attributes can be implemented by other organisations, however, they are very difficult to imitate exactly as all the people involved are inherently different (Barney, 1995).

Non-substitutability is also an aspect of non-imitability. This criterion for sustained competitive advantage is the requirement that there are no other resources in the market that are strategically equivalent, meaning that another resource cannot be substituted for the resource that is currently providing competitive advantage. In particular, if there are any resources available on the market as possible substitutes, they must also be rare and inimitable (Barney, 1991). While people's skills may be substitutable, the behaviours exhibited are not; furthermore the combination of human resources in an organisation are even less substitutable. It is very difficult to substitute a different group of people into a situation and for them to come out with the same outcome. Individuals can be substituted, but the aggregate knowledge, skills and abilities in different groups will vary.

These barriers to imitation must be maintained in order to continue to be a source of sustained competitive advantage, as over time the advantage will erode as competitors work hard to obtain the advantage (Dierickx & Cool, 1989; Porter, 1985). Organisations need to reinvest repeatedly in the competencies that provide them with competitive advantage in order to sustain it, in particular in the areas that are ambiguous to competitors as this is the major barrier to imitation (Reed & DeFillippi, 1990). In terms of HR, this reinvestment should be aimed at providing support for the people that possess the tacit knowledge that is so vital to the organisation and to make use of their valuable knowledge in other areas of the organisation where possible (Reed & DeFillippi, 1990). Secondly, organisations should also aim investment at training and development practices in order to ensure the human resources in the organisation remain at the top of their field.

The final criterion for sustained competitive advantage for an organisation is the whether the organisation is organised so that they will be able to exploit their resources and capabilities to their full potential when opportunities to gain advantage arise (Barney, 1995). The organisation must be organised and ensure that their people are correctly trained so that they have the necessary knowledge, skills and capabilities to grasp opportunities when they arise. In general, it is about having the right people in the right place at the right time (Schuler & MacMillan, 1984).

International Human Resource Management

The preceding argument has discussed how an organisation's human resources are a major source of competitive advantage. However, this argument has assumed a domestic setting where the organisation is based in either one location or has many subsidiaries in one country or region, meaning that the culture and environment surrounding each part of the organisation is the same or similar in all the locations. However, what happens when the organisation operates in many different locations around the world? Can the HR policies and practices that have been implemented on a domestic level be transferred to the international setting? The following section of this paper aims to answer these questions and explain why SIHRM is important when operating on an international level.

With the significant importance of international competition and the transfer of knowledge from a domestic setting to an international scale, SIHRM practices are necessary in organisations that have operations outside their home country (Butler, Ferris, & Napier, 1991). However, organisations

are realising that HR policies and practices are not simply transferrable across the countries as there is increased complexity due to the range of national contexts organisations operate in and the diverse group of people that an organisation employs (De Cieri & Dowling, 1997).

International HRM is the interplay between three dimensions: HR activities, the types of people being employed in the organisation and the different countries that an organisation is operating in (Dowling, 1999). Complexities caused by these last two variables, are what differentiates international HRM from domestic HRM, as the HR activities themselves are relatively similar. The failure to realise this difference in international and domestic HRM is a key reason why many organisations fail to operate successfully on an international scale (Dowling, 1999). Expanding on many definitions of HRM, (Schuler, Dowling, & De Cieri, 1993) defined SIHRM as:

Human resource management issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises (p. 422).

SIHRM functions are the time, energy and financial resources that are devoted to the HR function within an organisation (Schuler, et al., 1993). This varies greatly depending on the organisation and the amount of control they have over the subsidiaries and the local of the HR function itself. The location of the HR function can vary from being centralised and therefore have control of the whole organisation's HR needs to being decentralised to the extent that each subsidiary has its own HR function (Schuler, et al., 1993).

HR policies and practices are the general guidelines which govern the management of the organisation's people, the HR functions and the specific practices (Schuler, et al., 1993). These include the HR practices such as recruitment, remuneration, appraising and training and developing. These practices are essentially the same for both international and domestic HRM; it is the policies on the other hand that may vary.

Factors Influencing International Success

There are many other factors external to the organisation that will also have a significant impact on its success in the international arena (Schuler, et al., 1993). Factors associated with the industry include the nature of competitors, the technology available and the volatility of the industry. On a country or regional level, factors such as the political conditions, the economic conditions, the legal requirements and the socio-cultural conditions need to be considered. These two categories of impacting factors are referred to as exogenous factors which are external factors that have an impact on the SHRM policies and practices that are in place in the organisation, the goals and concerns of the organisation and also endogenous factors. Endogenous factors are factors internal to the organisation that have an influence on their SIHRM policies and practices; including the structure of the international operations of the organisation, how internationally orientated the senior management of the organisation are, the competitive strategy in place and the senior managers' experience in managing international operations (Schuler, et al., 1993). Organisations aim to operate effectively in all the countries in which they are present (Schuler, et al, 1993) and therefore

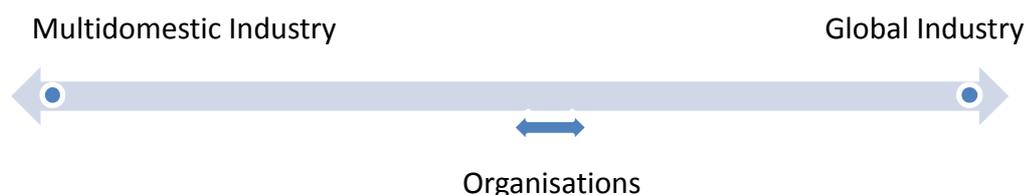
develop and maintain their corporate identity and reputation on the world stage (Laurent, 1986). Exogenous and endogenous factors will have an effect on the organisation's ability to establish and develop the most effective methods for being globally coordinated and controlled to consistently manage their people across their many locations worldwide, while simultaneously being able to adapt to the local environments and cultures within which each subsidiary operates (Laurent, 1986).

The HRM practices adopted by an organisation in a culture or country are more often than not designed by managers who deal with the people in a particular culture taking into consideration the specific impacts of the environment surrounding the organisation. These assumptions made by the HRM policy and practice designers are likely to be amplified by the expectations of the people native to the culture, which will result in a product or service that has a lot of meaning and is very significant in that culture. However, if those policies and practices are transferred to another culture or country without any consideration for the new surroundings, it can lead to confusion and ineffectiveness even though the practices may have been effective in the home country (Laurent, 1986).

The Industry and International Competition

The first key variable that moderates the difference between domestic and international HRM is the industry and international competition. As with domestic operations, organisations need to assess the industry structure – the buyers, competitors, relative cost positions, and potential sources of competitive advantage – as these remain to be the areas in which competitive advantage is won or lost in both domestic and international contexts (Porter, 1986).

Figure 1: Types of Industries



A multidomestic industry is at one end of a continuum (see figure 1); it is where an industry is present in many different countries but the competition within the industry and the competitive advantage is specific to the country, in this respect the international industry is essentially a group of domestic industries (Porter, 1986). Global industries on the other hand are industries that are present in many countries around the world which are linked to each other and therefore have an influence on one another. Competitors in global industries compete on a global rather than a domestic level (Porter, 1986). These two types of industries are at the extremes on a continuum; in reality organisations lie somewhere in between.

No matter whether the organisation operates with a more global or multidomestic strategy, there will be a major emphasis of the effectiveness of each subsidiary's operations as the operations in the subsidiaries significantly

impact the effectiveness of the whole organisation and therefore are need to be considered in the SIHRM practices and policies. There are three components of the SIHRM according to Schuler, et al. (1993) that have an effect on the goals and concerns of the organisation, therefore they also have an influence on the HRM strategies that are implemented. These components are issues, functions, and policies and practices. There are also many other characteristics of SIHRM that have an impact on the concerns and goals of the organisation, meaning the relationship between the organisation and the SIHRM is very complex yet important (Schuler, et al., 1993).

Another aspect of the industry in which an organisation operates that needs to be constantly reassessed is the organisation's competitors and their actions in the industry. If they are ignored the competitive strategy that the organisation adopts could be irrelevant and dysfunctional. Consideration for competitors needs to focus the competitor's competitive scope, their strategy, where they intend their strategy to lead them and the share of the market they are aiming for.

Furthermore, attention to the changes that are occurring within the industry are crucial to the organisation's successful operations. Some areas in the industry that have a high potential to change are buyer composition, new ways that are thought of to use a product or service, technology changes, product and marketing innovation, new organisations that enter the market or organisations that leave the market, changes in regulations and changes in the levels of uncertainty and risk in the market, plus many more. The more change that happens in an industry or market, the more information that needs to be exchanged between the units of the organisation and the more flexible, timely and understanding organisations tend to be to change (Schuler, et al., 1993).

Co-ordination and Control of Individual Business Units

A key concern for organisations is how they manage the individual units. The extent to which each unit's management can be consistent across different countries and cultures depends on where on the continuum between global and multidomestic industries the organisation lies. This is a major differentiator of domestic and international HRM. Although the term 'management' is present all over the world, its meaning can be somewhat different from one country to the next, in order to understand it in each country, one must first have an understanding of the culture, history, processes, philosophies and problems in that society (Hofstede, *Cultural Constraints in Management Theories*, 1993). This means that to assume management practices are the same all around the world, would be utterly foolish; careful analysis of particular countries in question first need to be undertaken before such assumptions can be justified (Hofstede, *Cultural Constraints in Management Theories*, 1993).

The level of coordination between the units needs to first be analysed to determine how similar or different their practices and policies that are implemented are (Porter, 1986; Schuler, et al., 1993). Coordination between the units is essential to ensure the knowledge that is generated in one unit is shared amongst the others to ensure the whole organisation reaps the benefits of this knowledge. Organisations must establish ways in which they can coordinate the units so that they work together, while still allowing them to be differentiated, enabling them to adapt to their local surroundings (Schuler, et al., 1993). If an organisation was pursuing a purely global

strategy, the activities in each country would be relatively similar and depend a great deal on each other. On the other hand in a purely multidomestic industry, each subsidiary would be relatively independent in their operations, depending very little on the operations in other countries (Porter, 1986). As the need for coordination with the HR functions in other units increases, more attention needs to be directed at SIHRM.

The second aspect of coordination concerns the internal operations of each unit (Schuler, et al., 1993). In particular the HRM team needs to decide how much control the organisation will exert over the internal operations of each unit (Schuler, et al., 1993). This decision will be primarily based on how sensitive to the local environment each unit needs to be. While coordinating each unit to ensure the goals of the organisation are achieved, the individual units must also aim to achieve their own goals at the same time. In doing so, they must take into account the laws, politics, society and culture of the environment that surrounds the unit.

Underlying these two components of international management, is the need for the organisation to balance the needs for differentiation of each unit, allowing them to adapt to their local environment, while still integrating the units in order to achieve the goals of the organisation. The major objective is to allow them to be responsive and effective in the local environment, yet be ready and willing to act in a coordinated fashion with the rest of the organisation (Laurent, 1986; Schuler, et al., 1993). This is the major issue that organisations face in SIHRM.

Culture

Culture is a third variable that moderates the difference between domestic and international HRM (Dowling, 1999). Many business failures in the international arena are due to cultural ignorance and a perception that 'what works at home will work here'. Culture is "the collective programming of the mind which distinguishes one group or category of people from another" (Hofstede, *Cultural Constraints in Management Theories*, 1993, p. 23), it incorporates the common attitudes values and behaviours that a group of people share, which are transferred over time (Dowling, 1999). Although there are many definitions of culture; it is generally described as a shaping process that although inherent in the surrounding environment, is subtle and unconscious until a person is faced with a culture that is different to their own.

According to Hofstede, there are five dimensions of culture that make each culture different. The first is power distance, which involves aspects such as equality, status and hierarchy (Bartol, Tein, Matthews, & Martin, 2005), in terms of the degree of inequality considered to be normal within the culture (Hofstede, *Cultural Constraints in Management Theories*, 1993). Uncertainty avoidance is concerned with how much uncertainty and ambiguity the people in a culture are comfortable with (Bartol, et al., 2005) and the extent to which they prefer structure over a lack of structure (Hofstede, *Cultural Constraints in Management Theories*, 1993). Individualism-collectivism is how closely people in the culture associate with and act in groups (Bartol, et al., 2005; Hofstede, 1993). Achievement or nurturing orientation (formerly called masculinity or femininity) is to do with the how competitive and aggressive a culture is compared to softer, more emotive, relationship orientated attributes (Bartol, et al., 2005; Hofstede,

1993). Finally, the culture is also affected by whether the organisation has a long-term or short-term orientation (Bartol, et al., 2005).

Hofstede has more recently come out with two further dimensions of culture: Indulgence versus Restraint and Monumentalism versus Self Effacement (Hofstede, 2008). Indulgence is freely engaging in desires in comparison to restraint which controls which indulgence where people have less enjoyment in their lives. Monumentalism is where the culture is one where the people are proud and unchangeable, on the other hand self effacement is where the culture fosters flexibility and humility (Hofstede, 2008). These additional dimensions have only recently been included in the Values Modelling Survey 2008 (VSM 08) and are based to a great extent on Michael Minkov's research. Prior to entering a new market, organisations need to carefully analyse these cultural variables (Schuler, et al., 1993) to establish which HR practices they can transfer abroad and which need to be adapted in order to be effective in the new market. An understanding of the cultural norms of a host culture, an awareness of the differences combined with a willingness to learn and share knowledge with other parts of the business, can greatly contribute to the business's success in terms of their ability to understand their employees (Schuler, et al., 1993).

Many of the HR practices and policies present in an organisation will be significantly influenced by the culture surrounding the organisation, in particular the value system of the culture (Dowling, 1999). For example, in the Chinese culture there is a great emphasis on saving face and harmony; performance appraisals in Chinese organisations are very different to in the Western world as appraisers will not be willing to give an employee a negative appraisal as there is a risk of them losing face and there being a disruption in the relationship between the manager and the sub-ordinate (Björkman & Lu, 1999). Other HR activities that will also be affected by culture include hiring, promoting, rewarding and dismissal (Dowling, 1999).

The Emic-Etic distinction is of great importance in cross cultural communication and business. Emic refers to concepts of behaviours that are specific to a culture; in other words, the behaviours and attitudes of a culture that cannot be transferred across cultures (Schuler, et al., 1993). Etic refers to attributes and behaviours that are common across cultures and therefore can be transferred. It is crucial that businesses recognise which HR practices are emic and which are etic; these practices must be constantly considered when businesses are managing their local units. These distinctions may have a great impact on the success of an organisation that is operating abroad (Schuler, et al., 1993). Problems can arise when businesses take an etic approach and assume all cultures are the same, when they have no reason for doing so.

The convergence hypothesis is a well-known way that people tend to take an etic approach to culture. Example of when this can occur are when it is assumed that effective and sound management practices will be the same regardless of the culture (Schuler, et al., 1993), or when it is assumed that universal management practices will make societies more alike. However, these assumptions are usually based on macro factors surrounding the culture. On the other hand, the divergence argument looks at ways in which companies are actually becoming less alike, the basis for this argument however, are factors internal to the organisation; that is the micro factors, which are naturally going to be different as organisations are striving towards competitive advantage through differentiation. Crossvergence falls between

these two extremes arguing that the integration of various aspects of economic ideologies and national culture will result in a new and unique set of values that draws on both the sets of influencing factors but is different to the value set supported by either (Ralston, 2008a; 2008b). Each individual's values change at different paces and some are more influenced by culture or economic ideologies than others (Ralston, 2008a). Crossvergence in this way, can lead to the presence of a global industry in the long-term, however, in the short term, each person's individual values will be made up of various cultural and economic influences, thereby facilitating a more multidomestic perspective (Ralston, 2008a). Managers need to be prudent in realising this difference and therefore the importance of variations in SIHRM policies and practice across different cultures.

Culture will also impact an organisation's success by increasing their ability to sustain their competitive advantage as culture and in turn divergence and crossvergence, significantly magnify the social complexity present in an organisation. Managers need to embrace these differences and therefore manage their people by taking an emic approach wherever necessary to ensure these differences are considered to be one of the many strengths of the organisation and therefore a source of sustained competitive advantage.

Other factors of culture that will have an impact on business operations and HR practices and policies are the political stability of the country in which the organisation is operating, its economic position and developments and also its legal position. Organisations need to be particularly careful in countries with dominant religious views and therefore have dual civil and religious codes. This means legal documents and requirements are may not be as binding as in other cultures, due to the religion codes of conduct overriding the legal system (Dowling, 1999).

Home Domestic Market

The third moderator that differentiates international and domestic HRM is the organisation's home domestic market. One of the major motivations for a business to expand into the international arena is due to having a small domestic market in their home country. The global market is not the only concern for organisations in their business operations, how much they rely on their home domestic market is a key variable that needs to be considered when looking at an organisation. Some of the most foreign orientated organisations come from small home countries. For example Nestlé is from Switzerland, Electrolux is from Sweden and Phillips is from the Netherlands. In the list of the top 15 most foreign orientated multinationals brands such as Coca-Cola and McDonalds don't come close to featuring; in fact they are 31st and 42nd respectively on this list (UNCTAD, 2008). The reason for this being that they have a very large home domestic market – the USA, which has a great influence on how they operate and the attitudes of their managers, including where the managers gain most of their experience – domestically rather than internationally. This large domestic market presents challenges for the organisation in terms of its globalisation efforts and the development of effective international managers (Dowling, 1999).

Attitudes or Senior Management and International Orientation

The final moderator is the attitudes of the senior management and their international orientation (Dowling, 1999). These attitudes have a significant

effect on the success of an organisation's internationalisation. The perceptions of managers' from different cultures on management will vary considerably, in fact nationality has three times more influence on managerial assumptions than other influences such as age, education and the type of organisation (Laurent, 1986). If they don't have a strong enough international orientation they may downplay the importance of the international operations and concentrate too much on the domestic issues. This will lead to management not taking into account the differences between the international and domestic environments, meaning they will encounter difficulties in operating in the international markets. In this situation the challenge for the HR team is to work alongside the top management to help them foster a more global mindset (Dowling, 1999). The experience of the management in terms of managing international operations will also have an effect on their decisions related to SIHRM and often their international orientation (Schuler, Dowling, & De Cieri, 1993)

Laurent (1986) argues that in order to truly adopt and adhere to IHRM, there must first be recognition by the people, in particular the senior management of the organisation, that the ways in which they conduct business, as unique as it may be, reflect some aspects of the culture surrounding the organisation. In addition they must also appreciate that these practices are neither better nor worse than those of businesses in other countries, only different (Laurent, 1986). In entering the international business arena, the organisation must recognise cultural differences of the environment surrounding a subsidiary and be willing to use them in everyday business in such locations. Businesses need to be moving towards adopting a crossvergence perspective (Ralston, 2008a) that a combination of business practices from many different cultures could result in creative and very effective ways of managing the human resources in an organisation (Laurent, 1986).

Organisations operating in the international arena will adopt different staffing policies depending on the needs of the organisation, its structure, size and international orientation. These staffing policies are differentiated by who fills the positions in the subsidiaries of the organisation. For example, with an ethnocentric staffing policy, people from the parent organisation country take up positions in the subsidiaries (these people are known as expatriates). This policy is most often employed in the internationalisation stage of the organisation's expansion (Deresky, 2002) because these people are familiar with organisation goals, products, technologies, technical expertise, policies and procedures and they know how to get things done through the organisation's headquarters (Deresky, 2002), therefore they can help in starting up operations (Hodgetts & Luthans, 2003). A polycentric staffing approach on the other hand is when people from the host country, that is, the country in which the subsidiary is located, fill the managerial positions. The approach is often adopted because these people are naturally familiar with the local culture, language, ways of doing business and they already have many contacts in place (Deresky, 2002). Other staffing approaches such as the global staffing approach and the regiocentric staffing approach are also commonly adopted (Deresky, 2002). Each approach needs different considerations in terms of the HR functions, policies and practices implemented by the organisation. However the issues remain the same in that the organisation still needs to strike a balance between the

differentiation of each of the subsidiaries while effectively integrating and exerting the appropriate amount of control over the units.

Conclusion

HRM is an important aspect of business in today's highly competitive world in terms of competitive advantage that organisations can gain by effectively managing their people. Human resources provide substantial value to an organisation primarily as a result of the behaviours that they exert in utilising their knowledge, skills and capabilities. Human resources are also rare in the fact that there are different requirements of jobs in business; therefore the contributions that employees make to an organisation are rare. The unique combinations of the knowledge, skills and capabilities that all the employees in an organisation possess will also be rare and therefore a source of potential competitive advantage. Furthermore, human resources are also a source of sustained competitive because of the history, experience and behaviours unique to the groups and due to the causal ambiguity of having many people in the organisation. This ambiguity means that competitors will find it very difficult to imitate the organisation's source of competitive advantage. Finally, organisations can achieve competitive advantage through their human resources by ensuring they have the right people in the right place at the right time, in order to ensure opportunities are grasped and exploited to their full potential.

The functions of SIHRM are essentially similar to domestic HRM, however, complexities caused by culture, the type of industry and its changes, the home market and the manager's international orientation make SIHRM an area that needs a great deal of attention as these functions cannot simply be transferred to the international arena. The key issue for organisations is to effectively balance the needs for the whole organisation to be integrated and controlled as one, while simultaneously allowing the subsidiaries to differentiate themselves in order to adapt to the local environment. In order to do this organisations need to adopt and implement effective strategic international human resource practices and policies in order to ensure they successfully transfer potential for competitive advantage from the domestic setting to the international arena.

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Was the Decline of Unions Reflective of Their Inappropriateness in an Increasingly Unitarist Environment? An Examination Using Industrial Relations Models

Lucy Partridge

Introduction

The field of industrial relations initially developed in the early part of the 20th century, emerged as a reaction to the traditional labour system in which employees were viewed as commodities and treated as such. Since this time, it has experienced numerous changes that have contributed to what it is today – a much slimmer version of its former self. The 1940s-1960s 'golden age' of industrial relations in the United States was a robust field which boasted the inclusion of collective bargaining, personnel management, protective labour legislation, social insurance, countercyclical monetary and fiscal policies, labour mediation and arbitration, works councils and employee representation plans, all of which harboured an institutional economic basis. However, in 1960, the field was trimmed when personnel management scholars and practitioners separated themselves from industrial relations and divided their own discipline into two further fields; human resources management and organisational behaviour. The focus of industrial relations then came to be upon trade unions and collective bargaining (Kaufman, 2004; Kochan, McKersie, & Cappelli, 1984).

Essentially within this early field was a commitment to a pluralistic perspective which recognised the conflicting yet interdependency between the interests of managers and employee. Unions are centrally illustrative as the mechanism that dealt with pluralist conflict, by means of collective bargaining. The stagnation of the industrial relations field that occurred in the United States in the 1960s and 1970s can be compared with the beginnings of the decline in union membership, as at this time the non-agricultural unionised proportion of the labour force decreased from 33% to below 20%, and in the 1980s fell to below 10%. This is a significant contrast to the widespread unionisation experienced from the 1940s onwards (Kaufman, 2004; Kochan, McKersie, & Cappelli, 1984).

The emergence of industrial relations and unionisation occurred later in the United Kingdom than the United States. However, they similarly experienced the pattern of industrial relations and union density with their golden age occurring from the mid 1960s to the late 1970s, to a rapid decline in both, most notably in 1979 (Kaufman, 2004). As industrial relations became a less significant feature of economic performance and policy, unions shrunk from 53% to 33% in the 1980s (Guest, 1995).

Section One

There are numerous reasons as to why unions shrank. The move away from pluralistic, unionised ideals was due to changes in the characteristics of the parties involved and the wider environment (Kochan, McKersie, & Cappelli, 1984). First, declines in human resources practices are attributable. Second, declines in both the United States and the United Kingdom are reflective of political changes, such as the elections of new government leaders; Ronald Reagan and Margaret Thatcher respectively. Third, changes in the proportion of manufacturing in the United States and where this occurred can absorb some blame, as can the final factor of legislative changes that did not support unions. Overall, changes in the behaviour of parties had major implications for union membership levels.

Human Resource Management

First, the increase of the usage of the essentially unitarist human resources management (HRM), such as high performance and commitment practices, resulted in competition for employee loyalties to either managers or unions. Effectually, this was a battle between unitarist and pluralist ideologies.

The late 1920s and early 1930s saw the beginning of the human resources movement in the United States where it was perceived as part of the industrial relations field until its aforementioned divorce from the field and creation of its own in 1960. Yet, HRM was a more radical form of industrial relations, due to it focussing upon psycho-social causes and solutions to labour, whilst downplaying the role of the market, legal and external factors in favour of softer, more unitarist managerial practices. Some alleged these practices to be directed toward union prevention (Kaufman, 2004). Irrespective of this view, the fundamental unitarist perspective within HRM was incompatible with that of the pluralist ideology traditionally held by unions and others in the industrial relations sphere (Guest, 1989).

Coincidental to the decline in union membership was the incline in human resource models and practices (Guest, 1995). The view that independent worker organisations (unions) should continue to have a legitimate role began to dampen in the perspective of managers in the 1980s. Resultant of this emerging perspective, there were transferrals of power from labour relations to human resource functions in an effort to shift toward a more unitarist ideal than pluralist (Kochan, McKersie, & Cappelli, 1984). HRM goals held by the organisation bypassed the necessity for a union, as goals pursued in this sense are achieved in a more efficient time frame and with less employee related effort than could have occurred with unions. Managers preferred to establish and maintain communication with employees based on their own channels and developed individualised incentives and rewards for employees, as opposed to those traditionally formed and gained by unions (Guest, 1989). Subsequently, there was a belief that unions were not required in an environment where managers could create a satisfied workforce through unitarist human resources methods (Kaufman, 2004).

Schuler and Jackson (1989) asserted that 60% of organisations employing HRM practices were non-union. This is because relations and behavioural references are conflicting: whilst the union operates on low trust, pluralist, and collective relations between employees and managers, HR

emphasises high trust, unitarist and individual relations. Further, of a union outlook, employee behaviour is structured by compliance to norms and practice, whereas from the HR perspective it is referenced by commitment to organisational values and the mission. This illustrates that the union and HRM perspectives (essentially pluralist and unitarist) are not compatible, and that the union role is diminishing in favour of the non-union, HR employment system practiced by organisations employing high performance workplace models and commitment practices (Kaufman, 2004).

The emergence of HRM commitment practices has had dire consequences for unions. Commitment is a central tenet in SHRM for managing the workforce, as committed staff are essential in today's work environment, due to the pursuit of quality and innovation based strategies. This results in the exclusion of unions, as commitment is a unitarist concept and it is doubtful whether an employee can be committed to both a union as well as their employing organisation; consequently, a unitarist principle as well as a pluralist. It is perhaps possible if union and organisational goals are compatible but then in that situation there would be little role remaining for the union, and it would be going against the pluralistic ideals of its foundation. Hence, unions are without a base for commitment – it is no wonder then that their memberships dwindled (Guest, 1995).

The Political Environment and its Leader

Although insofar as the focus has been upon both the United States and the United Kingdom, in the interests of brevity the political factors attributed to the decline in unionism will centre on the United States.

The election of Ronald Reagan to presidency in the United States in 1980 was to the disadvantage of unions. He created a political climate which was unfavourable to unions, projecting his anti-union stance through public policy and political appointments. The increasing costs of unionisation, appointment of the National Labour Relations Board (NLRB) in 1983 and his actions in relation to the 1981 events at PATCO all contributed to his discouragement of unionisation (Farber & Western, 2002).

In 1981, striking air-traffic controllers were dismissed by Reagan and replaced with others who were not unionised. This is illustrative of the new low tolerance by higher government of industrial action by employees. The involved union, PATCO, became redundant from its representative role and Reagan's strategy of replacement became obvious to employers to utilise. Resultantly, statistics showed that after this, union growth slowed and that replacements were commonly used in the early 1980s. This event promoted a decline in unionism by highlighting the tough stance available to employers in relation to union opposition, simultaneous to discouraging union initiated industrial action (Farber and Western, 2002; Shostak, 2006).

The appointment of NLRB in 1983 created further disincentive for unions. Weiler (1984) argues that a Reagan appointed majority on the NLRB in 1983 caused an active regulatory constraint on collective bargaining as well as relaxed scrutiny of employer conduct in union related matters, causing a hastening of the union shrinkage. Under this particular board, unions experienced increased obstacles in contesting elections for representation simultaneous to employers being given a freer range for interrogating and discharging union supporters. Consequently, the impact of the NLRB on union organising activity is a significant cause of union decline (Farber & Western, 2002).

Occupational Changes

The occupational shift in the United States affected the decline of unionism in two ways; first, changes from manufacturing (a traditionally heavily unionised sector) to more service focussed jobs, and second; relocations of manufacturers to greenfield sites in areas of the States with traditionally lower rates of unionisation.

The changes in the manufacturing sector's composition of employment were accompanied by alterations in occupational composition. Developments in professional and technical occupations reduced the necessity of blue-collar manufacturing jobs, an essential part of the traditionally highly unionised manufacturing sector, and simultaneously increased the necessity of white collar jobs within the manufacturing sector. Consequently, shifts away from blue collar manufacturing jobs created decreases for union membership (Jones, 1992; Stabile, 2008). Further, the manufacturing of goods had decreased as a portion of the United States economy, and historically had experienced high union membership concentration. This was in favour of a more service focus which conversely was a sector of low unionisation and hence contributed to union membership decline, as the unions associated with both fading sectors and occupations tend to share a similar fateful outcome (Troy, 1990).

Another factor contributing to the decline in unionisation is the opening of manufacturing plants in non-union parts of the States and other global locations.

Due to the introduction of automation, manufacturers required minimal skills in their workers rather than the skills of previously unionised manufacturing employees, and accordingly were able to open plants anywhere – specifically, those areas that had low levels of unionisation (Farber & Western, 2001; Stabile, 2008). Also contributing to the demise in membership in this sense was the threat to unions of non-union manufacturing organisations at these meagrely unionised greenfield site locations where human resource management practices made redundant the need for unions (Guest, 1989).

Many other countries follow similar pattern to the United States: the birth of unions, increase in density, a plateau then a rapid decline. However, countries such as the United Kingdom, Australia, Japan and Canada experienced their boom and subsequent decline in both unionisation and industrialisation as a field at a later date to the United States, for numerous reasons unique to the varying countries (Kaufman, 2004).

Section Two

As aforementioned, the decline in unionism was simultaneous to and perhaps also caused the shrinkage of industrial relations as a field. A main propagator to industrial relations throughout its golden age was John Dunlop, who was famed for his industrial relations system, first published in his 1958 book *Industrial Relations System*. The book enjoyed much success, becoming the most cited theoretical work in the industrial relations sphere and believed to be the first and foremost statement of theory in the field (Kaufman, 2004).

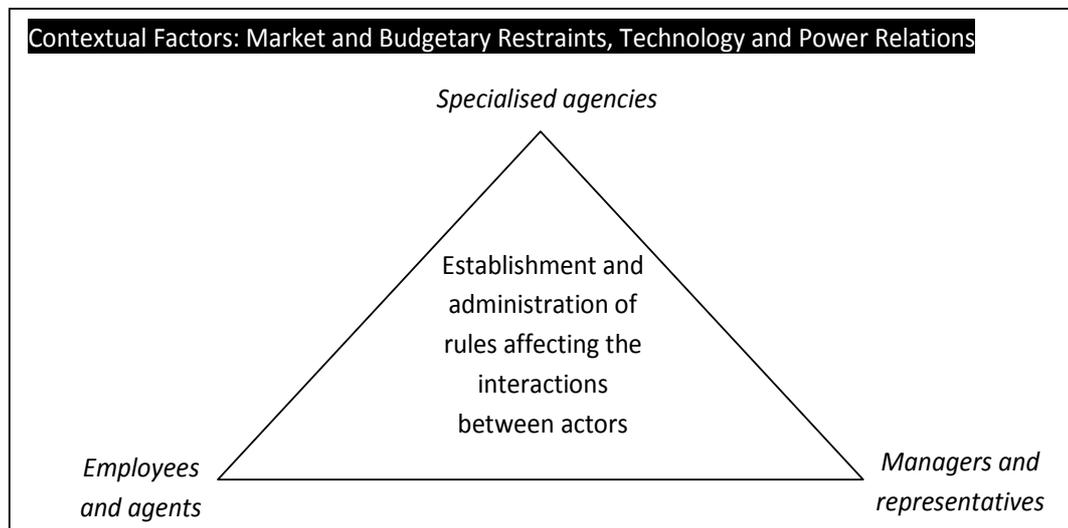
This model of an industrial relations system comprises three actors; managers and supervisory representatives, employees and their agents, and relevant government agencies; three contexts in which actors interact and

shape the established rules; technological characteristics, market and budgetary constraints and the location and distribution of power in the wider society; and third, the establishment of rules and rule procedures. The purpose of Dunlop's system was to explain why particular rules are established in certain systems of industrial relations and how and why they change in relation to changes impinging upon the system (Dunlop, 1993). In the third section of this paper, this proposed system will be utilised to explain the decline in union membership explored previously.

Dunlop had an economic view of industrial relations which shunted the more human resource/personnel aspects of employment and focussed his system upon essentially pluralist ideals, at the expense of more unitarist human resource ideology. More specifically, his scholarly successful work was built upon the foundations of unionised employment and discussed at length collective bargaining in various industries (Kaufman, 1993). It may be so that his shunting and ignorance of the human resource field in his works was unfortunate, due to its later increase in use simultaneous to the decline of unionism. Hence, when unionisation shrank one may question the continued relevance of his model due to the increasingly elusive absence of its union foundations.

Section Three

Dunlop's industrial relations system model, as described in section two, will be used to explain the shrinkage of unions, as per factors described in section one, from the industrial relations system. This is ironic in the sense that Dunlop's ideas were focussed upon unions and collective bargaining, and the unitarist human resource field that he seemed to regard with some disdain can be partially attributed with culpability as to the shrivelling of unionisation.



The system creates rules, which emerge as agreements, statutes, orders, regulations, awards, policies and practices. These rules define the status of the actors and govern the interactions between the actors in the system (Dunlop, 1993). Essentially, a system of industrial relations is a set of rules (Geare, 1977). The industrial relations system to be demonstrated with reference to the graphical interpretation below is that of the condition of the mid 1980s industrial relations field in the United States in particular, with

special regard to the impinging factors causing the shrinkage in the role of the union actor.

Traditionally, it was mainly unions who initiated the majority of changes in employment conditions and terms favourable to employees – other than those set by government. However, increasingly it became managers who have taken this role. Managerial initiatives for human resource practices saw the introduction of new benefits, forms of work organisation and high commitment managerial practices in regard to employee continuity that surpassed those initiatives provided by unions. Hence, this kept them out of an organisation, or in the very least to a minimal role (Kochan, McKersie, & Cappelli, 1984). These changes in the establishment of rules affected the interactions between managers and employees.

As the majority of rules were no longer established by unions, but instead by managers, the employee and manager actors interacted more directly - rather than via the union agent - and as identified above, this limited their role. This is due to the establishment of human resources policies (rules) in the system as a basis for managerial practice, such as high commitment. As identified in section one, this unitarist HRM contributed to the alteration of employee loyalties to unions, in a move away from pluralist union ideals as a result of the emerging HRM rules (Guest, 1995). Hence, the role of the union and its pluralist ideals has declined, as shown by Dunlop's system.

Further contributing to the reduction in the union role was the interaction between the specialised agency (the United States government) and the union actor, encompassed within employees and their agents. Apparent here is the factor of power in the wider society. The political context experienced changes due to the election of President Reagan, who created a political climate which was unfavourable to unions, projecting his anti-union stance through public policy and political appointments. As Dunlop (1993) states, the power distribution in the United States society is a contextual factor which helps structure the industrial relations system. Accordingly, Reagan held a large amount of power which he exercised in the PATCO air strike event of 1981 (Farber & Western, 2002). This demonstration of power changed interactions between managers and unions, through changing the rules and customs that governed their interactions.

Moreover, this power was extended when Reagan's National Labour Relations Board employed conditions which made it challenging for unions to take industrial action (Weiler, 1984). This change in rules due to the NLRB's Reagan dominated ideals governed what interactions were possible then between the employee and managerial actors. These ideals and the PATCO event reinforcing them affected how the power of actors was balanced within the system. The distribution of power was changed, in that through Reagan's ideals, employer interaction with unions experienced a power shift, as well as the loyalty shift aforementioned, which then limited the activity possible from unions.

Technology also impacted upon the changing actor interactions, due to changes in conditions and practices (rules). As identified in section one, technological changes in the wider context of the industrial relations system altered the necessity for the traditionally heavily unionised manufacturing sector, toward a focus on white collar and service jobs and a shift of manufacturing to Greenfield sites. These sectors typically held low levels of unionisation, which prevailed in the industrial relations system when

technological contextual factors affected the interaction between unions and employees, making them less necessary in an economy increasingly dominated by non unionised organisations (Troy, 1990).

Changes in rules of the 1980s United States industrial relations system affected interactions between managers, governments, and unions which created a decline in the union actor role within the system. Power in the wider society was also reflected in this system, as was technological changes. These contextual factors contributed to the changing of rules and once again, the changing of interactions between managers.

Conclusion

In summary, numerous factors impacted upon the decline in unionism. It was a central tenet of industrial relations, and consequently when the decline occurred in collective bargaining, it also manifested in the field and there was a shift away from the pluralist perspective held within industrial relations. This affected the basis of John Dunlop's (1958) model, which is shown here to demonstrate the shift from pluralist ideals to more unitarist and human resource based ideology. However, although an increasingly unitarist perspective contributed to the decline of unionism, this is not to the exclusion of the political and occupational changes which also affected its decline.

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The Impact of Culture on Web Design and E-Commerce Effectiveness in Chinese Online Consumers: An Online Survey of Five New Zealand Websites

Florian Stroehle

Introduction

The significance of "Online China" to New Zealand exporters and service providers has compounded in the previous years. China's internet population continues to expand rapidly at growth rates above 40%, surpassing 298 million at the end of 2008 (CNNIC, 2009). Chinese now constitute the largest demographic of internet users worldwide. China is also the world's fastest growing online consumer market, with online spending growing from US\$12billion in 2003 to an estimated US\$86.2billion in 2008 (Richards & Shen, 2006; China Economic Review, 2008). Research suggests that cultural and linguistic adaptation of an e-tailers website may result in increased attitudes, higher levels of consumer trust and ultimately a higher purchase intention by Chinese consumers (Singh et al., 2006; Cyr, 2008). However, no empirical research on the effectiveness of such adaptation by New Zealand businesses has been carried out to date. This study, with the help of an online survey examines attitudes towards a total of five New Zealand websites that have a vested interest in the Chinese online market, two of which feature no linguistic or cultural adaptation and three which provision explicitly for Chinese online consumers by providing either Chinese language content or by offering a fully culturally and linguistically adapted online experience. Ultimately, this study aims to uncover whether members of the Sinic (Chinese) cultural group exhibit a greater degree of trust and purchase intention towards culturally and linguistically adapted web pages over non-adapted web pages; whether Sinic online consumers exhibit different preferences for navigation, information and visual design compared with Western or Combined (Hybrid) online consumers; and further hopes to uncover practical implications that will help New Zealand businesses become more competitive in the Chinese online marketplace.

Literature Review and Development of Hypotheses

Cultural Effects on Online Consumer Behaviour

There is a growing body of literature dealing with online consumer behaviour, and a smaller number of studies dealing specifically with cross-cultural implications for consumer behaviour on the internet. A very good synthesis of early studies can be found in Cheung et al. (2005), who provide a critical review of theories and empirical research in consumer online behaviour. Some of the dominant theories in the field are the theory of planned behaviour, as used by Singh et al. (2006), the theory of reasoned action and the technology acceptance model (Davis, 1993; Gong, 2009). The

Technology Acceptance model states that uptake of an information system is dependent on the user's perceived ease of use and perceived usefulness. Cognitive efforts impact on an individual's perceived ease of use and should therefore result in a lower likelihood of IS uptake (Davis, 1993). Kralisch argues that linguistic barriers and cultural dissimilarities can lead to increased cognitive burden and thus lower technology acceptance (Kralisch, 2005).

One of the earliest studies into online buying behaviour in China has been carried out by Wee and Ramachandra in 2000. Wee and Ramachandra surveyed more than 2500 Chinese consumers in an online survey that compared consumer behaviour in the US, China, Singapore and Hong Kong. The study showed lower percentages of e-commerce participation in China, compared with other more technologically penetrated countries. It also identified a number of typical deterrents to online transaction such as security concerns and trustworthiness of e-retailers. Motivating factors for online purchases by Chinese online consumers included convenience, impulse buys and curiosity (Wee & Ramachandra, 2000). Expanding on this research, Richards and Shen developed a theoretical framework based on earlier research by Keeney (Keeney, 1999) into general online consumer behaviour. Richards and Shen conducted an online survey which was designed to determine the goals and means of Chinese consumers when purchasing online. The study revealed that Chinese online shoppers are influenced by brand perception and require a larger amount of product information compared with Western online shoppers. Vendor trust, web usability, the availability of adequate information and a broad choice of products were identified as mitigating factors to e-commerce (Richards & Shen, 2006). Evers and Day conducted a survey amongst 206 undergraduate students at the University of New South Wales, which used Davis's Technology Acceptance Model to establish what role culture played in website interface acceptance. Evers and Day discovered that Chinese students were more likely to complete tasks based on usefulness rather than ease of use, compared with Indonesian or Australian students. They also discovered that Chinese students were more likely to enjoy vivid colours and the use of contextual clues, something that was echoed in a later study by Davis (Davis, Wang, & Lindridge, 2007). Based on the theory of reasoned action, in which culture shapes beliefs, and beliefs shape attitudes, Singh et al. carried out a cross-cultural analysis of German, Chinese and Indian online consumers perception of website adaptation which provides empirical evidence that online consumers from these countries prefer culturally and linguistically (native language) adapted web pages over non-adapted web pages (Singh et al., 2006).

Measuring Culture and Cultural Stability

The first attempt to identify and classify distinctive traits of different cultural groups was carried out by Edward Hall, who first promoted the idea of culture as a "Silent Language" (Hall, 1959). Hall identified a number of value pairs that could be used to explain certain behaviours amongst members of the same cultural group. Amongst them are low vs high context dependency, polychronic vs monochronic time orientation and differences in perceptions of intimate and public space perceptions (Hall 1959; 1976). Following Hall, Hofstede collected data on more than 100,000 IBM employees across the globe and used the data to develop five distinct cultural dimensions, which include Power Distance, Individualism vs. Collectivism, Masculinity vs.

Femininity, Uncertainty Avoidance and Long-term vs Short-term orientation ((Hofstede, 1980; 1991; Hofstede & Hofstede, 2005). With the help of these dimensions it was possible, for the first time, to quantify and accurately measure culture, which formed the basis for much of today's cross-cultural research, including cross-cultural research into information systems. Other important authors that contributed to the now dominant notion of cultural dimensions include Adler (1991), Schwartz (1992) and Trompenaars and Hampden-Turner (1993).

One of the defining questions in cultural research is whether behaviour is to be understood as an integral part of culture. Hofstede illustrated the role of behaviour in the form of his "cultural onion" (Hofstede, 1991, p. 8). Like an onion, Hofstede explains that culture has a number of layers and at its core are "values" – the deepest manifestations of culture. "Behaviour" however, lies on the outer layers of this cultural model and is thus the result of these inherent values. Supporting this viewpoint, Holden argues that behaviour is in fact a consequence of culture and thus is not an integral part of culture itself (Holden, 2002; Kralisch, 2005). This is significant, as it allows us to make inferences about behaviour based on inherent values associated with a particular cultural group.

Whether cultural values are stable over time has been the point of much argument and deliberation. Hofstede argues that national cultures are extremely stable, and indeed his research into cultural dimensions has revealed little significant movement in cultural dimension scores over time. According to Hofstede, globalization and increased interaction between cultures will lead to the pronunciation of distinguishing characteristics ("Divergence") as time progresses (Hofstede, 2001, pp. 34-36). Others subscribe to the technological imperative, developed by Harbison and Myers in 1959, who believe that as countries develop economically and globalization pressures increase, cultural differences will diminish ("converge") (Harbison & Myers, 1959; Tung, 2008). The third group subscribe to Ralston's ground breaking research into what he described as "crossvergence". Ralston advocates that the combination of socio-cultural influences and business ideology influences will bring about the development of new and unique value systems among individuals in a society (Ralston et al., 1993), a thesis which has found widespread acceptance and earned him the Decade Award paper in the Journal of International Business studies. For our purposes, we assume that while culture is stable across nations over time (much in alignment with Hofstede), individuals that spend their formative years in a culture different from their own, or spend a sufficient amount of time (>10 years) in a different culture will develop new hybrid value systems which are a synthesis of the two (or more) cultural environments (much in alignment with Ralston).

Huntington advocated that based on historical and political observations, seven distinct cultural groups can be identified: Sinic, Japanese, Hindu, Islamic, Western, Latin American and African (Huntington, 1996). While this is a simplification of actual inter and intra-national cultural differences (Tung, 2008), it is useful for grouping members into more cohesive groups and avoids fragmentation of the sample. We therefore employ Huntingtons's culture clustering in dividing our sample into a Sinic (Chinese) cultural group (Incorporating Chinese, HK, Taiwanese, Chinese-Singaporean and Chinese-Malay respondents), a Western cultural group (mostly New Zealanders, also French and Polish), and a Combined (Hybrid)

cultural group (those who identified themselves as Chinese nationals, but either grew up in New Zealand or spent more than 10 years in New Zealand).

Cultural Impacts on Trust and Purchase Intention

Much importance has been placed on the significance of trust in mitigating uncertainty in online environments. Luo examined a large body of literature regarding the importance of trust in overcoming privacy concerns in electronic transactions. He developed a theoretical framework based on relationship marketing and social exchange theory that brings about a number of strategies for trust development. One of these mechanisms, "characteristic-based trust" focuses on similarities and kinship between an online retailer and its consumers. In this regard, Luo argues that displaying cultural values similar to that of the desired consumer can be instrumental in developing trust (Luo, 2002). Teo provides a very solid theory-based empirical model that tests the relationship between trust and its consequences for e-commerce including purchase intention. His model provides evidence for the importance of trust in online environments. He also provides a very insightful and complete literature review dealing with the significance of trust in online environments (Teo & Liu, 2005). Another study by Cyr elucidates how design perceptions may influence the development of trust and customer loyalty in different cultures, based on Hofstede's cultural dimensions. Cyr's research shows that Chinese prefer different visual, informational and navigational designs compared to their Western counterparts, and that visual and information design are correlated with the development of trust and e-loyalty (likelihood of repeat purchase) in Chinese online consumers (Cyr, 2008). Singh further provides empirical evidence that culture influences consumer beliefs, attitudes and purchase intention on the web. His research suggest that Chinese online consumers prefer culturally and linguistically adapted web pages and are more likely to purchase from a culturally similar web page (Singh et al., 2006). Assuming that these research findings are constant within our sample, we hypothesize:

H1a = Sinic online consumers will exhibit a larger degree of trust towards culturally adapted web sites than towards non- adapted web sites

H1b = Western and Combined online consumers will not exhibit a larger degree of trust towards those culturally adapted web sites

Furthermore, as trust and purchase intention are connected as shown by Teo and Liu and as cultural adaptation is related to purchase intention as shown by Singh et al., we hypothesize:

H2a = Sinic online consumers will exhibit a higher purchase intention for goods and/or services presented on a culturally adapted web site than for goods and/or services presented on a non-adapted web site

H2b = Western and Combined online consumers will not exhibit a higher purchase intention for goods and/or services presented on a culturally adapted web site than for goods and/or services presented on a non-adapted web site

Cultural Impacts on Website Navigation and Layout

Marcus and West Gold examined the relationship between Hofstede's cultural dimensions and effective web design in a cross cultural context. Their

research uncovered that members of high Power Distance (PD) cultures such as Chinese, generally prefer a clear hierarchical navigational structure, have taller hierarchies in their mental models and generally exhibit a strong preference for symmetry in web design. This however is contrasted with other research findings by Kralisch who argues that members of low Uncertainty Avoidance (UA) cultures (such as the Chinese) enjoy complexity with maximum content and choices (Kralisch, 2005). Marcus and West Gold also find that low UA cultures accepted (or even encouraged) wandering and risk in navigation, with a stigma on "over-protection", while members of high UA cultures (such as New Zealanders) liked web site navigation that prevented the user from being lost (Marcus & West Gould, 2000). Furthermore, Kralisch finds in her empirical study that members of monochronic cultures (such as Westerners) preferred information in linear order and links emphasizing hierarchical structure, whereas polychronic users (such as Chinese) preferred designs that encouraged navigational freedom and that employed cross-referencing links (Kralisch, 2005) . Based on this research we hypothesize:

- H3a = Members of the Sinic cultural group will be more comfortable in complex navigation environments than members of the Western cultural group*
- H3b = Members of the Combined cultural group will be more comfortable in complex navigation environments than members of the Western cultural group, but not more comfortable than members of the Sinic cultural group*
- H4a = Members of the Sinic cultural group will show more positive attitudes towards dynamic navigation menus than members of the Western cultural group*
- H4b = Members of the Combined cultural group will show more positive attitudes towards dynamic navigation menus than members of the Western cultural group, but not more than members of the Sinic cultural group*
- H5a = Members of the Sinic cultural group will show more positive attitudes towards those websites with a symmetrical website layout, than those websites with an asymmetrical layout*
- H5b = Members of the Western and Combined cultural groups will show more positive attitudes towards those websites with an asymmetrical layout, than those websites with a symmetrical layout*

Cultural Impacts on Information Density and Cognitive Burden

In her empirical study, Kralisch finds that UA significantly affects preferences for information density. Kralisch argues that low UA cultures (such as Chinese) prefer extensive information offerings with deep exploration possibilities. Members of High UA cultures (such as New Zealanders) collect comparatively more information on a web page, however they also feel anxiety at a larger body of information, as complete information gathering is not possible (Kralisch, 2005). Marcus and West Gould compliment this with their predictions that low UA cultures emphasize complexity with maximum content and choices, while members of high UA cultures prefer simplicity with limited choices and restricted amounts of data (Marcus & West Gould, 2000). Davis argues that as arousal limits cognitive capacity high UA web users may avoid high information density environments in order to prevent information

overload. Chinese web users on the other hand enjoyed high information density and exhibited a clear relationship between arousal and positive attitude (Davis, Wang, & Lindridge, 2007). This is also supported by Richards and Shen, who identified a comparatively large amount of product information as a mitigating factor for e-commerce in China (Richards & Shen, 2006). Assuming that these predictions hold true for our sample, we hypothesize:

H6a = Members of the Western cultural group will be less comfortable when faced with a high volume of information on a website than members of the Sinic cultural group

H6b = Members of the Combined cultural groups will be more comfortable when faced with a high volume of information on a website than members of the Western cultural group, but not more than members of the Sinic cultural group

The Impact of Culture on privacy Preferences and E-Commerce Adoption

The significance of collectivistic culture on privacy concerns has been the subject of much research. According to Marcus and West Gould, members of collectivistic cultures (such as Chinese) are less likely to provide personal information on the internet, compared with members of individualistic cultures (such as New Zealanders), in order to prevent differentiation from the group. In fact, Chinese web users often do not use their own name in chat rooms and social networks in order to avoid being identified (Marcus & West Gould, 2000). Research by Wee showed that e-commerce uptake was slower in China compared with other more technologically penetrated countries (Wee & Ramachandra, 2000). However, more recent research by Gong, who empirically tested the relationship between national culture and business to consumer e-commerce adaption, shows that this gap may be closing more rapidly than expected. Gong revealed comparatively higher B2C e-commerce adoption rates in high-context cultures that dictate a higher propensity to trust. He identified the same trend in polychronic cultures that are flexible and comfortable with uncertainty (Gong, 2009), both cultural traits that are characteristic of Chinese culture. We are interested in testing this development in our sample. Based on the status quo, we hypothesize:

H7 = A smaller percentage of members of the Sinic cultural group will use the internet for social networking, compared with members of the Western cultural group

H8 = A smaller percentage of members of the Sinic cultural group will use the internet for online shopping, compared with members of the Western cultural group

Other Aims of the Study

Beyond testing the hypotheses that have been developed in this section, this study also aims to uncover further practical implications for New Zealand managers that can be useful in order to improve their knowledge of what constitutes an effective approach to e-commerce with Chinese online consumers. Respondents have been encouraged to comment on their user experience and their attitude towards colours and imagery used within the respective five websites. Test will be carried out to identify whether there are

significant differences in attitudes towards such imagery and use of colour. If there are such differences, then the comments may help to uncover the reasons behind the disparity in attitudes.

Methodology

Sample and Sampling Method

In order to arrive at meaningful conclusions, closely defining the target populations was of outmost importance. Three types of respondents were sought: those that identify with the Sinic (Chinese) cultural group; those that identify with the Western cultural group and in particular those that were born and raised in New Zealand; and finally those that identified themselves as Sinic (Chinese) but either grew up in New Zealand or spend more than ten years living in New Zealand (the Combined cultural group). Due to time and budget constraints, the sample was drawn from University of Otago students and staff members, which must be considered when evaluating the representativeness of the findings.

Potential respondents were approached in a number of ways, including emailing selected respondents; approaching respondents directly with a qualifying question (potential respondents were asked about their nationality) and providing those respondents that qualified for the survey with a flyer that included the survey URL; the development of a Facebook group and through promotion within Chinese and Businesses studies undergraduate courses at the University of Otago. A total of 32 fully completed questionnaires were collected, two of which had to be removed as they did not fit the sampling criteria of either belonging to the Sinic, Western or Combined cultural groupings. It is important to note that 47 partially completed questionnaires could not be used, as the free survey software used to administer the online survey did not allow for reporting on partial responses. Considering the length of the survey (approximately 25 minutes to complete) and the high number of partial responses, it is important to consider respondent fatigue when evaluating responses. However, there is no evidence in the data that fatigue affected responses for some of the later questions in the survey. There are no visible outliers in any case. Of those responses that were valid, 11 were categorized as belonging to the Sinic cultural group (Five Mainland Chinese, five Malay-Chinese, one Singaporean Chinese), 13 were categorized as belonging to the Western cultural group (Ten New Zealanders, two French, one Polish) and six were categorized as belonging to the Combined cultural group (Five Mainland Chinese Nationals, one New Zealand National; all spent more than 10 years in New Zealand).

Websites

A total of five New Zealand websites were to be evaluated by the respondents. The websites that were selected for the survey were the web presences of Villa Maria Wines (www.villamaria.co.nz), the Polynesian Spa (www.polynesianspa.co.nz), Ellis Fibre (www.ellisfibre.co.nz), Zespri (www.zespri.com) and Tourism NZ (www.newzealand.com). These websites were selected for a number of reasons. First, all businesses had a vested interest in attracting Chinese online consumers. Second, they provided a fair spectrum of typical NZ web design. Thirdly, they provided a good diversity in terms of navigation, layout, structure, information density, colour schemes,

the use of imagery and the level of cultural and linguistic adaptation for the Chinese market. This was instrumental, as the construct validity of the survey is largely dependent on selecting appropriate websites and accurately identifying the characteristics of said websites. The websites were evaluated by the author, who has extensive experience as a web consultant and designer. Table 1 outlines the characteristics of the five chosen websites.

Table 1

	Cultural Adaptation	Amount of Information	Colour	Layout	Menu	Navigation Environment	Imagery
Villa Maria (VM)	Not Adapted	Low	Subdued	Symmetric	Simple	Simple	Static
Polynesian Spa (PS)	Adapted	High	Vivid	Asymmetric	Dynamic	Complex	Animated
Ellis Fibre (EF)	Not Adapted	Low	Subdued	Asymmetric	Simple	Complex	Static
Zespri (ZE)	Adapted	High	Vivid	Symmetric	Dynamic	Complex	Animated
Tourism NZ (NZ)	Adapted	High	Subdued	Asymmetric	Dynamic	Complex	Animated

Measures and Procedure

The online survey featured a total of 56 questions. All questions were translated into Chinese in order to avoid cognitive bias in the Chinese sample. The Chinese translation was carried out by a native Chinese speaker and reverse translated by another, independent, native Chinese speaker in order to check for accuracy. Respondents were first asked a number of questions regarding their nationality, the country they grew up in, and the number of years they had lived in New Zealand in order to effectively assign the respondents to a representative cultural group. Respondents were then queried about their typical internet usage (including whether they used email, browsed for fun, used social networking sites, engaged in online shopping, compared prices online and whether they chatted online). Respondents were asked to click on a company logo within the survey which opened the corresponding website in a new browser tab. Respondents were asked to browse the web site for no more than five minutes before returning to the survey to answer all questions. This step was repeated for all five web sites. All questions in the survey, except for additional comments, had to be answered in order to successfully submit the survey.

Perceived ease of use of web site navigation (*NavEase*) was measure using the item "The site was very easy to use", where respondents were to respond using a 10 point likert scale (One being "I do not agree at all", 10 being "I fully agree"). The 10 point likert scale was selected in order to prevent centrality bias. The same likert scale was employed for attitudes towards the websites colour scheme (*Colour*) which was measured using the

item: "I really like the colours in this web site"; attitudes towards the site menu (*Menu*) which was measured using the item: "I found the site navigation (the menu) very interesting"; perceived website trust (*Trust*) which was measured using the item "I found the information presented on the website to be trustworthy"; the attitude towards the site structure (*Layout*), which was measured using the item "I really like the layout of the website"; attitude towards website imagery (*Image*), which was measured using the item "I really like the imagery that is being used in the website"; and for determining purchase intention (*Buy*), which was measured using the item "I would consider purchasing from this company". Perceived information density (*Info*) was measured using the item "The amount of information presented on the website was", where respondents were to answer using a nine point likert scale, one being "too little", five being "just right" and nine being "too much".

Furthermore, for those websites which were culturally adapted (Polynesian Spa, Zespri and Tourism NZ), respondents were asked to indicate which languages they viewed the site in, in order to gauge if users actually made use of the cultural and linguistically adapted portion of said web pages. Seven out of the 11 Sinic group members reported that they had made use of the Chinese version of said websites, as well as three out of the six Combined group members.

The measures used in this online survey fall into three broad constructs: visual design, information design and navigation design, which were first introduced by Garrett (Garrett, 2003) and then used by Cyr, who statistically validated the constructs and established their relationship to online consumer trust and e-loyalty (repeat purchase intention) in her study of 561 online consumers from Canada, Germany and China (Cyr, 2008). While the survey measures do not exactly mirror those used by Cyr, we are confident that construct validity is satisfactory for the purpose and scope of this survey.

Analysis

Trust and Purchase Intention

Hypothesis 1a and 1b require for the computation of average response values for the measure *Trust*, for both culturally adapted (CA) and non adapted (NA) web pages (as outlined in table 1) and all three cultural groups. Then a series of t-tests is conducted in order to test whether mean differentials are significant. For the Sinic cultural group the mean *Trust* response was 7.5 for NA, compared with 7.939 for CA web sites, which is statistically significant at $p=0.05$ ($t=1.953$, critical value 1.645)). Hypothesis 1a is therefore supported. For the Western cultural group, mean *Trust* response was 7.038 for NA compared with 7.564 for CA, which is not statistically significant at $p=0.05$ ($t=1.359$). The Combined cultural group had a mean trust response of 6.833 for NA and 8.556 for CA, which due to the low number of Combined respondents is not statistically significant at $p=0.05$ ($t=1.293$). As both Westerners and Combined do not show a statistically significant increase in *Trust* for CA web sites, it can be said that Hypothesis 1b is supported, however it is only weakly supported due to the low number of Combined respondents.

Hypothesis 2a and 2b also require the computation of average response values, albeit for the measure *Buy*. Similarly, t-tests are used to test for significant differences in mean responses between NA and CA web sites. For the Sinic cultural group mean *Buy* response was 6.091 for NA and 6.879 for CA web sites, which is statistically significant at the $p=0.025$ level ($t=2.106$, critical value 1.960). Hypothesis 2a is therefore strongly supported. For members of the Western cultural group, mean *Buy* responses were 7.192 for NA and 7.103 for CA web presences, which is not statistically significant at the $p=0.05$ level ($t=-.233$). For members of the Combined group, mean *Buy* responses were 5.25 for NA and 7.444 for CA web pages which is statistically significant at the $p=0.01$ level ($t=2.371$, critical value 2.326). Hypothesis 2b is therefore rejected.

Navigation and Layout

Average response values for *Navease* are compared between cultural clusters using ANOVA testing. As homogeneity of variances can be assumed (Levene's = 0.034), we use Scheffe's test to test for significant differentials in mean responses. Western average NavEase response for complex environments is 7.173, Sinic average response 7.613 and Combined average response is 8.125. There is no statistically significant mean differential between any of the three cultural groups. Both Hypothesis 3a and Hypothesis 3b are therefore not supported.

Similarly to Hypotheses 3a and 3b, ANOVA testing is used for comparing *Menu* average responses between cultural groups. Leven's testing (Levene's = 1.639) does not reject homogeneity of variances, therefore Scheffe's test is used to test for significant mean response differentials. Western average *Menu* response for dynamic navigation is 6.487, Sinic average response is 7.061 and Combined average response is 8.116. Again, there is no statistically significant mean differential between any of the three cultural groups. Both Hypothesis 4a and Hypothesis 4b are therefore not supported.

The average responses to measure *Layout* are computed for both symmetrical and asymmetrical websites and all three cultural groups. A series of t-tests is conducted which compares mean responses for asymmetrical and symmetrical web sites for all three cultural groups. Average *Layout* responses for Sinic were 6.954 for symmetrical and 7.212 for asymmetrical ($t=-1.495$). Hypothesis 5a is therefore not supported. Average *Layout* responses for Western were 5.654 for symmetrical and 6.641 for asymmetrical, which is significant at the $p=0.1$ level ($t=1.627$, critical value 1.282). Average *Layout* responses for Combined were 6.954 for symmetrical and 7.212 for asymmetrical, which is not significant at $p=0.1$ level ($t=.464$). Hypothesis 5b is therefore also not supported.

Information Density

Average response values for *Info* in high information density websites, as outlined in table 1, are compared between cultural clusters using ANOVA testing. As homogeneity of variances can be assumed (Levene's = 0.47.), we use Scheffe's test to test for significant differentials in mean responses. Western average Info response for high information density environments is 6.079, Sinic average response 5.181 and Combined average response is 6.389. The mean differential between Sinic and Western is significant at the $p=0.1$ level, the mean differential between Sinic and Combined is significant

at the $p=0.05$ level. Hypothesis 6a is therefore supported. Hypothesis 6b is not supported.

Privacy Concerns and E-Commerce Adoption

Responses by member of all Sinic and Western cultural groups regarding the usage of social networking sites are compared using a two sample hypothesis test for proportions. Conditions for binominal are met (There are only two possible outcomes, either uses or not uses social networks; fixed number of trials for both samples, there is a constant probability of success; and trials are independent). However, the sample is small and not all cells are larger than five. 12 members of the Western cultural group indicate that they are using social networks, only five in the Sinic cultural group indicate they are using social networks. The two sample test for proportions reveals a Z-value of -2.513 (critical value -1.645), which is statistically significant. We can therefore accept Hypothesis 7, albeit we must be careful, as the sample was very small.

This process is repeated for e-commerce adoption between Western and Sinic cultural groups. Eight members of the Western cultural group state that they are using the internet for electronic commerce, only three members of the Sinic cultural group indicate they shop online. Again, conditions for binominal are met, however not all cells are larger than five. The two sample test of proportions reveals a Z-value of -1.675 (critical value -1.645), therefore Hypothesis 8 is supported, although only marginally.

Other Tests

We carried out further testing of mean responses for the measures *Images* and *Colour* between all five websites using ANOVA testing to uncover further significant discrepancies in mean responses between cultural groups. No significant mean differentials were uncovered.

Summary of Findings

Table 2	Hypothesis	Finding	Comment
Hypothesis 1a	Sinic online consumers will exhibit a larger degree of trust towards culturally adapted web sites than towards non-adapted web sites	Supported, significant at $p=0.05$	
Hypothesis 1b	Western and Combined online consumers will not exhibit a larger degree of trust towards those culturally adapted web sites	Weakly supported	Combined actually exhibit a larger degree of trust, just not significant at $p=0.05$
Hypothesis 2a	Sinic online consumers will exhibit a higher purchase intention for goods and/or services presented on a culturally adapted web site than for goods and/or services presented on a non-adapted web site	Supported, significant at $p=0.05$	
Hypothesis 2b	Western and Combined online consumers will not exhibit a higher purchase intention for goods and/or services presented on a culturally adapted web site than for goods and/or services presented on a non-adapted web site	Not supported	Combined cultural group significantly more likely to buy from adapted web pages, $p=0.01$
Hypothesis 3a	Members of the Sinic cultural group will be more comfortable in complex navigation environments than members of the Western cultural group	Not supported	

Hypothesis 3b	Members of the Combined cultural group will be more comfortable in complex navigation environments than members of the Western cultural group, but not more comfortable than members of the Sinic cultural group	Not supported	
Hypothesis 4a	Members of the Sinic cultural group will show more positive attitudes towards dynamic navigation menus than members of the Western cultural group	Not supported	
Hypothesis 5a	Members of the Sinic cultural group will show more positive attitudes towards those websites with a symmetrical website layout, than those websites with an asymmetrical layout	Not supported	
Hypothesis 5b	Members of the Western and Combined cultural groups will show more positive attitudes towards those websites with an asymmetrical layout, than those websites with a symmetrical layout	Not supported	Western cultural group exhibit more positive attitudes towards asymmetrical design ($p=0.1$), but not Combined cultural group
Hypothesis 6a	Members of the Western cultural group will be less comfortable when faced with a high volume of information on a website than members of the Sinic cultural group	Supported, significant at $p=0.1$ level	
Hypothesis 6b	Members of the Combined cultural groups will be more comfortable when faced with a high volume of information on a website than members of the Western cultural group, but not more than members of the Sinic cultural group	Not supported	Combined cultural group much less comfortable in high information density environment
Hypothesis 7	A smaller percentage of members of the Sinic cultural group will use the internet for social networking, compared with members of the Western cultural group	Weakly Supported	Z-Test shows significant difference in proportion, however sample size small for binominal approximation
Hypothesis 8	A smaller percentage of members of the Sinic cultural group will use the internet for online shopping, compared with members of the Western cultural group	Weakly Supported	Z-Test shows significant difference in proportion, however sample size small for binominal approximation

Discussion

The purpose of this research was to provide insight into whether members of the Sinic (Chinese) cultural group would exhibit a greater degree of trust and purchase intention towards culturally and linguistically adapted web pages compared with those that have not been adapted. The findings clearly show that cultural and linguistic adaptation does significantly increase the levels of perceived trust and ultimately purchase intention amongst Chinese online consumers. While it is important to address the limitations of this study, which are the limited sample size and the reliance on appropriate website selection; the benefits of adapting a web page for a local market have now been clearly demonstrated in the New Zealand context. Interestingly, trust and purchase intention were also significantly higher for members of the hybrid group, those Chinese that have grown up in New Zealand or have spent more than ten years in New Zealand still are more trusting towards and more likely to buy from an e-tailer that offers their products and services on a culturally adapted web presence. Managers intending to market their products and services towards Chinese online consumers should thus

critically consider culturally and linguistically adapting their electronic communication and e-commerce facilities.

This study was unable to replicate some of the results of earlier research by Kralisch, which advocated that Sinic online consumers were fonder of symmetrical navigation than their Western counterparts, as well as being more comfortable in complex navigation environments and more fond of dynamic navigation menus (Kralisch, 2005, Marcus & West Gould, 2000). While members of the Sinic and Combined cultural groups had higher average mean responses for all three of these measures, this was not found to be statistically significant. The notion that Chinese are more comfortable with a higher information density has been clearly supported by this survey however. It is evident that Chinese online consumers are more comfortable with a large body of information and in fact desire a more stimulating and impulse rich environment (Davis, Wang, & Lindridge, 2007). Furthermore, Chinese online consumers require a larger amount of product information compared with their Western counterparts (Richards & Shen, 2006). Managers should be aware of this requirement when planning e-commerce activities for Chinese online consumers. Interestingly this phenomenon is not shared by members of the hybrid cultural group, which exhibit a stronger aversion to high information density environment than those members of the Western cultural group. Maybe this can be seen as an example of crossvergence; however, such an assumption would have to be tested more thoroughly in future research on a more substantial sample.

Finally, this research did reveal some discrepancies between e-commerce adoption and the usage of social networks between cultural groups. A significantly larger number of Westerners (New Zealanders) used the internet for online shopping and social networking than compared with Chinese. In respect to the latter, one would expect that the collectivistic culture of the Chinese would actually encourage social network usage, but as Marcus and West Gould points out, privacy concerns play an important role in the field of social networking (Marcus & West Gould, 2000). Technical discrepancies for e-commerce adoption can be neglected in the New Zealand context however. As such, the lower uptake of e-commerce by members of the Sinic cultural group is intriguing and is worthy of more in-depth research in the future.

Conclusion

This study of attitudes towards culturally and linguistically adapted web sites in the New Zealand context provided further evidence for the significant relationship between cultural adaptation and consumer trust in Chinese online consumers. Furthermore, it provides evidence that Chinese online consumers are significantly more likely to purchase from culturally and linguistically adapted e-commerce sites. New Zealand Managers should take this into consideration when determining how to most effectively market their products and/or services towards Chinese online consumers. As the study has shown that Chinese are significantly more comfortable in high information environment, Managers should provide a greater amount of product and other related information in order to circumvent trust concerns by Chinese online consumers towards e-tailers.

While it has been shown that Chinese are slower in their uptake of electronic commerce, the sheer size of opportunity in the world's fastest growing online consumer market makes Chinese online consumers a worthwhile and potentially highly profitable target. In the future, more research is needed into exactly which areas of web development, navigation design, user interface design and information design need improvement in the New Zealand context. Also, managers should be aware of privacy concerns by Chinese online consumers, and search for ways to mitigate these concerns.

In conclusion, this online survey provides evidence for the significance of cultural website adaptation in the development of trust and purchase intention for Chinese online consumers in a New Zealand context. It is now upon New Zealand managers to draw conclusions and develop strategies that will allow New Zealand businesses to become more competitive in pursuing opportunities in the Chinese online market.

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