

The salience of national culture in influencing individuals' HRM preferences and construction firms' HRM practices

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Abstract

Human resource management (HRM), if it is practiced at all in the construction industry, is mostly done in an ad-hoc, sporadic way. This has contributed to criticisms that the industry is lagging behind others in effectively recruiting and retaining scarce talents. Construction management researchers have long argued for the benefits of construction firms adopting a more integrated and strategic approach to HRM. However, the HRM model that is being promoted within much of CM literature is based largely on the US/Harvard model. It appears that the default assumption of this model ignores the salience of national culture in determining HRM effectiveness. This paper discusses the results of an empirical study of 604 construction professionals from Australia and Hong Kong to analyse the extent to which differences based on national culture influence individuals' HRM preferences on remuneration and job autonomy, and whether these preferences have a bearing on the actual types of organizational HRM practices that are being adopted. The results indicated that national culture is a salient factor that affects HRM preferences and effectiveness. Implications of this for future HRM research, education and practice within the construction industry are offered.

Keywords: Human resource management, national culture, construction management.

1. Introduction

Skills shortage is a long-standing problem for the construction industry. Particularly challenging for many firms is the difficulty of attracting, recruiting scarce talents and, subsequently retaining them, as the industry continues to have one of the highest turnover rate of all major industries. In the UK, The Chartered Institute of Building (CIOB) has been conducting yearly surveys since 2006 on the extent and implications of the skills shortages problem. It recently reported that “the construction industry continues to suffer from a skills shortage, despite an overall decrease in construction demand in 2009 by 11.5%” (CIOB, 2010, p.2). This has reinforced the commonly held view that the construction industry is, i) simply not attractive enough to potential recruits; ii) it is not doing enough to attract them; iii) it fails to retain them. To this end, many CM researchers and industry practitioners have long-argued that the effective use and adoption of human resource management (HRM) practices can to a large degree ameliorate the situation through better approaches to recruitment, remuneration, and training and development (Chan and Dainty, 2007; Dainty et al., 2000; Loosemore et al., 2003; Drucker and White 1996, Langford et al., 1995).

Notwithstanding the cyclical boom-bust periods and broader structural factors that contribute to the construction industry’s skills shortage problem, the “dominant culture [which] consistently emphasises the hard model of HRM.....goes some way towards explaining the current recruitment crisis” (Green, 2002, p.148). Instead of traditionally emphasizing on the importance of a ‘hard’ strategic management approach to human resources which are operationalized and measured by performance-based indicators against various organizational objectives, researchers and practitioners are urged to incorporate into their HRM practices ‘soft’ human relations aspects which rest on commitment, trust, empowerment, self-fulfilment and individual development. This essentially US/Harvard-inspired HRM model with both its hard and soft elements (Beer, et al. 1984, 1985) has since the 1980s merged into a unified HRM model (Morris et al., 2000) where a ‘people-centred’ approach is becoming more widespread in contemporary strategic and organizational management.

Central to the utility of the US/Harvard model is the emergence of HRM as a business strategy which crystallised the view that firms ought to define their HRM objectives (i.e. who and how to recruit and train, what remuneration, appraisal systems to adopt) in order that these align with broader organizational goals (Brewster, 2007; Fombrun et al. 1984). This reinforces what Becker and Gerhart (1996, p. 781) have long ago suggested that for HRM to create strategic impact it requires “a degree of attention to alignments both within HR systems (internal fit) and with operating and strategic objectives (external fit)”. This approach of adopting strategic, measurable performance-based HRM practices and combining them with ‘softer’ aspects of HRM that align with firms’ overall business strategy is regarded as the way forward for industrial practices, including for the construction industry (see Drucker et al., 1996; Loosemore et al., 2003). Moreover, the US/Harvard HRM model is deemed universally applicable even for businesses that are established outside the US (Kidger, 1991) because it is argued that certain values and practices are convergent and shared globally regardless of firms’ corporate strategy (Beer et al. 1984). Indeed, there is growing evidence of the convergence of HRM practices in some areas such as recruitment and performance-based remuneration even in traditionally collectivistic countries like India and China brought about by globalization (Budhwar and Bhatnagar, 2009; Warner, 2003).

2. Evidence of non-convergence of HRM practices

However, as the field of management matures many researchers have started to evaluate the notion of the universally applicable US/Harvard HRM model. In particular, the level of convergence of HRM practices in international settings omits considerations for national cultural nuances as well as other institutional, and even firm-level differences that are at play which have an impact of HRM effectiveness (e.g. Gamble, 2003). Research in mainstream and international HRM indicates that the effectiveness of HRM practices is culture specific (Brewster, 2007; Sparrow et al, 1994; Tregaskis, 1997; Budhwar and Khatri, 2001). This means that individuals with different cultural values have different preferences for HRM practices such that organisations must adapt their HRM practices to meet the local cultural norms (Ramamoorthy et al, 2005). Empirical evidence shows that organizational HRM practices that closely fit the broad societal values that individuals intrinsically relate to tend to lead to positive job attitudes and better job satisfaction (Brewster, 2007; Ramamoorthy et al, 2005). These in turn, tend to translate into improved organizational outcomes through better employee recruitment and retention.

More broadly, Brewster (1999; 2005) has argued that because of its cultural, institutional and political landscape HRM is conceptualised and practiced differently in Europe compared to the US. More recently, Brewster (2007) provided evidence that the main discernible HRM differences in Europe compared to the US are its less individualistic and achievement-oriented culture; the stronger role of the state that leads to highly legislated employment frameworks; the much stronger influence of trade unions on employer-employee relationship; and the ostensible favouring of public business ownership rather than private sector ownership with stock-market trading shareholders. In another example, Brewster et al. (2006) showed that cross-cultural differences between Europe and Japan are important determinants of the size and role of HRM in these respective organizations. Similarly, Ramamoorthy and Carroll (1998) have empirically shown that depending on its national cultural norms, employee preferences for HRM practices differ such that individualistic countries like the US, UK and Australia would tend to promote individualistic HRM practices that emphasise more on competitiveness, equity and individual achievements compared to more collectivistic societies like India and China.

3. HRM research in construction management

The above discussion offers compelling evidence of the moderating effects of cultural norms on HRM preferences and practices in different national contexts. While studies have found that distinct individual values, attitudes and behaviour that are based on deep-seated cultural norms have direct implications on HRM practices, there remains relatively little empirical research done to examine the level of *divergence* of HRM practices in different countries (Tung and Baumann, 2009). Even much less research of this kind has been undertaken in the construction industry.

Although construction researchers have alluded to the need to be cognisant of the moderating effects of certain industry-level characteristics in determining the effectiveness of HRM practices (e.g. Green, 2002; Phua, 2004), no empirical studies specifically on the effects of national cultural differences on HRM practices has been conducted. It seems that many practitioners and researchers intuitively know

that culturally-based variations in HRM practices exist, but the extent and nature of the variation has never been explored more deeply. By and large, construction management books and articles on the subject of HRM still subscribe to the merits of adopting a strategic approach to HRM which mirrors the US/Harvard-based model of combining hard and soft HRM practices that align with the overarching organizational goals. Unfortunately, the research inquiry into HRM ends there. It appears that the default position of convergence of HRM practices is assumed to exist across the construction industry. This has contributed to a situation which (intentionally or unintentionally) downplays the need to investigate the nuanced cultural differences and characteristics of HRM practices that might occur in different countries or settings. Given the size and importance of the industry in the global economy and its ongoing endeavours to address the persistent problems of skills scarcity and high turnover rate, there are strong practical, economic and scholarly grounds for a more sophisticated, fine-grained understanding of the nature of HRM practices in construction than has hitherto been the case. If the industry is to find effective ways to overcome its skills shortage problems, it needs to understand the extent to which the broadly accepted HRM practices as they are being advocated by academics, and taught to students and practitioners are influenced by national cultural differences.

4. Culturally nuanced HRM research in construction management

4.1. Study context

This paper discusses findings from a study of 604 construction professionals from Hong Kong and Australia to determine firstly, if differences in individual preferences toward a variety of HRM practices exist in countries known to have distinct national cultural characteristics. Second, if such differences exist, to what extent do construction firms adopt HRM practices that reflect these differences? Third, does the gap between individuals' preferences and actual organizational HRM practices affect individuals' job satisfaction – the widely used proxy in organizational research to determine employee retention and turnover rate (see Whitman et al., 2010)? It is also a reliable indication of the effectiveness of HRM practices that are being adopted by firms. The cultural distinctness between Australia and Hong Kong (Hofstede, 2001) is such that Australia is still commonly regarded as a strongly individualistic country while Hong Kong is conventionally characterised as a collectivistic society. There are practical reasons too, for choosing Australia and Hong Kong as a basis for comparison. In both cases, the construction industry is one of the largest industries directly employing about 10 per cent of the working population (ABS, CSD), implying that the issue of professional skills shortages is likely to be felt more strongly than in countries where the industry is smaller.

In this study, the two key HRM practices selected for testing and analysis relate specifically to remuneration and job autonomy because both are commonly employed by HRM researchers interested in the types of reward and job design practices of firms (Ramamoorthy and Flood, 2002, Ramamoorthy et al, 2005). Specifically, it is hypothesized that Australian professionals, with individualist orientations have stronger preferences for individualist HRM practices that emphasizes on meritocracy in terms of remuneration which promotes more competition, individual achievements

and individual incentive schemes (Ramamoorthy and Flood, 2002; Ramamoorthy and Carroll, 1998). In terms of job design, professionals with individualist orientations tend to prefer higher levels of job autonomy where the freedom to be left alone to get on with ones' work and to take initiatives such as goal settings or decision making are valued. Conversely, with collectivist cultures collectivist HRM practices are preferred and in this regard, group-based rewards and less job autonomy are the norm. Because of these differences in individual HRM preferences, it is further hypothesized that firms operating in Australia (i.e. individualist society) will adopt and implement individualist HRM practices that correspond to the prevailing cultural norms, while firms in Hong Kong (i.e. collectivist society) will likewise have more collectivist HRM practices to reflect the dominant cultural norms. Finally, it is hypothesized that a good fit between individuals' HRM preference and actual organizational HRM practices is likely to lead to increased job satisfaction.

A survey questionnaire was initially mailed to 3,000 construction professionals, half from Hong Kong and another half from Australia. A quantitative approach is chosen deliberately for a large cross-sectional study like this in order to achieve the required statistical integrity and robustness that are necessary for the generalizability of results. The sample was derived from various professional association membership directories. After two mailings, and eliminating incompletely filled instruments, a total of 604 responses were obtained, 353 from Australia, 251 from Hong Kong. A series of statistical checks were performed to ensure a representative sample was obtained. In terms of nationality and cultural background of the respondents, 84.7% of respondents from Australia described themselves as 'Anglo-Celtic Australian' while 84.9% of respondents from Hong Kong described themselves as 'Hong Kong Chinese' confirming that the vast majority of respondents are indeed native to Australia and Hong Kong, hence providing the overall sample with the required cultural distinctions. In terms of language difficulties that might be present in the Hong Kong subsample in completing the questionnaire, this is deemed very unlikely to be an issue because all the respondents were construction professionals holding either senior or middle management positions, and furthermore English is still the lingua franca and official business language there.

Measures for individual HRM preferences and actual firm HRM practices on remuneration and job autonomy were based on existing scales that have been widely validated in other HRM studies (see Ramamoorthy and Carroll, 1998 and Sims et al., 1976). Similarly for job satisfaction, a widely used, pre-existing scale based on Price and Mueller (1981) is used in this study.

4.2. Discussion of study results

The results of this study show that national cultural differences significantly influence individuals' HRM preferences. Not only do Australian construction professionals prefer more individual-based remuneration, they also prefer higher job autonomy when compared to their Hong Kong counterparts. These results echo previous research showing that individuals' cultural orientations are significant factors that influence their reactions and preferences to different HRM practices (e.g. Kirkman and Shapiro, 1997; Probst and Lawler, 2006). Even in the context of the construction industry, where it is common for construction professionals to work in international project teams and coalitions, there are reasons to believe that the prevailing cultural norms that they possess are not likely to be eroded in

these work circumstances. This is supported by Tung and Baumann's (2009) research which revealed that Chinese and Caucasians show inherently distinct attitudes toward various HRM-related issues "regardless of whether the Chinese live in Mainland China or whether they were born, raised and resided overseas" and that their "attitudes have not assimilated to the culture of their country of birth and residency; but rather are closer to those of the country of origin of their ancestors" (p.2396). This gives added credence to the findings in this study that the differences found in individual HRM preferences stem from the core differences in cultural norms and values between Hong Kong and Australian respondents.

This study also revealed that firms are cognizant of the prevailing cultural distinctions and are adopting HRM practices that align with and support these cultural norms and values. Indeed, Australian construction firms adopt a more individualist approach to remuneration and job autonomy than Hong Kong firms. This is an important point to note because if individuals' cultural preferences are not supported by the appropriate organizational practices, job dissatisfaction and other negative job attitudes will ensue which will consequently undermine firms' ability to recruit talents and retain their employees. This view is reinforced by the results of this study showing job satisfaction is significantly correlated with the extent of fit between individuals' HRM preferences and actual organizational HRM practices. This finding is perhaps a preliminary indication that the low retention or high turnover rate in the construction industry could be better addressed if consistently better fit exists between individuals' HRM preferences and actual organizational practices.

5. Implications of an *acultural* HRM literature for CM research and practice

Taken together, the results from this and other previous studies in mainstream management indicate the salience of culture in influencing individual HRM preferences and also the extent to which these preferences are reflected in firms' HRM practices. What this implies is that contrary to the *acultural* view of HRM that dominates much of CM literature, there are in fact discernible culturally-based variations in the ways construction companies practice HRM and enact HRM-related policies. Although some might argue that these findings are not entirely unexpected, it is noteworthy that this body of knowledge does not yet form part of the CM literature in a conceptually meaningful way. It is these varied HRM practices that need to be robustly incorporated into the CM literature to facilitate a more sophisticated, fine-grained analysis of HRM and its characteristics. More importantly, the study results highlight the (non)efficacy within the field of construction management of adopting a generic US/Harvard-derived HRM model which largely ignores the influences cultural nuances. An uncritical CM literature in this context not only hinders theory development but also weakens considerably the research-practice nexus which arguably contributes to construction firms being poorly positioned and ill-informed to attract, recruit, and retain scarce talents.

A good starting point perhaps, for a 'new paradigm' for resolving the UK construction skills crisis (Chan and Dainty, 2007), would be for the research community to adopt a more critical and sophisticated perspective on HRM to examine the subtler linkages and the cause-effect relationships between different contextual variables at the country-, industry-, firm-, project-level that have

hitherto been missing. The knowledge and understanding that stems from more fine-grained research inquiry should lead to tangible, rigorous and coordinated improvements in the ways firms practice HRM instead of the largely ad-hoc, piecemeal approach that they seem to be doing all along. A useful way toward a more robust and critical literature is for both industry practitioners and researchers to shift their current focus from identifying the factors that contribute to the industry lagging behind others in HRM successes (such as project-based environment, temporary-multi-organizations, prevalence of subcontracting) to *why* and *how* these very factors affect the success or failure of HRM in construction.

6. References

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