The Impact of National Factors on Personnel Management: 
A Cross-National Examination of HRM Practices 
in Singapore and Thailand

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Abstract
This paper attempts to analyse and compare the human resource management (HRM) practices between Singapore and Thailand in terms of Budhwar and Sparrow’s framework for examining cross-national HRM practices, particularly focusing on national factors and organizational strategies. It aims to identify the significant relationships between national factors, such as national culture, business sectors and business environment, and HRM practices. Additionally, the paper also explains how companies manage their personnel with the HRM practices developed and influenced by its national factors. To strengthen the argument, the paper then discusses HRM practices at organizational levels in both countries and pays specific attention to the core HRM functions of recruitment and selection, training and development and remuneration and reward in order to prove the significant roles national factors have played in each country’s HRM practices and policies.

Keywords: human resource management practices, national factors, organizational strategies, southeast Asian countries

1. Introduction
In Southeast Asia, Singapore and Thailand are representing newly-developed industrialized country and rapidly developing country respectively. Singapore as an ‘Asian Tiger’ in this region has many lessons to be learnt by its neighbouring countries. However, Singapore is also facing many challenges in its economic development and especially human resource development due to various internal and external factors. Probably the biggest impact on the practices of HRM in Southeast Asian economies in the 21st century was the result of the 1997 Asian financial crisis. Thailand was one of the originators of the crisis: its currency went into free fall; the property bubble burst; unemployment rate increased. Meanwhile, Singapore was also affected by the crisis. Crony capitalism economy prevailing in these Southeast Asian countries is widely regarded as a key factor in the Asian financial crisis of 1997 (Asiaweek, 1999, Dale, 1999). Hence, after the financial crisis, the subsequent institutional reforms have compelled regional nations to reappraise their human resource management. Human resource managers in Singapore and Thailand are facing more and more difficulties. However, with difficulties come opportunities. More than ten years after the financial crisis, both countries have entered a new era of its personnel management. As both countries are the representative nations in this region, by looking at HRM issues in these two countries, we may also obtain a general picture of the HR development in this region. Furthermore, since HRM policies or practices have context-specific nature, nevertheless, the nature of different influential factors on HR practices in these two countries and Southeast Asian regional contexts is rarely discussed and analysed in literature. Accordingly, a study which compares HR practices based on distinctive national factors in both countries is worthwhile conducting. In theory, Budhwar and Sparrow (2002) point out due to the increased level of globalization and internationalization of business, growth of new markets and growth of severe national and international business competition, there have been a great demand for comparative studies on HR practices between different nations or regions. HR managers and policy makers need to understand what HRM practices their counterpart is carrying out and how they interpret and understand HR theories and concepts (Budhwar & Sparrow, 2002). A few researchers (Brewster et al, 1996; Clark, et al, 1999) are motivated by the notion of comparing HR policies and practices based on cross-national contexts. However, the previous models were all
based on Anglo-Saxon experiences. Budhwar and Sparrow suggest that due to the fast changing of global economy and therefore, a global dimension of HR model should be focused on at today’s world. As HRM theories and practices were mostly originated in the Western cultural contexts, there is a need to conduct studies in other nations, particularly in developing and newly developed nations to testify the generalizability of the western HRM theory in those countries and whether we can find alternative policies or practices to suit different regional or national contexts (Aycan et al., 2007). Furthermore, Southeast Asia is arguably one of the most culturally diverse regions in the world; hence, the HR policies vary significantly in terms of different national contexts. Nevertheless, because of the regional and historical connections within different nations in Southeast Asia, the patterns of economic development and human resource management among countries in this region have many similarities. As a result, this comparative study might also be helpful for other Southeast Asian countries that aim to change and strengthen their HRM policies and practices in terms of the country’s culture, political system, and traditional HRM systems and enable those nations to compare or learn experiences from either Singapore or Thailand.

2. Theoretical Framework and Relevant Studies

First of all, to conduct a cross-national examination of HRM practices in different countries, finding out a good model or framework is the key thing. Among many of them, Budhwar and Sparrow’s (2002) proposed framework for examining cross-national HRM is one of the most advanced models. They have identified three levels of factors and variables that are known to influence HRM policies and practices and are worth considering for cross-national examinations. ‘These are: 1. national factors (involving national culture, national institution, business sectors and dynamic business environment); 2. Contingent variables (such as age, size, nature, ownership, life-cycle stage of organizations); 3 organizational strategies (such as those proposed by Miles and Snow and Porter) and policies related to primary HR function and internal labor markets (Budhwar, 2004, p. 7).

In particular, National factors play a dominant role in shaping organizational culture. Actually, management practices and organizational culture are reflections of the national factors in terms of which the organizations were first found (Chew, 2000; Chew and Putti, 1995). More specifically, national culture is the most determinant factor in comparison to other national factors. In literature, the most popular model for comparison at the level of national culture is that of Hofstede (1980, 1991), which has been the basis of numerous studies in the area of management in general, also emphasizes the importance of national culture in shaping organization’s structures and systems. National culture refers to the culture specific to a national group. “It is shaped by a number of factors unique to the country, some of which are the historical and political background, social norms and customary beliefs that are passed on from generation to generation in a particular racial or ethnic group” (Chew and Sharma, 2005, p. 560). National culture is deeply rooted in one country’s daily life. People of that country are usually resistant to change. These entrenched values deeply affect how management structures and carries out management practices (Chew and Sharma, 2005). Most recently, Katou et al. (2011) investigate the relationships between ethical beliefs, national culture and national institutions and preferences for human resource management policies and practices in Oman through the use of structural equation modeling (SEM) approach. They gathered the empirical data to prove that national culture has a direct positive effect on the HRM policies and practices. Based on theory and empirical research in published literature, it can be learnt that national culture is one of the most important factors that play as predictors on the preferences of HRM practices. Hence in this paper, the national cultures of Singapore and Thailand are also considered to be the most important factors that will affect the culture profile local companies will fall into.

3. Background: National Cultures of Singapore and Thailand

In Southeast Asia, Singapore has become a newly industrialized nation, which was hailed as a great economic success during 1990s (Budhwar, 2004). But the traditions of its culture still play a major role in business activities. Hofstede (1984) found that the national culture of Singapore is high in power distance. In high power distance cultures, superiors and subordinates treat each other as unequals. Singapore is also called a ‘nanny state’ in which people are supposed to do exactly what they are told. Meanwhile, Singaporeans characterize themselves as having a Kiasu mentality, which means ‘fear of losing’. Kiasu pervades attitudes towards education, work, and other aspects of the people’s lives. This attitude is often highly competitive. It emphasizes the desire to get the best deal of oneself. But except for competitiveness, Kiasu is driven by more of the fear to lose than the desire to succeed (Khatri, 2004). In addition, common values and norms that have underpinned Singapore’s prosperity include the practice of tripartism, national unity, racial and religious harmony. With the dominance of Chinese population, the traditional Chinese values are quite influential in many local business activities. However, currently the society is shaped by western values and the younger generation is much influenced by western culture. The mixed unique feature of national culture therefore makes Singapore’s HRM practices more
Whereas in Thailand, one of the emerging economies of Southeast Asia, its culture is distinct from many of its neighbors. It is much less diverse with respect to the ethnic and religious differences. This is especially the case in comparison to the other rapidly growing economies in this region like Singapore (Lawler, 1996). Data obtained from the CIA World-Facebook (2012) shows that the population of the country is 75 per cent ethnic Thai, 14 per cent Chinese, and 11 per cent in other categories. However, the Chinese in Thai are highly assimilated into Thai society. The general impression one has of Thailand and its labour force, at least with respect to religion and ethnicity is one of considerable homogeneity (Lawler, 1996). Thai culture emphasizes on harmonious social relationships and consideration for others (Kamoche, 2000). Some of the Thai cultural norms that are now well recognized among expatriates include the following: Kreng Jai (respect, politeness & civility in manners); Bunkhun (reciprocity of goodness or exchange of favor); pen rai (never mind) and nam-jai (being thoughtful, generous, and kind combined) (Siengthai & Bechter, 2004).

4. National Factors and HRM Practices

With respect to national factors, it can be noted that because two countries are in the same region, they share many similarities, but also have their own unique national features. Thailand has its monarchy system. Hence, it results in a highly hierarchical structure in the society and in the workplace. The influences of military-dominated regimes have also led to a unique pattern of HRM in the past 50 years. The use of cheap, uneducated labour was a key element of comparative advantage, particularly for internal investors (Siengthai, 1993), and a necessity for the promotion and maintenance of an unorganized workforce, weak trade unions and dominant employer authority have formed a highly hierarchical structure in both society and workplace (Siengthai & Bechter, 2004). Whereas referring to Singapore, although people still name this country a ‘nanny’ state, with a so called ‘authoritarian capitalism’ economic model and combination of a selective degree of economic freedom and private rights with strong-armed control over political life (Khatri, 2004), this nation has already become the financial hub in the Southeast Asia. Compared with the labor intensive based economy in Thailand, the Singaporean economy has made a transition to be high-tech, service-oriented, and knowledge-based.

As regard to business sectors and environment, interestingly, both Singapore and Thailand’s HRM practices are usually divided into the same categories: namely, local firms and Multinational Corporations (MNCs). In Thailand, local firms are run by wealthy families, particularly Chinese. Hierarchical and autocratic structure is the predominant feature (Siengthai & Bechter, 2004). Within the foreign MNCs sector, the relevant distinction can be observed between the policies pursued by Japanese subsidiaries and those pursued by subsidiaries of Western MNCs. The HRM practices were endorsed by some notions of Japanese style and Western style, however, the imposed HRM practices from MNCs also generate significant cultural clashes in workplace (Siengthai & Bechter, 2004). In Singapore, practices are an amalgamation of administrative systems inherited from British system and also strong authority and power distance orientation of the Chinese or Asian Culture (Khatri, 2004). Just like Thailand, Singapore has also been influenced by Japanese multinationals and American subsidiaries. From the above discussion of HRM practices in both countries, it can be concluded that both countries were deeply influenced by local or regional heritage, as well as the significant influences of MNCs from Japan and US. Japanese multinationals emphasize life-long employment and use decision making and compensation systems similar to Japanese firms. Subsidiaries of American organizations bring greater goal-oriented, outcome-based management practices. Both countries have been benefited from the MNCs’ HRM strategies. However, Thailand HRM development is still far behind many of its neighboring countries. The reason varies in different levels. From the national cultural perspective analysis, the reason why Singapore achieved such a great success was that the country changed its values to the dominance of advanced western values, and the centralist government implemented different strategies to adjust the whole economy properly to the strong trend of globalization. While Thailand were heavily influenced by strong cultural and religious tradition which prefers paternalist managerial style and collectivist work groups to individual contract and regulated employment protection. In Thailand, pragmatic and utilitarian structures are still dominant. Companies often have short-term approaches towards adoption of effective management systems. These are all great hinder for the development of HRM practices as well as nation’s economy. Certainly, there was no single story of Southeast Asian growth and no single set of problems that contributed to the financial crises. There were, however, common features, such as the lack of inadequate regulation and transparency and so on. Some national features that exist in Thailand had not been effectively changed by globalization factors and the role of governments had not been fully reformed to cope with the new ‘rules of the game’ involved (Warner, 2002).
5. Organizational Strategies and HRM Practices

After discussion of national factors in shaping HRM development, it is important to focus on the organizational level of HRM practices in each country to find out their close relations. The next part introduces another model relating to organizational strategies in HRM practices. Miles and Snow’s (1978) strategic typology is regarded as a relatively comprehensive model, richly describing firm characteristics and the strategy configuration of each type of organizations. The paper will focus upon the main HRM functions to address different issues in each country and find the close relationships between these key HRM functions and national factors.

5.1 Recruitment and Selection

First, recruitment and selection was the most performed function among companies. It is currently considered by most HR practitioners to be one of the most important functions and continues to be so (Chew & Goh, 2001). In Singapore, the recruitment and selection function was expected to be the most pressing challenges facing HR practitioners during 1990s. Labor shortage has been the main feature of Singapore’s economy for over two decades (Budhwar, 2004). Another problem adversely affected Singapore’s competitiveness is frequent Job-hopping (Chang, 1996; The Straits Times, 1996; Khatri, 2004). It has become a constant problem in Singapore nowadays (Ministry of Manpower, 2002; Khatri et al, 2001). Khatri (2004, p. 228) concludes that ‘companies were not doing enough to create a sense of belongingness and commitment in their employees and that their management practices were perceived as lacking in fairness and transparency.

In Thailand, labor force surplus has always been an issue. Though various recruitment and selection methods are being used in different industries (Budhwar, 2004), family enterprise organizations are still heavily relying on family relations. Hence, actually higher level positions are taken by family members (Lawler et al., 1997). However, after the financial crisis, when many of the family owned enterprises became public companies (Siengthai & Bechter, 2004). Business practices were changed and adjusted to enhance transparency and achieve greater efficiency. In this ‘new role’, these firms showed much better professionalism of HRM. Most organizations have addressed retrenchment, turnaround strategies by recruiting only important positions and the selection process also became more rigorous (Siengthai & Bechter, 2004). Many companies began to recruit employees from the external labour market for the benefits of company (Vorapongse, 2001) and recruitment criteria are based on specific qualification, knowledge, competence and experience (Siengthai & Bechter, 2004).

5.2 Training and Development

Secondly, with the influence of the western management, Singapore has put great efforts on development of training. Companies spend about 3.5 to 4.0 percent of payroll expense on training and development activities (Khatri, 2004). But in terms of Khatri (1999) during 1990s Singapore neglected some critical aspects of training and development such as evaluation of training programs, training needs analysis, and cost-benefit analysis. Currently, most training programs are designed to support the cost reduction or quality enhancement strategies. Most recently, Singaporean firms tries to move from cost-quality combination to quality-innovation combination, hence the characteristics of development and training has to change greatly (Khatri, 2004).

With respect to training and development in Thailand, a survey made by Lawler and Siengthai (1997) indicated that large organizations generally have their own training centers and provide formal training programs. Many countries like Singapore now are implementing the movement which supports to transfer labour intensive economy to more sophisticated technologies. However, on the contrary, the less educated labour market has meant that strategies implemented by countries like Singapore in relation to globalization are not so readily available to Thailand, so a big concern is that companies must upgrade skills and train the labour force. If Thailand intends to be capable of competing in high technology industries, developing skills and labour market capabilities are crucial to national competitiveness in coming years (Siengthai & Bechter, 2004; Siengthai & Clemens, 2001).

5.3 Remuneration and Reward

Thirdly, a survey conducted by Chew and Goh (2001) relating to remuneration in Singapore showed that many companies used some form of incentive pay to motivate their employees. However there were still some local companies did not provide incentive payments to its employees (Chew & Goh 2001). For those companies which did not implement incentive schemes, most cited the lack of top management support as a reason. Other reasons were the difficulty in setting the formula, lack of definite and accurate measure of performances and ineffective schemes.

In terms of remuneration in Thailand, most companies have suspended or reduced items such as monthly payments, bonuses, annual salary increases, overtime payments, reduction in work hour/day, payment for the
time for worked, sub-contraction, or/and reduction in welfare or activities (Siengthai & Bechter, 2004). Vorapongse (2001) also found that most companies set the compensations which provide welfare and fringe benefits only based on the profits made.

6. Discussion

After above comparative analyses, here comes back to Miles and Snow’s model. It can be summarized that in each country, they both have some good organizational strategies to improve their HRM practices. However, no countries seems to be defined as an analyser in HR practices, because analysers are expected to have greater integration based on the need to design HR practices and strike a balance between the two sets of skills needed by the unique array of defenders and prospectors (Khatri, 1999). Thailand might be just defined as a defender since its organizations have narrow product-market domains. Top managers in this type of organizations are professional experts on their organization’s limited area of operations, but do not tend to search outside of their domains for new opportunities. As a result of this narrow focus, these organizations rarely need to make major adjustments in their technology, structure, or methods of operation. Instead they devote primary attention to improving the efficiency of their existing operations. Whereas Singapore may be best described as a prospector country, organizations almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends. Thus, Singaporean organizations often are the creators of change and dealing with the uncertainty to which their competitors must respond. However, because of their strong concern for product and market innovation, these organizations usually are not completely efficient (Miles & Snows, 1978).

Finally, it can be learnt that many of the problems which slow down the development of HRM are the traditional national factors talked above. The paper will not focus on the good features of Asian values, while just concerning the traditions that hinder the development of both nations, because the aim of the paper is just attempting to reveal the relations between national factors and HRM practices and how both countries can improve their HRM policies and practices with the influences of their national contexts. For instance, from the above analyses, it can be noted that both nations are quite weak in their recruitment and selection. In Thailand, the past functions were often marginalized in terms of its importance in management activities and hierarchy. The former approach has been emphasized in the Buddhist context as it is embedded in family values and management values such as compassion, kindness and middle path practice (Siengthai & Bechter, 2004). These factors have a very close relations with its current human resource management practices which lead to a ‘no encouragement’ feature in both countries. Due to this, the local firms in both countries decided to change after the Asian financial crisis. Many of the family owned business in Thailand and Singapore have improved their business to be more transparent and efficient. They tried to abandon the traditional family based business strategy to exhibit greater professionalism of HRM to support marketisation, work participation, welfare benefits and better job security. Additionally, in Singapore, because the traditional power distances value and the control-based management system have been dominant for the past 40 years. The transition from control-based approach to commitment-based approach need to be widely implemented. Employee participation and empowerment initiatives should become the way to end up the disappointing top-down approach. All the analyses above clearly indicate the strong relationships between national factors and HRM policies and practices and how the national factors, such as national culture, business sectors and business environment, have influences on the way that companies from either Singapore or Thailand manage their personnel. The conclusion is also consistent with findings in literature (Budhwar & Sparrow, 1998; Budhwar & Sparrow, 2002; Katou et al, 2011) which suggest that there are two environmental factors in a business. One is defined as external environmental factors, such as a nation’s social, political and cultural systems and the other one is known as internal environmental factors, which include the elements within the business system, such as corporate culture, characteristics of employees, etc. National factors as the external environmental variables play the most important roles in determining and structuring HRM policies and practices (Katou et al, 2011).

7. Recommendations for Further Study

This paper is aimed at providing a cross-national comparison of HRM practices and policies in Singapore and Thailand at both national and organizational levels. However, this comparison can be also narrowed down to individual levels. Therefore, future studies may also compare HRM issues in both countries focusing on social psychological perspectives. Furthermore, even with the framework of examining cross-national HRM practices at national and firm levels, based on the need of analysis, other variables having impact on HRM issues need to be specifically examined as well. Also, as lack of research on comparative analysis as such in different countries and regions, it would be interesting to conduct further investigations into other counties in Southeast Asian or
even much broader contexts. With more discussion and empirical evidence, the analyses of current study may be modified or confirmed in order to make further contributions to HRM literature.

8. Conclusion

To sum up, human resource management and its investigation has become one of the main business strategies of firms in creating their competitive advantage. Southeast Asian countries are greatly influenced by their national factors, sometimes those traditional cultural influences are the big hinders for the development of HRM practices in those countries. The globalization process has brought about changes and the image of HRM is being perceived more as a business partner in the future. This paper takes Singapore and Thailand as the typical examples, where HRM practices have been significantly influenced by its traditions. After the Asian financial crisis, many Southeast Asian countries have begun to develop their HR systems based on their national contexts. However, at the same time, nations like Singapore and Thailand should also learn advanced HRM practices from their MNCs. The best way is not only to integrate the advanced western HRM into local firms, but also to think about examining the national factors before adopting them. If both countries can retain the good features of their national values as well as adjust and adopt the good western methods. HRM development in both countries will definitely have a more promising future. Last but not least, both countries should also pay attention to the business environment changes (Benson, 2004), the rapid technological change, deregulation, globalization and the emergence of a knowledge-based economy has explained to us the continuous need for reengineering Singapore and Thailand’s workforce capacities. The growing mismatch between new job requirements and labour skills also requires concerted actions by the government, the unions and the employers.

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