

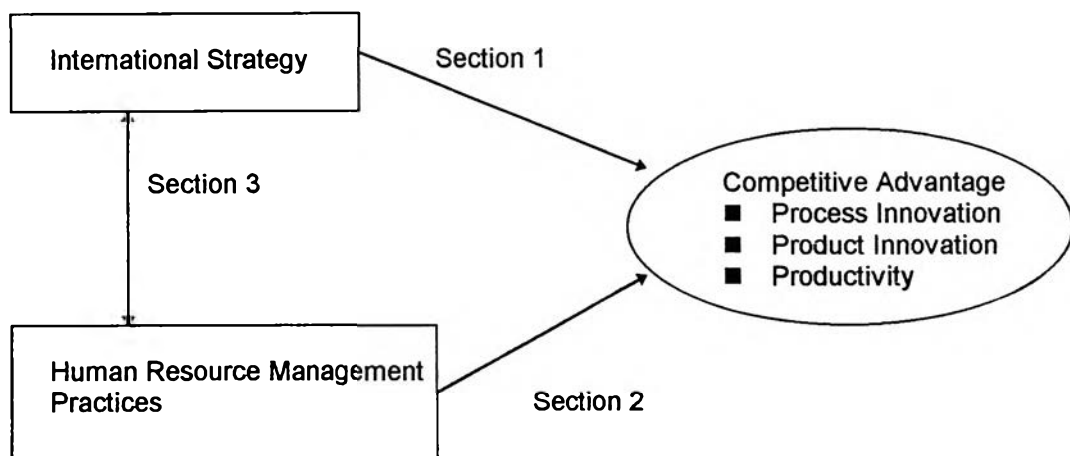
Chapter 5

Conclusion and Implications

1. Conclusion

The main purpose of this dissertation is to explore relationship of international strategy, and human resource management practices with competitive advantage. This study is to empirically test which types of international strategy and human resource management practices contribute to competitive advantage. Competitive advantage is focused at the subsidiary level, but at the overall corporation level, in order to have the full picture of the multinational corporation in host country location. In this study, competitive advantage is objectively measured by process innovation, product innovation, and productivity.

Figure 5.1 Diagram to Explain The Result



1. International strategy and competitive advantage

1.1 International strategy and process innovation

The result of this study empirically finds that standardization strategy has a negative relationship with process innovation and that employee contribution has a positive relationship with process innovation. The finding of this study suggests that standardization strategy may lead to lower process innovation of a company in the electronics industry in Thailand. The explanation rests on that standardization strategy does not utilize the overall synergy of the company with the local cultural concerns such as lack of integration with local people (Harris and Moran, 1993; Maddox, 1993; Terpstra and David, 1991).

As expected from previous research, bivariate analysis indicates that there is significant correlation between national strategy and process innovation. However, the regression model indicates that national responsiveness and global integration with local responsiveness strategy have no relationship with process innovation as suggested by previous research. The explanation may rests on some exogenous variables such as the small size of the respondents. Moreover, the stage of technology used in the Thai electronics industry is at the implement stage which comes from technology import or transfer from outside the country or from the home office of the subsidiaries in Thailand (Kim, 1999). This may give the result different from that of the literature conducted in the industrialized countries such as North America.

1.2 International strategy and product innovation

This study empirically finds that all three types of international strategy are related to product innovation. Both standardization strategy and national responsiveness strategy have negative relationship with product innovation as hypothesized in Chapter 2. The finding suggests that both types of strategy do not utilize the synergy of either home office of the

multinational corporation for national responsiveness strategy or local subsidiary in the host country for standardization strategy. However, global integration with local responsiveness strategy is found to have positive relationship with product innovation. Product innovation is remarkably considered an important issue in the electronics industry (Das, 1998). The reason is that electronics products have very short product life cycle. As such, a company with sustainable competitive advantage is required to develop, market and manufacture electronics products with innovative style and quality, as well as quick market response. International strategy that is suitable for the company to sustain competitive advantage needs to fully utilize synergy of both home office and local subsidiary expertise. Schneider and Barsoux (1997) support that a firm implementing global integration with local responsiveness strategy tends to utilize synergy from both home office and host country subsidiaries. Thus, this study empirically confirms that global integration with local responsiveness strategy appears to explain positive relationship with product innovation in the regression model.

1.3 International strategy and productivity

This study empirically finds that standardization strategy appears to have negative relationship with productivity. The finding suggests that standardization strategy leads to lower productivity of a company in the electronics industry in Thailand. The reason is that standardization strategy may not motivate local people to work efficiently and that the nature of such a strategy is not concerned with local cultural assumption practices and ignores cross-cultural concerns (Schneider and Barsoux, 1997; Terpstra and David, 1997).

As expected from previous research, bivariate analysis indicates that there are significant correlations of national strategy and global strategy with local responsiveness strategy with productivity. However, the regression model indicates that national responsiveness and global integration with local responsiveness strategy have no relationship with productivity as suggested by previous research. The explanation may rests on some exogenous variables such as the small size of the respondents. Second, the international companies in the

electronics industry in the less developed countries such as Thailand depend heavily on technology from the parent companies or the international partners (Kim, 1999). Thomas (1996) suggest that international business research may not give the same result when the studies are conducted in the different environments.

2. Human resource management practices and competitive advantage

2.1 Human resource management practices and process innovation

A company with greater employee contribution tends to have better process innovation than that with less employee contribution. Barney and Wright (1998) support that employees contribution is one essential factors in human resource management practices contributing to innovative process of the company.

As expected from previous research, bivariate analysis indicates that there are significant correlations of the other 6 human resource management practices - employee participation, clarity of work direction, reward system at management level, employment security, selection by job competence, and control - with process innovation. However, the regression model indicates that these 6 human resource management practices - employee participation, clarity of work direction, reward system at management level, employment security, selection by job competence, and control - also have no relationship with process innovation in the regression model. The explanation may rest on some exogenous factors of the research scope such as small size of population of the international companies in the electronics industry and the nature of the electronics industry.

Barney and Wright (1998) suggest that one particular type of human resource management practices is empirically conducive to the company's success. However, when the bundle of human resource management practices are investigated together to test their relationship with the company's success. Some human resource management practices as the whole bundle of practices may be more or less conducive to the company' s success than those

of practices that are investigated individually (Bae, Chen and Lawler, 1998). Wright et al. (1994) finds that human resource management practices are unrelated to the company's success in the management sections of petrochemical refineries, but are related to the company's success in the manufacturing sections in the petrochemical refineries. This can interpret that the studies of the relationship of human resource management practices with the company's success can have the different findings.

2.2 Human resource management practices and product innovation

The result of this study empirically shows that the selection by job competence leads to better product innovation. This finding suggests that company that selects employees with the strong employees' competence criteria tends to have better product innovation than that selecting employees with the weak employees' competence criteria. The selection practice reflects types of company's employees - parochial and professional (Hofstede et al., 1990; Raelin, 1985). As such, Raelin (1985) supports that a company with selection by job competence tends to have better performance.

Other 6 human resource management practices - employee participation, clarity of work direction, employee contribution, reward system at management level, employment security, and control have no relationship with product innovation in the regression model. The explanation may rest on some influential factors of the electronics industry such as technology possibly give some bias on the proposed model. For example, a firm in the electronics industry may focus on technology-oriented that causes to lessen essential roles of human resource management practices.

2.3 Human resource management practices and productivity

This study finds that human resource management practices of reward system at management level and employment security appear to have positive relationship with productivity. This study empirically shows that a company with greater reward system at

management level and employment security tend to have better productivity than that with less reward system at management level and employment security. Mabey and Salaman (1995) support that reward system is a human resource management factor that is conducive to the firm's performance. Newman and Nollen (1996) suggest that employment security affect performance of the firm.

However, the other 5 human resource management practices of employee participation, clarity of work direction, employee contribution, selection by job competence, and control appear to have no relationship with productivity. Since the globalization redefines the arena of international management. The economic, political, social, and technological changes are transforming the rules of competition. Countries in Asia, South America, and Eastern Europe that have been excluded from the global business arena are now gaining access to it as a result of the formation of trading blocs and advance in technology and communications. These rapid changes have the potential to render international business literature obsolete (Thomas, 1996). Since prior examinations have focused primarily on location in the industrialized regions of North America and Western Europe, theories and methods exhibit a significant Western influence that may not be applicable to countries such as Thailand (Thomas, 1996).

Conclusion of the result of the relationship of international strategy and human resource management practices with competitive advantage

Since competitive advantage in this study is composed of process innovation, product innovation, and productivity. The result of this study of relationship of international strategy and human resource management practices with competitive advantage is concluded into 3-fold: 1) consistent with previous research; 2) inconsistent with previous research; 3) inconclusive to previous research. (See Table 5.1 on Page 103). The explanation is as follows.

Consistent with previous research

This research empirically finds that standardization strategy tends to have a significantly negative relationship with competitive advantage, as hypothesized. The finding suggests that an international company implementing standardization strategy unlikely sustain competitive advantage over its rivals. A firm with standardization strategy is likely to ignore cross-cultural issue. The firm has the universal standard to conduct its business worldwide. This type of strategy gains less synergy from local people and lead to less innovation and productivity (Maddox, 1993; Harris and Moran, 1993).

Inconsistent with previous research

The result of this study empirically indicates that employee participation, clarity of work direction, and control appear to have no significant relationship with competitive advantage, as hypothesized. The findings conclude that employee participation, clarity of work direction, and control, in particular, show no significant relationship with competitive advantage. It is possible to explain that the selected population of this study - the Thai electronics industry - is in manufacturing category which possibly focuses on process manufacturing by its nature. Thus, these three human resource management practices, namely employee participation, clarity of work direction, and control, are less likely conducive to sustainable competitive advantage over the company's rivals. However, Barney and Wright (1998) note that some particular human resource management practices may be unrelated to the firm's performance in one particular industry. In contrast, the same particular human resource management practices may be related to the firm's performance in other industry. For example, Wright et al. (1994) finds that the management section of the petrochemical refineries in the USA have different relationships of human resource management practices with the company's success from that of the manufacturing section.

Inconclusive with previous research

The impact of national responsiveness strategy and global integration with local responsiveness strategy on competitive advantage is inconclusively confirmed by the empirical result of this study. The possible explanation is that the context of this study is focused on the Thai electronics industry by which the nature of this industry is technology-oriented. Manufacturing factor, which is exogenous factor in this research, may give some effect on the finding. In addition, it is noticeable that both strategies have cross-cultural assumption concerns. Both strategies have significantly relationship with product innovation, but no relationship with process innovation and productivity. It is possible to explain that cross-cultural issue is significantly related to product innovation. Whereas, process innovation and productivity are more concerned with process manufacturing which possibly indicates that cross-cultural issue may not be significantly relevant to the clear standpoint. Thus, the inconclusive finding enables to leave space for the future research to investigate and ascertain the variables of national responsiveness strategy and global integration with local responsiveness strategy in the competitive advantage framework.

The impact of employee contribution, reward system at management level, employment security, and selection by job competence on competitive advantage is inconclusively confirmed by the empirical result. The explanation may rest on small size of population and environmental bias (Thomas, 1996). Since Thailand is the small country. The finding of research in the small and developing country may possibly differ from most research conducting in developed country such as the US and Europe (Thomas, 1996; Schuler and Florkowski, 1996).

Table 5.1: Summary of Multiple Regression Models

| Independent variable | Dependent variable | | | |
|---|-------------------------|-------------------------|-------------------|-----------------------|
| | 1 Process innovation | 2 Product innovation | 3 Productivity | Competitive advantage |
| Standardization strategy | - * | - * | - * | Consistent |
| National responsiveness strategy | | - * | | Inconclusive |
| Global integration with local responsiveness strategy | | - * | | |
| Employee contribution | + | | | |
| Selection by job competence | | + * | | |
| Reward system at management level | | | + * | |
| Employment security | | | + * | |
| Employee participation | | | | In consistent |
| Clarity of work direction | | | | |
| Control | | | | |

Note: + or - = Direction of the relationship

* = Significant at 0.05 level

3. International strategy and human resource management practices

3.1 International strategy and employee participation

As hypothesized, this study empirically confirms that different international strategies lead to different employee participation practices. Companies with standardization strategy in the electronics industry empirically are found to have employee participation different from those with national responsiveness strategy or global integration with local responsiveness strategy. However, the result of this study indicates that companies with national responsiveness strategy in the Thai electronics industry have no difference in such practices from those with global integration with local responsiveness strategy. The finding supports the conceptual explanation of Schneider and Barsoux (1997) that national responsiveness under polycentrism and global integration with local responsiveness strategy under geocentrism are concerned with cross-cultural assumption issue. As described in Chapter 2, firms with both strategies recognize that the cross-cultural differences are important, and firms try to minimize the conflict with human resource management practices issue. As such, both strategies possibly conduct the same practices of employee participation with the respect to cross-cultural concerns.

3.2 International strategy and clarity of work direction

This study empirically confirms that different international strategies lead different clarity of work direction. Companies with standardization strategy in the electronics industry empirically are found to have clarity of work direction different from those with national responsiveness strategy or global integration with local responsiveness strategy.

However, the result of this study empirically shows that companies with national responsiveness strategy in the Thai electronics industry have no difference in such practice from those with global integration with local responsiveness strategy. See explanation in Section 3.1.

3.3 International strategy and employee contribution

This study empirically confirms that a company with standardization strategy are found to have different employee contribution from those with national responsiveness strategy or those with global integration with local responsiveness strategy. Thus, the result indicates that different international strategies lead different employee contribution practice. However, this study empirically shows that companies with national responsiveness strategy in the Thai electronics industry do not have different practice of employee contribution from those with global integration with local responsiveness strategy. The finding supports the conceptual explanation of Schneider and Barsoux (1997) that national responsiveness under polycentrism and global integration with local responsiveness strategy under geocentrism are concerned with cross cultural assumption issue. See explanation in Section 3.1.

3.4 International strategy and reward system at management level

This study empirically confirms that companies with standardization strategy are found to have different reward system at management level from those with national responsiveness strategy or those with global integration with local responsiveness strategy. The finding empirically confirms that different international strategies lead to different practice of reward system at management level. In addition, this study empirically suggests that companies with national responsiveness strategy in the Thai electronics industry have difference in such practice from those with global integration with local responsiveness strategy. The finding of this study supports the conceptual explanation of Caligiuri and Stroh (1995) and Chakravarthy and Perlmutter (1992) that standardization strategy under ethnocentrism, national responsiveness under polycentrism, and global integration with local responsiveness strategy under geocentrism have ways to offer the executive employees' opportunity in their jobs differently.

3.5 International strategy and employment security

This study empirically confirms that companies with standardization strategy are found to have different employment security from those with national responsiveness strategy and global integration with local responsiveness strategy. The finding empirically confirms that different international strategies lead to different employment security. However, this study empirically suggests that companies with national responsiveness strategy in the Thai electronics industry have no difference in such practice from those with global integration with local responsiveness strategy. See explanation in Section 3.1.

3.6 International strategy and selection by job competence

This study empirically confirms that companies with standardization strategy international strategy are found to have different selection by job competence from those with national responsiveness strategy and those with global integration with local responsiveness strategy. The finding empirically confirms that different international strategies lead to different selection by job competence. However, the result of this study empirically shows that companies with national responsiveness strategy in the Thai electronics industry have no difference in such practice from those with global integration with local responsiveness strategy. See explanation in section 3.1.

3.7 International strategy and control

The result of this study empirically confirms that companies with different types of international strategy is likely to have the same control. The finding explains the nature and scope of business in the electronics industry in Thailand. In the Thai electronics industry, all companies with different international strategies empirically have the same control of human resource management practice. This may result from scope and nature of the electronics industry. Manufacturing is restrictedly controlled to fit the technology requirement. In addition,

multinational corporations in the same industry which face similar environmental constraints and use similar technology tend to use the same control practices due to environmental and technology constraints (Beechler, 1992). Moreover, Beechler (1992) finds that there is virtually no relationship between size of companies and control. Cross-tabulation between international strategy and control from the data confirms that there is insignificant association between international strategy and control with Pearson Chi-Square 11.359.

2. Implication of The Results

Thailand has become a destination for foreign direct investment in this region. In addition, the incoming multinational corporations have been observed that they tend to gain power over the local government (Dunning, 1993). However, the power of the multinational corporations does not enable such a corporation to gain better competitive advantage position over its rivals. Facing the strong competition in the business environment, a multinational corporation needs to manage its operating factors wisely in order to create and sustain competitive advantage. International strategy is a managerial tool for the multinational corporation to uphold its competitive position. Moreover, human resource is one of the essential resources for a firm to create competitive advantage over its rivals. Practices of human resource management are needed to fit the international strategy in order to lessen management conflict and create synergy. Thus, implications of this study are useful for two parties as follows.

1. Implications for academic

There are a number of ways in which this study is elaborated for academic implications. First, the most previous studies investigate external factors of the company whether they contribute to competitive advantage. However, this study extends competitive advantage framework by introducing new internal variables of the company such as international strategy

and human resource management practices. Second, measures of international strategy and human resource management practices are developed and modified from the previous research with rigorous checks of reliability and validity. Objective measures of competitive advantage - product innovation, process innovation, productivity from managerial accounting field - are introduced in this study as initiative benchmark of measurement in field. In addition, this study is the integration of multidisciplinary knowledge: strategic management, human resource management, and managerial accounting. Third, this study empirically ascertain the relationship of international strategy in strategic predisposition and human resource management practices with competitive advantage. As this research is exploratory, the result is conceivable to be useful for scholars as reference for future research. Fourth, this research is academic preparation of academic service for international companies in Thailand. Fifth, this research is a useful reference to investigate other industries. This study has treated measures of international strategy, human resource management practices, competitive advantage for the electronics industry only. Such measures can be further elaborated for the future research to investigate other industries.

2. Implications for international company

The result of this study is useful for international companies in the Thai electronics industry. First, by reading the result, companies in this industry will know which international strategies and human resource management practices are needed for their development in order to gain and sustain their competitive advantage. The companies are capable of easily employing their managerial accounting ratios as measures of competitive advantage (Kaplan, 1990).

Second, the study eventually classifies international companies on the basis of international strategy that is conducive to competitive advantage. Standardization strategy reflects that international firms have the same practices all over the world. National responsiveness strategy reflect that international firms conducts practices according to local

imperativeness. Global integration with local responsiveness strategy reflect that the international companies pool the company resources all over the world. Standardization strategy is likely to deduct competitive advantage of the firm. Despite negatively related to product innovation, national responsiveness strategy appears to be inconclusively related to competitive advantage. Even though, the result indicates that a company with global integration with local responsiveness strategy tends to have inconclusive relationship with competitive advantage, the findings of this study suggest that international companies in the Thai electronics industry are to develop their international strategy into global integration with local responsiveness strategy which can increase the level of product innovation to the companies.

Third, this study suggests that human resource management practices - employee contribution, selection by job competence, reward system at management level, and employment security - inconclusively contribute to competitive advantage. These practices could be targeted for design to potential effects on competitive advantage.

Fourth, international companies attempt to implement international strategy and human resource management practices by pooling resources within the multinational corporation's network and being concerned with cross cultural concerns in order to create competitive advantage within the companies.

Finally, the result of this study suggests that international companies in the Thai electronics industry tends to have the same amount of control practice, regardless of type of international strategy. This reflects that control within international companies in this industry is restricted by scope and nature of this industry and technology. Since this industry is technology-oriented.

3. Limitation of This Study

This study has the following limitations:

1. This study is conducted into one industry - the electronics industry. Due to scope and nature of measurement, this type of research topic is not suitable to do across industries. Generalization beyond the electronics industry should be made cautiously.

2. This research topic is under sensitive issues - managerial accounting ratios and international strategy and human resource management. Thus, the expected participation of respondents is low. Data of competitive advantage were collected from managerial accounting ratios. There are many types of managerial accounting ratios used in the industry. However, some firms may record these ratio numbers differently. In order to select the generalized ratios, researchers may have to consider them wisely. This can lead to a few alternatives of managerial ratios which are suitable for the study.

3. The size of respondents is quite small (103 responses) due to the small number population of international companies in the Thai electronics industry (390 companies). In addition, this study finds out that the number is fewer than 390 firms due to business quit in the economic crisis during 1997-1999.

4. The scope of competitive advantage is limited at subsidiary level. The interpretation of research finding should be cautious. This research is trying to build up the full picture of competitive advantage of the multinational corporation at the subsidiary level. Types of international strategies and human resource management practices that may benefit and contribute to competitive advantage in the overall corporation may not benefit or contribute to competitive advantage of the particular subsidiary.

5. The result of this study may be moderated or mediated by other variables that are not considered in this study. For example, technology is one critical variable. However, this study takes technology into account of an exogenous variable. Because this study is to explore

internal variables which are hard for the companies' rivals to imitate. Kim (1990) note that the electronics industry in the developing countries mostly import technology from abroad. This can possibly imply that technology in the Thai electronics industry looks similar.

6. Since one variable which is human resource management practices is in the emerging stage of international business research (Laurent, 1993). The literature in the area may not be such a classical stream of thought as that in other disciplines.

7. This research did not ask the size of employees which is one exogenous factor that has the impact on the results. Moreover, some questions in the questionnaire were found that they were partly incomplete. Future research should take it as concerns.

4. Summary

This study originates from the interest to link competitive advantage in the area of strategic management to human resource management and managerial accounting under international companies in the Thai electronics industry context. Competitive advantage framework is well known among strategic management scholars. However, there are only a few empirical studies applying objective measures of competitive advantage. None of previous empirical studies has yet linked this competitive advantage framework to human resource management practices at host country context.

The result of this study supports the hypotheses and previous conceptual research that international strategy and human resource management have inconclusive relationship with competitive advantage. The result also points out that different international strategies have different degree of frequent practices except human resource management practice of control. The implication of the result are conceivable to be useful for academic and multinational corporation.

Suggestions for Future Research

Several suggestions of future research can be introduced. First, future research is suggested to apply this model to other industries and countries to find out whether the introduced measure variables - international strategy, human resource management practices are essential to competitive advantage framework. There is the need to replicate this research by studying different industries. Therefore, the result is conceivable to be more useful and generalizable. For example, in the context of Thailand, the one industry that should be suggested for future research is the hotel industry. Because the hotel industry is highly relevant to the tourism industry which can create a number of jobs and country revenues. Food industry is one of the interesting industries which should be investigated because Thailand is the agricultural country. Such research can also give the benefit of the country. Moreover, the study of international strategy of the Thai multinational corporations should be investigated with the same proposed model.

However, to study the future research with the same proposed model should be cautious with research design and methodology. Some research design may be suggested such as canonical statistics.

Second, this study primarily focuses on the relationship of international strategy in strategic predisposition and human resource management practices with competitive advantage. However, some other variables such as technology, research and development should be considered in the future research. Since strategy has three levels in a company and a variety of types of strategy, it is also important to explore the other level of strategy and other types of strategy that are conceivable to be conducive to competitive advantage.

Third, replication by different research design (e.g., qualitative research) is also essential for making the confident in exploring the relationship of international strategy in strategic predisposition and human resource management practices with competitive advantage (Wright,

1996). Hayek (1978) note that unlike the position that exists in the physical sciences, in economics and other disciplines that deals with essentially complex phenomena, the aspects of the events to be accounted for about which we can get quantitative data are necessarily limited and may not include the important ones.

Fourth, the role of corporate culture is a worthy research issue relevant to human resource management practices. The future research can extend the variables of human resource management practices into corporate culture topic. Measures of corporate culture should be taken into account with caution. Validity and reliability of corporate culture measures should be reported with rigorous checks. Hofstede et al. (1990) suggests that researchers measure corporate culture construct quantitatively.

Fifth, the existing literature is replete with cross-country comparisons of selected human resource management practices (eg., Poole, 1986) Schuler and Florkowski (1996) remark that researchers in human resource management area need to address how country-level of human resource management practices have impact on economic outcomes for companies or societies. Thus, the suggestion for future research is that future researchers should pay attention to cross-country comparison on such topics.

Sixth, the future research should investigate the impact of international strategy on the host country society. Firms with standardization strategy or global integration with local responsiveness strategy may not assign local executives to manage subsidiaries. These executives may not be concerned with social contribution in the host country.

Finally, the evolution of a global marketplace is redefining the arena for international business. The economic, political, social, and technological changes taking place in the world today are transforming the rules of competition. Thomas (1996) notes that these rapid and dramatic changes have potential to render much of the international business literature obsolete. Thus, the future research should carefully take into account of the context of research and country context of data.