Country of origin influences on employee incentive schemes in MNCs: A case of innovation transfer

Ruby Ranjan and Ron Edwards

E-mail: Ruby.Ranjan@BusEco.monash.edu.au / ron.edwards@buseco.monash.edu.my
Monash University

ABSTRACT

This paper considers the capacity of multinational corporations to transfer innovations across geographic boundaries. Specifically, it compares the human resource policies and practices of local and multinational companies in Australia, with special reference to employee reward schemes. Although all human resource management (HRM) practices are inter-related, for the purpose of this study, one aspect of reward management, incentive schemes in the form of share incentive schemes and pay for performance are chosen. According to the literature, firms have been devising ways of managing reward processes that maximize value and motivation, subject to cost-constraints. Employee share ownership and pay for performance are such practices which are considered to have beneficial effects on company performance and employee motivation. After reviewing the relevant literature, the study concentrates on finding whether MNCs in Australia pursue similar or different reward management practices as compared to their domestically owned Australian counterparts. It also investigates whether there are national variations between multinational companies in terms of the nature and character of their practices. The key finding is that in Australian context, the country of origin of MNC subsidiaries plays an important role in some areas of HRM formulation and practices but not in others. Based on the example of reward management, the paper concludes that MNCs do transfer innovations from their home countries to their subsidiaries.

Key words: Entrepreneurship, innovation, Multinationals, country of origin, human resource management practices, reward management, Performance related pay, share incentive schemes.

Introduction

To date, no consensus has been reached over the definition of entrepreneurship. It has been associated with entry into new markets and ventures (Zahra, Hayton, Marcel and O'neil, 2001), traits, strategies and actions of individuals and small firms (Miller and Friesen, 1978) and behavioural characteristics exhibited by small firms. Swierczek and Ha (1997) focus on the individual characteristics of the entrepreneur while others have examined entrepreneurship at the organizational level (Covin and Slevin, 1991; Lumpkin and Dess, 2001).

According to Miller (1983), it is the process of entrepreneurship and the organizational factors that either foster or impede it that are important. Miller argues that entrepreneurship has three dimensions: innovation, proactiveness and risk taking. Of these three, it is the innovation dimension that is of interest for the current research. Colvin and Miles (1999) defined innovation as the firm's tendency to support new ideas, experimentation and creative processes earlier than competitors. Innovations include the ability of the firm to improve existing products, develop new products and new production methods. The process of innovation enhances a firm's internal capabilities, making it more flexible and adaptable to market pressures than non-innovating firms. They take up opportunities sooner than other firms.

According to Schumpeter (1934) there are three different categories of opportunity: the creation of new information; the exploitation of market inefficiencies that result from information asymmetry, as occurs across time and geography; and, reaction to shifts in the relative costs and benefits of alternative uses of resources, as occurs with political, regulatory or demographic changes. The current research focuses on the opportunity for MNCs to leverage their access to knowledge across geographic distance to achieve competitive advantage. Specifically, it considers whether MNCs are making more use of a particular innovation: incentive based reward management practices, than local firms, and whether this behaviour is influenced by country of origin of the MNC. The latter interest stems from research that shows this particular innovation emanated from the US.

Is there evidence that US MNCs are introducing incentive based reward management schemes to a greater extent than other MNCs or local Australian firms?

Incentive based reward management schemes were chosen to be the innovation in question first because they represent an innovation in their own right, one that is worthy of an entrepreneurial firm's attention, and, second, they are said to encourage organizations to be come more entrepreneurial.

Globalisation and Human Resource Management

The debate over globalisation has generated renewed interest in the transborder activities of multinational companies (MNCs). One line of argument is that, with increasing globalisation, MNCs are becoming stateless players, detached from individual nation states (Barnet and Cavanagh, 1994). Evidence for this includes, for example, the growth of strategic international alliances and joint ventures, cross-national mergers, the rise of business divisions headquartered outside the 'home' country, and so on. The other line of argument suggests that even the most global of companies remain deeply rooted in the national business systems of their country of origin (Ferner, 1997).

To some extent, the academic literature dealing with human resource management (HRM) in subsidiaries reflects the general debate on globalisation. Scholars have proposed that there are two major influences on the human resource management practices of multinational firms: local contextual factors (such as labour market conditions, unionisation, legal and socio-political environments) and the firm's home country culture (Brewster, 1995; Jackson and Schuler, 1995; Yang, 1992). Firms have to obey local regulations, and local environmental conditions may influence the human resource practices of MNCs operating in the host country (Schuler *et al.,* 1993). A strategy of adapting to the environment of the host country and adopting local patterns implies human resource policies that differ considerably from those of the country of origin (Ferner, 1997). One reason for adopting such practices could be that the transfer of home country practices is inappropriate. Scholars such as Tayeb (1998) for instance make a distinction between HRM policy on the one hand and HRM practice on the other. In a case study of a Scottish subsidiary's relationship with its parent, Tayeb found that whereas companies might find it more efficient to have company-wide policies, they might find it unavoidable to be responsive to local conditions when it comes to HRM practice.

The second possible major influence on HR practices of MNCs is the culture of the home country, commonly termed the country of origin (Ferner, 1996). This may involve establishing a system of work organization which may be new to the host environment. Scholars have suggested that firms from some countries, with certain cultural values, are more likely to adapt to local conditions than are firms from other countries that are more likely to transfer the practices used in their home country (Schuler *et al.,* Taylor and Beechler, 1993).

There are other alternatives as well. MNCs may adopt practices which do not correspond to either home or host country practices, but evolve from experience in many countries, and are suited to their own needs. Still another variant could be a synthesis of both host and home country practices (Innes and Morris, 1995). This would be dependent on how the home country model interacts with different host country environments. Perlmutter (1969) distinguishes different types of headquarters management's strategies towards their foreign subsidiaries. According to this typology, MNCs have the choice of adopting one of three general strategies for managing the work force in the host country: the ethnocentric, polycentric or geocentric strategies (Caligiuri and Stroh, 1995; Dowling, 1989; Perlmutter 1969).

MNCs using an ethnocentric strategy transfer the parent's HR practices to their overseas subsidiaries in order to maximize the parent's control and integrate subsidiaries; this results in little, or no, local responsiveness. At the other extreme is the polycentric strategy, in which MNCs adapt totally to local situations such that HRM practices are virtually identical to those used by local firms. A third general strategy, the geocentric strategy, attempts to balance both global integration and local adaptation by having some HR practices dictated by corporate headquarters yet allowing other practices to be influenced by local pressures. The country of origin of the MNC is thought to influence which strategy is used to balance the tension between global integration and local responsiveness (Caligiuri and Stroh, 1995; Schuler, Dowling and De Cieri, 1993; Taylor and Beechler, 1993).

Academic literature dealing with international business suggests that these alternatives or choices, to a large extent are dependent on the degree to which MNCs differ in regard to internationalisation (Perlmutter and Heenan, 1979; Sullivan, 1994; Dorrenbacher, 2000). De Cieri and Dowling (1993) have indicated that each of these forms has different HRM implications, which increase in complexity as internationalisation becomes more complex. For example, while exporting from the home country may involve only limited HRM roles (such as administration of visits to overseas markets), a global product or area divisional structure would require more expertise, with fully developed HRM policies and practices in subsidiaries (Dowling et al., 1994). How MNC subsidiaries in Australia address the trade-off between global integration and local adaptation, therefore, deserves careful study. Do multinational corporations transfer innovations developed in their home country to their Australian subsidiaries?

HR practices and multinational companies in Australia

Scholars have suggested that the globalisation of business increases the requirement for an understanding, both academic and practical, of ways in which MNCs may operate effectively now and in future (Sundaram and Black, 1992). Human resource management (HRM), and, in particular, international HRM deserve attention (Brewster, 1991; Dowling, Schuler and Welch, 1994). There is a relatively small body of research carried out in the Australian context. Edwards (2001) has argued that MNCs transfer advanced knowledge to host countries through their subsidiaries. In a study of 15 advanced industrial countries, the OECD (1994) found that MNC subsidiaries are typically more productive than domestic firms. These higher productivity levels resulted from the subsidiaries having more advanced technology than domestic firms. By contrast, productivity growth in domestic firms was more often derived from down-sizing and associated with reductions in employment levels. MNC subsidiaries were found to generate employment growth and both exports and imports. In Australia, too, the federal government has focussed its attention on attracting subsidiaries in the hope of receiving such benefits. In general, multinationals are important disseminators of human resource practices and innovations in work organization and in the Australian context they have acquired great prominence in the Australian economy (Walsh, 2001).

The study of multinational subsidiaries in Australia from host – country perspective could be important for a variety of reasons. Australia has been highly dependent on multinational investment, especially from Britain, the USA and Japan. Multinational companies have a dominant presence in many areas of manufacturing, and in the financial, property and business service sectors (Walsh, 2001).

While most research studies have focussed on the HRM practices of MNCs in 'institutionally weak' countries like the United States and Britain, much less is known about the behaviour of MNCs in host countries with more regulated and centralised industrial relations system (Muller, 1998) such as Australia.

Understanding the relationship between human resource practices and country culture is important for human resource professionals because based upon this knowledge, they can develop and adopt. Relatively little attention has been given to the human resource management practices of MNCs in Australia. The study could prove useful for both the Australian Government and MNCs in Australia.

Country of Origin and Management Approaches in MNCs

There is a large body of literature emphasizing the significant national differences in values and preferred approach to management. Scholars such as Hofstede (1980, 1993), Trompenaars (1993) and others have sought to demonstrate that distinctive national patterns of values and preferences help to shape behaviour at work. These values, often deeply embedded in national traditions, socialization and institutions, vary from country to country. For instance, Hofstede (1980) in comparing individualism versus collectivism dimension across forty countries, came to the conclusion that although both US and UK culture could be described as individualistic, the US culture was seen to be more individualistic than the UK culture. Clearly the culture of the country would be reflective in management and work practices.

According to Stone (1988), the US management approach is grounded in mutual cooperation between employer and employees and a belief in team work and shared common objectives. Management's right to manage is accepted because there is no "them and us". Consequently, conflict and trade unionism are regarded as not only unnecessary but destructive. Young, Hood and Hamill (1985) note the high level of influence exerted by the parent firm. This finding is supported by Negandi and Welge (1984) who found that American firms exert more control over subsidiaries than either European or Japanese firms. However, in examining staffing of subsidiaries, Harzing (2001), in several studies, found evidence that control can be exercised in different ways: for example, expatriates were more likely to be sent for control and coordination purposes to Japanese MNC subsidiaries compared to American and British firms, who tended to exercise control by more formal means. She identifies a variety of ways this control is administered. For example, US firms tend to use formalised and standardised control mechanisms such as budget-setting and monitoring systems. UK firms tend to follow similar controls but through the project management process as well as by the reward programme for managers.

The Japanese approach focuses more on what Whitehall (1991) calls "sacred treasures" - life time employment, seniority based pay and promotion, enterprise or house unions and consensual decision-making. On one level, consensual decision-making suggests the parent firm would allow more subsidiary autonomy, however, Knopp (1994) notes that Japanese MNCs tend to be more "ethnocentric" in their approach, as evidenced by the high use of expatriate managers in foreign affiliates, that is, the parent's work culture is transferred.

The United Kingdom approach appears to have no distinctive style, adopting practices from various sources (Oliver & Wilkinson, 1992; Wood, 1996), although Guest and Hoque (1996) did find some American best practices were identifiable in UK firms.

In summary, there is evidence in the literature to suggest that country of origin of MNCs plays an important role in HRM formulation and practices. That is, innovations developed in the home countries are finding their way to their subsidiaries. The next section will briefly discuss reward management in general and focus on share incentive schemes and pay for performance in particular.

Employee involvement, Reward Management, Share Incentive schemes and Pay-for-performance

Reward management is a key element within human resource management and is considered to be a discrete area of research (Drucker and White, 2000). Scholars have indicated that the ideology of reward is located within the field of human resource management as a part of a broader overall strategy of enhancing loyalty, motivation and satisfaction (Beer et al., 1984). Scholars have defined reward management as revolving around two dimensions: (a) the need to take a holistic and integrated approach to all matters concerning the rewarding of employees for work done, and (b) the need for remuneration systems to be contingent upon business strategy (Armstrong and Murlis, 1988; Drucker and White, 2000).

The term reward management came into prominence in the late eighties in Britain (Armstrong and Murlis, 1988; Armstrong and Murlis, 1994; Hewitt Associates, 1991). Reward management was seen as representative of change and innovation in the management of wages, salaries, benefits and perquisites. In particular, new and substantial advantages were claimed for a process of linking pay and performance within the context of an enterprise culture, ranging from a more strategic approach in the management of remuneration to a positive role in moving organization culture to a performance orientation (Smith, 1993).

Pay is a central organizational concern because questions of financial control and cost management are themselves fundamental to the organization and to management decisions. Reward management is one of the key levers to be deployed in pursuit of effective HRM. If pay is to 'deliver the goods' in terms of HR strategy, then it must be structured, it is argued, in order to meet HR objectives (Kozlowski, Chao, Smith and Hedlund, 1993).

The past decade has also witnessed the spread of employee involvement and participative management (Dale et.al., 1997; Hyman and Mason, 1995; Lawler et. al., 1995). There is also a school of thought which emphasizes the needs of employee participation in the workplace. Many proponents are positive about employee involvement and see it as contributing to improvements in organizational performance (Chiu, 1998; Rao et al., 1996; Wilkinson, 1998, Fairris and Brenner, 2001, Gerhart and Rynes, 2003).

Employee share ownership and pay for performance are examples of financial incentive schemes, which are considered to have beneficial effects on company performance and employee motivation (Pendelton et al., 1995). Under a share incentive scheme, a company grants employees a share option, giving him or her a right to buy a specified number of shares at a specified price during a specified period. Often the specified price is the value of the shares at the date the option was granted. If the value of the company's shares increases, the employee can then exercise the option and buy the shares at the specified price, which is then less than their market value. In UK and USA, such schemes generally take the form of employee share ownership plans (ESOP). The concept of ESOP originated in the US and by 1995 there were some 10,000 organizations with ESOPs (Pendelton et al., 1995). ESOP schemes were introduced in the UK in mid-1980s (Pendelton et.al., 1995). In many firms, the share option plan is restricted to top executives. In this case, they are termed incentive stock options (Ettore, 1998).

In Australia too, ESOPs are becoming popular (Lloyd, 2002) however, they have generally been restricted to executive and management ranks (Blake, 2001). The rationale behind share incentive schemes is to exert positive effects on employees through removing, or at least blurring, boundaries between employer and employee status by offering the latter 'a stake in the firm' (Creigh et al. 1981). Scholars have suggested that schemes like ESOPs appear to have the potential for ownership to be translated to some degree, into control. In a way, rights to participate in the ownership of a firm and to benefit from economic success could be referred as economic democracy. They give rise to participation in the running of the firm (Pendelton et al.,1995). It is also suggested that the informational and proprietal effects of shareholder status exert positive effects upon employee attitudes, behaviour and consequently performance (Hyman, 2000). Kruse (1996) has outlined four sets of reasons for firms to adopt financial participation schemes namely: increasing productivity, enhancing flexibility, discouraging unionization and securing tax concessions.

Pay for performance is another form of financial incentive scheme and is considered to generate motivation and performance among employees. Apart from motivation, scholars are also looking at the broader impact of pay-for-performance systems, such as how they affect organizational learning (Arthur & Aiman-Smith, 2001) among employees. There is a wide variety of methods used, but all schemes assume that the promise of increased pay will provide an incentive to greater performance. Jay Schuster and Patricia Zingheim (1992) have identified several new pay for performance techniques. The most common types of performance pay are in the form of piecework, payment by results in the form of bonus earnings, merit pay, performance related pay, profit related pay, to name just a few. Burke and Terry (2004) have demonstrated that the results of changing the compensation base from fixed to variable (as in PRP) can have resounding effects on firm performance. Although pay-for performance practice has been significantly popular in United States, there is evidence to suggest that such practices are becoming increasingly popular in Australia too as Australians are coming to appreciate the opportunity to be rewarded for their individual contribution (Stone, 2002).

Research Questions

The aim of the paper is to determine whether there is evidence that innovations developed in the home country of MNCs are being transferred to subsidiaries. Specifically, it considers incentive compensation: whether differences between firms (MNC subsidiaries and locally owned firms) in Australia reflect the country of origin. Drawing on data from AWIRS (Australian Workplace Industrial Relations Survey) 95, the paper addresses two key research questions:

First, whether MNC subsidiaries in Australia pursue similar or different practices in relation to share incentive scheme and pay –for- performance schemes from their domestically owned Australian counterparts. Second, whether there are national variations between multinational companies with regard to such practices. Mueller (1998) has argued that there was a difference in the HRM practices between indigenous firms and MNCs. However, most of the existing research on HRM and industrial relations practices of MNCs is mainly concerned with MNC's subsidiaries in the developed countries such as the UK, Germany and the USA (Muller 1998; Rosenzweig and Nohria, 1994; Wood, 1996). In the Australian context, although some recent research is beginning to address general HRM practices of MNCs (Purcell et. al., 1999; Walsh, 2001) this area remains a largely unexplored area.

Methodology

The AWIRS 95 survey has a large amount of data on firm and workplace characteristics, workplace performance, product market structure, management and employment practices and job satisfaction. One of the limitations of AWIRS 95 data is that at this juncture, it could be considered as old. However, as discussed earlier on the changing trends in Australian industrial reforms since late 1980's and early 1990s, there has been continuity in the industrial relations reform process which has been towards decentralisation and deregulation. For example, unionism has been falling continuously since 1982 (Crosby, 2002, p.115), there has been an increase in casualisation of work force, proportion of temporary jobs, outsourcing of other forms of outwork including contractors and use of agencies and other labour market intermediaries (Callus and Lansbury, 2002, p.237). Unfortunately, the AWIRS has not been repeated and hence remains the most contemporary data set of its type. Nevertheless, it should be emphasised that the data used in the current research relates to the 1990s. Reward management practices of indigenous Australian firms and MNCs may have altered. Should AWIRS be repeated at some stage in the future it would be interesting to see whether the results of the current study continue to apply.

The data highlighted the importance of general employee concerns – job satisfaction and perceived management style – in generating employee commitment and loyalty. As such, AWIRS 95 provides a rich data source for the analysis of a wide range of issues.

The focus of analysis is on the private sector workplaces in Australia. There were 1203 workplaces included in AWIRS. Out of these 1203 workplaces, 944 identified their country of origin. This was determined by looking at the question Bb11 which asked "in which country is the ultimate head office of this organisation located?" The results showed that there were 686 Australian firms followed by 113 US and 71 UK firms. Since the US and UK MNCs were most prominent in Australia, the focus of study was limited to the country of origin effects on these two groups of multinational corporations. The most dominant sector was the service sector (51.7%) which included wholesale trade, retail trade, accommodation, cafes and restaurants, communication services, finance and insurance, property and business service, education, health and community services, cultural and recreational services, personal and other services. It was found that the US companies had a major presence in the wholesale trade industries followed by accomodation, cafes and restaurants. UK companies were more prominent in finance and insurance, followed by the wholesale trade industries. The data revealed that a major share of the foreign owned workplaces were in the manufacturing sector (30.8%). Australian firms also had a sizeable presence in the manufacturing sector.

Since all the variables were measured on a nominal (categorical) scale, a non-parametric statistical technique was the most suitable in testing the data. Non-parametric tests do not have as stringent requirements as do parametric tests (which includes assumptions about the shape of the population) (Pallant, 2001). Since the main objective of the current research was to see whether there are any country of origin effects/differences on the specified variables, the most suitable non-parametric technique for testing the research questions was the chi-square (χ^2) test. According to a range of scholars, for instance (Brace, Kemp and Snelgar, 2003, p.98, Gardner, 2001, p.155; De Vaus, 2002.), when researchers are interested in determining differences in the frequency of events or if they need to test an association between independent groups then χ^2 analysis is appropriate.

The purpose is to determine whether there is an association between the factors of interest (Gardner, 2001, p.155).

By itself, chi-square helps us only to decide whether our variables are independent or related. It does not tell us how strongly they are related. Part of the reason is that the sample size and table size have such an influence upon chi-square. Several statistics which adjust for these factors are available. When chi-square is thus adjusted it becomes the basis for assessing strength of relationship. Some writers (De Vaus, 2002, p.258; Pallant, 2001,p.257) have suggested that it may be appropriate to use a chi-square based correlation coefficient to describe the strength of relationship between variables (when both the variables are measured on the nominal level). The two most useful chi-square based correlation coefficients are *phi* and *Cramers V* (De Vaus, 2001, p.258). Phi is used for 2-by-2 tables and Cramers V is used when at least one of the two nominal variables has three or more categories (De Vaus, 2001, p.258). In the current research, the variables had three or more categories, therefore, Cramers V was used. Both these coefficients range between 0 and 1.0, making them interpretable as a measure of strength of the relationship. A figure near 0 indicates a very weak relationship, while a figure nearer 1 indicates a very strong relationship (De Vaus, 2002, p.258).

After assessing that the omnibus chi square test revealed significance, to gauge the differences between the groups, the Gardner pairwise post hoc procedure was performed. The Gardner test performs a Bonferroni adjustment to the alpha level (eg. p=. 05) to control for Type 1 error (for details, see Macdonald and Gardner, 2000). In this case, there was a three way comparison (USA, UK and Australia), alpha= .05/3. So each of the three pairwise comparisons need to be equal or less than .02 to be considered statistically significant. A cell-by-cell comparison of observed and expected frequencies using standardised adjusted residuals was also conducted to gauge whether or not there is a statistically significant deviation from independence. Agresti and Finlay (1997, 255) have suggested that in order to analyse association between categorical variables an adjusted residual greater than 1.96 is indicative of a significant deviation from independence.

Results and Discussion

In testing the research questions, those variables were chosen which pertained to whether share incentive schemes and pay-for performance schemes were operating in the work place. Questions pertaining to the existence and nature of incentive schemes were examined. In particular, whether the schemes apply to all staff, whether they apply to individual or group performance, and whether the details are well known to employees.

Table 1. Incentive schemes operating in private sector according to country of origin groups

	Australia (n=686) **Yes** **No**	**USA** (n=113) **Yes** **No**	**UK** (n=71) **Yes** **No**	**Sig.**
Is incentive /bonus scheme currently in place at this workplace?	48.8% 51.2%	62.8% 37.2%	45.1% 54.9%	.01*
Do any non-managerial employees receive payments based on some measure of performance such as incentive bonuses, merit pay, piece work or commission including profit sharing.	49.7% 50.3%	55.8% 44.2%	59.2% 40.8%	.18
Are these payments based on individual performance?	75.7% 24.3%	77.8% 22.2%	76.2% 23.8%	.93
Are these payments based in workgroup performance?	32.3% 67.7%	34.9% 65.1%	35.7% 64.3%	.84
Are these payments based on performance of the organization as a whole?	29.6% 70.4%	39.7% 60.3%	45.2% 54.8%	.03*
For non-managerial employees, are the general criteria by which prp is assessed known to everyone else?	63.3% 36.7%	79.4% 20.6%	65.9% 34.1%	.04*

Is there any share option scheme operating in this organization to which any employees here can belong?	38.9% 61.1%	31.0% 69.0%	29.6% 70.4%	.10

* significant when *p*=< .05

Significant differences between workplaces of different origin regarding the operation of incentive and bonus schemes. Specifically, the post hoc Gardner test revealed statistical significant differences between Australian and American firms (χ^2 [1] = 7.606, p < .01, Phi=.097) and UK and US firms (χ^2 [1] = 5.582, p < .02, Phi=.17417). These schemes were most prevalent in the US subsidiaries. It was found that, when compared to both Australian and UK firms, the US firms had more (62.8%) bonus and incentive schemes in place. UK firms had least number of such schemes. There were no significant differences in the Australian and UK firms. The analysis did not reveal whether such incentives were linked to individual performance or work group performance and as such no significant differences were found between the three groups.

There was significant under representation (Adj.Res.= -2.4) in Australian companies on the question "whether these payments are based on the performance of the organization as a whole" thus indicating that in the Australian companies the payments were not significantly dependent on the performance of the organization as a whole but on some other basis such as individual or work group performance. On the other, hand it was found that UK firms were more keen in giving payments based on the organisation as a whole (Adj.Resid=1.9).

In terms of performance related pay, there was significant differences in response to the question "for non-managerial employees, are the general criteria by which PRP is assessed known to everyone else"? It was found in American firms the general criteria by which PRP was assessed was more widely known (79.4%) as compared to the Australian firms (63.3%). The UK firms were similar to the US firms where such criteria for PRP was more widely known (65.9%) than the Australian firms. This was in line with the literature review which suggested that PRP were more popular in the US and UK

As far as share options schemes were concerned, to the question "is there any share option scheme operating in this organization to which any employees here can belong?" there were no significant differences. However, to the question "what percentage of non-managerial employees actually own shares under this scheme?", it was found that there were significant statistical differences (see Table 2).

Table 2 What percentage of non-managerial employees actually own shares under this scheme?

	Australia (***n*=232**)	**US** ***(n=32)***	**UK** (***n=19***)
None	4.7%	43.8%	36.8%
50% or less	58.2%	43.8%	47.4%
51% and more	37.1%	12.5%	15.8%

The data were subjected to a χ^2 analysis, which revealed a significant difference (χ^2 [4] = 57.871, p <.01, Cramers V =.320) across the three sample groups. However, 2 cells (22.2%) had an expected count of less than 5. The post hoc gardner test revealed some statistical significant differences between Australian and American firms (χ^2 [1] = 7.555, p < .01, Phi=.16) It was found that Australian firms had more (37.1%) share incentive schemes operating for non-managerial employees than in American firms (12.5%). As such, the share incentive schemes seemed to be more prevalent in Australian firms than in American firms. There were no significant statistical differences between US and UK firms.

Conclusion

The research is concerned with whether multinational corporations transfer home grown innovations to their subsidiaries. The innovation chosen for study is the use of incentive schemes, part of reward management. The research examined whether Australian-owned, US and UK MNCs in Australia pursue similar or different practices in relation to share incentive schemes. It was confirmed that Australian companies had more share incentive schemes in place in comparison to the US and UK firms. This was surprising considering that such schemes (ESOP) originated and are very popular in the US. Further research needs to be carried out in learning why share option schemes are less popular in US subsidiaries than in domestic firms. As far as pay for performance schemes were concerned, the results were in line with previous research. Specifically, it was found that pay for performance schemes were significantly more popular in US subsidiaries than in Australian firms, suggesting that, at least for US multinational corporations, innovations developed at home are transferred to subsidiaries.

In regard to non-share incentive schemes, it was found that the US firms had more bonus schemes in place whereas the UK firms had the least. This was also in line with previous research which has shown that US firms have a more individualistic orientation in reward structure. There was strong indication that the US firms did not base their performance based payments based on workgroup performance or on the performance of the organisation, suggesting that innovations are culturally-based and that cultural precepts are transferred to subsidiaries along with the innovation.

References

Adler, N. (1986).**International Dimensions of Organizational Behavior**, Belmont, CA: Kent.

Arthur, J. B., & Aiman-Smith, L. (2001). Gainsharing and organizational learning: An analysis of employee suggestions over time, **Academy of Management Journal**, 44, 737-754.

Barnet, R.J. and Cavanagh, J. (1994), **Global Dreams, Imperial Corporations and the New World Order,** New York**.**

Baker, G., III. (1993). Perspective: Rethinking rewards, **Harvard Business Review**, 71(6), 37.

Beer, M., Cannon, M.D., Maron, J.N., Dailey, P.R.(2004), "Promise and Peril in implementing Pay-for –Performance", **Human Resource Management**,43(1)pp.3-21.

Birnberg, J.G. and Snodgrass,C. (1988), "Culture and Control", **Accounting, Organizations and Society**, pp.447-464.

Brewster, C. (1995) 'Towards an "European" Model of Human Resource Management', **Journal of International Business Studies,** 26 (1): 1-21

Burke, L.A., Terry, B.(2004), "At the Intersection of Economics and HRM: An argument for variable pay schemes, **American Business Review,** 22(1):88.

Caligiuri, P. M. and L. K. Stroh (1995). "Multinational Corporation Management Strategies and International Human Resource Practices: Bring IHRM to the Bottom Line." **International Journal of Human Resource Management 6**: 494-507.

Callus, R., and Lansbury, Russel D. (eds.)(2002), "Working Futures: Australian in a Global context" in **The changing nature of work and employment relations in Australia**, The Fedearation Press, Leichhardt, NSW.

Casson, M. (1982) **The Entrepreneur**, Totowa, NJ, Barnes and Noble.

Chiu, R.K. (1998), "Employee involvement in a total quality management programme : Problems in Chinese firms in Hong Kong", **Quality and Management**, 14 June/July, pp.8-11.

Covin, G.J. and Miles (1999) Corporate entrepreneurship and the pursuit of competitive advantage. **Entrepreneurship: Theory and Practice**, 23, 47.

Covin, J.G. and Slevin, D.P. (1991) A conceptual model of entrepreneurship as firm behaviour. **Entrepreneurship Theory and Practice**, 6, 7-25.

Crosby, M.(2002), "Down with the Dictator: The Role of Trade Unions in the Future" in

Dale,B. and Cooper, C. and Wilkinson, A. (1997), **Managing Quality and Human Resources : A Guide to Continuous Improvement**, 2nd Edn, Oxford, Blackwell.

Dedoussis, V. (1995). "Simply a question of cultural barriers? The search for new perspectives in the transfer of Japanese management practices." **Journal of management studies 32**(6): 731-45.

Dowling, P.J.(1989)."Hot Issues Overseas", **Personnel Administrator**, 34(1): 66-72.

Edwards, C. (2003), "Guest introduction: Industrial relations and human resource management in an era of accommodation: Selected papers from the British Academy of Management annual conference 2002", **Employee Relations**, Vol. 25, No.6, pp.531-35.

Edwards, R.W., (2001). "Multinational Corporation Regional Headquarter Roles: Implications for Government Policy", **International Journal of Business Studies,** Vol.9, no.2, pp.91-102.

Fairris, D., and Brenner, M. (2001), "Workplace transformation and the rise in cumulative trauma disorders: Is there a connection?", **Journal of Labor Research,** Winter, Vol.22, No.1, pp.15-28.

Ferner, A. (1997). “Country of origin effects and HRM in multi national companies.” **Human Resource Management Journal 7**(1): 19-37.

Galbraith, J.(1977), **Designing Complex Organizations**, New York: McGraw-Hill.

Gerhart, B., & Rynes, S. L. (2003). **Compensation: Theory, evidence, and strategic implications.** Thousand Oaks, CA: Sage.

Govindarajan, V., and Gupta, A.L. (1985), “Linking Control Systems to Business Unit Strategy : Impact on Performance”, **Accounting, Organizations and Society**, pp.55-66.

Hawke, A., and Wooden, M. (1998), “The Changing Face of Australian Industrial Relations: Survey”, **Employee Record**, Vol.74.

Heller, F., Pusic, E., Strauss, G., and Wilpert, B.(1998), **Organizational Participation : Myth and Reality**, Oxford University Press, Oxford.

Hofstede,G. (1980).**Culture's Consequences**. Beverly Hills, CA: Sage.

Horstman, B.(1999), “Decentralised and deregulated Australian Industrial Relations : The Effects on HRM and Industrial Relations in small enterprise”, **Employee Relations**, Vol.21, no.3, pp.325-41.

Hyman, J. and Mason, B.(1995), **Managing Employee Involvement and Participation**, London, Sage Publication.

Innes, E. and Morris, J. (1995). “Multinational corporations and employee relations. Continuity and change in a mature industrial region.” **17**(6): 25-42. **Employee Relations.**

Jackson,S. and Schuler, R.A. (1995) "Understanding Human Resource management in the context of organizations and Their Environments", **Annual Review of Psychology**, 46:237-64.

Kessler, I. (1994), “Performance related pay: contrasting approaches”, **Industrial Relations Journal**; 25:2, pp.122-135.

Lawler, E.E.III , Mohrman, S.A. and Ledford, G.E., Jr (1995), **Creative High Performance Organisation: Practices and Results of Employee Involvement and Total Quality Management in Fortune 1000 Companies**, San Francisco, CA, Jossey-Bass.

Lumpkin, G. T. and Dess, G.G. (2001) Linking two dimensions of entrepreneurial orientation to firm performance: the moderating role of environment and industry life cycle. **Journal of Business Venturing**, 16, 429-451.

Marsden, D.and French, S. (1998), What a performance: performance related pay in the public services. **Centre for Economic Performance**, LSE, London

Miller, D. (1983) The correlates of entrepreneurship in three types of firms. **Management Science**, 29, 770-791.

Miller, D. and Friesen, P. (1982) Innovation in Conservative and Entrepreneurial Firms: Two Modes of Strategic Momentum. **Strategic Management Journal**, 3, 1-25.

Morgan, David E., and Zeffane, R. (2003), "Individualism in organisations : Does employment contract innovation make a difference**?" Employee Relations**, Volume 25 Number 6, pp. 536-557.

Mueller, M. (1998). "Human resource and industrial relations practices of UK and US multinationals in Germany." **International Journal of Human Resource Management 9**(4): 732-749.

Newman,K.L. and Nollen, S.D.(1996)."Culture and Congruence: The Fir between Management Practices and national Culture", **Journal of International Business Studies,** 27:753-79.

Ouchi, Q. (1979), "A Conceptual Framework for the Design of Organization Control Mechanisms***", Management Science***, 25 September, pp.833-848.

Perlmutter, H.V. and Heenan, D.A.(1979). **Multinational Organization Development**, Reading.

Perlmutter, H.V.(1969). "The Tortuous Evolution of the Multinational Corporation", **Columbia Journal of World Business**, 4:9-18.

Rao, A., Carr, L., Dambolena, I., Kopp, R., Martin, J., Rao, F. and Schlesinger, P. (1996), **Total Quality Management**, New York, Wiley.

Rosenzweig,P.M. and Nohria, N. (1994). "Influences on Human Resource Management Practices in Multinational Corporations", **Journal of International Business Studies,** 25: 229-51.

Schuler, R., Dowling, P. and De Cieri, H. (1993), "An Integrative Framework of Strategic International Human Resource Management", **International Journal of Human Resource Management**, 5(3): 717-64.

Schuster, J.R., Zingheim, P.K. (1992), **The new pay:linking employee and organizational performance**, New York, Lexington Books.

Shane, S. and Venkataraman, S. (2000) The Promise of Entrepreneurship as a Field of Research. **Academy of Management Review**, 25, 217-226.

Spreitzer, G.M., Kizilios, M.A. and Nason, S.W. (1997), "A dimensional analysis of the relationship between psychological empowerment and effectiveness, satisfaction and strain", **Journal of Management**, 23, pp.679-704.

Swierczek, F. and Ha, T. (2003) motivation, Enterprise, Entrepreneurship and the Performance of SMEs in Vietnam. **Journal of Enterprising Culture**, 11, 47-68.

Taylor, S. and Beechler, S. (1993) "Human resource Management System Integration and Adaptation in Multinational Firms". **Advances in International Comparative management,** 8. Greenwich, CT: JAI Press. pp.155-74.

Von Glinow, M.A.(1993) "Diagnosing "Best Practice" in Human Resource Management Practices", **Research in Personnel and Human Resource management,** Suppl.3. Greenwich,CT:JAI Press, pp.95-112.

Walsh, J.,(2001) "Human resource management in foreign-owned workplaces: evidence from Australia", **International Journal of Human Resource Management**, 12:3,pp.425-444.

Wilkinson, A. (1998), "Empowerment: Theory and Practice", **Personnel Review**, 27, pp.40-56.

Wooden, M. and Sloan, J., (1998) "IR Reform and Labour Market outcomes: A comparison of Australia, NewZealand and the UK**",** **www.rba.gov.au/Publication and Research/Conferences/1998 woodensloan.pdf**

Yang, J.Z. (1992). "Americanization or Japanization of Human Resource Management Policies: A Study of Japanese Manufacturing and service Firms in the United States", **Advances in International Comparative Management,** 7. Greenwich, CT: JAI Press, pp.77-115.

Zahra, S., Hayton, J., Marcel, J. and O'Neill, H. (2001) Fostering Entrepreneurship During International Expansion: Managing Key Challenges. **European Management Journal**, 19, 359.