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Training practices of multinational companies in Asia

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Abstract

Purpose – The purpose of this study is to explore a range of training practices adopted by multinational companies (MNCs) operating in Asia. It investigated the level of training expenditure, the nature of training programs offered and the concerns about training in MNCs.

Design/methodology/approach – Data were obtained through a survey of 529 MNCs operating in six Asian countries to examine the average cost spent on training and the type of training programs offered to different groups of employees. The respondents were also asked to indicate their perceptions on the training provided and how effective the training has on firm performance.

Findings – It appears that MNCs invested significantly in training. Training was found to be more widespread in service organisations than manufacturing organisations operating in Asia. The majority of training emphasised managerial and professional staff development; and was generally conducted externally. Respondents were concerned mainly with the quality and relevance of training programs offered externally.

Originality/value – The results provide MNCs, especially those headquartered in European and other Western countries with insights into designing and offering more relevant and better quality training programs to their employees located in Asian subsidiaries.

1. Introduction

For the past 40 years, it has been recognised that quality human capital contributes to improved productivity, business performance and overall national economic growth (Schultz, 1961). To continuously improve and maintain the quality of human capital, it is essential to invest in human capital through education and training (Lucas, 1988; Booth,
Effective employee training is not only critical for enhancing long term employment and economic growth, which can add to a country's competitive advantage; but it also provides firms with a unique and differentiated position that can improve the standard and quality of service or products, resulting in continual innovation and increased productivity and profitability (Mathews, 2002; Taylor and Davies, 2004).

The trend to globalisation is a critical issue for academics and management practitioners alike when trying to understand how today's international businesses can effectively manage their human capital across different countries. The rapid growth of Asian economies has provided a platform for many multinational corporations (MNCs) to increase their international business activity (World Economic Forum, 2005). However, the increased global operation and integration has exposed MNCs to the challenge of effectively managing human resources in their Asian subsidiaries, in particular among those who may have different training and development needs from that in headquarters (Baumgarten, 1995; Dowling and Welch, 2004).

The literature on education, training and other aspects of human resource development (HRD) in the Asian region is still under-developed (Low, 1998). According to Osman-Gani and Tan (2005), little is understood about the international programs and practices employed by multinational companies to train and develop their employees in the subsidiaries across Asia. The objective of this study is to investigate the training practices of MNCs operating in six Asian countries. The paper addresses different issues by exploring training expenditure, training content and training concerns of multinational companies in Indonesia, Malaysia, Philippines, Singapore, Thailand and Taiwan. It also investigates interrelationships between a number of organisational attributes and their impact on training practices among MNCs in manufacturing and service sectors.

2. Literature review and research hypotheses

The benefits of employee training have already been widely recorded in the literature (Schultz, 1961; Lucas, 1988; Booth, 1993; Mathews, 2002; Minbaeva et al. 2003; Blunch and Castro, 2005). Therefore, it is not the concern of this study. Our key argument is that if employee training is viewed as an essential element in enhancing organisational innovation, creating new knowledge and organisational learning, and increasing productivity and profitability, there logically should be sufficient investment, in measurable term, by MNCs to improve the quality of their global human capitals. In particular, how much have MNCs in Asia actually invested in training and development of their local workforce in order to achieve better performance? Research in this area tends to be parsimonious (Low, 1998; Osman-Gani and Tan, 2005).

Prior studies on human resource development among multinational companies tend to focus on training and development of expatriates and international management teams (e.g. Tung, 1981, 1982; Mendenhall et al., 1987; Kopp, 1994; Osman-Gani, 2000; Caligiuri and Di Santo, 2001; Neupert et al., 2005), especially on cross-cultural (e.g. Black and Mendenhall, 1990; Selmer et al., 1998) and language training (e.g. Wright and Wright, 1994;
Marschan et al. 1997). Very little research has focussed on the training and development of host country nationals – those local employees working at the subsidiaries of MNCs (Dowling and Welch, 2004).

The sparse and distinctive empirical data collected by a few authors (e.g. Chen, 1983; Tsiang and Wu, 1985; Lan and Young, 1996; Shen and Darby, 2006) in the context of Asia provides some insight on different training practices among Asian and non-Asian owned MNCs. For instance, Chen (1983) conducted a study of investment on training by various industries in Hong Kong and found that non-Asian owned MNCs were investing more in training than local firms. Tsiang and Wu (1985) reported the frequent movements of trained personnel from non-Asian owned MNCs across four industrialised Asian economies such as Taiwan, Korea, Hong Kong and Singapore. A similar study by Lan and Young (1996) reported the evidence of spill-over effects caused by foreign MNCs that trained their employees who subsequently moved to local firms or started their own local enterprises in China. This suggests that local Chinese firms may not emphasise training as much as foreign MNCs do and they are more likely to poach trained skills from foreign MNCs. More recently, an interesting study conducted by Shen and Darby (2006) explored the international training aspects of Chinese MNCs operating in the UK. Their study found that the Chinese MNCs adopted an ethnocentric approach and provided different levels of international training and development between UK (host country) nationals and Chinese (parent country) nationals. This indicated a divergence of global training practices.

The central argument of “convergent” and “divergent” thesis lies in “the incidence of homogeneity and heterogeneity in management practices across national borders” (Tregaskis and Brewster, 2006, p. 111). Since Kerr et al. (1960) proposed the concept of “convergence” there has been extensive debates on the possibility of globalisation, technology advancement and market integration, which may push national employment systems towards uniformity worldwide (see also Hirst and Thompson, 1999; Sheldon, 2002; Morley and Collings, 2004; Tregaskis and Brewster, 2006). Dowling et al. (1999, p. 13) pointed out that convergence assertions assumed that there were universalistic principles of best HRM practices that can transcend national or cultural context. Additionally, it is likely that international HRM practices are converged in response to the pressure of globalisation (Kidger et al., 2004, p. 499). There is also a tendency for powerful MNCs to implement standardised employment practices across the globe with little regard for the institutional constraints of the nation states which host their subsidiaries (Morley and Collings, 2004, p. 487). Furthermore, it is noted that the imitation of worldwide best HRM practices proved to be more common among MNCs (Carr and Pudelko, 2006, p. 75).

Nevertheless, the extent to which MNCs are limited to transfer their HRM policies and practices across national borders has also been subject to much discussion (e.g. Jackson and Schuler, 1995; McGaughey and De Cieri, 1999; Morley and Collings, 2004; Tregaskis and Brewster, 2006). The central argument is that the national institutional structures and cultural differences influence HRM practices. Diversity of international workforce and their different attitude and behaviour towards work and hierarchical authority would create constraints on adopting the uniform HRM practices in the global operation. Kidger et al. (2004, p. 501) pointed out that national differences in such things as employment or labour
law would mean that in some aspects, organisations in one country will be alike whilst being
different when based in other countries. These national institutional differences are
sometimes interpreted as cultural differences (Bhagat and McQuaid, 1982). Dowling and
Welch (2004, p. 13) commented that culture, though often not clearly defined, tends to be
treated as an important variable to distinguish the differences in HRM practices among
MNCs operating in different locations (Warner, 2002; Myloni et al., 2004; Carr and Pudelko,
2006). Both national institution and cultural differences can affect the way MNCs manage
their human resources across different regions. In the case of the current study, these
national and cultural differences may lead to different training practices among the non-
Asian and Asian owned MNCs examined. Although it is beyond the scope of the current
study to explore how national and cultural differences have produced the differences in
training practices, we expect that there is a distinctive cultural difference between Asian
and non-Asian management philosophy, which affects the practices (see Hofstede,
1980/2003, 2001). Therefore, it is proposed that:

**H1.** Training practices are different between Asian and non-Asian MNCs. It is likely that
MNCs with parent companies outside Asia will invest more on training both in dollars and
number of programs offered than those MNCs headquartered in Asia.

McPherson and Roche (1997, p. 370) stressed the importance of MNCs to provide training
not only to expatriates, but also to host country nationals, in order to develop international
experience across a range of employees and to enhance the quality of international staff.
However, the increasing complexity faced by MNCs when operating in many diverse cross-
border economies acts as a counterweight to pressures for convergence (Quintanilla and
Ferner, 2003). McGaughey and De Cieri (1999, p. 235) report that organisations are
becoming more similar in terms of macro-level variables (convergence), but maintaining
their culturally based dissimilarities in terms of micro-level variables (divergence). The
challenge facing MNCs is to balance the conflicting needs of global coordination
(integration) and local responsiveness (differentiation). Are the local training programs
implemented according to the HRM strategies of the parent country or to the needs of the
host country? What is the relevance of training programs in terms of local responsiveness?
The decision making process in sourcing and delivering training programs is often more
complex at the organisational level. MNCs constantly face the pressure of directly shifting
their training systems from headquarters to local subsidiaries, without addressing the real
needs of the local employees. Several factors discussed in this paper can be used to
determine the needs for and the level of training required both by employees and
organisations. This study evaluates the interrelationships between the organisational and
individual attributes and training practices.

**Training determinants**

The decisions involved on whether to offer (by organisations) or to take up (by individual
employees) training, where, what, and who to train are complex and often are based on
several factors. The education level of employees is one factor that determines whether
training should be provided or not. Blunch and Castro (2005) advocate that the ratio
between costs and benefits of training is more favourable for people with higher education
levels. The higher return on training for people with greater learning abilities implies that training should be largely provided to the top echelon of the workforce within an organisation (e.g. managerial and professional staff); while low ranking workers (e.g. clerical and production line workers) with low levels of education get caught in a cycle of low or no training or the “low-skill, bad-job” trap (Snower, 1996, p. 109). The view that a higher amount of work-related training is available to employees with a higher education level is further supported by a significant number of studies conducted in America and Europe (e.g. Booth, 1991; Green, 1993; Lynch and Black, 1995; Van Smoorenburg and Van der Velden, 2000; Tan and Lopez-Acevedo, 2003). In Asia, the correlation between education and training is not as simple. For instance, Tan and Batra (1996) found that there is a negative relationship between education levels and training in Indonesia, whereas other studies claim that there is a strong relationship between education level and training likelihood in Thailand (Zeufack, 1998) and in Malaysia (Tan, 2001).

The diverse results in Asia may be driven by national differences in education levels, instead of individual differences in employee’s educational attainment. According to the labour market key indicators (ADB, 2005), the overall education level in Indonesia is much lower than that in Malaysia and Thailand. There is a possibility that training whether provided at firm or national level in Indonesia has to address the essential need for upskilling the labour force, that is, the lower education level, the more likely people are to receive training. Legislative requirement of training in some Asian countries also influence the correlation between education and training. For example, at the early stage of economic reform in China, foreign partners were required to train unskilled and low level Chinese workers as a part of a joint-venture deal (Tsang, 1994). Similarly in Singapore, there are legislative requirements for multinational companies to invest in training and people development (Wan, 1996).

Nonetheless, the rule of thumb is that employees with higher education levels are more likely to receive training. It is expected that managers and professionals would have higher education than junior staff in the organisational structure. Hence, it is proposed that:

**H2. Managers, professional and technical staff in MNCs in Asia will take part in more training programs than clerical and production staff.**

The literature shows that training likelihood tends to be different among industries. Research by Booth (1991) and Ng (2005) demonstrates that there are differences between industries in developed and developing countries. Frazis et al. (1995) found a higher likelihood of training in their study of service industries. This was further supported by Blunch and Castro (2005) who reported that in OECD countries, employees in service sectors, such as finance, insurance and business or community, social or personal services have a higher probability of being trained compared to those in the manufacturing industry. Lynch and Black (1995) also argued that in the USA, there were less formal training programs in the manufacturing sector than those in the service sector. They demonstrated that in the service sector, almost all of the establishments in communication, utilities, finance, and insurance sectors offered formal training programs (Lynch and Black, 1995). These results are similar to the conclusion drawn from Devins et al.’s (2004) study of
training in small and medium-sized firms, which asserted that further training was more commonly provided by service companies than by manufacturing firms.

These differences may also be related to the technology intensity of each sector as proposed by Lillard and Tan (1992). The adoption of new technology is an important driver for employee training (Smith and Hayton, 1999; Minbaeva et al., 2003; Osman-Gani and Jacobs, 2005), since it is viewed as an essential element in maintaining the absorptive capacity of innovative firms. Smith et al. (1995) found that workplace innovation was a major driver of training for all industries, and asserted that the service sector is more likely to provide increased training than manufacturing firms. There is a compelling need for service organisations to adapt to workplace changes, new technology, quality service delivery and customer satisfaction (Bowen and Lawler, 1995; Korczynski, 2002). This was also advocated in manufacturing firms deploying advanced manufacturing systems. For instance, many innovation activities have occurred in the Asian manufacturing sector over the last decade (Hobday, 1994; Lall, 1995; Wang and Chien, 2006). Nevertheless, the progress rates in the service sector in some Dragon economies (e.g. Singapore and Taiwan) are higher than the innovation pace in the manufacturing sector (ADB, 2005). Gamble (2004) argues that innovation in the manufacturing sector includes flexible specialisation, lean production or new production, which requires new responsibilities and a broader range of tasks, but not necessarily higher skills. This implies that manufacturing firms do not require as complex training as service firms. The service sector is required to commit more training to upskill its workforce in order to sustain growth. Hence:

H3. MNCs in the service industries are likely to provide more training, both in terms of dollars spent and number of training programs offered than in the manufacturing industries.

Firm size is another factor that impacts on the likelihood and types of training offered. Studies by Booth (1993), Green (1993), Lynch and Black (1995), Zeufack (1998), Van Smoorenburs and Van der Velden (2000), Tan (2001) and Tan and Lopez-Acevedo (2003) show that larger firms provide more work-related training than smaller firms. The studies conducted by Oi(1983), Matlay (1997) and Szamosi et al. (2004) suggest that smaller firms are less likely to capture the returns on training because of their cost-consciousness, low risk-taking and uncertain planning horizons. While training practices vary considerably between industry sectors and individual firms, formal and structured training practices are more likely to be found in larger firms than in small to medium sized firms. For example, in Australia, Smith (2000) found that 88 percent of large enterprises provided structured training for employees, compared to only 13 percent of small enterprises. This can be attributed to the economies of scale that large firms enjoy through training for more employees or spreading the costs over a larger number of employees. Arulampalam and Booth (1997) also contend that larger firms are more forward looking and better prepared to take risks than smaller firms. Felstead and Green (1996) on the other hand argue that larger firms face more regulations and bureaucracy and hence offer more training to meet safety requirements. It is expected that similar results would occur for those MNCs operating in Asia. Therefore:
**H4.** Larger sized MNCs with more employees are likely to provide more training, both in proportions of dollars and number of training programs than smaller sized MNCs.

A number of studies conducted in Asia demonstrate that foreign ownership positively relates to more training provided (Tan and Batra, 1996; Shen and Darby, 2006; Zheng et al., 2006). It is likely that if MNCs invested more in host countries, they would also invest in human capital through training (Lynch and Black, 1995). Blomstrom and Kokko (2001), Hu (2004), Shen (2005) and Jaw et al. (2006) have theorised that MNCs create knowledge spillovers through a variety of means. One of these is through the training of their global employees. Furthermore, it was reported that foreign ownership of firms (foreign equity) is positively associated with more training in Mexico (Tan and Lopez-Acevedo, 2003), Taiwan and Malaysia (Tan and Batra, 1996). The quantity of training and development programs was found to be positively related to direct foreign investment by MNCs in China (Shen and Darby, 2006). Lynch and Black (1995) found that employers who make large investments in physical capital relative to the number of workers will be more likely to train those workers in order to assure a higher return on that investment. Therefore, it is likely that MNCs, if investing heavily in physical capital in host countries, will also invest simultaneously in human capital so as to enhance their global workforce capability. Considerable amounts of research on expatriate managerial training (e.g. Lanier, 1979; Tung, 1981, 1982, 1984; Mendenhall et al., 1987; Kopp, 1994; Baumgarten, 1995; Dowling et al., 1999; Osman-Gani, 2000; Neupert et al., 2005) provide further support and explanation of the link between increasing international trade and demands for more training by multinational companies. This is largely because international trade compels firms to meet higher standards in order to satisfy demanding foreign markets and by presenting them with strong local competition from foreign producers. Hence, the extent to which a firm exports its products may be linked to the extent it is involved in training. Often the proportion of exporting goods and services by a firm against their total goods and services is a good indicator of the firm’s intensity in engaging in international trade. Exporting is also the initial stage for firms entering into international operation (Dowling et al., 1999) and may require firms to emphasise employee training in order to meet the international standards of foreign market demands. So it is proposed that:

**H5.** The higher the proportion of exports that MNCs have, the higher the need to provide more training, both in terms of dollars and number of programs.

With the rapid rate of economic growth and emergence of new markets in the Asia-Pacific region, a great deal of attention has focused on the human resource management and development programs of large successful companies with cross-border operations in the region (Osman-Gani and Tan, 2005). The existing literature tends to focus on expatriate training and development of MNCs in the parent countries (e.g. Tung, 1982; Kopp, 1994; Baumgarten, 1995; Osman-Gani, 2000; Osman-Gani and Tan, 2005; Neupert et al., 2005). There are relatively limited studies examining the extent of training for employees in the host countries (Dowling et al., 1999). In addressing the hypotheses proposed, this paper intends to answer several key research questions. What types of training have been offered by MNCs operating in Asia? How much did the companies actually spend on training? Who has been involved in training and what sort of training programs are prevalent? Does the
size of firms affect the level of training undertaken by MNCs? What is the influence of industry characteristics on training? Does the engagement in exporting influence the level of training? Are the training programs offered effective and what would be the major training concerns expressed by host country managers?

The answers to these research questions provide a broader picture of human resource development programs offered by MNCs in Asian subsidiaries. This research instigates a paradigm shift from examining training practices of multinational parent companies to evaluating training experiences in their host subsidiaries (Low, 1998; Osman-Gani and Tan, 2005). The relationships between training and organisational attributes, e.g. size, industry and international activity are also examined. Research methods are explained next.

3. Research methodology

Data

The data in this paper were sourced from a large APEC (Asia Pacific Economic Cooperation) project on “Skill shortages, training needs and human resource development strategies of multinational companies in APEC member economies” (Stahl and Zheng, 2002). The survey questionnaires (eight pages) were distributed and collected with assistance of local researchers from each of six Asian countries (Indonesia, Malaysia, Philippines, Singapore, Thailand and Taiwan). The survey covers five key areas:

1. company profile;
2. employee profile;
3. skill shortages;
4. training needs; and
5. HRD strategies.

Under “training needs”, there were six questions (see Figure 1) asked to evaluate training expenditure, training types, training effectiveness and concerns among MNCs operating in the six Asian countries. The initial intention was to contact 100 MNCs in each of these six APEC member economies (600). Subsequently, 529 MNCs companies responded (88.2 percent response rate). The companies selected were both foreign and local MNCs, and comprised four industry sectors: manufacturing, banking, insurance and business services. Subsequently banking, insurance and business services were categorised into service industry.

The survey questionnaires were completed by MNCs' local branch management personnel, including chief executive officers, financial controllers and human resource managers who were believed to be more competent in providing a better assessment of the extent of training the company has provided. The responses are profiled in Table I.

Measurement

For consistency, the total training expenditure with local currency was converted into US dollars. To better evaluate how much each firm spent on employee training, the data was
computed by the total training expenditure against the total number of employees to arrive at an average training expenditure per employee. The average training expenditure was then divided into four categories: spending less than US$100 per employee; spending between US$100-500; between US$500-1000; and over US$1,000 per employee per annum.

Non-Asian owned MNCs refer to those companies headquartered in America, Europe and Australia. Asian owned MNCs are those set up mostly by Japanese, and Singaporean and Taiwanese firms. A small proportion of MNCs are local firms in the six countries, which have expanded their operation overseas.

The number of employees \( (N) \) was gathered and analysed. However, to better evaluate how size affects the level of training, this continual variable was computed into a categorical variable, similar to the exercise of categorising the average training expenditure. Four different types of MNCs were classified: small companies \((N<50)\); small-medium \((50<N<100)\), medium \((100<N<500)\) and large \((N>500)\). It was found that most of the MNCs operating in Asia who participated in this study employed a large number of staff. This study also examined the formal training programs by measuring the total number of traineeship, scholarship and apprenticeship offered to various employee categories based on the international standard classification of occupation (ILO, 2000) (i.e. managers, professional and technical staff, clerical, sales and service and production employees). The number of training programs offered is a continual variable. However, whether the training was conducted externally or internally and off- or on-the-job was nominated by the participants. Hence dichotomous variables were thereafter used.

The extent of exporting was measured by the proportion of exported goods and services against the total goods and services produced/provided by MNCs. The proportion ranged from 0-100 percent. Industry contains both manufacturing (nominated as 1) and service (nominated as 0). Similarly, the parent companies outside Asia were nominated as 1, and those within Asia as 0.

**Statistical analysis**

To avoid inaccuracy of misrepresentation, extreme outliers were removed before performing Pearson correlation (sig. two-tailed) to examine the training determinants among MNCs investigated. Non-parametric statistical analysis tools were used to examine the categorical data (Siegel and Castellan, 1988; Pallant, 2001), with the chi-square test for independence to determine whether two categorical variables are related (Gravetter and Wallnau, 2000).

4. **Findings**

Most of the MNCs operating in Asia have, in general, invested a considerable amount on training, with a total training expenditure ranging from US$772 to US$26,267,554 (mean=US$419,855 per firm). The average training per employee ranged from US$1 to US$71,665 (mean=$1,080) (Stahl and Zheng, 2002).
To verify the first hypothesis, the average training expenditure per employee between Asian and non-Asian owned MNCs was compared (Table II). Overall it was found that the percentage of non-Asian owned MNCs spending over US$1,000 per employee per annum was higher than that of Asian owned MNCs. In contrast, most Asian owned MNCs (61 percent) spent less than US$100 in training a local employee. The chi-square value (10.355, \( p < 0.05 \)) suggests some differences in average training expenditure between Asian and non-Asian owned MNCs, partially supporting \( H1 \). Nevertheless, some Asian owned companies (43 percent) have invested a similar amount in employee training as the non-Asian firms. This suggests that some Asian firms may have also recognised the importance of employee training and that they have adopted similar training practices as non-Asian firms. Perhaps the convergence of some HRM practices has taken form in the context of MNCs operating in Asia, as suggested by Budhwar (2004) and Nankervis et al. (2006).

In terms of whether there are differences in the number of training programs offered, Table III indicated that there are positive correlations between a number of managers trained (coefficient=0.095, \( p < 0.05 \)) and non-Asian firms, and between total training programs offered (coefficient=0.098, \( p < 0.05 \)) and non-Asian owned MNCs. This implies that non-Asian MNCs could have spent slightly more in training and offered more training programs to their local employees, than the Asian MNCs do. However the magnitude is not significant, with a very low value of coefficient. Although the result is in line with the conclusion drawn from the earlier studies (e.g. Chen, 1983; Tsiang and Wu, 1985), which suggested that the non-Asian firms tended to emphasise training more than the Asian companies, the differences in training offering and expenditure between Asian and non-Asian firms were found in this study to be negligible. Hence, \( H1 \) can only be partially supported.

In examining whether managers, professional and technical staff with higher level educations would receive more training programs than clerical and production staff, Table IV indicates that the average number of traineeship programs provided to managers (2.12) is smaller than those provided to sales, service, clerical (2.48) and production staff (4.66). Proportionally, however, there were more programs provided to managers than other categories of employees, because the number of managers in a firm is much smaller than the total number of employees in other categories. Hence, the result confirms \( H2 \). It is noted, however that substantial numbers of traineeships and apprenticeship programs were offered to employees in the manufacturing-based MNCs, suggesting that there is a skilled labour shortage in Asia (Stahl and Zheng, 2002; Zheng, 2005). Even basic skills training for lower level production employees are commonly required of MNCs operating in Asia.

Comparing the average training expenditure per employee among the MNCs in service and manufacturing industries, it was found that there was a significant difference in training expenditure between different industries (chi-square value at 37.076, \( p < 0.01 \)). Table V shows that service MNCs spend more on training than manufacturing MNCs. In total, 43 percent of service MNCs responded indicated that they spent over US$500 on training each employee, compared to 23 percent of manufacturing MNCs that responded (Table V). However, the correlation between industry and total training expenditure and total training programs is not statistically significant (Table III). Instead, there is a significant correlation between a number of production staff trained and manufacturing MNCs, suggesting that the
larger the manufacturing firm, the more likely they would train production staff (coefficient=0.151, p<0.01). Hence, the result partially supports H3. Statistically, it seems unreliable to use the differences in industry focus to predict different training practices, as indicated in the current study. Some large manufacturing firms also offered more training programs, to their employees in the production line. It is unlikely that there was a significant difference between manufacturing and service MNCs currently operating in Asia in their emphasis on employee training.

Firm size is, nonetheless, significantly correlated with the total training expenditure (coefficient=0.144, p<0.01) (Table III). In Table V, we further examined those firms (17 out of 374 MNCs responded) that spent minimum amounts of money on training. It was found that they were mostly smaller companies with less than 50 employees. These results support the H4 that smaller firms tend to spend less on training than the larger firms.

Further examination of Table III provides some evidence to nullify H5. The higher proportion of exporting does not necessarily indicate that firms spend more on training or provide more training programs. Export activities tend to be carried out by MNCs headquartered in Asia rather than in other areas; and manufacturing MNCs have a higher proportion of exports. So the results contradict the existing literature, which suggest that the more exports by the firms, the more training; and the more equity owned by foreign firms, the more likely they will provide training (Lynch and Black, 1995; Shen, 2005). This might be due to the number of service companies in the sample (281 firms out of 529), and that most of the service MNCs operating in the local subsidiaries tended to deliver services to local customers, instead of exporting their services.

One of the aims in this study is to explore the nature of training offered to employees in the local Asian subsidiaries. If managers and professional/technical staff have taken up more training as shown in H2, have they been trained externally or internally? Table VI indicates that managers and professional staff tend to undergo more external training programs than internal. When internal training mode was used, it was mainly on-the-job training for clerical, sales and service employees in the service sector, although production employees in the manufacturing sector were also likely to receive on-the-job training than off-the-job training (Table VII).

In regard to training issues, the respondents were required to indicate how effective training programs have been to achieve organisational goals. Only 30 percent of MNCs responded to this question. Out of 163 managers who responded to the question, three quarters indicated external training was moderately effective (Stahl and Zheng, 2002). When asked whether those received external training were satisfied with the programs, over half of the respondents (52 percent) indicated that they were not fully satisfied. They were then asked to rank the six areas of training concerns, namely:

1. number of programs available;
2. quality of programs offered internally;
3. quality of programs offered externally;
4. relevance of the programs;
In aggregate, the concern for quality and relevance of programs offered externally was particularly strong. The main concerns were cross-tabulated (omitting the quality of programs offered internally) with employee categories of “managers” and “professional and technical staff” who took part in most of the external training mode. Table VIII shows that in evaluating the external training mode, both categories of employees expressed the need to improve quality of training programs and relevance of the programs to meet the firms’ developmental needs.

5. Discussions, conclusions and implications

It appears that not only non-Asian owned MNCs have emphasised on training, some Asian-owned MNCs have also invested considerably in human capital development. Although extensive discussions have argued against the convergence hypothesis (Hofstede, 2001; Warner, 2002, Myloni et al., 2004; Carr and Pudelko, 2006), the results from this study tend to support the possibility of adopting some uniform HRM practices, such as similar emphasis on training, across different regions, despite different institutional settings and cultural norms between the Asian and non-Asian firms (Hofstede, 2001). This might be due to the increasing recognition of the importance of employee training in Asia to improve firm performance (e.g. Osman-Gani and Jacobs, 2005; Jaw et al., 2006). Von Glinow et al. (2002) and Schuler and Jackson (2005) have argued that the best HRM practices tend to be globalised and shared. Many Asian companies have discovered the benefits and effectiveness of adopting best practice HRM in achieving their organisation goals (Budhwar, 2004; Nankervis et al., 2006). They have also started to realise the benefit of using skilled labour (not only cheap labour) as a lure to attract foreign direct investment, and therefore place a greater emphasis on work-based training.

The findings from this study also show that training is provided more in the service sector, though some large manufacturing companies operating in Asia still invested in training their production employees. In recent years, there has been a greater shift from developing the manufacturing sector to developing the service sector in Asia (ADB, 2005). Therefore, it is likely that more skilled labour is required, leading to a higher demand in training and up-skilling of labour force in the service sector. However, the extent to which industry sectors differentiates the training practices is not very clear. This implies that in Asia, MNCs both in manufacturing and service sectors need to provide more training in order to achieve better performance (Shen, 2005; Osman-Gani and Jacobs, 2005; Jaw et al., 2006).

Although most MNCs emphasised training and offer training programs to local employees, there has been a greater concern on the relevance and quality of the programs, especially those offered externally. We particularly examined the externally offered training programs, which were mostly offered to managerial and professional staff. It is found that managers and professionals in Asia were not satisfied with the way they were trained. The training programs funded by multinational companies have not necessarily helped local employees’
skill and career advancement as most of the managers and professionals found them irrelevant and lacking in quality.

It is also found that the training determinants discussed in the literature may not all have sufficiently predicted the differences in training practices adopted by MNCs. For example, the use of parent source and firm size was more powerful than use of industry and international activity (i.e., export) to predict the training differences. This might be due to the exclusion of other important organisational factors. Future research should explore organisational attributes, such as structure, culture, managerial philosophy and global business strategy taken by MNCs to examine their impacts on training practices.

Another limitation of the current study is the lack of scope for further inquiry on what types of training programs would be regarded as more relevant and useful by local employees. Therefore future research should be conducted to specifically address different types of employee training required by local subsidiaries of MNCs. There is also scope for future research into the types of training programs offered in manufacturing and service sectors to evaluate the effectiveness of training in different sectors. Furthermore, it would be worthwhile to compare different types of training and training methods adopted by Asian companies and those MNCs headquartered elsewhere so as to more accurately measure the effectiveness of training in these organisations.

The main implications for those MNCs headquartered in Europe or other non-Asian regions are that training is an important issue in the present competitive business environment, and that it needs be addressed at the organisational level, as a part of an overall human resource management strategy. MNCs, when starting up in Asia, need to recognise the importance of addressing local employees' training needs, not just following their global HR/training strategy. A differentiation strategy will be required with an emphasis on quality staffing and offering of various quality and relevant training programs. By doing so, MNCs will be better able to compete with local firms, as many Asian owned companies have also started to adopt a talent attraction and retention strategy by offering quality training and development programs.

This paper has examined the extent and nature of training expenditure, training programs and training concerns of multinational companies operating in six Asian countries. By focusing on the issues of training practices and comparison of differences between Asian and non-Asian MNCs, this study provides HR professionals and practitioners with some insights into the need to develop effective and relevant training programs to assist their companies to compete in the dynamic Asian business environment.
D1 What is the amount (US$) that your company spends per worker each year on training for each of the following occupational categories?
(Note: all questions refer to your domestic company, not your parent company)

(1) Managers
(2) Professional and Technical Staff
(3) Clerical Staff
(4) Production staff

D2 How are employees in the following occupational categories trained at this company?

<table>
<thead>
<tr>
<th>Occupation</th>
<th>(1) On the job training</th>
<th>(2) In house, off the job training</th>
<th>(3) Externally provided (including consultants brought in house for training)</th>
<th>(4) Other - Specify</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional and Technical Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clerical, sales &amp; service Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

D3 How many have your company offered the following training programs to different types of employees?

<table>
<thead>
<tr>
<th>Occupation</th>
<th>(1) Apprenticeship</th>
<th>(2) Traineeship</th>
<th>(3) Scholarship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional and Technical Staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clerical, sales &amp; service Staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production staff</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

D4 How effective are these training programs to achieve your organisational performance?

Very effective (1)___  Moderately effective (2)___  Ineffective (3)___

D5 Generally speaking, are you satisfied with the training programs offered at this company?

YES (1)_____  NO (2)_____

D6 IF ‘NO’, what are the main problems to be addressed. Tick all those that are important.

___ Amount of training available to employees
___ Quality of externally provided training
___ Quality of in-house training
___ Relevance of training programs to skill requirements
___ Flexibility of delivery
___ Comprehensiveness of training programs
___ Others

Figure 1 Training related questions included in the skill shortage and training needs survey questionnaire
### Table I
Survey profile – MNCs operating in Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Manufacture MNCs</th>
<th>Service MNCs</th>
<th>Asian owned MNCs</th>
<th>Non-Asian owned MNCs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>26</td>
<td>35</td>
<td>26</td>
<td>35</td>
<td>61</td>
</tr>
<tr>
<td>Malaysia</td>
<td>34</td>
<td>66</td>
<td>23</td>
<td>77</td>
<td>100</td>
</tr>
<tr>
<td>Philippines</td>
<td>50</td>
<td>31</td>
<td>51</td>
<td>30</td>
<td>81</td>
</tr>
<tr>
<td>Singapore</td>
<td>44</td>
<td>67</td>
<td>77</td>
<td>34</td>
<td>111</td>
</tr>
<tr>
<td>Taiwan</td>
<td>45</td>
<td>55</td>
<td>54</td>
<td>46</td>
<td>100</td>
</tr>
<tr>
<td>Thailand</td>
<td>49</td>
<td>27</td>
<td>43</td>
<td>33</td>
<td>76</td>
</tr>
<tr>
<td>Total</td>
<td>248</td>
<td>281</td>
<td>274</td>
<td>255</td>
<td>529</td>
</tr>
</tbody>
</table>

### Table II
Average training expenditure – comparison by parent source

<table>
<thead>
<tr>
<th>Training expenditure/employee (US$)</th>
<th>Asian owned MNCs</th>
<th>Non-Asian owned MNCs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&lt; 100</td>
<td>177</td>
<td>197</td>
<td>374</td>
</tr>
<tr>
<td>101 $&lt; S &lt; 500</td>
<td>97</td>
<td>58</td>
<td>155</td>
</tr>
<tr>
<td>501 $&lt; S &lt; 1,000</td>
<td>274</td>
<td>255</td>
<td>529</td>
</tr>
</tbody>
</table>

Note: Chi-square = 10.355 (p < 0.016)

### Table III
Correlations of training determinants

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total training expenditure</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average training expenditure</td>
<td>0.183*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers trained (T + S)</td>
<td>0.085</td>
<td>0.202**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professionals trained (T + S)</td>
<td>0.034</td>
<td>0.229**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others trained (T + S)</td>
<td>0.007</td>
<td>0.007</td>
<td>0.006**</td>
<td>0.223**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production (A + T)</td>
<td>−0.012</td>
<td>0.009**</td>
<td>0.009**</td>
<td>0.203**</td>
<td>0.230**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total training programs</td>
<td>0.037</td>
<td>0.009**</td>
<td>0.012**</td>
<td>0.010**</td>
<td>0.058**</td>
<td>0.058**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>0.144**</td>
<td>0.065</td>
<td>0.062</td>
<td>0.193**</td>
<td>0.060**</td>
<td>0.123**</td>
<td>0.043**</td>
<td>0.209**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>0.064</td>
<td>0.095</td>
<td>0.054</td>
<td>0.000</td>
<td>−0.044</td>
<td>0.152**</td>
<td>0.034**</td>
<td>0.019</td>
<td>0.080**</td>
<td>0.032</td>
<td>0.050</td>
</tr>
<tr>
<td>MNCs' parent source = non-Asia</td>
<td>−0.038</td>
<td>0.058</td>
<td>0.005**</td>
<td>0.085</td>
<td>0.000</td>
<td>0.074</td>
<td>0.086**</td>
<td>0.032</td>
<td>−0.050</td>
<td>0.034**</td>
<td>−0.019**</td>
</tr>
<tr>
<td>Percentage of output exported</td>
<td>−0.079</td>
<td>0.066</td>
<td>0.048</td>
<td>0.095</td>
<td>−0.094</td>
<td>0.039</td>
<td>0.031</td>
<td>0.001</td>
<td>0.130**</td>
<td>0.341**</td>
<td>−0.190**</td>
</tr>
</tbody>
</table>

Notes: * Pearson correlation is significant at the 0.05 level (two-tailed) and ** at the 0.01 level (two-tailed).

T + S = Training and Scholarships offered to managerial, professional and other categories of employees; A + T = Apprenticeship and Traineeship offered to production employees; Other categories of employees include clerical, sales and service.
<table>
<thead>
<tr>
<th>Employee categories</th>
<th>Number of MNCs responded</th>
<th>Average number of programs offered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Managers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traineeship</td>
<td>276</td>
<td>2.12</td>
</tr>
<tr>
<td>Scholarship</td>
<td>279</td>
<td>1.81</td>
</tr>
<tr>
<td><strong>Professional and technical</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traineeship</td>
<td>299</td>
<td>7.48</td>
</tr>
<tr>
<td>Scholarship</td>
<td>302</td>
<td>2.61</td>
</tr>
<tr>
<td><strong>Sales, services and clerical</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traineeship</td>
<td>280</td>
<td>2.48</td>
</tr>
<tr>
<td>Scholarship</td>
<td>279</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apprenticeship</td>
<td>225</td>
<td>4.66</td>
</tr>
<tr>
<td>Traineeship</td>
<td>236</td>
<td>2.05</td>
</tr>
</tbody>
</table>

**Table IV.**
Traineeships, scholarships and apprenticeships offered by MNCs in Asia – different employee categories

<table>
<thead>
<tr>
<th>Training expenditure/employee (US$)</th>
<th>Small</th>
<th>Small-medium</th>
<th>Medium</th>
<th>Large</th>
<th>Total</th>
<th>Small</th>
<th>Small-medium</th>
<th>Medium</th>
<th>Large</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing MNCs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ &lt; 100</td>
<td>3</td>
<td>6</td>
<td>22</td>
<td>37</td>
<td>71</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td>34</td>
<td>75</td>
</tr>
<tr>
<td>101 &lt; $ &lt; 500</td>
<td>2</td>
<td>12</td>
<td>29</td>
<td>19</td>
<td>62</td>
<td>14</td>
<td>21</td>
<td>21</td>
<td>43</td>
<td>86</td>
</tr>
<tr>
<td>501 &lt; $ &lt; 1,000</td>
<td>1</td>
<td>23</td>
<td>5</td>
<td>12</td>
<td>11</td>
<td>5</td>
<td>17</td>
<td>5</td>
<td>26</td>
<td>38</td>
</tr>
<tr>
<td>&gt;1,000</td>
<td>6</td>
<td>2</td>
<td>12</td>
<td>7</td>
<td>28</td>
<td>14</td>
<td>12</td>
<td>6</td>
<td>48</td>
<td>75</td>
</tr>
<tr>
<td>Total</td>
<td>(43)</td>
<td>(13)</td>
<td>(49)</td>
<td>(11)</td>
<td>(69)</td>
<td>(29)</td>
<td>(29)</td>
<td>(29)</td>
<td>(58)</td>
<td>(98)</td>
</tr>
<tr>
<td>Missing cases</td>
<td>(150)</td>
<td>(23)</td>
<td>(69)</td>
<td>(100)</td>
<td>(600)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>

**Table V.**
Average training expenditure per employee – comparison by industry and size

<table>
<thead>
<tr>
<th>Employee categories</th>
<th>Number of manufacturing MNCs responded (238) (percentage)</th>
<th>Number of service MNCs responded (261) (percentage)</th>
<th>Total cases included in analysis (499)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>168 (70.6)</td>
<td>169 (64.8)</td>
<td>337 (67.5)</td>
</tr>
<tr>
<td>Professional and technical</td>
<td>159 (66.8)</td>
<td>163 (62.5)</td>
<td>322 (64.5)</td>
</tr>
<tr>
<td>Clerical, sales and service</td>
<td>97 (40.8)</td>
<td>115 (44.1)</td>
<td>212 (42.5)</td>
</tr>
<tr>
<td>Production</td>
<td>60 (25.2)</td>
<td>21 (8)</td>
<td>81 (16.2)</td>
</tr>
<tr>
<td>Missing cases</td>
<td>10</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>248</td>
<td>281</td>
<td>529</td>
</tr>
</tbody>
</table>

**Table VI.**
External training mode used by MNCs – industry comparison

**Notes:** Chi-square values are all low for each employee category, it seems that both manufacturing and service companies use external training mode extensively for managerial and professional training. Figures shown in parentheses are percentages.
Table VII
Internal training mode used by MNCs for low-ranking employees

<table>
<thead>
<tr>
<th>Employee categories</th>
<th>On-the-job training</th>
<th>Off-the-job training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Service</td>
</tr>
<tr>
<td>Clerical, sales and service</td>
<td>167 (60.6)</td>
<td>205 (80.1)</td>
</tr>
<tr>
<td>Production</td>
<td>177 (73.8)</td>
<td>71 (27.7)</td>
</tr>
<tr>
<td>Missing cases</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>245</td>
<td>281</td>
</tr>
</tbody>
</table>

Notes: Chi-square values are not significant, indicating internal training being adopted for training lower ranking employees both by manufacturing and service MNCs. Figures shown in parentheses are percentages.

Table VIII
Internal training mode used by MNCs for low-ranking employees

<table>
<thead>
<tr>
<th>Areas of concern for training</th>
<th>MNCs</th>
<th>Service</th>
<th>Professional and technical</th>
<th>Manufacturing</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount available</td>
<td>91 (64.2)</td>
<td>107 (63.3)</td>
<td>88 (55.3)</td>
<td>102 (62.6)</td>
<td></td>
</tr>
<tr>
<td>Quality of programs</td>
<td>122 (72.6)</td>
<td>104 (61.5)</td>
<td>117 (73.6)</td>
<td>116 (71.2)</td>
<td></td>
</tr>
<tr>
<td>Relevance of programs</td>
<td>131 (78.6)</td>
<td>129 (76.3)</td>
<td>123 (77.4)</td>
<td>123 (75.5)</td>
<td></td>
</tr>
<tr>
<td>Flexibility of delivery</td>
<td>87 (51.8)</td>
<td>73 (43.2)</td>
<td>87 (54.7)</td>
<td>73 (44.8)</td>
<td></td>
</tr>
<tr>
<td>Completeness</td>
<td>92 (59.0)</td>
<td>55 (30.7)</td>
<td>51 (32.1)</td>
<td>39 (20.2)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>168</td>
<td>169</td>
<td>159</td>
<td>163</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Chi-square values are not significant, indicating similar concern applied to both categories of employees in both manufacturing and service industry. Figures shown in parentheses are percentages.

Table VIII
Key training concerns by employees using external training mode

References


[Manual request] [Infotrieve]


[Manual request] [Infotrieve]


[Manual request] [Infotrieve]


[Manual request] [Infotrieve]


About the authors

Connie Zheng is a lecturer at the School of Management and Information Systems, Central Queensland University. She holds a PhD in Human Resource Management from Charles Sturt University, Australia (2004) and has been publishing her research outcomes in refereed journals and various conference proceedings. Her research interests cover small and medium-sized enterprise management, strategic human resource management, and organizational
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Paul Hyland is professor of management in the Faculty of Business and Informatics at Central Queensland University. Dr Hyland is active and a Board member in CINet (the Continuous Innovation Network). A global network set up to bring together researchers and industrialists working in the area of continuous innovation. The underlying idea of CINet is that in the near future businesses will rely more and more on individuals and their commitment to learning and diffusing innovation at all levels and in all parts of an organisation. He is currently involved in international research activities in Europe, Australia and SE Asia in continuous improvement and new product development. He has published over 40 refereed journal articles, four book chapters and over 100 international conference papers.

Claudine Soosay is a lecturer at the School of Management, University of South Australia focusing on logistics, supply chain and operations management. She obtained her PhD in 2003 from the University of Western Sydney in Innovation and Management. She has published in several international journals and conferences. Her research fields of expertise include innovation management, logistics and supply chain management, knowledge management, organisational capabilities, competencies and innovation at the firm, industry and national levels.