

**THE EFFECT OF EXPATRIATE SALARY ON HOST COUNTRY
NATIONALS IN SOUTH AFRICA: A STUDY INVOLVING PERCEIVED
COMPENSATION DISPARITY, ORGANISATIONAL COMMITMENT AND
JOB SATISFACTION**

by

NATASHA SAGE

Submitted in partial fulfilment of the requirements for the degree

MAGISTERS COMMERCII INDUSTRIAL PSYCHOLOGY

in the

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

at the

UNIVERSITY OF PRETORIA

SUPERVISOR: Dr. N. BARKHUIZEN

NOVEMBER 2011

ACKNOWLEDGEMENTS

I can do all things through Christ who strengthens me...Philippians 4:14. Thank you, Father God for your unwavering commitment and unconditional love. You reminded me to take refuge in you when I was tired. You constantly supplied me with energy and gave me a focused mind. You are an awesome God!

To my dearest husband (Martin Sage), you have been my constant; providing support, encouragement, unconditional love, commitment and communication. Thank you for creating calmness when there was noise. You have been kind, good, faithful, loving, joyful, peaceful, gentle and most of all self-controlled. This journey and task would have not been possible without you! I love you dearly.

My parents (Lynda and Sakkie Vlok) thank you for your continual encouragement and sympathising words. This thesis would not have been a reality if you did not open my eyes to the world of academics, you provided me with opportunity by giving me financial and emotional support. I hope to follow the same example with my son as you have set for me.

Nicolene Barkhuizen, my Supervisor, your energy makes all things possible. Thank you for imparting your knowledge, experience and mostly leading me to the finish line.

To my Bulgarian Family in Christ, thank you for continual prayers!

The “other” Natasha (Natasha Gerber), one can only survive this journey with some laughter and good sound advice, thank you Natasha for keeping me focused and smiling.

DECLARATION

I declare the following:

1. I understand what plagiarism entails and am aware of the University's policy in this regard.
2. I declare that this assignment is my own, original work. Where someone else's work was used (whether from a printed source, the Internet or any other source) due acknowledgement was given and reference was made according to departmental requirements.
3. I did not copy and paste any information directly from an electronic source (e.g., a web page, electronic journal article or CD ROM) into this document.
4. I did not make use of another student's previous work and submitted it as my own.
5. I did not allow and will not allow anyone to copy my work with the intention of presenting it as my own work.



Signature

30 November 2011

Date

TABLE OF CONTENTS

1.	INTRODUCTION.....	1
1.1.	BACKGROUND.....	1
1.2.	PROBLEM STATEMENT	4
1.3.	PURPOSE STATEMENT	5
1.4.	RESEARCH OBJECTIVES AND HYPOTHESES	5
1.5.	IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY	6
1.5.1.	Academic Impacts	6
1.5.2.	Practical Relevance.....	6
1.6.	DEFINITION OF KEY TERMS.....	7
1.7.	CHAPTER OUTLINE.....	8
1.8.	CONCLUSION.....	10
2.	LITERATURE REVIEW	11
2.1.	INTRODUCTION.....	11
2.2.	COMPENSATION DISPARITY BETWEEN HCNS AND EXPATRIATES.....	13
2.2.1.	Evolution of Expatriates: The 21 st Century	13
2.2.2.	Ethnocentric Compensation Policies for Expatriates	14
2.3.	PERSPECTIVE ON THE COMPENSATION DISPARITY BETWEEN HCNS AND EXPATRIATES: SOCIAL EXCHANGE THEORY.....	17
2.3.1.	Introduction.....	17
2.3.2.	Theory Overview	17
2.3.3.	Fairness and the Social Exchange Theory.....	18
2.3.4.	Organisational Justice	19
2.3.5.	Social Comparison Theory	23
2.4.	COGNITIVE AND PSYCHOLOGICAL IMPLICATIONS OF SOCIAL COMPARISON WHERE INEQUITY IS PERCEIVED.....	29
2.4.1.	Organisational Commitment.....	30

2.4.2.	Job Satisfaction	34
2.5.	FINDINGS FROM SIMILAR STUDIES	38
2.5.1.	China – Measured HPCD, effect on job attitudes and moderating effects....	39
2.5.2.	Mexico – Measured HPCD and its effect on affective commitment.....	39
2.5.3.	China – Measured HPCD, it’s effect on perception of fairness, moderated by local advantage	40
2.5.4.	Spain – Measured actual pay differential, it’s effect on perceived pay unfairness and moderating factors	40
2.6.	CONCLUSION.....	40
3.	RESEARCH DESIGN AND METHODS	43
3.1.	INTRODUCTION	43
3.2.	DESCRIPTION OF INQUIRY STRATEGY AND BROAD RESEARCH DESIGN.....	43
3.2.1.	Quantitative Research	44
3.2.2.	Descriptive Research	45
3.2.3.	Survey Research	46
3.2.4.	Primary data	47
3.2.5.	Applied Research	47
3.2.6.	Cross Sectional	48
3.2.7.	Limitations	48
3.3.	SAMPLING	49
3.3.1.	Units of analysis	49
3.3.2.	Sample from whom the data will be collected: sampling unit.....	50
3.3.3.	Selection of respondents	51
3.4.	DATA COLLECTION	52
3.4.1.	Screening out respondents who did not fit the criteria	52
3.4.2.	Measuring HPCD	53
3.4.3.	Measuring OC	54
3.4.4.	Measuring JS	55
3.4.5.	Other measurements.....	56

3.5.	RESEARCH PROCEDURE.....	56
3.6.	STATISTICAL DATA ANALYSIS.....	57
3.7.	ASSESSING AND DEMONSTRATING THE QUALITY AND RIGOUR.....	58
3.7.1.	Research Ethics	58
3.7.2.	Minimising measurement error	61
3.8.	SUMMARY	63
4.	RESULTS AND DISCUSSION	64
4.1.	INTRODUCTION	64
4.2.	DATA COLLECTION RESULTS AND CHALLENGES	64
4.3.	DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE	65
4.3.1.	Detailed Sample Statistics.....	65
4.3.2.	Other Demographic Statistics.....	68
4.4.	DESCRIPTIVE ANALYSIS OF KEY VARIABLES	75
4.5.	HYPOTHESES TESTING.....	79
4.5.1.	Testing Hypothesis “H1”	79
4.5.2.	Testing Hypothesis “H2”	83
4.5.3.	Testing Hypothesis “H3”	85
4.6.	OTHER OBSERVATIONS.....	86
4.7.	SUMMARY	87
4.7.1.	Key findings.....	87
5.	CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS.....	89
5.1.	CONCLUSIONS	89
5.1.1.	Practical implications.....	89
5.1.2.	Theoretical implications.....	90
5.2.	LIMITATIONS	91
5.2.1.	Generalizability.....	91
5.2.2.	Rigorousness	92
5.2.3.	Variables	92

5.2.4. Assumptions.....	93
5.3. RECOMMENDATIONS	93
5.3.1. Consider the relationship between HPCD and JS	93
5.3.2. Salary adjustments	94
5.3.3. Practices that discourage HCNs from comparing with expatriates – dampen the negative effects on job satisfaction.....	94
5.3.4. Awareness discussions	95
5.3.5. Future Research.....	96
5.4. FINAL REMARK	98
LIST OF REFERENCES.....	99

APPENDICES

APPENDIX A: Data collection instruments	113
APPENDIX B: Organisation consent form	119
APPENDIX C: Informed consent form	121

LIST OF FIGURES

Figure 1: Full cognitive model employed during literature review.....	12
Figure 2: HPCD section of full cognitive model employed during literature review	13
Figure 3: Answers to the question: “Why did you choose to become an expat?” (HSBC Bank International: Expat Explorer Survey, 2009)	15
Figure 4: HPCD and social exchange theory section of full cognitive model employed during literature review.....	18
Figure 5: Adapted Outcomes / Input ratio comparison (Equity Theory) (Parhizgar, 2002:131).....	20
Figure 6: Full cognitive model employed during literature review.....	30
Figure 7: You hold a similar position or hierarchical level as an expatriate?	69
Figure 8: You work in close proximity (location) with an expatriate?.....	69
Figure 9: You are aware of what the expatriate earns within your organisation?.....	70
Figure 10: Do you compare your salary (full compensation package) to the expatriate (overseas employee) within your organisation?	71
Figure 11: The same amount of effort and work is required from you and the expatriate ..	73
Figure 12: The expatriate has more qualifications and work experience than you.....	74
Figure 13: The expatriate has adequate experience and skills to fulfil the assignment within your local organisation?	75
Figure 14: Mean Scores of JS factors.....	78
Figure 15: Frequency distribution of HPCD	80

LIST OF TABLES

Table 1: Abbreviations used in this document	8
Table 2: When HCNs select expatriate referents: A model.....	27
Table 3: Applicability of each research type to this study.....	45
Table 4: MSQ 20 Facets	55
Table 5: Gender.....	65
Table 6: Age	66
Table 7: Home language.....	66
Table 8: Qualification	67
Table 9: Job title	67
Table 10: Years working with expatriates	67
Table 11: Years in current position	68
Table 12: Organisational Commitment Descriptive Statistics.....	76
Table 13: Job Satisfaction Descriptive Statistics.....	77
Table 14: Frequency Distribution of HPCD.....	80
Table 15: Descriptive Statistics of HPCD.....	81
Table 16: Correlation analysis between HPCD and OC (Organisational Commitment)....	84
Table 17: Correlation analysis between HPCD and JS.....	85
Table 18: Correlation analysis between HPCD and JS dimensions.....	86

ABSTRACT

Background and Aim:

Skills shortages in international organisations are commonly remedied with the use of expatriates. These expatriates are well paid for their expertise as well as for relocation “inconvenience”. However, it has become widely known internationally that expatriates receive far more attractive remuneration than their Host Country National (HCN) colleagues (local employees). The need for this study was formed on the basis of the HCN’s perception of this disparity and whether it could have a negative effect on his / her job attitudes.

The main purpose of the research study described herein is to investigate the relationship between the expatriate-HCN pay differential in perspective of the HCN’s perceptions of pay unfairness, and the impact thereof on the organisation commitment and job satisfaction of HCN’s. More specifically this research aimed at determining whether there is (1) a HCN-Perceived Compensation Disparity (HPCD) between (HCNs) and expatriates, whether there is (2) a relationship between HPCD and the HCN’s Organisational Commitment (OC), and whether there is (3) a relationship between HPCD and the HCN’s Job Satisfaction (JS).

Method:

A cross-sectional survey design was used, with a purposive sample (N = 86) taken from organisations across several industrial sectors in South Africa. A single-item scale for HPCD, the Minnesota Satisfaction Questionnaire (MSQ) and Organisational Commitment Questionnaire (OCQ) were administered to professional and skilled Host Country Nationals (HCNs) of South Africa, working on a same or similar hierarchal level as expatriates. Descriptive statistics, data analysis and hypothesis testing were performed using Statistical Package for the Social Sciences (SPSS) software, outputting frequency tables, mean, standard deviation, Cronbach’s alpha coefficients (testing for reliability) and Pearson correlation coefficients to investigate relationships.

Results:

Results showed existence of an HPCD (Host Country National Perceived Compensation Difference). No significant relationship was observed between the HPCD and Organisational Commitment (OC) ($r_{(df = 86; p = 0.243)} = -0.129$). A practically significant negative correlation (medium effect) was observed between HPCD and Job Satisfaction (JS), ($r_{(df = 86; p = 0.002)} = -0.336$). These results were supported by the findings from a literature review, with the exception of the lack of statistical significance in the HPCD and OC relationship.

Practical Relevance:

Interpretations from all the results were made and future theoretical and practical recommendations to the HRM industry are proposed. This research provides valuable insight into the South African context, filling a literature gap in this area and provides knowledge with regards to the applicability of the equity theory and social comparison theory in the workplace.

Keywords: expatriates, host country nationals, job satisfaction, organisational commitment, perceived inequity.

THE EFFECT OF EXPATRIATE SALARY ON HOST COUNTRY NATIONALS IN SOUTH AFRICA: A STUDY INVOLVING PERCEIVED COMPENSATION DISPARITY, ORGANISATIONAL COMMITMENT AND JOB SATISFACTION

1. INTRODUCTION

The introductory chapter begins by presenting a background to the study, i.e. how globalisation is calling for the use of expatriates and how significant research has been done to increase their effectiveness. It also presents how employees compare their employment conditions and how HRM has a role to adopt a holistic approach in such areas, before justifying the use of South Africa as a study context. A problem statement is then provided which summarises how a compensation disparity has arisen and that there is a gap in current knowledge with respect to the effect that this disparity has on the HCN's attitudinal behaviours. This is followed by a statement of the purpose of the study, which is essentially to investigate this problem. From the purpose, specific research objectives were derived, i.e. to determine whether there is a perceived compensation differential within the South African sample set and to verify and investigate the relationship between this differential and the HCN's OC and JS. The importance and benefits of the study are then presented in the form of academic and practical impacts that the study could have within the human resources field and on organisations that implement the study's findings.

1.1. BACKGROUND

Globalisation Calls for Use of Expatriates

Since the start of the 21st century, it has become apparent that economic and environmental changes are occurring on a global scale. These changes are not only clearly visible, but have become both unavoidable and persistent (van Tonder, 2004). Organisations are now becoming multidimensional and diverse in nature, exploring across borders as the world becomes a "global village" (Sinangil & Ones, 2001:424). International ventures are creating multinational companies as a result of seeking new growth, market opportunities and competitive edge, especially in less-developed countries.

As a result of this rapid increase in globalisation, businesses are becoming more reliant on expatriates (Mello, 2006). Expatriates are the ‘workhorses’ being moved abroad to develop and maintain global operations (Romero, 2002). In order for organisations to sustain achievements and continue in adapting to the global requirements, knowledge and skills must be strategically transferred in the short to medium-term. It is evident that expatriates play an important role in transporting knowledge and skills across international boundaries (Hocking, Brown, & Harzing, 2004). As this is a critical role in maintaining organisations’ successfulness, human resources researchers are making significant efforts to better understand the expatriate and his needs.

Research for Increased Expatriate Effectiveness

Research and theory on expatriates has gained much momentum in recent years and has become voluminous as a result. Such research has extensively covered almost all known areas to ensure expatriate adjustment, success and effectiveness (Mezias & Scandura, 2005; Thomas, 2002; Tung, 1987). This includes the process of how to manage expatriates as a resource as well as the mechanics of their overseas assignments. Other important factors include but are not limited to: recruitment and selection (Collings, Scullion, 2009), expatriate training (Romero, 2002), compensation packages (Harvey, 1993; Lowe, Milliman, De Cieri, & Dowling, 2002; Reynolds, 1997; Solomon, 1995) and the cooperativeness of the HCN (Host Country National / local employee) (Takeuchi, 2010; Toh & Denisi, 2003, 2005). The latter is a particularly interesting example of how the HCN could affect the expatriate’s success, which in turn could affect the success of the organisation.

Conversely, the organisation’s success could be equally if not more influenced by the HCN’s effectiveness, which could in turn be affected by the expatriates’ influence. One important influencing factor is the comparison of their employment conditions.

Comparison of Employment Conditions

Employment conditions usually differ significantly for HCNs and expatriates: Ethno-centric payment policies, i.e. remuneration based on the employee’s origin or ethnicity are often used - usually to the disadvantage of the HCN. Indeed it is true that HCNs are generally compensated substantially less than their expatriate counterparts (Black, Gregersen,

Mendenhall, & Stroh, 1999; Harvey, 1993; Reynolds, 1997; Solomon, 1995). In fact, an expatriate can earn up to three to five times the amount of an HCN, despite these employees / colleagues in some instances having equal responsibility (Bonache, Sanchez, & Zárraga-Oberty, 2009), similar job requirements or hold the same qualifications. Still, in order to keep up with change, organisations are focused on the mobility across borders and increased effectiveness which in turn leads to a more tolerating stance of high salary demands from the expatriate. Although this payment method may be suitable and equitable for the expatriate, what are the counter-effects on the HCN?

In today's fast-changing world our lives have become significantly work-centred. An important determinant of an individual's perceived achievement is his salary level and even more so, the comparison of this against salaries of other individuals, co-workers, friends or family. This is to be expected since as social beings we have a natural tendency to compare ourselves (Paik, Parboteeah, & Shim, 2007). This comparative measure also allows us as individuals to determine our importance within an organisation. If a salary disparity is perceived by the HCN, the feeling of importance can easily be diminished. Furthermore, injustice can result in a plethora of more serious problems: psychological, behavioural and attitudinal, which could be particularly detrimental to the organisation (Scholl, Cooper, & McKenna, 1987). These problems almost always affect staff morale, commitment and job satisfaction, resulting in reduced effectiveness, all of these being key concerns within the principles of Human Resource Management (HRM) within any organisation.

HRM role for a holistic approach in managing human resources

The employee is not an isolated individual but someone who is surrounded by groups, systems and processes. Within these, Human Resource literature has shown how this is a contribution to the employee's effectiveness (Aguinis & Cascio, 2005; Mello, 2006; van Tonder, 2004). This research should exercise a holistic view both on a local and global scale. Therefore it is important that it transcends beyond the one-sided expatriate study and advocates a strategically integrated approach which includes the HCN's response to the expatriates, specifically the perceptions that HCNs may hold due to the imbalance in remuneration. Failure to view the organisation as an integrated system could cause the

very practices implemented for achievement of expatriate success to be detrimental to the HCN's success, and hence to the detriment of the success of the organisation.

HCNs as an Employee Group

Given the requirement for a holistic HRM approach, a peculiarity emerges: HCNs usually exceed expatriates in number and hence in many cases contribute more towards work output and total labour costs. Therefore they are a vital counterpart for a successful organisation, yet erroneously they are often omitted from the expatriate equation. To correct this, looking forward, all research and management efforts (including recruitment of expatriates and all the success factors that accompany this), must consider the potentially negative effect(s) on the HCN.

South African Context

The loss of skills in South Africa due to migration of skilled people to developed countries became a significant reality prior to the collapse of apartheid (Marks, 2004). Subsequently, a drive for skills in South Africa has recently been given high priority because of these skills shortages. Supporting this, Minister of Education, Pandor (n.d.) said "If we need to import skills to this country, then we must" (Warby, 2007). Since then, the existing skilled workforce in South Africa has begun to increase (Warby, 2007). Nevertheless, expatriate assignments are still being used extensively to fill manpower gaps. It is important to note however, that in some cases the skills difference between the local employees and the expatriate is minimal. As a result, the local employees may have a belief that they should be treated equally to the expatriates (Tremblay, St-Onge, & Toulous, 1997). In these circumstances, salary discrepancies may become more evident (Adams, 1965). This could have a negative influence on the local employees' job satisfaction and organisational commitment. South Africa therefore provides a suitable and interesting context in which to study this phenomenon.

1.2. PROBLEM STATEMENT

The considerable attention to expatriate management and compensation policies has in many cases lead to a salary disparity between expatriates and HCNs. This is a concern since the HCN's perception of this disparity may negatively affect his job satisfaction,

organisational commitment and hence effectiveness. To address this, a call has been given for greater attention to be paid to this disparity. Sparsely (only in the last nine years), research has identified this disparity and the effect that it may have on the HCN (Bonache *et al.*, 2009; Leung, Wang, & Smith, 2001; Leung, Zhu, & Ge, 2009; Paik *et al.*, 2007; Sinangil & Ones, 2001; Toh & Denisi, 2003, 2005). However, these studies are still primarily focussed on the counter-effect that this will have on the *expatriate's* success. Therefore, research appears to overlook the main effect that the disparity has on the HCN's own success factors (and hence the success of the organisation). Furthermore, the available literature on the relationship between compensation disparity, organisational commitment and job satisfaction is rather limited (Paik *et al.*, 2007), and no such literature was found within the South African context.

1.3. PURPOSE STATEMENT

The main purpose of the research study described herein is to investigate the relationship between the expatriate-HCN pay differential in perspective of the HCN's perceptions of pay unfairness, and the impact thereof on the organisation commitment (OC) and job satisfaction (JS) of HCN's.

1.4. RESEARCH OBJECTIVES AND HYPOTHESES

The objectives of this study, within a South African context, are to:

- Determine whether there is an HPCD (HCN-perceived compensation differential)
- Determine whether there is a relationship between the HPCD and OC
- Determine whether there is a relationship between the HPCD and JS

In order to research these objectives they have been translated into the following hypotheses:

- H1: HCNs perceive that they¹ have lower compensation compared to expatriates
- H2: The compensation gap between HCN and expatriates is negatively correlated to Organisational Commitment
- H3: The compensation gap between HCN and expatriates is negatively correlated to Job Satisfaction

1.5. IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY

1.5.1. Academic Impacts

From an academic perspective, this study could:

- Help to fill the literature gap (described in section 1.2) and hence provide a more balanced HRM picture with regard to employment of expatriates;
- Assist organisations in understanding equity-theory predictions;
- Testing mediating factors such as OC and JS can form the basis for future research on behavioural outcomes;
- Form the basis for future trade-off studies, e.g. the trade-off between the positive effect on organisational success by employing the expatriate and the negative effect on the organisation's success by (paying him too much and creating an HPCD).

1.5.2. Practical Relevance

From a practical perspective, this study could:

- Identify the existence of an HPCD in South Africa which may suggest or identify a similar problem globally
- Identify the need for HRM to manage / reduce the HPCD

¹ The *group* of HCNs, not the individual

- Improve HCN JS and OC
- Improve organisational success

1.6. DEFINITION OF KEY TERMS

This section provides definitions for the key terms in this dissertation. In many cases within the text/chapters more than one definition was found and discussed in detail as well as the origins and various aspects or perspectives around these definitions. The definitions provided here serve only as guide to the first-time reader. In addition, the definitions are followed by a list of abbreviations and their meanings.

Expatriate

Expatriates are individuals who leave their country of birth to fulfil a job-related goal in another country for a period of a few years (Aguinis & Cascio, 2005; Sinangil & Ones, 2001). In this case the expatriate is fulfilling a job-related goal within South Africa for a period of a few years.

Host Country Nationals (HCN)

HCNs are those employees who are native to South Africa and working within South Africa

Job Satisfaction (JS)

JS is about how we think and feel about our jobs. JS is defined as "the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs" (Spector, 1997:2). For more details refer to section 2.4.2.

Organisational Commitment (OC)

OC is a multidimensional construct (Allen & Meyer, 1990; Mayer & Schoorman, 1992; Meyer & Allen, 1991; O'Reilly & Chatman, 1986). Which has one common theme - which is the employees need to remain with the organisation. The sub-dimensions of OC are discussed in detail in section 2.4.1.

HCN-perceived Compensation Disparity (HPCD)²

Section 2.2.2 of the literature review describes in detail how an inequity in compensation exists between expatriates and local employees. What is important for this study is that this inequity is viewed from the HCN's perspective, and that it is the *perception* of this disparity that could influence HCN job behaviours/attitudes and not the disparity itself. Hence, the term *HCN-perceived Compensation Disparity*.

Table 1 provides a summary of all abbreviations used throughout the study.

Table 1: Abbreviations used in this document

Abbreviation	Meaning
AC	Affective Commitment
HCN	Host Country National
HPCD	HCN-perceived Compensation Disparity
HR	Human Resource
HRM	Human Resource Management
IHRM	International Human Resource Management
JDI	Job Descriptive Index
JS	Job Satisfaction
JSE	Johannesburg Stock Exchange
MSQ	Minnesota Satisfaction Questionnaire
OC	Organisational Commitment
OCQ	Organisational Commitment Questionnaire
SPSS	Statistical Package for the Social Sciences (software)

1.7. CHAPTER OUTLINE

CHAPTER 2 - LITERATURE REVIEW

This extensive literature review has two main goals: Firstly, to research for better understanding the theory behind the principles and concepts discussed in this study, and secondly, to provide background on what other researchers have done in these areas. It begins with an introduction of these phenomena and contextualises them in the form of a

² In many cases more than one synonym is available for specific terms used in this dissertation. Two specific examples of such synonym use are: 1. Remuneration / Pay / Compensation / Salary / Reward AND 2. Disparity / Gap / Inequity / Difference

cognitive model, depicted graphically. Next, an investigation of the compensation disparity between HCNs and expatriates, as well as its causes is performed and presented. This is followed by a detailed breakdown of the theories behind the perception of this disparity. This includes fairness, the social exchange theory, organisational justice and the social comparison theory. Following this, the cognitive and psychological implications of such a perceived disparity are investigated, with particular focus on organisational commitment and job satisfaction. This is complemented with research presenting findings from other studies before drawing a conclusion.

CHAPTER 3 - RESEARCH DESIGN AND METHODS

This chapter presents the designing activity of the study, which is essentially the construction of a methodology, required to achieve the main study objectives, focussing primarily on “how” and “why”. The inquiry strategy and broad research design is described, which covers: the type of research conducted, i.e. quantitative, descriptive research, use of a survey, the use of primary data, applied research and cross sectional research methods, as well as the limitations of these. The sampling methodology is discussed, covering units of analysis, the sample group and selection of respondents. Next, the actual data collection process is presented, which covers the screening-out of responses (where needed), and how to measure the study’s key variables, i.e. the HPCD, OC and JS, as well as measurement of other variables. The research procedure is also described which portrays the physical activities which needed to be carried out. This is followed by presentation of how the statistical data analysis took place, and how to assess and demonstrate quality and rigour, which addresses research ethics, reliability and validity.

CHAPTER 4 - RESULTS AND DISCUSSION

This chapter begins with an introduction of the results, and some of the challenges experienced in obtaining them. The demographic characteristics of the sample are presented through detailed sample statistics, in terms of: gender, age, qualification, job title, no. of years working with expatriates and in the current position. Other demographic statistics are also presented which include screening questions, confirmatory questions which confirm respondent selection criteria and questions related to perception and comparison of inputs. Following this, a presentation is made of the descriptive analysis of

the two key dependent variables in the study: OC and JS. This is followed by a presentation and discussion of the hypothesis testing phase in which the existence of the HPCD is determined and its effect on OC and JS investigated. The chapter is finally concluded with a final set of “other” observations.

CHAPTER 5 - CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

This chapter draws the study to a close by presenting the final conclusions, limitations and recommendations. The conclusions begin with a set of key findings that link directly back to the three objectives and hypotheses presented in section 1.4, with a conclusive result for each one. Next, the practical and theoretical implications of these findings are presented. The limitations of the study were compiled progressively, and a holistic picture of these limitations is presented through four categories: generalizability of the results, the level of applied rigour, limitations in the measurement of the variables, and assumptions. Finally, the study is concluded by presentation of theoretical recommendations to researchers for purposes of improvements of such studies and for future research. Furthermore, practical recommendations are presented for HRM practitioners for application within the HRM industry, on how to prevent and mitigate the HPCD and its possible negative effects on job attitudes, such as OC and JS.

1.8. CONCLUSION

It is evident from the leading chapter that this research paper is justified due to the problem identified. An outline and foundation was presented with three objectives; to see if locals perceive that their fellow colleagues – expatriates receive more compensation than themselves and further, what are the effects on their OC and JS? The subsequent chapter will “flesh out” the most prominent literature giving due consideration to all perspectives and acknowledge both “sides of the coin”.

2. LITERATURE REVIEW

2.1. INTRODUCTION

A comprehensive literature review is necessary to research the theory and history behind the principles described in Chapter 1 in order to: (1) gain a better understanding of them, (2) investigate what research has already been carried out in this regard, and (3) identify whether there are any gaps in currently available literature. This chapter presents the findings from this vital phase of the work. It begins by identifying the significant salary gap that exists between the Host Country National (HCN) and the expatriate, as well as its origins. It then moves on to identify whether the HCN perceives a compensation disparity (inequity), also herein referred to as an HPCD (HCN-perceived compensation disparity). This is done by presentation of the equity theory and social comparison theory. Furthermore, the psychological and cognitive effects of such an HPCD are identified, specifically organisational commitment (OC) and job satisfaction (JS). The literature review also shows how employees perceive distribution fairness within the organisation, and when a disparity exists how this imbalance affects OC and JS.

Figure 1 illustrates a cognitive model of these phenomena and theories to guide the reader through the literature survey.

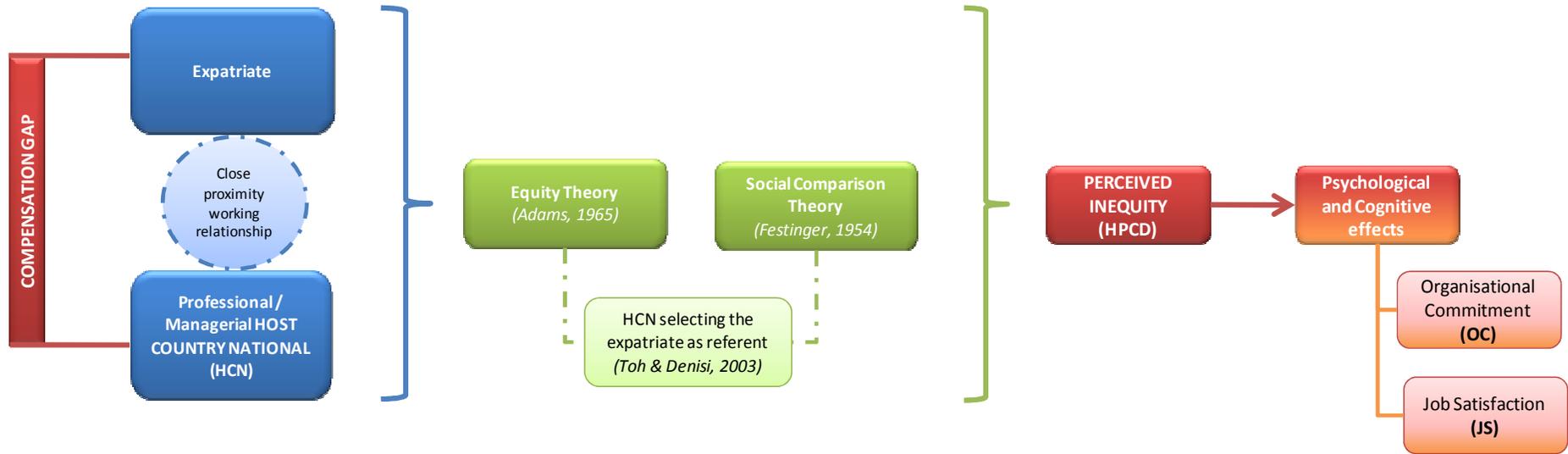


Figure 1: Full cognitive model employed during literature review

2.2. COMPENSATION DISPARITY BETWEEN HCNS AND EXPATRIATES

This section describes how the purpose of using expatriates has evolved over the years and highlights the compensation disparity which exists, as well as its origin.

Figure 2 indicates the first part of the cognitive model for this chapter, i.e. the salary gap between expatriates and HCNs:

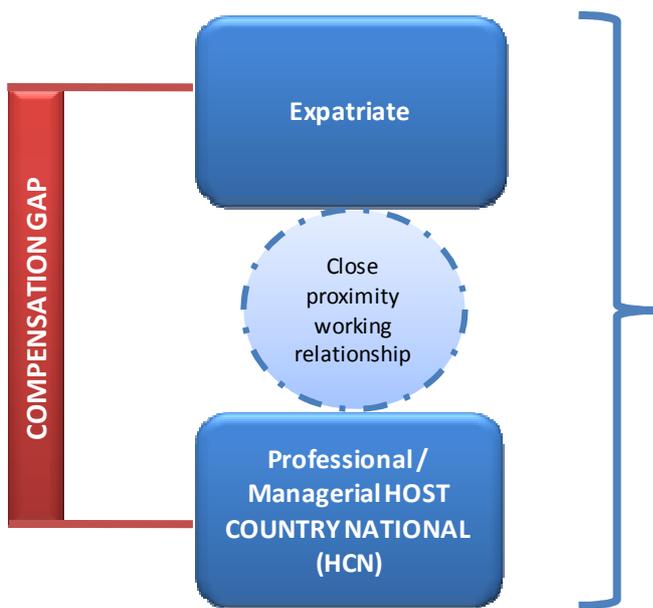


Figure 2: HPCD section of full cognitive model employed during literature review

2.2.1. Evolution of Expatriates: The 21st Century

Expatriates have been part of the workforce for many decades and still continue to play a significant role in 21st century. The definition of an expatriate has stayed consistent since its creation. It is derived from the Medieval Latin word *expatriatus* which refers to being out of one's own country (Saunders, 2003). Expatriates can hence be defined as individuals who leave their country of birth to fulfil a job-related goal in another country for a period of a few years (Aguinis & Cascio, 2005; Sinangil & Ones, 2001).

The definition of an expatriate may have remained unchanged but the scenario for recruiting expatriates has changed as organisations have progressed. In previous years

expatriates were utilised in foreign subsidiaries for control, knowledge and skills (Klaus, 1995) where this was lacking in the host country. Although expatriates are still utilised by filling manpower gaps, their role is no longer unique where they are the only individuals with specialised job related skills. Today expatriates are not necessarily placed only on elevated hierarchical levels, but instead may now work alongside similarly-qualified HCNs (Welch, 2003); fulfilling the same task requirements. These placements are now not only due to manpower shortages, but also as a result of company retention plans and/or employee development plans (Romero, 2002). Exploring this in more detail, Evans, Pucik, and Barsoux (2002) explains that the purpose of an expatriate assignment can be driven from two alternate perspectives:

- *Demand Driven*: This is a more traditional role where expatriates are utilised where there is a lack of a suitably qualified HCNs. The expatriate would be deployed to the host country to fulfil highly skilled job requirements (Tung, 1987).
- *Learning Driven*: This perspective is more progressive where technical skills and managerial capabilities have developed in the local countries and expatriates are not necessarily sought to fill these gaps. Here an expatriate is sent to foreign subsidiaries to gain further international exposure. The learning driven purpose is to develop the expatriate and also serve as a strategic tool for retaining the expatriate. This sort of expatriate assignment is likely to become more prevalent in the future (Collings & Scullion, 2009).

Although HCNs and expatriates now often interact on similar hierarchical levels and endure comparable work requirements, there still remains a distinguishable salary difference between these two counterparts, which arises as a result of *Ethnocentric Compensation Policies*.

2.2.2. Ethnocentric Compensation Policies for Expatriates

2.2.2.1. Expatriate Assignments Provide Financial Benefits

Empirical research has shown that the primary motives for an employee to accept an expatriate post is the apparent financial gain and career advancement possibilities (Welch, 2003). According to Lisa Wood (n.d.), Head of Customer Propositions at HSBC Bank

International, "Expats decide to move abroad for a number of reasons, but looking to improve finances and lifestyle are amongst the most important."

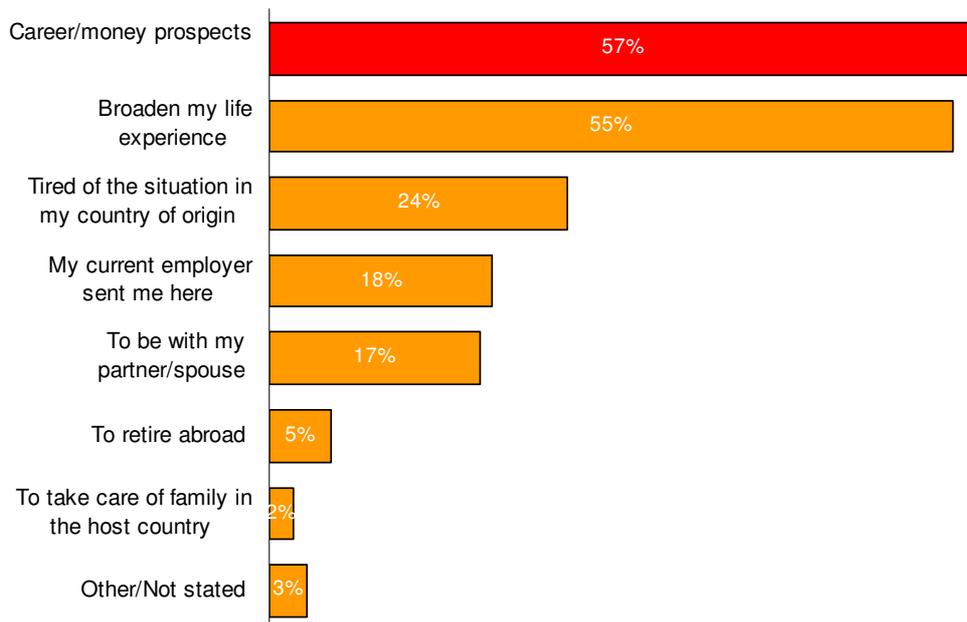


Figure 3: Answers to the question: "Why did you choose to become an expat?" (HSBC Bank International: Expat Explorer Survey, 2009)

It is clear from Figure 3 that in order to entice a candidate to become an expatriate the compensation package should be perceived as financially beneficial. HRM has always been particularly cognisant of this fact, which may have lead in many cases, to inconsistent compensation policies.

2.2.2.2. Inconsistent Compensation Policies for Expatriates and HCNs

Expatriates are provided with a variety of added benefits which are not offered to HCNs. The commonly available benefits for expatriates are the following: (Milkovich, Newman, & Cole, 2005).

- *Relocation benefits:* These cover the cost of the actual move and often also include special assistance abroad;
- *Accommodation benefits:* This includes provision of subsidised or free housing and direct assistance in finding accommodation;

- *Language training:* This is designed not only to increase the professional capabilities of expatriates sent abroad, but also for assistance in better integration in the new environment;
- *Expatriate family benefits:* Companies often offer support and financial help in finding schooling for the children. If the expatriate's spouse worked previously, some organisations may also help them obtain a work visa and a job to compensate for potential loss of income;
- *Tax equalization payments:* Such payments facilitate that the expatriate pays no additional tax in comparison to what is required in their home country;
- *Transportation expense reimbursement:* A vehicle and fuel may be subsidised or fully issued by the company;
- *Currency protection:* In the case that the expatriates' salary may decrease due to currency fluctuations, the company undertakes to subsidise the difference;
- *Social adjustment programs:* These include for example: emergency leave, rest and relaxation leave, career development, repatriation planning, and language / culture training.

In most cases, the expatriate receives a considerably higher salary than locally based employees (Black *et al.*, 1999; Harvey, 1993; Reynolds, 1997; Solomon, 1995). Therefore "disparity in employee compensation is unavoidable" (Chen, Choi and Chi, 2002:807). Reynolds (1997:127) states that "On average, expatriates cost employers two to five times as much as home-country counterparts and frequently ten or more times as much as local nationals in the country to which they are assigned."

HCNs are not likely to receive the same compensation package as expatriates, regardless whether they hold the same or similar positions within an organisation (Toh & Denisi, 2003). Aggravating matters is that these compensation differences arise not necessarily due to the fact that expatriates are providing a service that is beyond the scope of the HCN's, but because the expatriate is placed on an assignment that is outside his/her³ country of origin (ethnocentric payment). Even if the HCN's input (performance, skills and

³ Hereinafter referred to in the masculine form: he/his/him

qualification) matches that of the expatriate, and although the HCN may consider this as justification for expectations of equalized (i.e. increased) compensation, it is doubtful that the organisation will supply them with a matching package (Toh & Denisi, 2003).

In summary, the main conclusion from this section is that due to differing payment policies a compensation disparity exists between HCNs and expatriates in which HCNs' compensation is significantly less than that of expatriates.

2.3. PERSPECTIVE ON THE COMPENSATION DISPARITY BETWEEN HCNS AND EXPATRIATES: SOCIAL EXCHANGE THEORY

2.3.1. Introduction

The preceding section clearly identifies the compensation disparity between HCNs and expatriates. However, this disparity remains almost meaningless unless the HCN does in fact *compare* himself to the expatriate and notices or *perceives* the disparity. Furthermore, *how* is the disparity perceived? This brings to the fore the issue of perception of *fairness*. This section's purpose is to investigate and present the well-established and rigorously scrutinized theories pertaining to this area. Please note that this is a vital part of this study since in absence of the *perception* of the disparity, it will be unlikely to observe any consequential attitudinal affects, i.e. emotions influencing employee effectiveness, which is the topic of Section 2.4.

2.3.2. Theory Overview

Figure 4 below shows the theories related to the compensation disparity and how it is perceived: The social exchange (Festinger, 1954) theory formed the basis of a new theory that formulated the first concept of fairness. This theory became known as the social justice theory. From this, the theory of organisational justice developed, focussing on an individual's need to seek fairness within his company (Folger & Cropanzano, 1998). A major fairness *indicator* is the allocation of compensation within an organisation, i.e. has the company allocated remuneration to its employees in a fair / appropriate manner? This concept is also known as *distributive justice*, and more specifically, forms just one facet of

organisational justice. A highly applicable theory linked to distributive justice is the equity theory (Adams, 1965), which helps in understanding the HCN's perception of the compensation disparity (HPCD). Finally, clarity is provided as to how the HCN selects the expatriate as an individual to compare his salary against, by linking the social comparison theory to the equity theory. These theories have been proven as justifiable theories to use in the field of organisations and in the workplace. More detail is provided on these theories in sections 2.3.4 and 2.3.5.

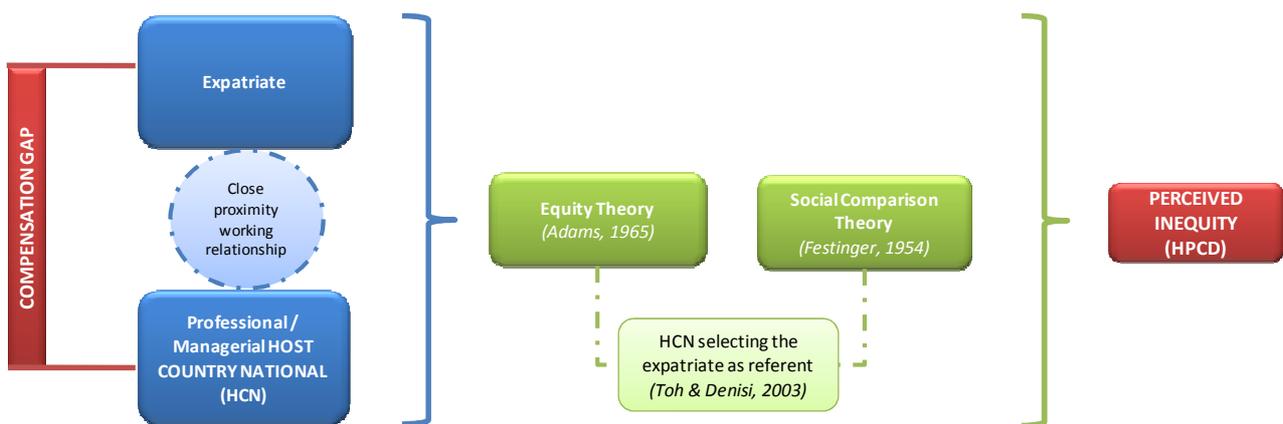


Figure 4: HPCD and social exchange theory section of full cognitive model employed during literature review

2.3.3. Fairness and the Social Exchange Theory

According to Rawls (quoted by Bonache *et al.*, 2009:2136) the expression ‘it’s not fair’ typically implies that one has not received what duly corresponds to his contributions. What represents fairness? What theoretical understanding supports the statement “it’s not fair” within an organisation and how is it established? Social science has provided insight on this topic by using the social exchange theory to create a descriptive understanding of how individuals and employees perceptions constitute what is fair or unfair.

Social justice research involves people’s responses to what they perceive they are receiving in return for their effort (Cropanzano, & Ambrose, 2001). In line with the social scientist approach, when a judgment about fairness (justice) is made it usually entails a social institution or context. Individuals interact in a social environment and when one

individual has an affecting relationship on another, fairness becomes an issue of concern. Fairness and justice is of primary concern within organisations as employees are constantly interacting with one another and the organisational setting creates rules and social norms of how benefits, example revenue should be distributed and the processes followed in allocation of these distributions. Social interaction within the organisation creates an environment for organisational justice, where perception of justice is influenced by the benefits one receives from the organisation (Cohen-Charash & Spector, 2001).

2.3.4. Organisational Justice

“A fair day’s pay for a fair day’s work”

Organisational justice is centred on fairness within the organisation. It is a multifaceted concept which involves two well-established dimensions of justice. Folger and Cropanzano (1998) explain these two justice perspectives as follows:

- *Distributive Justice* refers to the perceived fairness of the distribution of organisational benefits, example the HCN’s perceived fairness of the salary he/she received for certain working requirements as established by the employment contract.
- *Procedural Justice* refers to the perceived fairness of the means or process by which benefits are distributed or allocated, example it is likely to be perceived procedurally unjust for a farmer to allocate profits to his employees using *age* as a basis, independent of years of service or work contribution.

Procedural and distributive justice has been found to have a clear link to many behavioural and attitudinal outcomes (e.g. job performance, JS, and OC) (Cropanzano & Ambrose, 2001; Viswesvaran & Ones, 2002), which form a vital part of this study. (These attitudinal outcomes are covered in detail in Section 2.4.) Still, more detailed theories have also been developed around these concepts within the framework of organisational justice. Specific to this study, it is interesting to note that the *Equity Theory* is highly applicable to the concept of distributive justice.

2.3.4.1. Equity Theory – Explanation

Every employee does not necessarily need to receive the same reward (salary) but the reward should be in accordance to the employee’s input. Adams’ Equity theory suggests that when an individual is in an exchange relationship with another a natural tendency would be to evaluate his ratio of outcomes to inputs (Adams, 1965) and to compare this with ratios of others. Inputs would typically include for example: experience, educational accomplishments, effort level, or performance on the job; whereas outcomes would include for example: salary, promotion, recognition and other economic and non-economic benefits.

Adams (1965) used an algebraic expression to illustrate how an individual / employee may assess fairness or equity between himself and another individual:

	<u>Outcomes (self)</u>	compared to	<u>Outcomes (other)</u>
	Inputs (self)		Inputs (other)
Inequity:	$\frac{\text{Person's outcomes}}{\text{Person's inputs}}$	>	$\frac{\text{Other's outcomes}}{\text{Others inputs}}$
Inequity:	$\frac{\text{Person's outcomes}}{\text{Person's inputs}}$	<	$\frac{\text{Other's outcomes}}{\text{Others inputs}}$
Equity:	$\frac{\text{Person's outcomes}}{\text{Person's inputs}}$	=	$\frac{\text{Other's outcomes}}{\text{Others inputs}}$

Figure 5: Adapted Outcomes / Input ratio comparison (Equity Theory) (Parhizgar, 2002:131)

“Equity theory is the distribution of rewards in direct proportion to the contribution of each employee to the organisation” (Pride, Hughes & Kapoor, 2010:287). This theory shows that when an individual is under or over-rewarded he/she may experience distress. An employee seeks to be justly rewarded in return for what he/she contributes to his job. The equity theory assumes that an employee will seek to be at equilibrium, to reduce inequity. Restoration of inequity can be achieved psychologically or by directly altering inputs / outputs (Fiske, Gilbert & Gardner, 2010). However, it is interesting to note that Adams

stated: “there are probably individual differences in tolerance [for inequity] and flexibility [of reactions to inequity]” (Adams, 1965:428).

The equity theory’s predictions regarding the employee’s retort to under-compensation is widely supported; however there may be a limitation regarding the opposite, i.e. overcompensation as this has not received as much supporting evidence. Nevertheless, this theory is generally used to review the perception of under-compensation (Campbell & Pritchard, 1976; Locke, 1976; Mowday, 1983), i.e. without crossing the borders of its potential limitations.

In the case where inputs are the same, the algebraic expression simplifies to a simple comparison of outcomes. In doing so, remuneration is one of the most common comparative measures that employees use to determine their status within an organisation (Adams, 1963). Pay is a real number that is easy to measure, is more explicitly visible and thus can easily be used for comparison purposes.

2.3.4.2. Equity Theory – Use and Verification

“20th century O’Reilly (1991:432) found that the bulk of organisation behaviour continues to focus on two dominant theories: goal setting and equity.”

The equity theory is concerned with an individual’s perception of fair and equitable treatment and can be used to study HCNs’ perceptions of fair / unfair distribution of resources between HCNs and expatriates in an organisation. The suitability of the equity theory (Adams, 1965) is justified, as it has been recognised in the workplace context as well as across multi-cultures. The equity theory has been the context of use for many respected authors (Campbell & Pritchard, 1976; Goodman & Friedman, 1971; Greenberg, 1982; Mowday, 1983; Summers & Hendrix 1991). Ambrose and Kulik (1999) have further stated that the equity theory has provided insight into possible outcomes when an employee is under-compensated. In addition the equity theory has been proven to be robust in predicting the behaviour both in the laboratory and the field of work. Carrel (1978) conducted a study to support the equity concept in a naturally-occurring longitudinal field experiment. His results provide a strong field support (empirical evidence) for the use

of the equity theory in organisations and his study supported the notion that employees will strive to reduce perceived inequity and seek to achieve an equitable situation.

2.3.4.3. Perception of Fairness

“What is fair is in the eye of the beholder”. At this point it is important to highlight that the equity calculation is not only dependent on the person’s inputs and outcomes vs. those of the other but particularly also on the *perception* of those inputs and outputs. For example, remuneration is an outcomes variable that is relatively simple to define and measure. By contrast, inputs example experience, level of effort, performance, etc. are more vaguely defined and measured, and thus highly vulnerable to subjectivity. In contrast to fairness or equity, this highlights the concept of *perceived* fairness or *perceived* equity.

Goodman (1974) postulated and proved empirically that perception of reality is more realistic to the individual than the objective reality itself. Summers and Denisi (1990) further confirmed his findings where they found that the majority of the sample group perceived themselves as underpaid, regardless of the evidence provided by a salary survey, which showed that these respondents were in fact some of the highest paid managers in the industry. They verified Goodman’s research by confirming their own hypothesis where perceived inequity relative to a referent group is a better predictor of pay dissatisfaction than an objective measure.

2.3.4.4. Concerns in Application of the Equity Theory

An area of concern that was highlighted by Steers and Porter (1987) was the lack of focus on the process that individuals follow when using equity theory in making comparisons. When evaluating equity, who does the individual compare against? If HCNs perceive that they are paid less than their expatriate counterparts for performing similar jobs with the same amount of input, they are likely to experience injustice. Considering this it would be important to first examine the likelihood that the HCN will select the expatriate as a comparable other (referent). To ensure that this area of concern is not overlooked the social comparison theory is included as an important construct.

2.3.5. Social Comparison Theory

2.3.5.1. *Development of the Social Comparison Theory*

“A house may be large or small. As long as the surrounding houses are equally small, it satisfies all social demands for a dwelling, but let a palace reside beside the little house, and it shrinks from a little house to a hut” (Suls, Martin, & Wheeler cited by Useem, 1975:53).

Individuals have a natural tendency to compare themselves with others (Paik *et al.*, 2007) within or outside an organisation. Leon Festinger identified the importance of self-evaluation and founded the social comparison theory in 1954. Supporting studies over the past half a century or more have promoted the social comparison theory to be one of the most pervasive theories in the field of social psychology. To date this theory is still the most influential conceptual framework providing much support for scientific studies (Suls, Martin &, Wheeler, 2002). The theory is based on a universal human drive, in which individuals have a need to evaluate their own opinions and desires by comparing themselves to others. This is especially true when the comparative other is similar on some important or distinctive attribute (Tremblay *et al.*, 1997).

The social comparison theory is fundamental to the equity theory (Adams, 1965), as the equity theory is dependent on an exchange relationship with another (comparative other). The social comparison theory serves as a core construct. This means that equity does not depend on our input-to-output ratio alone but it is also reliant on our comparison between our ratio and the ratio of others.

2.3.5.2. *Application of the Social Comparison Theory*

The most reliable method of comparison would be to compare oneself to an objective measurement, for example one could measure the amount of lengths one swims over a certain time period to evaluate ones ability. However such objective measurements are not always available; for example if an individual would like to compare his singing ability over a certain time period there is no specific distance measurement that the individual

can use. In these circumstances Festinger proposes that we compare ourselves with 'other' individuals to obtain information about our own abilities. The need to compare ourselves to 'others' becomes essential: Refer to the swimming example where an objective measurement can be obtained; for example after 5 weeks the individual is able to swim 800 m consecutively over 2 hours. What does this information mean? Does this mean that the individual can partake in the Olympics? Is he/she a fast swimmer? Without obtaining information on how fast and far 'others' can swim the information has little meaning.

Who are the 'others'? Interpersonal comparison is essential in order to answer these questions. Festinger proposes that we compare ourselves to 'others' that are similar to us in ability in order to provide information on our abilities and accomplishments.

Festinger's theory of social comparison has not been stagnant - It has been revised and extended with new domains (Goethals & Darley, 1977) and motives (Goethals & Darley, 1977; Gruder, 1971; Tesser & Campbell, 1982). The original proposition of Festinger's social comparison theory in which similar others would be chosen as a referent is widely supported (e.g., Goethals & Darley, 1977; Miller, 1984; Miller, Turnbull & McFarland, 1988; Wheeler & Miyake, 1992; Wood, 1989). Although Festinger's original proposition stands theoretically sound, further research has shown that the focal individual could in fact be a dissimilar individual, where this individual is perceived to be relevant in some way (Kulik & Ambrose, 1992). Individuals make social comparison judgments about values, physical attractiveness, lifestyle, assets, rewards, economic status, and other performance related outcomes (Kruglanski & Mayseless, 1990; Wheeler & Miyake, 1992). But why do we compare ourselves to others? "Social comparison consists of comparing oneself with others in order to evaluate or enhance some aspects of the self" (Suls, Martin, & Wheeler, 2002).

Atkinson, 1986 stated that whether the comparison is with a similar other or dissimilar other is a "complex issue" (Toh & Denisi, 2003). It's dependent on the standpoint taken by the researcher, thus the referent may in fact be either or both. When selecting a referent, more than one individual can be chosen for comparison purposes; which results in a "complex and dynamic" process (Goodman, 1974).

In summary, in order to judge the fairness of any perceived input / output ratio, a referent must be selected for comparison purposes as prescribed in the equity theory. Although multiple referents are available for choice, the question in context of this study remains - Will the local workforce select the expatriate as a suitable referent for salary comparison? The conditions of expatriate selection as a potential referent for pay evaluation should be reviewed.

2.3.5.3. Referent Selection - Selecting a Referent when Evaluating Pay

“Only if a focal person notices a pay differential, he/she might react to that differential” (Toh & Denisi, 2003).

A referent (point of reference) or comparative other in this text is the individual which another individual compares him or herself to; the individual of reference. Referents also may be "similar" or "dissimilar" to the central individual. In the context of this study, the HCN is the central individual and the point of reference / comparative other is the expatriate.

Toh and Denisi, (2003) examined the referent selection process of HCN employees. They identified the areas where the HCN is more likely to select expatriate colleagues as a comparative referent. Further to this they found that when the HCN makes the comparison with the expatriate he/she is likely to experience relative deprivation. They propose a model which outlines the conditions under which HCNs are more likely to compare their pay to that of expatriates within the host unit. Toh and Denisi's model is built on existing theories of the referent selection process represented by Kulik and Ambrose (1992). Their model is important in understanding why an HCN will select an expatriate as a pay referent.

How this model is addressed in this study is described in Chapter 3, *Methodology*. Their most critical arguments are mentioned with supporting evidence in Table 2.

Below are some useful definitions in context of Table 2:

- *Salience*: A state of being salient – to be noticed, clear to see and obvious;
- *National Identity*: Expatriate;
- *Ingroup*: Belonging to a specific social group (an individual's own social group); the social group is within a cognitive boundary;
- *Outgroup*: The social group outside an individual's cognitive boundary; an individual perceives that he/she does not belong to that specific group;
- *Social Categorisation*: Segmentation of society to form different groups; this allows people to identify themselves with a specific group

Table 2: When HCNs select expatriate referents: A model

		Proposition	Reasoning
<u>Saliency of National Identity</u>	Saliency of national identity	Proposition 1: Increased saliency of the expatriate out-group increases the saliency of expatriates as a potential comparison group and, thus, increases the likelihood that HCN's will choose expatriate referents.	If national identities gain saliency, HCNs are more likely to select the expatriate outgroup as a comparative referent and evaluate the fairness of the treatment they receive from the organisation. Proposition 1a and 1b specify conditions where the saliency of the national identities are more likely to increase.
	Differentiating effects of expatriate pay policies	Proposition 1a: Expatriate pay practices that differentiate HCNs and expatriates increase the saliency of national identities and, thus, increase the likelihood that HCNs will choose expatriate referents.	This suggests that the pay policies that are applied to expatriates increases the likelihood that HCN's "will engage in intergroup comparisons with the expatriate". Expatriates are treated differently in terms of how the pay is structured due to a variety of reasons which include economic and logistics. There is a clear reasoning that substantial pay differences will accentuate the differences between two subgroups, emphasising any intergroup differences and intergroup similarities. This will highlight national identities as being salient and will increase the likelihood that HCNs will choose expatriates as referents.
	Differentiating social characteristics	Proposition 1b: The differentiating effects of the social characteristics within the host unit increase the saliency of national identities and, thus, raise the likelihood that HCNs will choose expatriate referents.	Social groups are often formed around basic demographics, such as gender, age, ethnicity, and nationality. Often these characteristics are immediately apparent to individuals as they are familiar and easily accessible in any given social situation. If the HCNs and expatriates are distinctive in appearance (different hair and/or skin colour, physical build, language, cultural values and assumptions), national identity differences will be salient and will raise the likelihood that HCNs will choose expatriates as referents.
<u>Availability of Information About Expatriates</u>	Availability of information about expatriates	Proposition 2: The closer the proximity of HCNs to expatriates, the greater the availability of information about the expatriates and, hence, the greater the likelihood that HCNs will choose expatriate referents.	In the present case, the availability of information about expatriates is chiefly dependent on the proximity of expatriates to HCNs in the Organisation. If HCNs work closely along side expatriate, either as co-workers, subordinates, or, in many instances, even superiors, they are often in a good position to evaluate the expatriates' deservingness on the basis of the expatriates' qualifications and performance, as well as their shortcomings and inadequacies. Even though expatriates may be identified as a social outgroup the interactions that occur between the HCN and expatriates, highlights information about the expatriates' abilities and work performance and may be easily observable because of close work relationships.
<u>The Relevance of Expatriates As Referents</u>	The relevance of expatriates as referents	Proposition 3: The more integrated the HCNs and expatriates are within the host unit, the greater the relevance of expatriate referents and, hence, the greater the likelihood that HCNs will choose expatriate referents.	In order for HCNs to choose expatriate referents, they need to first view expatriates as a relevant referent other that will help satisfy certain needs. If the staffing orientation is one that balances the use of HCNs and expatriates in multiple positions and levels of the Organisation, the likelihood of comparison with an expatriate increases. If expatriates hold similar positions as HCNs, they are potentially relevant referents for HCNs.
		Proposition 4: When expatriate referents are chosen, HCNs will perceive relative deprivation (RD) created by differentiating expatriate pay policies.	Not relevant to this study.

Source: Toh & Denisi, 2003.

The content from Table 2 is summarized as follows, whilst at the same time contextualising findings from other references. The HCN will select the expatriate as a suitable referent when:

- *The expatriate is identified as a salient national identity.* Salience is increased when there is a differentiating (ethnocentric) pay policy for expatriates and when the expatriate has apparent characteristics that distinguish them from the HCNs (e.g. Language or cultural values).
- *There is availability of information about the expatriate.* When information is available about expatriates. Goodman (1974) found that the availability of information about referents and their perceived relevance are the critical factors affecting the selection of referents. Weick (1966) further confirms that co-workers are likely to be chosen as comparison referents in pay evaluations because of their high visibility. If the expatriate is in close working proximity to the HCN, interaction is likely to occur which highlights information about expatriates. Abilities and performance will be easily observable, and without these observations the evaluation of the pay may be difficult to judge as equitable or inequitable.
- *When the expatriate is a relevant referent.* Research has shown that one of the most important determinants of pay satisfaction is the internal referent; an internal referent is an individual who has comparable position within the same organisation. The more integrated the expatriate is with the HCN where the expatriate is performing similar work the more relevant the expatriate will be as a referent. (Kulik & Ambrose 1992).

In the original proposition of the social comparison theory Festinger stated that an individual is in control of the process when making comparisons and these comparisons are deliberate. Further studies have shown that we make comparisons regardless of how appropriate they are at first sight (Goodman, 1974; Summers & Denisi, 1990). Further when people either consciously or unconsciously make comparisons, these comparisons may have a profound influence on how people think and feel about themselves (Suls, Martin & Wheeler, 2002).

The social comparison theory has provided theoretical understanding where the choice of the HCN to select an expatriate as a referent other is more likely. As discussed, the equity

theory proposes that when an individual perceives an imbalance compared to the other referent group, the person will attempt to reach equilibrium by either changing their input or output behaviourally or psychologically. Thus if the HCN selects the expat as a pay referent, and he/she feels entitled to similar compensation on grounds of equal perceived inputs (i.e. performing the same jobs and having the same level of responsibility), but perceives unequal outcomes, he/she will feel inequitably treated. As a result of inequity certain cognitive or psychological implications may result from this imbalance.

2.4. COGNITIVE AND PSYCHOLOGICAL IMPLICATIONS OF SOCIAL COMPARISON WHERE INEQUITY IS PERCEIVED

The purpose of this section is to portray how the employee reacts to perceived injustice. We begin by noting that since perceived injustice is a psychological concept, it is likely to cause psychological effects on the employee rather than physical effects.

The consequence of perceived pay inequity is well-established in literature. First and foremost, as discussed in section 2.3, employees will seek to find an equitable state by either adjusting their inputs or outputs (Adams, 1965). These adjustments often appear in the form of psychological effects that affect behavioural outcomes, such as absenteeism and turnover. Evidence has provided strong support that there is a clear path from pay equity to job satisfaction (JS) and organisational commitment (OC) (Klein, 1973; Summers & Hendrix, 1991); and compensation has been found to be positively related to JS and OC (Brooke, Russell, & Price, 1988). These two attitudes play a significant mediating role to certain behavioural outcomes. In order for organisations and researchers to propose any possible behavioural outcomes these variables should first be understood, clarified and proven. JS and OC are vital links to any further postulations. Summers and Hendrix (1991) supported Adams, Laker and Hulin (1977) argument which stated that employees' attitudes are more a result of their work situations (e.g. compensation and perceived inequity) than of the characteristics they bring to work. Inequity is therefore a critical link to employee attitudes. The cognitive model for this chapter is now therefore updated to reflect this relationship as shown in Figure 6.

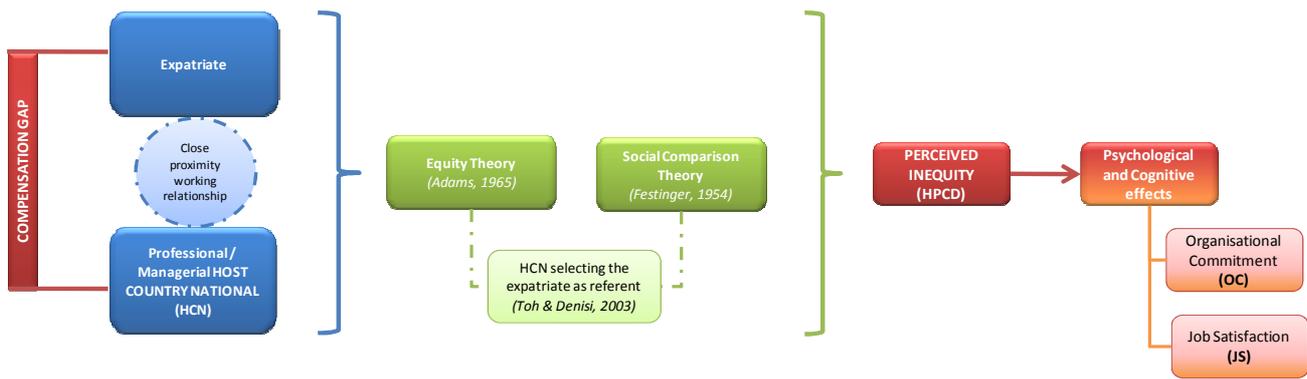


Figure 6: Full cognitive model employed during literature review

2.4.1. Organisational Commitment

2.4.1.1. Introduction

Throughout the surveyed literature, OC has been repeatedly identified as an important variable in understanding the work behaviour of employees in organisations (Mowday, Steers, & Porter, 1979). Employees' commitment to collective values is needed for employees to behave cooperatively, and both of these affect business performance. In turn, an individual's OC is strongly affected by his perceived justice within the organisation (Tremblay, Sire, & Balkin, 2000)

2.4.1.2. OC Evolution from a Uni-dimensional to Multi-dimensional Construct

Porter, Steers, Mowday and Boulian, (1974:604) defined OC as "the relative strength of an individual's identification with and involvement in a particular organisation". They described OC as more than a "passive loyalty" to an organisation but an active participatory role of an employee willing to serve to the benefit of the company, a contribution which results in the well-being of that organisation (Mowday *et al.*, 1979). In Porter *et al.* (1974), study they conceptualised OC as a uni-dimensional construct where the employees within the organisation had multiple attitudes within the singular OC concept. OC according to Porter *et al.*, 1974 could be characterized by at least three related factors: (1) a strong belief in and acceptance of the organisation's goals and values; (2) a willingness to exert considerable effort on behalf of the organisation; and (3) a strong desire to maintain membership in the organisation. In order to measure and

operationalise OC Mowday *et al.*, (1979) created an Organisational Commitment Questionnaire (OCQ) which was further refined in 1982 by Mowday *et al.*, (1979). The OCQ consisted of 15 items for the purpose of concluding a uni-dimensional output; a score determining the OC of an employee with 3 factors.

In subsequent studies researchers sought to prove that the OCQ was more than a singular output but that the OCQ is in fact multi-dimensional. One of the first researchers to challenge that the OCQ measures more than one concept was Angle and Perry, 1981. They found that the 15-item commitment questionnaire measured 2 subscales: value commitment (support for organisational goals) and commitment to stay (intention to remain). Further research studies confirmed this notion that commitment is indeed a multidimensional construct (Allen & Meyer, 1990; Mayer & Schoorman, 1992; Meyer & Allen, 1991; O'Reilly & Chatman, 1986).

OC evolved since the early 1970's from a uni-dimensional concept to a more complex output, where OC measured more than one type of commitment. With the evolutionary change of OC, a theoretical challenge brought about the lack of consensus regarding the definition of OC. Meyer and Allen (1991) took on this challenge by assembling a list of prescribed OC definitions by numerous researchers and sort to find similarities and differences. They found a singular common thread running through all types definitions which is the employees need to remain with the organisation. As OC had developed into a multidimensional construct and Allen and Meyer (1990) provided a three component model of OC to understand this change. They used the terms affective and continuance commitment to distinguish between the views of commitment popularized by Porter and his associates (1974). In the words of Allen and Meyer (1990:3): "Employees with strong affective commitment remain because they want to, those with strong continuance commitment because they need to, and those with strong normative commitment because they feel they ought to do so". Meyer and Allen summarize the three commitment measurements as follows:

- *Affective commitment*: The employee identifies itself with the organisation and in actual fact enjoys being part of the organisation.
- *Continuance commitment*: An employee needs to remain within an organisation due to the investment that the employee perceives he has by staying with the

organisation. It is a conscious effort in weighing up the costs and benefits of remaining with the organisation. If the employee decides to leave the organisation they may forfeit on benefits or accrued investments. An employee will remain committed to the organisation not because they are attached to the organisations values (affective commitment) but because their departure may result in greater loss than remaining with the company.

- *Normative commitment:* This measurement is based on the employee's perceived obligation to remain with the organisation.

2.4.1.3. Measuring OC

The three component model provided by Meyer and Allen has been through rigorous scrutiny and has gained voluminous supporting empirical evidence (Allen & Meyer, 1990; Meyer & Allen, 1991). To operationalise their 3 component model they created individual questionnaires for Affective Commitment (AC), continuance commitment and normative commitment.

Due to the provision of critical studies regarding the dimensionality of the OCQ researchers were careful in the applicability of the tool. To resolve the problem Porter and company provided a shorter version of the OCQ, a 9-item version. The 9-item questionnaire is focused on one component of OC – Affective Commitment. It was further found that this 9-item scale is highly correlated with Meyer and Allen's 8 question questionnaire on affective commitment (Commeiras & Fournier, 2001).

The importance of measuring Affective Commitment:

Although the multidimensional construct OC has been successfully measured by means of exploring its three components, i.e., affective, continuance, and normative commitment, the *affective* component is still the most relevant (Meyer & Allen, 1991). This has been supported in later studies that showed that employees were better performers and added more value to the workplace when they had high affective commitment. For employees with high continuance or normative commitment, this relationship was not as prevalent.

Although both affective and continuance commitment presumably increase the likelihood that an individual will remain with an organisation, the reasons for doing so are different. As discussed, employees with strong affective commitment remain because they want to, whereas those who have a strong continuance commitment remain because they have to (i.e., to do otherwise would be costly). Interestingly, Allen and Smith (1987) and Meyer and Allen (1986) found when looking at self-report measures of motivation and performance, that affective commitment correlated positively, whereas continuance commitment correlated negatively.

In earlier years OC was a construct that required definition and theoretical understanding. However, with insight and vast research OC has moved beyond a mere definition. It has been operationalised and is now a major role player in providing practical behavioural predictions within the organisation (Mowday, Porter, & Steers, 1982). OC is now a recognisable multi-dimensional construct (Meyer & Allen, 1991), and further has become a predictor for voluntary turnover (Mowday *et al.*, 1982; Porter *et al.*, 1974), employee performance (Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989) and absenteeism (Mowday *et al.*, 1982), all of which affect organisational success, and employee well-being.

2.4.1.4. *The Relationship between Perceived Inequity and OC*

Section 2.4 provided much evidence for the effects of pay inequity on OC. However, it is important to briefly revisit the concept that it is the perceived inequity that matters, and not the inequity itself. In general, there is a definite negative relationship between perceived inequity and OC. It was shown that when events are seen as unfair, individuals are less loyal and less willing to exert effort on behalf of the institution (Cropanzano, & Ambrose, 2001).

Refer also to section 2.5 which covers literature supporting studies investigating the relationship between perceived inequity and OC specifically in context of the relationship between the HCN and the expatriate. Most importantly, it should be noted here that this dissertation seeks to verify this exact principle in the context of the HCN-expatriate relationship, from the HCN's perspective, in a South African context. Refer to Chapter 3 which describes the methodology of this study.

2.4.2. Job Satisfaction

2.4.2.1. *Introduction*

JS is arguably one of the most important work attitudes to date. Satisfied employees are generally better emotionally adjusted to the working environment than dissatisfied workers (Hoppock, 1935). JS became a topic of research interest in the 1930's (Hoppock, 1935) and has increased in popularity over the years. It has been published in more than 5000 studies since its conception (Cranny, Smith, & Stone, 1992) and still continues to be an important variable in organisational science as well as in research and theory of organisational phenomena. Furthermore, JS has been described as central to business success (Spector, 1997).

JS can be said to be twofold where it is not only concerned with organisation effectiveness taking a utilitarian perspective / pragmatic focus but also is concerned with the wellbeing of employees in a more humanitarian perspective where they should be treated with dignity and respect. Although these views are concerned with different perspectives they share "recognition of the importance of the job in the total life experience of the individual and the desirability of a positive work experience" (Kalleberg, 1997).

2.4.2.2. *Defining JS*

Spector, 1997 described JS to be concerned with *the degree to which people like their jobs*. In general, JS is about *how people feel* about their work (Smith, Kendall, & Hullin, 1969). People either like or dislike their jobs, corresponding respectively to job satisfaction or dissatisfaction (Taormina, 1999). This view of JS is particularly focused on the "affective orientation" (Kalleberg, 1997; Moorman, 1993) where emotions and feelings are the determinants of JS for an individual engaged in employment.

Further research suggested that JS is also concerned with the cognitive process. Locke, 1976:1304 defined JS as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences". Locke's definition in essence states that we

emotionally feel positive because of the job evaluation (thinking) that was cognitively conducted.

Covering extensive theoretical ground in search of the “right” definition for JS provides an array of classifications/definitions, most of which use an affective, i.e. emotional reaction to one’s job when focusing on satisfaction (Cranny *et al.*, 1992). Judge, Parker, Colbert, Heller and Ilies, 2001:26 provided the most logically sound argument combining cognition and affection in the measurement of JS. They provide a clear link with the following argument: “When we think about our jobs, we have feelings about what we think. When we have feelings while at work, we think about these feelings. Cognition and affect are thus closely related”. The notion that both cognition and affect are part of JS is confirmed by Weiss, Nicholas and Daus, 1999 through a study showing that if thoughts and emotions about the work were used as measures of JS within one mathematical statement, correlations with JS were strong for both of them, and their proportional contributions were essentially equal. Thus, it is not realistic to define JS as either a cognitive or an affective process; instead the definition of JS should include both. This could be summed up by concluding that JS is about how we think and feel about our jobs. Positive thoughts and emotions would correspond with higher levels of JS.

2.4.2.3. *The Relationship between Perceived Inequity and JS*

The measure of JS has an extensive application in organisational research. JS is an intervening variable (Porter & Steers, 1973) in which it can be viewed and measured in two alternative ways. Similarly to OC, JS can also be considered as an independent variable in which it is associated with effects of productivity and turnover (Berman & Nevo, 1994; Caldwell & O'Reilly, 1990; Janssen 2001; Porter & Steers, 1973; Spector, 1997). Alternatively, JS can be viewed as a dependent variable where JS is dependent on a range of factors which includes and is not limited to personality variables, the *perceptions of equitable treatment* and nature of the job (Lawler & Porter, 1968). In this vein, research has shown how job rewards and values can operate as determinants of JS (Kalleberg, 1977). Klein (1973) found that perceptual and psychological variables are good predictors for JS, e.g., these could involve a person’s cognitions with regards to his pay situation.

Fairness perceptions of employees are important because they might lead to positive or negative attitudes and behaviours (Beugré, 2002). Adams' (1965) equity theory assumes that when there is inequity due to under-reward it can result in "tension" and negative attitudes. Vroom (1969) confirms this by providing a strong conceptual link between perceptions of equity and JS. It is therefore sensible to state that inequity will yield dissatisfaction where equity comparisons serve to determine the degree of satisfaction or dissatisfaction (Porter & Steers, 1973).

Klein used three theories to predict the employee JS with regards to pay: expectancy, equity and reinforcement theory. The conclusion drawn was that all 3 were predictors of satisfaction but the equity theory was the most dominant of the three for impacting overall JS (Klein, 1973).

2.4.2.4. JS – A Multi-construct

JS is a result of an employee's attitude towards a range of aspects of their job as well as the overall job (Lam, Schaubroek, & Aryee 2002). Although it should be considered common sense, research has also confirmed that underpaid employees are less satisfied with their pay when measuring the single construct "pay satisfaction". However, can we further postulate that pay not only affects the single construct of pay satisfaction but also overall *job* satisfaction? Pritchard, Dunnette and Jorgenson (1972) conducted an empirical research study where they not only found underpaid employees were less satisfied with their pay than equitably paid employees, but that salary influenced the overall JS of an employee also.

Numerous studies have yielded that there is significant correlation between perceived fairness of pay and employee JS (Dittrich & Carrell, 1979; Dittrich, Couger, & Zawacki, 1985; Janssen 2001; Pritchard *et al.*, 1972).

2.4.2.5. Measuring JS

"JS has been conceptualised and operationalised as both a global construct and a multifaceted construct" (Hirschfeld, 2000:255). However, Scarpello and Campbell

(1983:595) argued that the sum is not the same as its parts, where the facets and global measure does not measure the same constructs when measuring JS. Judge *et al.*, (2001:33) delineates that Scarpello and Campbell's conclusion is premature as individual items generally do not correlate highly with independent measures of the same construct. To sum a global score is as important as its facets; to summate allows practitioners to provide intervention strategies accordingly.

The most exhaustively validated and popular employee attitude survey measures are the Job Descriptive Index (JDI) (Smith *et al.*, 1969) and the Minnesota Satisfaction Questionnaire (MSQ) (Weiss, Dawis, England, & Lofquist, 1967) (Judge, *et al.*, 2001:32). Equivalent subscales of the JDI and MSQ show good convergence (Gilleta & Schwab, 1975), however the MSQ has the advantage of versatility where individual facets can be reviewed or an overall JS score can be obtained by the sum of its facets. Furthermore the MSQ is the most widely used questionnaire (Spector, 1997) and is more specific than most other satisfaction scales. Overall, the MSQ provided the highest average convergent validities and was least affected by sex and job differences compared to the JDI (Dunham, Smith, & Blackburn, 1977).

The MSQ has been subdivided into an "intrinsic" (this is established within the individual and not focused on the actual job task) satisfaction scale and an "extrinsic" (comes from outside the individual and relates to the actual nature of the job). Weiss *et al.*, 1967 reported internal reliability coefficient medians of 0.86 for intrinsic satisfaction, 0.80 for extrinsic satisfaction and 0.90 for general satisfaction. This content division was questioned and research found that there was no clear discriminability between the subscales intrinsic and extrinsic since they reflected a high correlation between themselves (Schmitt, Coyle, White, & Auschenberger, 1978).

Questionability of whether more cognitive or affective influences in the MSQ were present (Brief & Roberson, 1989) highlighted contrary to the previous paragraph, that there is a clear level of discriminability between intrinsic and extrinsic components of JS when comparing them to other relevant variables (Moorman, 1993). Brief and Roberson's, 1989 research showed through correlation analysis that the MSQ (Global) tended to be more cognitive in nature but further studies showed opposing conclusions in that the intrinsic

part of the MSQ scale was more affective. The reasoning for the opposition could be largely accounting for the fact that Brief and Roberson did not separate the MSQ into a 2-dimensional test (extrinsic and intrinsic dimensions (Moorman, 1993). It is reasonable to conclude that it is “conceptually meaningful” (Kaplan, 1990) to separate the MSQ into an extrinsic, intrinsic before concluding with a global measurement.

2.4.2.6. Measuring JS in South Africa

It has been argued that any cross-cultural study should employ a scale that is constructed for each culture, and when a scale has been designed appropriately it should be independently validated. The MSQ was originally designed in the USA and the portability to South Africa is questionable due to the cross-cultural specific scale appeal. The question is "can we use the MSQ in South Africa for professional employees? Kaplan, 1990 conducted a study with a sample of 14 professional employees in South Africa and found that the 3 scales (intrinsic, extrinsic and global score) highly correlated. However Kaplan decided in favour of the 3-subscales and retained the structure as originally created by Weiss *et al.*, 1967 as he argued that it is “conceptually meaningful”. Following the same frame of mind Buitendach and Rothmann, 2009 wanted to identify whether the JS constructs being measured in the USA hold the same meaning and value in a South Africa. Using the equivalent measuring instrument (MSQ) for the different culture groups in selected SA organisations they found a two-structure measure (intrinsic and extrinsic) with acceptable levels of internal consistency for each of its subscales.

These results indicate that the MSQ is an acceptable and reliable instrument to assess extrinsic and intrinsic JS of employees within South African organisations

2.5. FINDINGS FROM SIMILAR STUDIES

Sections 2.4.1 and 2.4.2 already cover studies that investigated and defined the relationship between perceived inequity and OC, and between perceived inequity and JS. The purpose of this section is to list and briefly describe studies that others have done on this, but specifically within the context of the relationship between HCNs and expatriates.

In this case we refer to the HCN-perceived compensation disparity (HPCD) and its effect on OC and JS.

2.5.1. China – Measured HPCD, effect on job attitudes and moderating effects

Leung *et al.*, 2009, conducted a study in China involving HCNs and their perception of the compensation gap between themselves and expatriates. The study was conducted in multinational organisations and all participants completing the questionnaire were locals supervised by expatriates. The study's aim was to identify factors that moderate the negative impact on this perceived distributive injustice. First they confirmed with a survey that HCNs perceive unfairness due to a significant compensation gap that exists. Furthermore, they aimed to survey if "trustworthiness of the expatriate" and "perceived compensation received by locals compared to other locals in other organisations" will moderate the negative effects of distributive injustice on local employees. They confirmed that both perceived compensation and trustworthiness of expatriates are able to buffer the negative effects of distributive injustice on local employees. It is interesting to note however, that the trustworthiness moderator did not serve as a buffer against poor job attitudes, e.g. JS. Furthermore, perceived compensation was indeed able to moderate negative job attitudes.

2.5.2. Mexico – Measured HPCD and its effect on affective commitment

Paik *et al.*, 2007 used the equity theory to examine if the HCNs (Local managerial and supervisory Mexican workers) perceive a salary gap in relation to the expatriates (Korean). They used field surveys and interviews specifically in Korean operating organisations to further identify if this perceived compensation gap influences the employee's level of organisational commitment. Their results were consistent with past research, showing that HCNs perceive a significant compensation gap between themselves and expatriates. Furthermore, their results showed that the perceived compensation gaps were negatively correlated to affective commitment, i.e. the wider the perceived compensation gap the lower the affective commitment.

2.5.3. China – Measured HPCD, it’s effect on perception of fairness, moderated by local advantage

Chen *et al.*, 2002 study entitled “Making Justice Sense of Local-Expatriate Compensation Disparity” took place in China with a mixture of different level workers. It had very similar objectives as Paik *et al.*, 2007 study, i.e. determining how HCNs of international organisations perceive disparity between their compensation and foreign expatriates’ compensation. Very similar results were found: The greater the advantage the HCNs had over other locals, the higher their perception of fairness, regardless if the expatriates receive considerably higher compensation.

2.5.4. Spain – Measured actual pay differential, it’s effect on perceived pay unfairness and moderating factors

Confirming and complementing these studies, Bonache *et al.*, 2009 also found through their first hypothesis that the larger the pay differential between HCN and expatriates with similar jobs, the higher the perception of pay unfairness. The study continued similarly to the aforementioned studies, to identify factors that may offset the negative influence of pay differential on HCNs’ perceived pay unfairness.

2.6. CONCLUSION

A wealth of literature was found to be available on the topic at hand. An extensive review of this literature has provided significant insight into the existing theories and supporting studies which hereby form the basis for this dissertation. This section provides a summary of these bases as follows:

Expatriates form a vital part of internationally-operating organisations to address skills shortages in certain areas or countries (demand driven). However expatriation has now evolved to be also learning driven with the goal of satisfying company retention plans and/or employee development plans. In this way, today expatriates are not necessarily placed only on elevated hierarchical levels, but instead may now work alongside similarly-qualified HCNs, fulfilling the same task requirements.

Although HCNs and expatriates now often interact on similar hierarchical levels and endure comparable work requirements, there still remains a distinguishable salary difference between these two counterparts, in which HCNs' compensation is significantly less than that of expatriates. This arises as a result of Ethnocentric Compensation Policies.

What becomes important at this point is whether the HCN does in fact compare himself to the expatriate and notices or perceives the disparity. The concept of fairness and the social exchange theory are presented to address this. This became known as the social justice theory and from this, the theory of organisational justice developed, focussing on an individual's need to seek fairness within his company. Organisational justice was refined into distributive and procedural justice. These respectively essentially translate into justice in distribution of rewards/outcomes vs. justice in the method/basis for paying those rewards.

Adams' Equity Theory is highly applicable to the concept of distributive justice. This theory suggests that when an individual is in an exchange relationship with another a natural tendency would be to evaluate his ratio of outcomes to inputs and to compare this with ratios of others. This theory must be used in the context of the concept of perception of fairness and the Social Comparison Theory which identifies the importance of selecting a "referent" or comparative other when evaluating equity (Several important factors influence this process).

If inequity is perceived, this could have psychological and hence behavioural impacts. Evidence has provided strong support that there is a clear path from perceived pay equity to job satisfaction (JS) and organisational commitment (OC). Both of these are multi-dimensional constructs. OC has three components of which *affective* commitment (defined by an attitude to remain within the organisation, by choice, due to *enjoying* being part of the organisation) was shown to be the most important and effective measure for OC. A shortened 9-item organisational commitment questionnaire (OCQ) has been developed which focuses on this and its use is justified. JS comprises both cognition and affect and arises when an employee thinks and feels positively about his job. It is

measured most widely and effectively by the Minnesota Satisfaction Questionnaire (MSQ) that is available in a short 20-question form. Its use has not only been justified in the USA but also in South Africa.

Several studies were found to investigate and defined the relationship between perceived inequity and OC, and between perceived inequity and JS. A very limited number of these studies were focussed on the context of the HCN-expatriate relationship and specifically from the HCN's perspective, i.e. the HCN-perceived compensation disparity (HPCD). No such studies were found in a South African context.

3. RESEARCH DESIGN AND METHODS

3.1. INTRODUCTION

“As mathematicians say, a properly framed question contains the answer” (Babbie, 2009)

Before conducting a scientific enquiry which involves observing a phenomenon and further interpreting what was observed, essential steps need to be carried out. These essential steps form the preliminary phase to conducting the actual enquiry and can be referred to as the research design, focussing primarily on the “why” and “how”. The design is a plan that determines what will be observed and analyzed (Babbie, 2009). Methods described in this chapter are the techniques used to fulfil the plan. This chapter will cover both how the subjects for this study were selected as well as and the criteria and rating systems to be used.

This chapter strives to fulfil the requirement that a research design should be balanced in terms of methodological, practical, theoretical and ethical considerations. To address this, the content of this chapter can be outlined as follows: *Section 3.2* describes the inquiry strategy and covers the use of quantitative research, descriptive research, survey use, etc. This is followed by *section 3.3* which describes the adopted approach to sampling. The data collection method is described in *section 3.4*, before the overall research procedure is presented in *section 3.5*. *Sections 3.6 and 3.7* describe respectively how the data will be statistically analysed and how the quality and rigour will be assessed, before a final summary/conclusion to the chapter is presented in *section 3.8*.

3.2. DESCRIPTION OF INQUIRY STRATEGY AND BROAD RESEARCH DESIGN

This research design is specifically suited to answering the hypothesis and objectives set out in section 1.4. The design is made up of a plan and structure of investigation, which is a strategy undertaken in order to solve the research hypotheses as validly, objectively, accurately and economically as possible, as recommended by Leedy and Ormrod (2005).

The research design which was incorporated is reflective of the following classifications:

3.2.1. Quantitative Research

In a quantitative research study, a broad literature review is completed where the researcher becomes familiar with applicable information (Babbie, 2009); it is a movement through successive phases from theory to hypotheses to data collection and finally the conclusion. It is primarily focused on a scientific method of theory testing. Quantitative research encompasses any data collection technique where variables can be measured and data can be analysed to understand the relationships between these variables. Variables can be measured through instruments (questionnaires) and statistical procedures used to analyse the data collected (Creswell, 2009).

This research started with an extensive literature survey which is presented in chapter 2; following this objectives were set to understand what variables will be measured through specific data collection and finally summarised through statistical analysis.

Strengths of using Quantitative Research:

According to Creswell (2009); Leedy and Ormrod (2005); Saunders, Lewis and Thornhill, (2007), surveys have the following strengths:

- In a quantitative study (survey research) where the research is designed and conducted accurately, results will be statistically reliable.
- A quantitative study allows the researcher to stay at a distance which allows limited contamination, i.e. minimising the researcher's influence on participants.
- Working with numbers in a quantitative study as opposed to qualitative data facilitates a more tangible and less interpretive research environment, which helps avoid susceptibility to bias.
- With quantitative studies being numerical in nature, presentation and sharing of results becomes simpler and more effective.

3.2.2. Descriptive Research

Most studies can be classed as one of three types of research: descriptive, explorative or explanatory. These research types are described in Table 3 below, indicating the level of applicability to this study. By inspection, the table also justifies why the study is primarily *descriptive* in nature.

Table 3: Applicability of each research type to this study

Type of research	Characteristics	Applicable to this study	Discussion/Reasoning
Descriptive	Characterises an observed phenomenon, providing more info on who, what, where, when and how	Yes	The phenomenon is the effect of the HPCD on JS and OC. This study specifically answers the questions "who" and "what" in the South African context, by counting and processing data from a questionnaire.
	Usually uses statistical or quantitative methods	Yes	This study uses quantitative methods and a basic statistical approach to testing hypotheses.
	Does not attempt / cannot prove causality	Yes	*** The Literature Review chapter does investigate and present theories indicating a causal relationship. However, the collection and processing of data to investigate the hypotheses only attempts to find a correlation and cannot prove causality in itself.
Explorative	Usually used on problems that are not clearly defined	No	Although the problem statement, objectives and hypotheses defined in Chapter 1 have an exploratory feel about them, they have in fact been clearly defined.
	Usually uses qualitative methods	No	A quantitative method is used via a questionnaire.
	Often requires conducting of interviews and relies on secondary research, e.g. reviewing available literature/data	Mostly not	The only area of applicability to this study is that secondary research was conducted in the form of literature reviews of theories and previous studies in order to gather background information and to gain understanding and gather potential support of the proposed hypothesis.
	Results provide insight rather than definitive conclusions	Partly	Depending on the outcome from this study, the results are expected to provide insight as well as some definitive conclusions, subject to a few basic limitations.

Type of research	Characteristics	Applicable to this study	Discussion/Reasoning
Explanatory	Answers the question of <i>why</i> an observed phenomenon occurs.	Partly	See paragraph marked ***.
	Builds and elaborates on existing theories/principles	No	The study uses theories and previous studies to lay out some principles as a foundation. It then investigates them in the specific context of HCNs vs. Expatriates in South Africa.

3.2.3. Survey Research

“A survey is a systematic method for gathering information from (a sample of) entities for the purpose of constructing quantitative descriptors of the attributes of the larger population of which entities are members” (Groves, Fowler, Couper, Lepkowski, Singer, & Taurangeau, 2009).

A survey was conducted by administering a questionnaire where each person was asked to respond to the same set of questions (standardised measurement) in a prearranged manner which will allow for comparison. The strategy of enquiry was a self-administered questionnaire and respondents were required to complete their own questionnaire electronically via the internet (Internet-mediated questionnaire). This questionnaire was intentionally created to be short and easy to complete as the target population is a set of highly skilled individuals with limited time availability.

Strengths of using Survey Research:

- Questionnaires are an effective way of collecting responses from large sample groups in a consistent manner to aid to quantitative analysis (Saunders *et al.*, 2007).
- Online Questionnaires (Fielding, Lee, Blank, & 2008):
 - Significantly reduce turnaround time (time-efficiency), due to the results recorded immediately upon completion. Easy access to Professional employees in the workplace and logistical concerns in reaching participants.

- A large participant pool can be accessed where they are not only diverse but also geographically scattered.
- Increased trust with the sample group; anonymity is practiced with no supervision. Respondents are ensured that their individual responses are anonymous and would not be disclosed to their employers.
- Self-administered emailed questionnaire will limit the contamination of the data due to the researcher and sample individual having limited interaction.

3.2.4. Primary data

The nature of primary data is that it is original and that the data is collected purposely for the intended study. The data collected does not already exist.

Primary quantifiable data was obtained through a field survey using the aforementioned questionnaire and further used to conduct statistical research to search for correlations.

Strengths of using primary data:

- The researcher is able to deal with the specific research issues, as the design can be controlled to fit the needs of the researcher
- No existing data was found to be suitable; thus it was necessary to generate primary data

3.2.5. Applied Research

Applied research is “focused on answering practical questions to provide relative immediate solutions” (Johnson & Christensen, 2010). This type of research is conducted in a realistic setting (a real world view).

The aim of this research was to provide quantifiable data to provide answers for set objectives and further to provide possible practical applications and suggestions for future decision making.

Strengths of using applied research:

The results have practical implications and possible useful suggestions for HRM and IHRM. The primary audience for this applied research is other applied researchers, policymakers, human resource managers and/or directors. These individuals are able to take the results and further apply it to the development of interventions and programs which focus on improving organisational success. Furthermore, the results may become a crucial stepping stone for future research.

3.2.6. Cross Sectional

Cross sectional research is when data is collected from a sample group over a relatively brief period of time (Babbie, 2009). The primary data for this specific research was collected at one particular point in time and was not extend over a prolonged period.

Strengths of using cross sectional research:

Cross-sectional research is advantageous as it allows data to be collected from a variety of individuals over a short period of time. This is one of the most simple means of data collection as individuals can be compared without the need to account for change as a function of time (Johnson & Christensen, 2010).

3.2.7. Limitations

The following limitations are recognised during the application of this research design:

- The disadvantage to a cross-sectional study is the difficulty to establish time order. When collecting data at a single point in time it restricts the possibility of directly measuring the changes taking place over a specified time. It is possible to attempt understanding the processes that have developed over the time period by using theories and past research findings but this is a weaker substitute for a longitudinal study (Johnson & Christensen, 2010). A longitudinal study would provide more confident data; but this option is not possible due to time constraints. It would also increase the complexity of the study.

- Questionnaires are subjective and individuals completing the questionnaire may still doubt the anonymity of the data; they may feel that truthful answers could jeopardise their jobs.
- Questionnaires can also allow for subjectivity since each individual's opinions (ratings) cannot be placed on an *absolute* comparative scale (Each rating is *relative* to the individual's own personal norms).
- Pilot tests are small-scale studies that allow a trial run for the specific research questionnaire which minimises the likelihood of respondents having problems in answering questions and avoids possible data recording problems. However, due to the narrow population criteria and limited number of participants, a pilot study was not an option. Every participant was necessary to maximise the size of the sample set.

3.3. SAMPLING

To sample is to select in a scientific or non-scientific manner a group or subgroup (sample) which is reflective of a larger population. It allows the researcher to collect a smaller amount (manageable size) of information rather than considering every potential case (Saunders *et al.*, 2007), and by only viewing part of the whole population inferences can be made about the characteristics of the target population (Mukhopadhyay, 2008). Sampling is essential when conducting a survey research (Leedy & Ormrod, 2005).

The sampling design for this study is multistage; firstly the appropriate organisations were identified and then names of individuals within those organisations were targeted as samples.

3.3.1. Units of analysis

Units of analysis refer to who and what is being measured. There are four units of analysis in this study:

1. The HCNs (Host Country Nationals)
2. The HPCD (the HCN-perceived compensation disparity)

3. The HCN's OC (Organisational Commitment)
4. The HCN's JS (Job Satisfaction)

A more detailed description of (1) follows. The targeted population of this study is South African professionals working with expatriates in any organisation in South Africa; this population group is referred to as the HCNs.

Each of the HCNs should fulfil all of the following requirements:

- Must be of South African nationality
- Must be an employee working in South Africa
- Must work in close proximity with an expatriate (foreign employee),
 - On the same or similar hierarchical level, OR
 - Doing the same or similar work

This target population was selected purposefully as meta-analytic research suggests that when expatriates are fulfilling similar work requirements under similar conditions they are critical referents for the HCNs (Kulik & Ambrose, 1992). Therefore it is essential that the target population encompasses all the requirements stated above.

The objectives of this study include investigating the effect of the HPCD (if any) on the HCNs' attitudes, i.e. their level of OC and JS. The method for measuring these units of analysis, i.e. items (2), (3) and (4) is discussed in detail in sections 2.4.1.3 and 2.4.2.5 which describes the history, origins and mechanics of the questionnaire that was used.

3.3.2. Sample from whom the data will be collected: sampling unit

Each entity within the target population is known as a sampling unit.

It is critical that the sample drawn is representative of the population since any data collected through a poor sample group will be pointless and no inferences can be made about the characteristics of the population group (Leedy & Ormrod, 2005).

The entities from which the data was collected were organisations throughout South Africa, which employ expatriates. Once these organisations were identified, respondents (HCNs) were selected who fulfilled the population requirements.

3.3.3. Selection of respondents

Although the population was selected according to a prescribed set of criteria, the sample strategy utilised for the study was a non-probability sampling method. There are four different kinds of non-probability methods; the most appropriate non-probability method selected for this study was the *purposive sampling method* (Adler & Clark, 2008).

Purposive sampling /Judgment Sampling

This type of sampling occurs when the researcher chooses participants because of specific characteristics; the researcher makes the decision based on who they think would be suitable to facilitate the study. This is mainly used when the population group is rare and difficult to locate; these individuals are few in number and have very specific expertise in the required field being researched (Adler & Clark, 2008).

The respondents were not randomly selected, but any individual who was deemed appropriate according to the requirements were requested to complete the survey. It was essential to use a simple form of sampling due to the professional nature of the employees and limited participants available; it does however pose the risk that the sample group is not representative of the target population. To ensure maximum diversity and a true reflection of the population group an array of organisations were contacted to participate in the study across South Africa. More than seventy (70) international organisations and South African companies employing expatriates were contacted; many of which are from the FTSE/JSE Top 40 index. Although this study followed a purposive sampling method, a diverse number of sectors were included in the study, whereby helping to minimise subjectivity. The specific industry sectors represented within the sample group include: banking; energy; engineering services; fuel; mining; motor vehicle and telecommunications.

3.4. DATA COLLECTION

A single method of data collection was used to conduct this study. A field survey which consisted of an online questionnaire managed by LimeSurvey was used in order to collect quantitative data in a standardised manner. This questionnaire fulfilled the following four main functions:

1. To screen out respondents who did not fit the criteria
2. To measure the HCN-perceived Compensation Discrepancy (HPCD)
3. To measure Organisational Commitment (OC)
4. To measure Job Satisfaction (JS)

Note that item (1) is only for respondent screening purposes but items (2), (3) and (4) are the study's constructs (measurement functions) with the purpose of fulfilling the study objectives described in section 1.4. Each of these four functions consisted of several supporting questions. The details and justification for each are provided as follows:

3.4.1. Screening out respondents who did not fit the criteria

Close working proximity and similar hierarchical level

Regarding criteria, these were mentioned in section 3.3.1. The “South African nationality” and “working in South Africa” criteria were generally met by controlling to whom the questionnaire was sent out. However, it was deemed that the criteria for working in close proximity or similar hierarchical level required some verification/screening, in order to provide confidence. Although the intention was to send out the questionnaire only to the selected HCNs it could be expected that some respondents would receive and complete the survey without meeting the specified criteria. This risk was managed by including one-item questions in the survey which directly asked the respondents the prescribed criteria of the population group, i.e., respondents were required to answer either “yes” or “no” to the following questions:

- Do you work in close proximity (location) with an expatriate?
- Do you hold a similar position or hierarchical level as an expatriate?

If the sample member answered “no” to these questions their questionnaire was excluded from the study. This step served to filter out any respondents who erroneously participated in the survey without meeting the prescribed criteria and also helped verify/confirm the respondents that did meet the criteria.

Similar Inputs: Equity Theory

Further to the criteria mentioned in section 3.3.1, a second criterion considered for screening out invalid respondents is that the HCN and expatriate must have *similar inputs* (Using Adams equity equation the HCN needed to have similar inputs to the expatriate in order to measure equity purely on the basis of outcomes). Important inputs in a working environment are effort, qualification and rank. The following questions (worded in *statement* form) were asked to establish whether the inputs were similar, where in each case respondents either answered “yes” or “no”.

- You hold a similar position or hierarchical level as an expatriate.
- The expatriate has more qualifications and work experience than you.

During processing of the results it was decided not to use this as an exclusion criterion and rather reserve these questions for future research and interpretations. The reasons for this are explained in section 4.3.2.3 of the next chapter which discusses the results from the study.

3.4.2. Measuring HPCD

A single-item question was asked to establish the HPCD. This appears to be in line with several previous studies which also employed one-item scales to test perceived pay unfairness, all of which were effective and justifiable (Bonache *et al.*, 2009; Leung, Smith, Wang & Sun, 1996).

To measure the HPCD the following direct question was asked:

“Local employees are fairly rewarded (compensated) in comparison to the overseas employees working in the local company.”

The participants were requested to answer this question on a 5-point Likert-type scale ranging from strongly disagree (1) to strongly agree (5).

Note: The Literature review in Chapter 2 presented some limitations with respect to use of the Equity Theory (Refer to section 2.3.4.1). The equity theory was used as the foundation in reviewing the HCN's perceptions of fair/unfair distribution of resources between the HCN and the expatriate in the organisation. To ensure not to work outside of these limitations, the equity theory was reviewed and used in a restricted focus of under-compensation due to the questionable legitimacy of application of the equity theory to overcompensation.

Selection of Social Referent

It was identified in section 2.3.4.4 that when measuring the HCN's perception of the remuneration disparity between HCNs and expatriates it is important to establish if in fact the HCN uses the expatriate as a compensational referent. This requirement was not included as a formal objective of the study, but it is included in the survey as an enabling question for measuring the HPCD).

The participants were requested to answer either yes or no to the following question:

- Do you compare your salary (full compensation package) to the expatriate (overseas employee) within your organisation?

3.4.3. Measuring OC

Developed questionnaires with proven measurement properties were used for measurement of OC and JS (refer to Literature review Chapter 2.4 which describes these tools in detail). To briefly summarise: The Organisational Commitment Questionnaire (OCQ) measures the employee's commitment to the organisation (Porter *et al.*, 1974). The original questionnaire which consists of 15 items was reduced to a shortened version of 9 items. This shortened version of OC is a reliable measurement of affective commitment (commitment to remain with the organisation) (Commeiras & Fournier, 2001; Dunham *et al.*, 1997). Furthermore the OCQ incorporates reversal phrasing which forces the participants to carefully read the questions before responding. This form of

questioning is important as it reduces response bias. The questionnaire uses a 5-point Likert-type scales ranging from strongly disagree (1) to strongly agree (5). Survey participants needed to indicate their level of agreement. The 9-item OCQ that was used in this study is included in Appendix A.

3.4.4. Measuring JS

Smith *et al.*, (1969) stated that good measures of job satisfaction should: (1) Separate the various aspects of satisfaction from one another; (2) Agree with other, equivalent measures; (3) Be useful with a wide range of persons from a wide range of jobs and a variety of situations; (4) Be intuitively understandable; (5) Be short; (6) Allow group administrations; (7) Require low expenditures of time and money. The short form of the Minnesota Satisfaction Questionnaire (MSQ) fulfils these requirements and it was used to measure the employee's satisfaction with his job (Weiss *et al.*, 1967). The Literature review Chapter 2.4.2.6 describes this tool in detail). The MSQ covers 20 facets, due to the fact that the shortened questionnaire only measures 1 item per facet; all items were joined to obtain a total score. Studies have been reported to show that an acceptable internal consistency exists for the shortened version of MSQ (Buitendach & Rothmann, 2009; Hirschfeld, 2000). The MSQ uses the 5-point Likert-type scale. The 20 items measured are listed below:

Table 4: MSQ 20 Facets

Ability utilization	Co-workers	Moral Values
Achievement	Creativity	Recognition
Activity	Independence	Responsibility
Advancement	Security	Supervision – Human Relations
Authority	Social Service	Supervision – Technical
Company Policies	Social Status	Variety
Compensation	Working Conditions	

The one focal point of this study is measuring JS as a dependent variable in which this attitude can be altered dependent on the perception of salary. It is important to note that part of the MSQ is a question related to salary, i.e. "How satisfied are you with the pay compare to the amount of work you do in your present job?" By independently asking the HCN to comment on their pay without identifying the expatriate as the social referent the response will be more bias-free.

There are 2 forms of the MSQ: a long item questionnaire which consists of 100 questions, and the short form which is formulated into only 20 items. Evidence has shown that both the short and long form questionnaire both have acceptable reliability (Spector, 1997). Therefore, since the 20-item questionnaire has a similar reliability but is considerably (i.e. 80 %) shorter, it was more convenient to use this version, also better satisfying Smith *et al.*, (1969) requirement number (5), to be short.

3.4.5. Other measurements

An open space marked "Any additional comments" was provided at the end of the questionnaire for individuals to express any additional comments if desired by the respondent. This allowed for some flexibility and could also provide basis for future studies. Furthermore, comments could serve as supporting data to corroborate the results of the field survey.

3.5. RESEARCH PROCEDURE

In order to maintain protocol and also maximise the effectiveness and respondents' support of the study, the appropriate reporting and communication routes were followed. The Human Resource Managers/Directors of the organisations that provided the respondents for this study were presented with a clear and precise email describing how the study is beneficial to the organisation and what the researcher's main objectives were. When confirmation of participation was issued by the organisation via email they provided consent that the applicable study may take place in their organisation.

The field study survey entailed the following:

- The study used quantitative research techniques to obtain data.
- An email was sent directly to the HRM requesting whether their HCNs could participate in the study. As a benefit to the organisations, the researcher offered to make the results from the study available for HRM knowledge purposes. When applicable organisations gave their authorisation and willingness to participate it was requested that they forwarded the questionnaire link to the individual's fulfilling the population (HCN) requirements.
- The purpose of the questionnaire stated that the studies intention was to measure organisational commitment and job satisfaction in relation to received compensation, this was done so not to skew the data.
- Individuals were clearly informed of their rights which indicated that the survey is totally anonymous and that they were free to stop participating at any time. By submitting the questionnaire the individual gave his informed consent and this ensured voluntary participation. Confidentiality was ensured as the survey was conducted in complete anonymity, since the researcher did not at any time request or record the respondent's identity.
- Once the individual clicked on the submit button on the online questionnaire the data was directly sent to the administration data bank of LimeSurvey. LimeSurvey has the functionality of exporting data to different tools; specifically SPSS which was used for data analysis.

3.6. STATISTICAL DATA ANALYSIS

The statistical analysis for this research was done with the aid of SPSS (2011). Descriptive statistics (i.e. mean, standard deviations) were used to analyse the data. Cronbach Alpha Coefficients were used to determine the reliability of the OC and JS measure. According to Nunnally and Bernstein (1994) the Cronbach Alpha of a measurement should exceed 0,70 in order to be considered reliable. Pearson Correlation Coefficients were used to determine the relationship between HPCD, OC and JS.

3.7. ASSESSING AND DEMONSTRATING THE QUALITY AND RIGOUR

Any research can lend itself to multiple errors; which should be managed by the researcher by demonstrating that the entire process from conceptualisation to reporting has been conducted in a valid and rigours manner. A well formulated and carefully planned research design to a degree ensures that the research avoids bias and erroneous data and interpretations; but of equal importance is the ethical conduct of the researcher which can have a dramatic impact quantitatively and emotionally on participants.

3.7.1. Research Ethics

According to Saunders *et al.* (2007:610), research ethics preserves the interests of the participants and stakeholders in the research project through suitable conduct of the person who carried out the study. Furthermore they explain that “research ethics relates to questions about how we formulate and clarify our research topic, design our research and gain access, collect data, process and store our data, analyze data and write up our research findings in a moral and responsible way” (Saunders *et al.*, 2007:178). Organisations and their employees are continuously involved in research processes (Aguinis & Cascio, 2005).

This research study ensured the following ethical principles (Saunders *et al.*, 2007):

3.7.1.1. *Ethical Clearance*

The research should be guided by the university’s code of ethics or ethical guidelines. Furthermore the researcher should cooperate with members of the professional board. This research was subjected to the approval by the University of Pretoria’s Economic and Management Sciences Research Ethics Committee.

3.7.1.2. *Organisation authorisation*

To gain access into an organisation and to the individuals concerned; organisation authorities should be approached and authorisation must be obtained. The organisation

has rights and should not be pressured as they house the subjects who are affected by the study; these organisations should be respected. Every organisation was contacted in advance via telephone, an email was sent and confirmation was gained by the executives via email confirmation. The organisation itself sent the survey link to its individuals whereby ensuring that the organisation was fully involved in the process (also giving authority/priority to the request).

3.7.1.3. *Protecting the participant – cause no harm*

When selecting, approaching and recruiting individuals for the research study participants must be protected by adhering to the following requirements, all of which were met when conducting this study:

- Voluntary Participation. Coercion should be avoided at all costs; inducements (i.e. money) can result in ethical problems where participants feel they cannot afford to pass up the incentive offered. An email was sent to the individual requesting and not demanding their participation.
- Informed consent. Clear and unambiguous details about the research should be communicated to the participants. These details include the purpose of the study, the procedure to be followed and the participant's privacy rights. Furthermore each participant should be given full rights to withdraw from the study at any stage. It is imperative that participants should sign a form which shows that they give their informed consent. When the participants activated the online questionnaire a brief introductory message appeared informing them of the objective and their option to end the survey any time they feel the need to do so. Data was only recorded once the individual clicked on the 'submit' button and gave their consent.
- Confidentiality and Anonymity. Part of the message in the online questionnaire covers the individuals right to privacy - This also ensures that individuals will answer more honestly and openly. No personal details were requested from individuals, which made collecting data difficult but ensured a highly trusting environment.

3.7.1.4. *Respecting others' work*

When conducting a study the researcher is consistently working with literature from other researchers and authors. When using information respect should be maintained by avoiding copyright and plagiarism at all costs.

3.7.1.5. *Data management*

Data management is focused on three important areas:

- The researchers who originally collect the data. Only individuals directly involved in the study will be allowed access to personal information (if any); furthermore they undertake an ethical oath to ensure that no personal/individual information will be disclosed but will only be used for the communicated purpose.
- The researchers who take ownership of the data and store it. Data should be archived for a minimum of 10 years, and access should be defined.
- The researchers who are seeking data for secondary studies. Truthfully collected data (reliable) should be shared for future studies. Confidentiality of participants should be maintained.

3.7.1.6. *Objectivity – avoiding research misconduct*

To maintain objectivity researcher bias must to be avoided with data collection and literature representation:

- Data. Bias is avoided when the researcher acts honestly, by ensuring precise data analysis and interpretation for truthful data reporting. As mentioned in section 0 the sampling method used was a judgmental sampling method which is non-probable and lends itself to being biased. It is important that the researcher employed self-awareness and monitoring processes throughout the research study as data could be prone to manipulation.
- Literature. Representing literature should be done professionally; this is done by not only sharing the “good” or biased side of the researcher’s particular point. Facts and information relevant to the subject should be presented to the reader to ensure that

they have an informed opinion. An extensive literature review was created in chapter 2 which reflects views supporting and opposing the researcher's ideas.

3.7.2. Minimising measurement error

To ensure that no or minimal errors occur; when using the instruments (questionnaires) to measure the variables HPCD, OC and JS; reliability and validity should be included and integrated in the research paper. Reliability and validity will influence the extent to which the measurement instruments can provide knowledge about the phenomena that is being studied and furthermore the probability that the data analysis can obtain statistical significance and finally the extent to which a meaningful conclusion can be drawn from the data set (Leedy & Ormord, 2005).

3.7.2.1. *Reliability*

Reliability is the extent to which an experiment, test or any measuring procedure yields consistent findings, the same results or similar phenomenon on repeated trials regardless of which researcher is conducting the study (Saunders *et al.*, 2007). The importance of reliability in any study is that decisions should be based on results that can be repeated.

To ensure reliability of this study, the strategy has been to use reliable, verified and tested tools, e.g. SPSS is commercial off-the-shelf software that likely already has been subject to such verification and testing. The same is true for the OCQ and MSQ. Nevertheless the questionnaire's internal reliability can be verified using the Cronbach's correlation coefficient which can test the internal reliability of the factors within the OCQ and MSQ tools. Cronbach's alpha measures how well a set of items (or variables) measures a single unit-dimensional latent construct. SPSS which is a statistical program was used to determine the Cronbach's correlation coefficient (α) for all sections of the questionnaire (For more details refer to the literature review chapter).

The remaining uncertainty in reliability lies in the execution of the fieldwork, i.e. collecting and processing of the results. This uncertainty is to some extent prevented and mitigated

by use of a clear and concise methodology as described in this dissertation, which could be used by other researchers attempting to reproduce the results.

3.7.2.2. Validity

Any measuring device is valid if it measures what it is intended to do, or measures what it purports to measure (Saunders *et al.*, 2007). It is essential to create a valid design in order for a valid scientific conclusion to be drawn.

This check can be done by comparing the conclusions of the study presented in Chapter 5 to the objectives originally laid out in the first chapter, section 1.4. This will be complemented and assured during the research process, by ensuring that a sound methodology is in place that includes scrutiny and verification of the input data.

Furthermore in the mechanics of the validation exercise, if one can validate a system's parts and the interfaces between them, then one can conclude that the system is fully validated. Now let's look at the parts: The OCQ and MSQ were used to measure OC and JS. These tools have already been validated and subjected to rigorous scrutiny as described in section 3.7.2.1. The measurement of HPCD could be considered as not requiring further validation since this construct is measured by a single direct question to the respondent and is unambiguous. The parts are therefore adequately validated (More information on this can be found in the literature review chapter).

The arguments presented for reliability in section 3.7.2.1 in terms of testing of the tools used, i.e. SPSS, the OCQ and the MSQ are also applicable to validity, which should be expected to form part of any successful quality assurance program. A tool or component can usually be considered validated if it undergoes one or more of the following procedures:

- Line by line peer review
- Comparison with an alternative method
- Comparison against real/experimental results

Line by line review has already been performed during preparation of this study and the relevant documentation. Furthermore, the results could be validated by repeating this study, but targeting a different set of South African organisations with employees that fit the same criteria. This activity can be deferred to an optional recommendation for future works.

3.8. SUMMARY

A comprehensive research design has been created and articulated through this chapter. The inquiry strategy covers the justification behind the intended use of quantitative research, descriptive research, surveys/questionnaires, primary data, applied research, cross sectional research and their limitations. The adopted approach to sampling is that more than seventy South African companies employing expatriates were contacted; many of which are from the FTSE/JSE Top 40 index. The sampling method is purposive yet maintains diversity across industrial sectors to minimise subjectivity. The data collection method encompasses firstly screening out of respondents who do not fit the criteria; secondly, measuring HPCD shall be done by the single direct question: “Local employees are fairly rewarded (compensated) in comparison to the overseas employees working in the local company”, to which the respondents provide answers on a typical 5-point Likert-type rating scale. Finally, OC is measured using the 9-item OCQ and JS is measured using the 20-item MSQ. The overall research procedure is to use modern techniques, i.e. email communication, an online survey, etc. but still maintains fundamental research principles by telephonic conversation, sound HRM practices, i.e. confidentiality, common ethics practices, etc. Once the data is collected it will be statistically analysed using SPSS wherein Cronbach Alpha Coefficients will be used to determine the reliability of the OC and JS measures and Pearson Correlation Coefficients will be used to determine the relationship between HPCD, OC and JS. Finally reliability and validity are addressed and made provision for. In conclusion, this comprehensive methodology maximises the probability of an effective research process and likelihood of realising the specified objectives in a sound manner according to best research practices.

4. RESULTS AND DISCUSSION

4.1. INTRODUCTION

The research objectives and hypotheses were set out in section 1.4. Chapter 3 described the research design and methods, i.e. the procedure that was followed to achieve these objectives. This chapter presents the results from these activities as well as discussions from their inspection and analysis.

Firstly, the demographic characteristics of the sample set are presented, particularly for the purpose of gaining a better understanding of the sample set and also importantly as background information to take into consideration when analysing the results.

Following this, the three hypotheses that were set up to reach the objectives are tested by statistical processing of the results from the questionnaires as described in section 3.6. The results from the hypothesis testing are discussed, in order to provide a foundation for the drawing of conclusions and recommendations in the final chapter.

4.2. DATA COLLECTION RESULTS AND CHALLENGES

The purposive sampling technique used to gather data resulted in a diverse group of respondents. The sample consisted of 86 respondents who work across different industry sectors in South Africa (This included banking, energy, engineering services, fuel, mining, motor vehicle and telecommunications sectors, as discussed in section 3.3.3). Although the number of respondents is sufficient in size, these respondents came from an extensive process of contacting over 70 international companies with offices in South Africa who employed expatriates. Reasons for such a limited response rate included: (1) a target population with very specific characteristics, and (2) significant resistance to participate in the survey, particularly by the HR departments who were on the front line of the communication, and to a lesser extent respondents' resistance to participate (probably due to lack of free time and participation was voluntary). From experience during the data collection process, it was apparent that the HR departments' reluctance was due to

assuming that a compensation disparity was common knowledge and that it would be best to prevent exposure of such an issue, whereby preventing negative effects on JS and OC, amongst other psychological and behavioural effects (This is interesting since this is the exact purpose of the study).

The following section provides insight into the biographical composition of the sample group.

4.3. DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE

4.3.1. Detailed Sample Statistics

When collecting large volumes of data it becomes necessary to describe this data in simpler, more general terms, e.g., plotting graphs to observe trends, computing the average value and the variability, i.e. standard deviation. Numerically summarising the data in this way is known as descriptive statistics (Saunders *et al.*, 2007). Frequency analysis is also a simple and particularly useful part of descriptive statistics as it helps to conceive and portray the data in terms of proportions. In this process, descriptors such as frequency counts, percentages and cumulative percentages are used in the form of frequency tables.

Table 5 indicates the gender distribution of the sample group. It is evident that the female respondents are by far in the minority (29.1 %), with male respondents totalling more than two thirds (70.9 %) of the whole sample group.

Table 5: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	61	70.9	70.9	70.9
	Female	25	29.1	29.1	100.0
	Total	86	100.0	100.0	

Table 6 portrays the age distribution of the respondents. The age group mode (i.e. most frequently occurring) of the sample is the group from 30 – 39 Years (47.7 %). The groupings, 20 - 29 years (7 %) and 60 - 69 years (1.2 %), provided the smallest return. Two remaining age groups 40 – 49 Years and 50 – 59 Years yielded 21 (24.4 %) and 17 (19.8 %) responses respectively.

Table 6: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	6	7.0	7.0	7.0
	30-39	41	47.7	47.7	54.7
	40-49	21	24.4	24.4	79.1
	50-59	17	19.8	19.8	98.8
	60-69	1	1.2	1.2	100.0
	Total	86	100.0	100.0	

As indicated in Table 7, the home language of respondents was grouped into the following groups: Afrikaans, English and Indigenous. 35 respondents (40.7 %) indicated that their home language was Afrikaans, and the majority, a further 45 (52.3 %) indicated that their home language was English. The remaining 6 (7 %) respondents selected their home language as one of the nine indigenous languages recognised as official languages in South Africa.

Table 7: Home language

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Afrikaans	35	40.7	40.7	40.7
	English	45	52.3	52.3	93.0
	Indigenous	6	7.0	7.0	100.0
	Total	86	100.0	100.0	

A simple classification of qualification is represented in Table 8. The responses were divided by two choices: “undergraduate” and “postgraduate”. The majority of respondents, (61.6 %) had some form of qualification on a postgraduate level; the remaining respondents (38.4 %) indicated that they were undergraduates.

Table 8: Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undergraduate	33	38.4	38.4	38.4
	Postgraduate	53	61.6	61.6	100.0
	Total	86	100.0	100.0	

Table 9 provides the responses received from respondents categorising themselves within two different work categories. The analysis indicates that the largest return was from employees who are on a management level (61.6 %) and the remaining 38.4 % indicated that they are operational employees.

Table 9: Job title

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Operational	33	38.4	38.4	38.4
	Management	53	61.6	61.6	100.0
	Total	86	100.0	100.0	

Respondents were requested to indicate the number of years that they have been working with expatriates, either in close proximity or hierarchical level. Table 10 shows that the majority, i.e. more than two thirds (73.3 %) of respondents have been working with expatriates a maximum of five years. 18 (20.9 %) of the respondents indicated that they have worked between 6 and 10 years with expatriates; and the remaining 4 (4.7 %) respondents worked a minimum of 10 years with expatriates.

Table 10: Years working with expatriates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5 years	63	73.3	74.1	74.1
	6 - 10 years	18	20.9	21.2	95.3
	Above 10 years	4	4.7	4.7	100.0
	Total	85	98.8	100.0	
Missing	System	1	1.2		
Total		86	100.0		

Respondents were asked to indicate their years of employment within their current position. As is evidenced by Table 11 the majority of respondents (83.7 %) indicated that they have been within the same position between 0 – 10 years. The second grouping, 11 – 20 years of employment in current position consists of 13 (15.1 %) respondents. Only 1 (1.2 %) person indicated that they have been in the same position more than 20 years.

Table 11: Years in current position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-10 years	72	83.7	83.7	83.7
	11 - 20 years	13	15.1	15.1	98.8
	Above 20 years	1	1.2	1.2	100.0
	Total	86	100.0	100.0	

4.3.2. Other Demographic Statistics

4.3.2.1. *Screening out of respondents*

As mentioned in section 3.3.3 the sample technique used was purposive sampling. Certain control measures were included in the survey to ensure that the correct respondents were answering the questionnaire. These control measures were in the form of two questions: “you work in close proximity (location) with an expatriate?” and “you hold a similar position or hierarchical level as an expatriate?” If a respondent answered “no” to both questions, their questionnaire was removed from the data set. Respondents needed to answer “yes” to at least one of these questions. Only 1 respondent was removed.

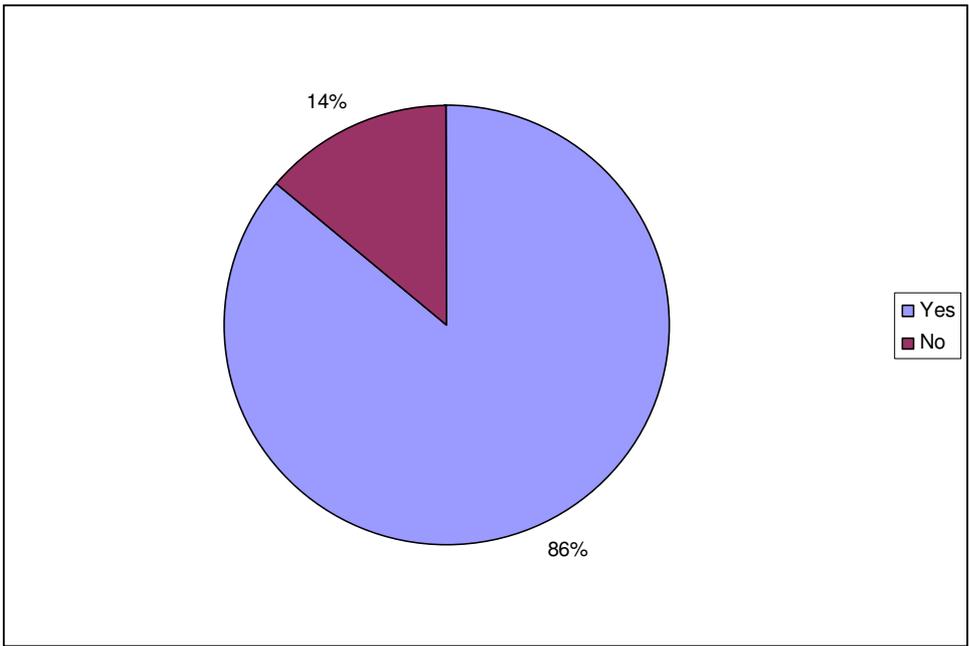


Figure 7: You hold a similar position or hierarchical level as an expatriate?

Figure 7 illustrates by means of a pie graph the number of respondents who answered "yes" to the question "You hold a similar position or hierarchical level as an expatriate"; this is a total of 74 (86 %). The remaining 12 (14 %) responses answered "No" to the question.

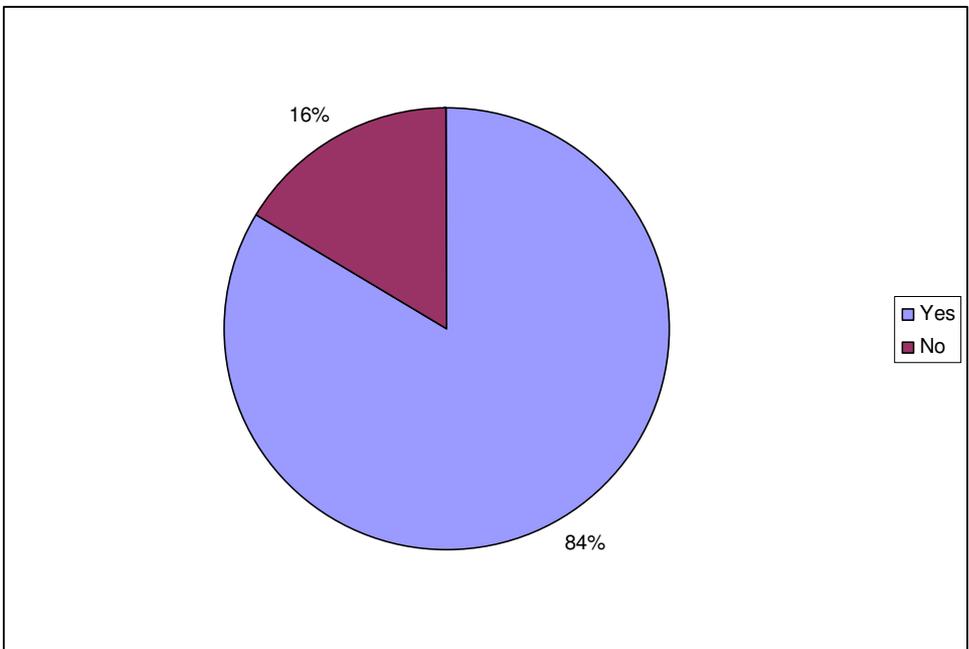


Figure 8: You work in close proximity (location) with an expatriate?

Figure 8 illustrates with a pie graph the number of respondents who answered “yes” to the question “You work within close proximity with an expatriate”; this is a total of 72 (83.7 %). The remaining 14 (16.3 %) responses answered “No” to the question.

The questionnaire was relatively short and because of the difficulty in targeting the specific sample group it seemed opportune to ask a few additional questions for possible future interpretations and research.

4.3.2.2. *Confirmatory Questions*

Even though the literature survey suggested that HCNs are aware of what expatriates earn and furthermore they are more likely to compare their salary with the expatriate, it seemed necessary or at least interesting to confirm these statements.

The pie graph below illustrates the responses to the question “You are aware of what the expatriate earns within your organisation?” A total of 62 (72.1 %) respondents deemed themselves knowledgeable of the expatriates salary. The remaining 27.9 % is unaware of what the expatriate earns.

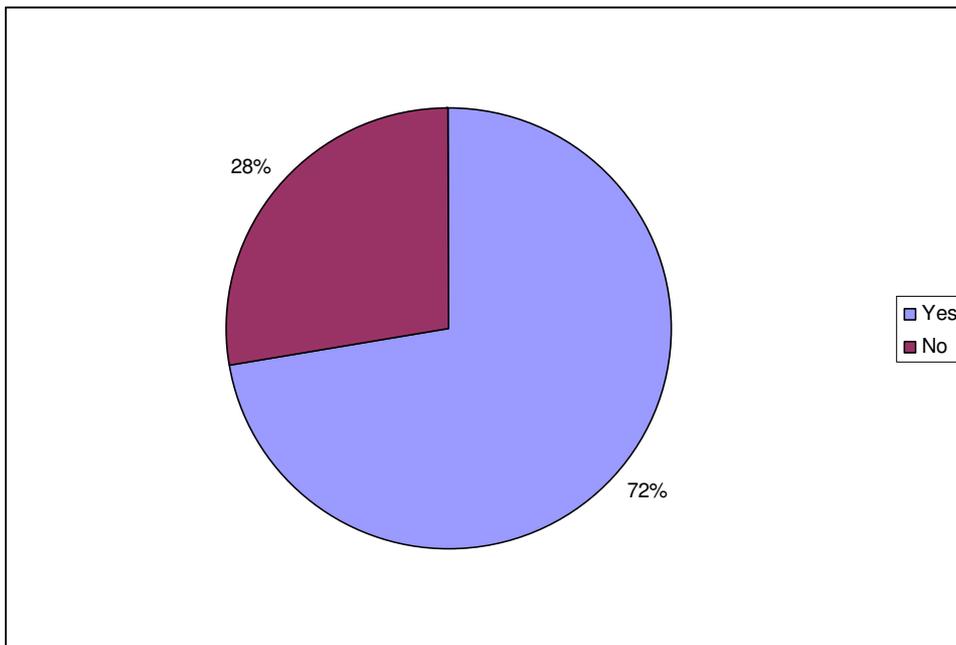


Figure 9: You are aware of what the expatriate earns within your organisation?

This data serves to understand if the HCN is actually aware of the salary earned by the expatriate as discussed in the literature review. Many speculations were made that most HCNs were privy to this information, especially when the HCN is a colleague of the expatriate and more so when these colleagues are working on the same level. Though a large portion of the candidate answered “yes” to the fact that they are aware of the salary earned; almost a third still answered “no”. Also, it is interesting, in the context that organisations usually have a policy of strict confidentiality when it comes to disclosure of compensatory information.

The figure below depicts the results to the question “Do you compare your salary to the expatriate within your organisation”. The respondents answers were evenly split where 43 (50 %) responded ‘Yes’ and the other half respond ‘No’

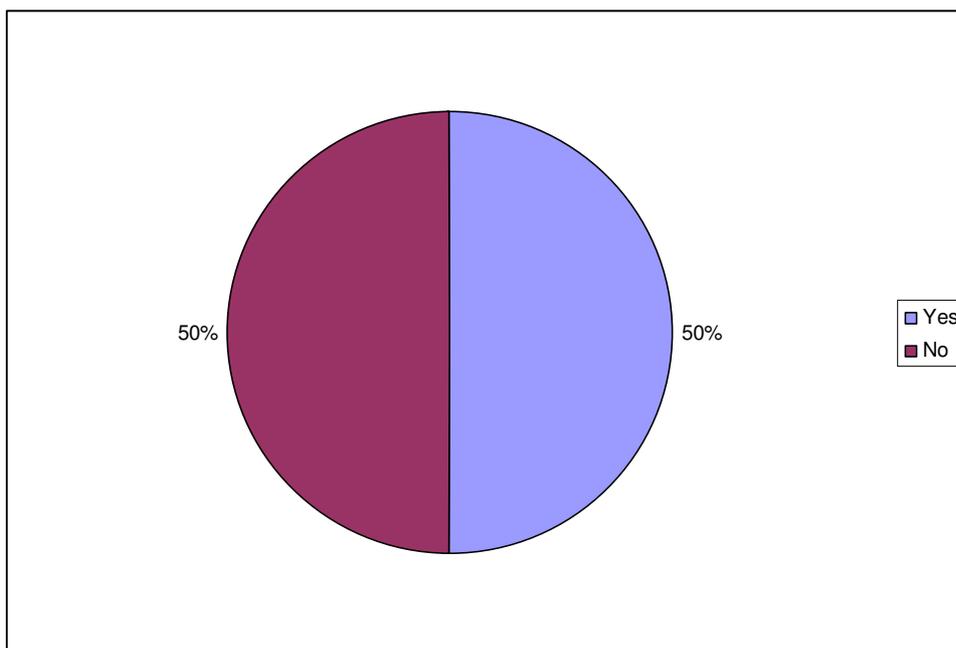


Figure 10: Do you compare your salary (full compensation package) to the expatriate (overseas employee) within your organisation?

The results above are understandable if you consider the result of Figure 9 wherein almost a third of the respondents stated that they were not aware of what the expatriate’s salary is. It only makes sense that an individual will not compare himself to an expatriate if he has no understanding of the expatriate’s salary.

Furthermore this question could be interpreted in many ways when completing the questionnaire; the intention was to find out if the individual mentally compares his salary. The respondent may have interpreted this question to being that he actually verbalises his salary to the expatriate and visa versa in order for these two colleagues to compare compensations.

4.3.2.3. Questions Related to Comparison and Perception of Inputs

As discussed in the methodology section 3.4.1, another criterion to consider when screening out candidates was to check for similar work inputs/requirements. Using the Adams equity equation the HCN needed to have similar inputs to the expatriate in order to measure equity purely on the basis of outcomes. Important inputs in a working environment are effort, qualification and rank. However, during processing of the results it was decided not to use this exclusion criterion and rather reserve these questions for future research and interpretations. The reason being that the study is not trying to measure equity itself (Remember, equity is a function of both inputs and outcomes). The HPCD represents a disparity specifically in outcomes, not a disparity in equity as a whole. The study measures directly the influence of the HPCD on OC and JS. Nevertheless, the results from the inputs-related questions are still presented here for interest, future research and interpretations.

The first question in the investigation of similar inputs was: “You hold a similar position or hierarchical level as an expatriate?” This result was already discussed and presented in Figure 7.

As mentioned in the literature survey “perception is in the eye of the beholder”. Certain questions were asked to understand the perception of the respondent. Does the HCN feel that the same amount of effort is required from him as the expatriate and does the expatriate have adequate skills and experience to fulfil the job requirement? The answers to these two questions are based on the respondent’s perception of the factual situation.

Respondents were asked if they were required to input the same amount of effort and work as the expatriate. The responses were spread over a 5 point-rating. The majority of

the responses fell within the Agree (54.7%) and Strongly Agree (23.3%) range; 13 (15.1%) respondents Disagreed with the statement and 3 (3.5%) Strongly Disagree. The remaining responses (3.5%) specified that they were unsure. Figure 11 below shows the frequency distribution of respondents' answers to this question.

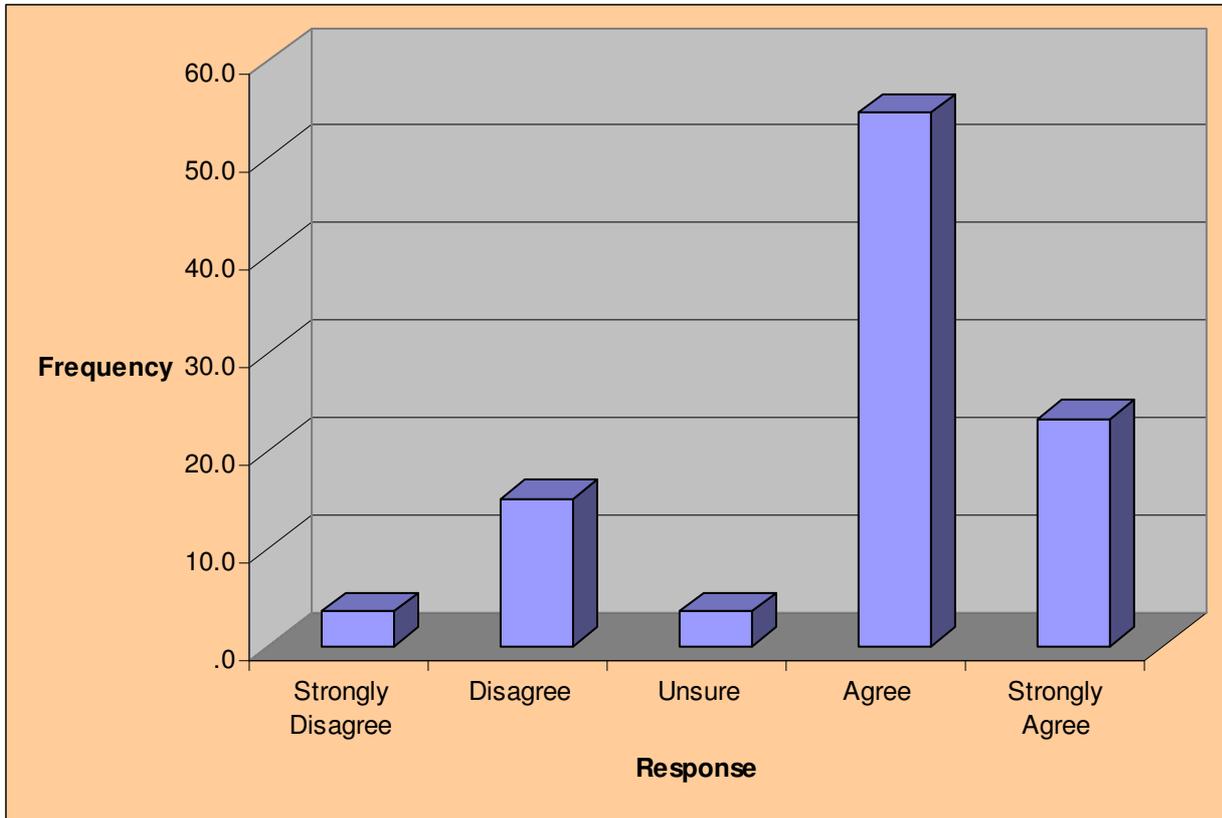


Figure 11: The same amount of effort and work is required from you and the expatriate

As indicated in the bar chart above it is evident that majority of respondents feel that they are requested to put in the same amount of work effort as the expatriate. The second largest portion was simply unsure and the remaining few felt that the work effort required of these two colleagues was plainly different.

The second question with regard to comparison of inputs is: “the expatriate has more qualifications and work experience than you”. HCNs responded over a 5 point-rating scale. In contrast to the previous graph, the majority of the responses fell within the Disagree (53.5%) and Strongly Disagree (17.4%) range. The remaining responses were split into Unsure (14%), Agree (12.8%) and lowest amount of respondents (2.3%) for

Strongly Agree. Figure 12 below shows the frequency distribution of respondents' answers to this question.

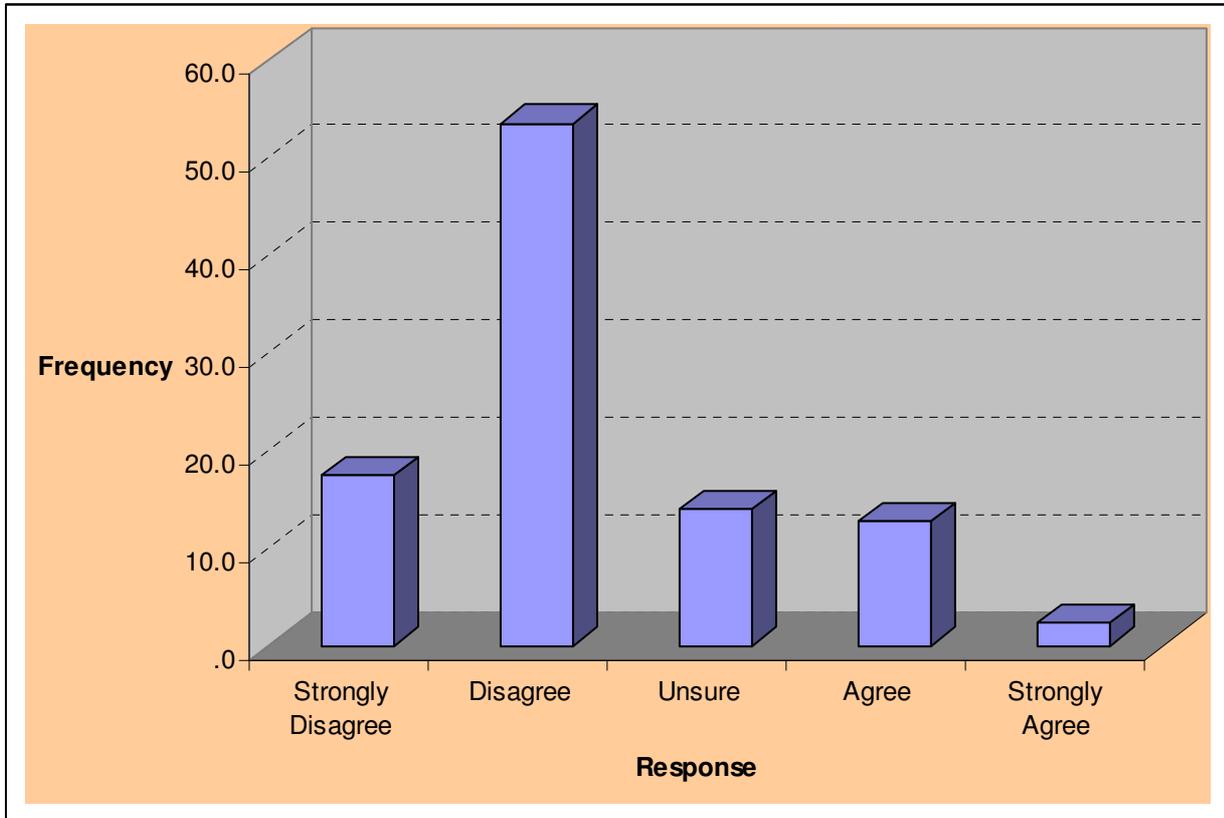


Figure 12: The expatriate has more qualifications and work experience than you

Respondents were requested to indicate if the expatriate has adequate experience and skills to fulfil their job requirement by responding to the statement over a 5 point-rating scale. The majority of the responses fell within the Agree (58.1%) and Strongly Agree (8.1%) range. The remaining responses were split into Unsure (16.3%), Disagree (15.1%) and lowest amount of respondents (2.3%) for Strongly Disagree. Figure 13 below shows the frequency distribution of respondents' answers to this question.

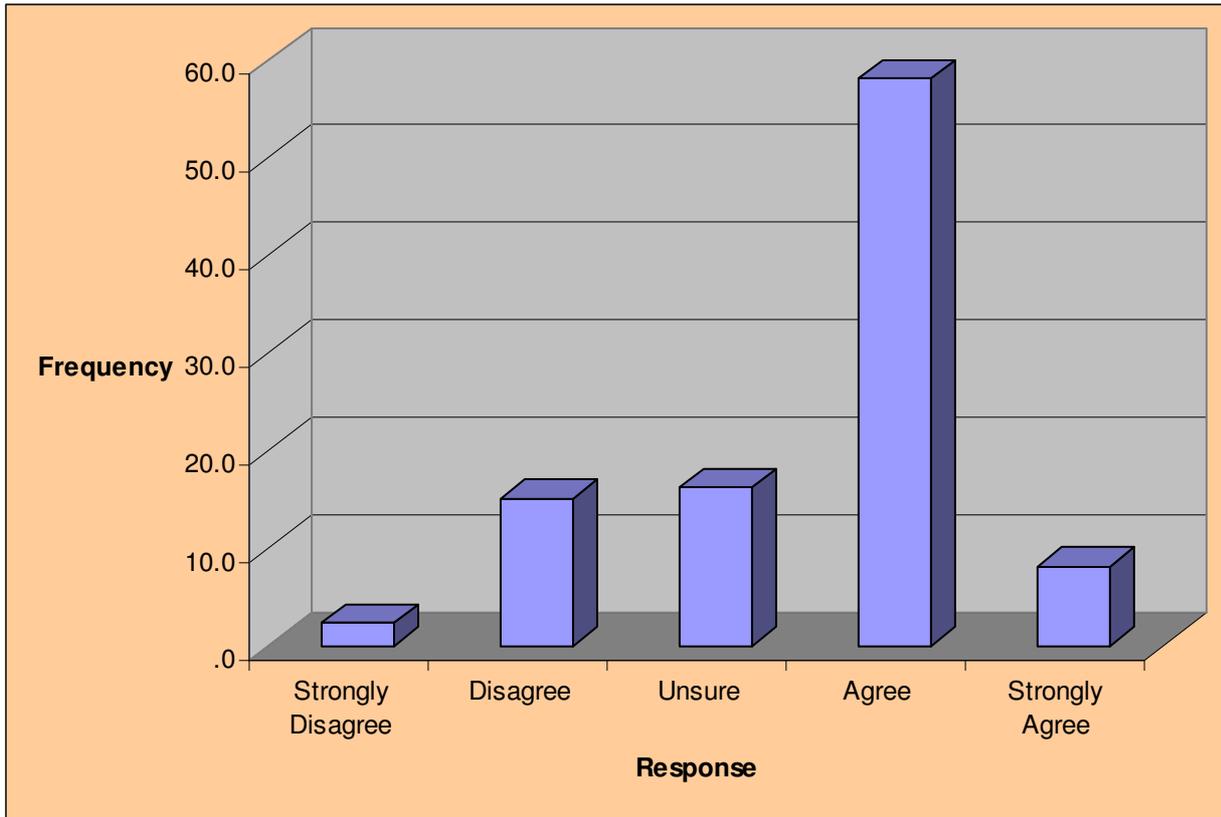


Figure 13: The expatriate has adequate experience and skills to fulfil the assignment within your local organisation?

From this it can be concluded that on average the HCN does indeed perceive the expatriate to be adequately qualified in terms of skills and experience to fulfil his assignment. The interesting part will come when the compensation measurement comes into the picture.

4.4. DESCRIPTIVE ANALYSIS OF KEY VARIABLES

In section 4.3, descriptive statistics in the form of frequency tables, pie charts and bar charts / frequency distributions have been presented for the biographical data, screening questions, confirmatory questions and the questions related to comparison and perception of inputs.

This section presents the descriptive analysis of the key variables related to the objectives of the study, i.e. OC and JS. The HPCD is in fact the first key variable but since its

analysis directly requires the testing of the first hypothesis, this variable will be presented in section 4.5 that is designated for that purpose.

4.4.1.1. Organisational Commitment

As mentioned in section 2.4.1:

Organisational Commitment can be measured with the OCQ. The original OCQ tool consisted of 15 items for the purpose of concluding a uni-dimensional output, a score which involves 3 different factors. This original questionnaire was further refined to a shortened version with a 9-item measure. This measure is a reliable measure for affective commitment (Commeiras & Fournier, 2001; Dunham *et al.*, 1994; Meyer & Allen, 1984), which is actually one of 3 factors of OC, but is the most relevant (Meyer & Allen, 1991). The 9-point OCQ was used to measure affective commitment and it was not necessary to perform factor analysis since in this way the OCQ has already been optimised.

Table 12: Organisational Commitment Descriptive Statistics

Scales	Mean	SD	Skewness	Kurtosis	α
Affective Commitment	3.58	.688	-.723	-.029	.870
OCQ 1	4.27	.803	-1.502	3.385	.870
OCQ 2	3.80	1.083	-.847	-.160	.840
OCQ 3	2.63	1.006	.314	-.988	.888
OCQ 4	3.48	.991	-.343	-1.046	.847
OCQ 5	3.86	.996	-1.176	1.179	.838
OCQ 6	3.37	1.148	-.680	-.578	.853
OCQ 7	3.81	.927	-.797	.338	.857
OCQ 8	3.98	.797	-.958	1.093	.850
OCQ 9	3.035	1.045	-.261	-.955	.853

Table 12 shows that OC and its factors have low skewness and kurtosis, indicating each of these are near normally distributed (although item 1 has a higher kurtosis, indicating the frequency distribution may have heavier tails) (Note however that these parameters' normal ranges are also dependent on sample size). Considering reliability and internal consistency tests on the OCQ, it is noteworthy that OC and its factors show good reliability and internal consistency, with Cronbach alpha coefficients well above the guideline of 0.7 (Nunnally & Bernstein, 1994).

The mean score of 3.58 (on a rating scale of 1 through 5) in the table shows that the average OC of the HCNs participating in the survey was between “average” and “good”.

4.4.1.2. Job Satisfaction

With long questionnaires, sometimes some items/questions bear some resemblance to one another or measure the same fundamental idea; these questions are hence correlated. Factor analysis is usually done to identify such potential redundancies. As mentioned in section 2.4.2 the MSQ has been shortened from a 100-item questionnaire with 5 questions per subscale, to a 20-item questionnaire with 1 question per subscale, therefore further factor analysis is not necessary. The final Job Satisfaction score is computed by summing the 20 subscales of the MSQ questionnaire.

Table 13: Job Satisfaction Descriptive Statistics

Scales	Mean	SD	Skewness	Kurtosis	α
Job Satisfaction	3.7302	.554	-.608	.096	.877
Subscales					
Activity	4.42	.818	-1.446	1.611	.873
Independence	3.88	1.100	-.796	-.049	.883
variety	4.01	.988	-.773	-.065	.873
Social Status	3.91	1.013	-.852	.295	.866
Supervision - Human Relations	3.57	1.194	-.637	-.191	.864
Supervision - Technical	3.49	1.145	-.235	-.901	.866
moral values	4.06	1.010	-1.171	.974	.875
security	3.73	1.287	-.634	-.727	.878
Social Service	3.88	.900	-.361	-.679	.873
Authority	3.92	.884	-.884	.856	.872
Ability Utilisation	4.12	.873	-1.098	1.426	.866
Company Policies	3.76	1.051	-.612	-.298	.870
Compensation	3.22	1.045	-.205	-.664	.882
Advancement	2.86	1.312	-.088	-1.210	.874
Responsibility	3.74	.739	-.806	.701	.867
Creativity	3.71	.981	-.685	.122	.868
Working Conditions	3.57	.927	-.300	-.739	.863

Scales	Mean	SD	Skewness	Kurtosis	α
Co-Workers	3.76	.853	-.551	-.135	.872
Recognition	3.31	.949	-.504	-.308	.871
Achievement	3.690	.961	-.955	.787	.869

Table 13 shows that JS and its factors have low skewness and kurtosis, indicating each of these is near normally distributed (Note however that these parameters' normal ranges are also dependent on sample size). Considering reliability and internal consistency tests on the MSQ, it is noteworthy that JS and its factors show good reliability and internal consistency, with Cronbach alpha coefficients well above the guideline of 0.7.

The mean score of 3.73 (on a rating scale of 1 through 5) in the table shows that similarly the OC, the average JS of the HCNs participating in the survey was between “average” and “good”.

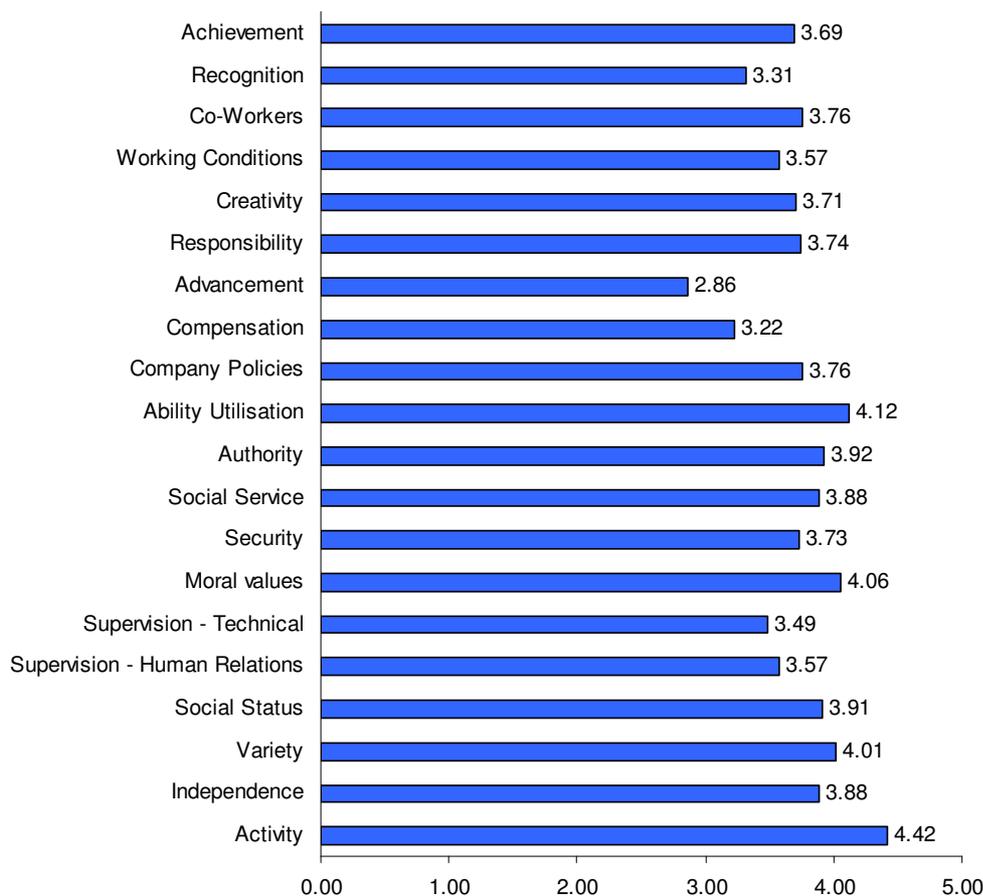


Figure 14: Mean Scores of JS factors

For interest, Figure 14 shows the means scores of the JS factors. Note how all the subscales are contributing to the JS as a total score and no specific factor overrides/dominates the others; they all contribute similarly towards the overall score.

4.5. HYPOTHESES TESTING

4.5.1. Testing Hypothesis “H1”

H1: HCNs perceive that they have lower compensation compared to expatriates

An assumption can be made that if employees feel that they are not fairly rewarded in comparison to overseas employees, then they perceive that they have a lower compensation compared to expatriates. The only uncertainty in this assumption would be the case wherein the HCN feels that local employees are unfairly rewarded in compensation, to the benefit/advantage of the HCN over the expatriate and he plainly indicates this as such in the questionnaire, without further justification. From the practical experience of the study, the findings in the literature review (section 2.2) and good judgement, this is an unlikely scenario and hence the uncertainty in the inference is small.

Therefore, the single item question “Local employees are fairly rewarded (compensated) in comparison to the overseas employees working in the local company” was asked to determine if there is an HPCD, i.e. this would verify hypothesis H1. The question was scored from 1 (strongly disagree) to 5 (strongly agree) and descriptive statistics was conducted to determine if there is an HPCD. When interpreting the data:

Values below 3: Imply disagreement with the statement hence supporting the existence of an HPCD

Values above 3: Imply agreement with the statement hence rejecting the existence of an HPCD

Table 14: Frequency Distribution of HPCD

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	16	18.6	18.6	18.6
	Disagree	26	30.2	30.2	48.8
	Unsure	18	20.9	20.9	69.8
	Agree	24	27.9	27.9	97.7
	Strongly Agree	2	2.3	2.3	100.0
	Total	86	100.0	100.0	

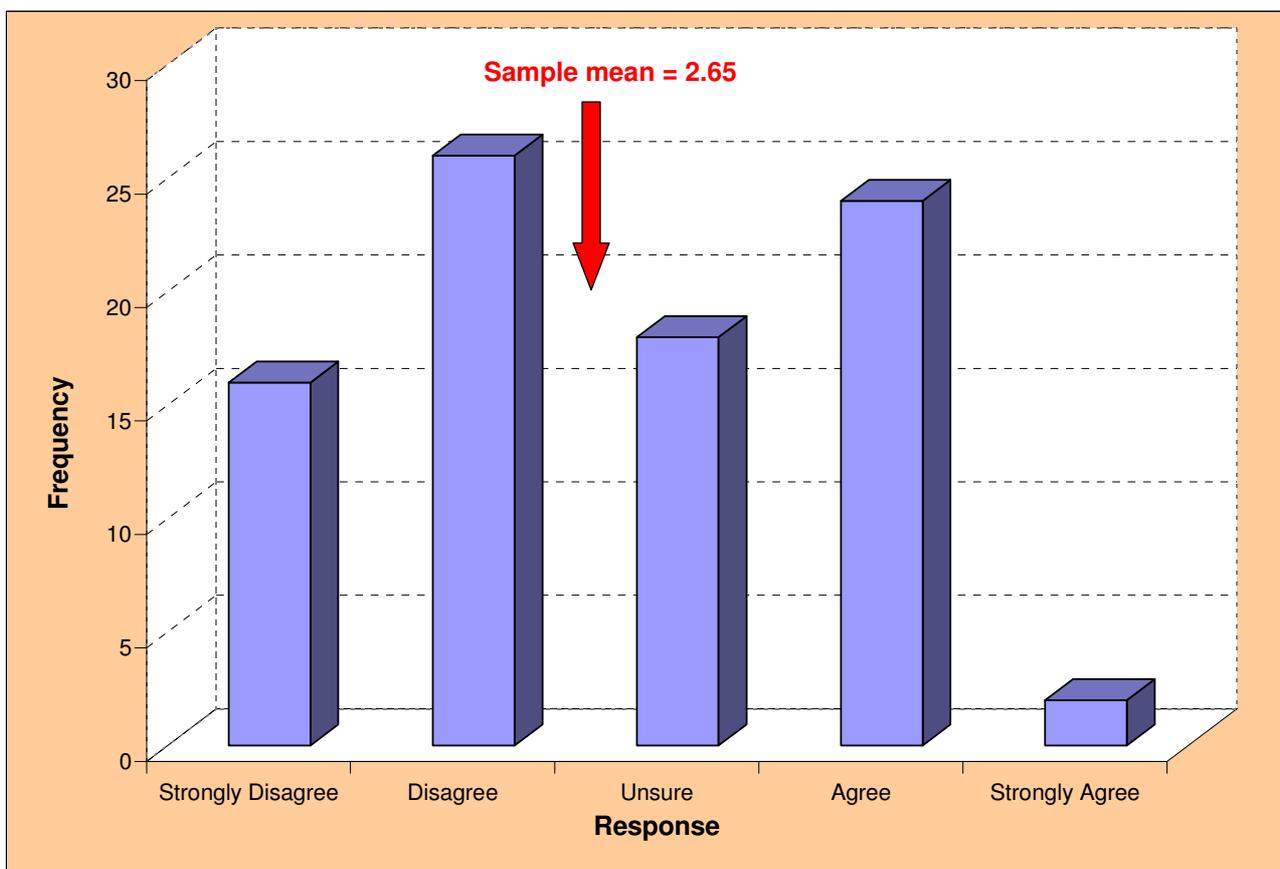


Figure 15: Frequency distribution of HPCD

Table 14 shows the frequency distribution of HPCD. The same data is depicted graphically in Figure 15. The first interesting observation is that the highest mode lies on “Disagree” (30.2%). The second observation is that on either side of “Unsure”, the bulk of the responses lie on the disagreeing side of the data as opposed to the agreeing side (48.8% vs. 30.2%). Both of these observations support the existence of an HPCD. This notion is confirmed by the fact that the mean value for HPCD is reported as 2.65, i.e. less than 3 (also shown in Table 15).

Table 15: Descriptive Statistics of HPCD

Scales	Mean	SD	Skewness	Kurtosis
Local employees are fairly rewarded (compensated) in comparison to the overseas employees working in the local company.	2.650	1.146	.051	-1.172

Two interesting remarks made by respondents in the general comments section of the questionnaire, support the finding of an HPCD, with some qualitative perceptions as follows:

- *“There is a definite disparity between the remuneration packages of locals and expats on the same job level. Recognition of local employees who perform in the same job and on the same level of professionalism and experience is nearly non-existent, and the discrepancy is normally justified by “Group Policy” which dictates local employees’ salaries. There is little or no willingness for exceptions in salary or market related remuneration recognition. Group remuneration bands are enforced strictly. The fact that the work in general is highly skilled, unique in South Africa and quite complex and satisfactory serves as some compensation, but eventually the disparity in local vs. expat remuneration will become a concern.”*
- *“The Oil and gas industry is in its infancy in South Africa. Locals that have made a career choice in this industry I feel are not adequately rewarded for what they bring to the table. The circumstances and remuneration around an expat assignment are all valid. However for locals also becoming key individuals within the organisation I believe that recognition is lacking. That is on all levels.”*
- *“As head of HR, I am responsible for the policies and strategies relating to expatriate employees. Ours is a global company and expatriation is a key strategy to build a*

leadership pipeline, but there are some roles which could be filled by locals more effectively and definitely at lower cost.”

These results showing that the HPCD indeed exists were expected. However, the HPCD is not as severe as expected, given the findings in the literature review (section 2.2). Possible explanatory factors for the HPCD not being as severe as expected include:

- The statement is: “local employees are fairly rewarded (compensated) in comparison to the overseas employees working in the local company”. The professional HCN who completed this questionnaire may have answered the question on behalf of other local employees, more specifically blue collared workers and not necessarily on behalf of his own situation.
- Even though South Africa is a developing country there is a wide variety of skilled resource needs. These resources are higher in demand than supply which could result in high salaries, even when compared to expatriates. This possibility is supported by the following additional findings:
 - The majority of the sample group age/seniority lay in the senior management / senior consultant level and in the age group 30 - 50 years. Considering this alongside Bonache *et al.*, 2009 study, which confirmed “the larger the pay differential between HCNs and expatriates holding similar jobs, the higher the perceptions of pay unfairness”, Bonache further stated that their results should be more cautiously applied to experienced HCNs as the majority of their sample group was relatively young, middle management level. Therefore this study confirms the same result, but the difference in extent could be explained by the different age/seniority characteristics of his sample group.
 - One of the respondents added as a general remark: *“I am a specialist with a lot of experience in my field of expertise. Recognized both locally and internationally. My employers have always supported my work and contributions to the {Company Name}⁴, who use me as a subject expert. In a*

⁴ The organisation’s name has been removed to maintain confidentiality

unique position as I am the only experienced specialist {Job Title}⁵ in my Field in South Africa.”

- In the literature survey it says that in most cases expatriates are paid more, but the situation could be somewhat different in South Africa. There is no clear understanding about the actual salaries received by any respondents and the expatriates that they are interacting with. However, salaries paid to professional South African employees may be approaching internationally competitive levels. Justifying this is the inflation rate in SA which is resulting in salaries increasing at a rapid annual rate of between 6-12 % compared to many developed countries where the usual annual salary increase rate⁶ is seldom above 3 %.
- Organisations usually have a policy of strict confidentiality when it comes to disclosure of compensatory information. Therefore it is not strongly likely that such information is casually exposed and compared. Therefore the result may be based more on perception than on fact. The concept of perception plays vital role in the research described in this study.

A final incidental observation from Figure 15 is that the distribution appears to be bi-modal, i.e. having two peaks: one on “Disagree” and one on “Agree”. This implies that respondents either clearly agreed or disagreed with the statement, but fewer were unsure, pointing to the quality within the respondents of having *firm opinions* about the subject, rather than being nonchalant.

4.5.2. Testing Hypothesis “H2”

H2: The compensation gap between HCN and expatriates is negatively correlated to organisational commitment

To test hypothesis H2, a correlation analysis was conducted between the HPCD and OC variables as shown in Table 16. The first step was to reverse the HPCD scores in order to translate them into a true compensation disparity (Remember: The HPCD scores were

⁵ The job title has been removed to maintain confidentiality

⁶ Based on the researcher’s experience without undertaking a new in-depth study

based on the question “Local employees are fairly rewarded (compensated) in comparison to the overseas employees working in the local company”).

Table 16: Correlation analysis between HPCD and OC (Organisational Commitment)

		HPCD	Organisational Commitment
HPCD	Pearson Correlation	1	-.129
	Sig. (2-tailed)		.243
	N	86	84
Organisational Commitment	Pearson Correlation	-.129	1
	Sig. (2-tailed)	.243	
	N	84	84

The findings of this research as shown in Table 16, indicates that there is no significant relationship between HPCD and OC ⁷ ($r_{(df = 86; p = 0.243)} = -0.129$). Therefore, the hypothesis was rejected due to lack of statistical significance.

It is still important to note however, as with all such hypothesis testing, that even though the hypothesis is rejected, it does not imply that the null hypothesis must be considered true, i.e. it would be wrong to conclude that HPCD is not negatively correlated with OC. It's just that if there is such a correlation, it cannot be proven using these results.

The small to medium strength correlation was expected, but before conducting the survey and processing the results, it was unsure as to whether the relationship would be statistically significant or not. The result is in contrast to the Paik *et al*, 2007 study in which a significant relationship between the perceived compensation gaps were negatively correlated to affective commitment (essentially OC). Possible reasons for this include all of those mentioned in section 4.5.1 for the HPCD not being as severe as expected. This is because the reference explained how the higher the compensation discrepancy the more significant the compensation gap was related to OC.

⁷ The 2-tailed criterion for statistical significance is $p < 0.1$ (Field, 2006).

Furthermore, due to economic instability the past couple of years both in South Africa and internationally, many organisations have embarked on retrenchment programs. For this reason, individuals may value their jobs (and hence display higher tendencies for OC) regardless of the existence of a perceived salary difference / HPCD. Supporting this notion, one of the respondents said in the additional remarks: *“Given the state of employment, as well as the current SA position on equity in the work place, there is not a great deal of choice left in selecting an organisation to work with. You take what you can get.”*

4.5.3. Testing Hypothesis “H3”

H3: The compensation gap between HCN and expatriates is negatively correlated to Job Satisfaction

To test hypothesis H3, a correlation analysis was conducted between the HPCD and JS variables as shown in Table 17. Before doing so, the HPCD scores were inverted in the same way as for Hypothesis H2 (See section 4.5.2).

Table 17: Correlation analysis between HPCD and JS

		HPCD	Job Satisfaction
HPCD	Pearson Correlation	1	-.336
	Sig. (2-tailed)		.002
	N	86	86
Job Satisfaction	Pearson Correlation	-.336	1
	Sig. (2-tailed)	.002	
	N	86	86

The findings of this research as shown in Table 17, indicates that there is a practically significant negative relationship with a medium effect between HPCD and JS,⁸ ($r_{(df = 86; p = 0.002)} = -0.336$). This means that there is a very low probability that this relationship could be observed purely by chance, and the hypothesis is accepted. This result was expected as this was indicated by another study in the literature review (Leung *et al.*, 2009).

⁸ A medium to large effect is indicated by “r” magnitudes in the range 0.3 - 0.5 and the 2-tailed criterion for statistical significance is $p < 0.1$ (Field, 2006)

Due to the confirmation of a significant relationship, further analysis was conducted to identify which specific dimensions correlated the highest with JS. This is shown in Table 18.

Table 18: Correlation analysis between HPCD and JS dimensions

	Job Satisfaction Dimensions	HPCD
1	Ability Utilisation	-.135
2	Achievement	-.124
3	Activity	.018
4	Advancement	-.265
5	Authority	.017
6	Company Policies	-.261
7	Compensation	-.399
8	Co-Workers	-.104
9	Independence	-.014
10	Creativity	-.244
11	Moral values	-.109
12	Recognition	-.221
13	Responsibility	-.338
14	Security	-.096
15	Social Service	-.097
16	Social Status	-.235
17	Supervision - Human Relations	-.311
18	Supervision - Technical	-.320
19	Variety	-.056
20	Working Conditions	-.344

Table 18 shows that there are practically significant negative correlations with a medium effect between the job satisfaction dimensions of compensation, responsibility, supervision-human relations, supervision-technical and work conditions with HPCD. In addition, the results also show statistically significant negative correlations between the job satisfaction dimensions of advancement, company policies, creativity, recognition and social status with HPCD.

4.6. OTHER OBSERVATIONS

After closer inspection of the job titles found in the survey results, it was discovered that 18 (20%) of the respondents reported an HR-related job title. This could indicate that the

questionnaire was not always further distributed as intended, to the respective employees who fulfilled these requirements. The reasoning behind this action could have been one or more of the following:

- The HR representative may not have had authorisation to distribute the questionnaire to the staff;
- The HR representative may have felt it inappropriate to distribute the questionnaire to the staff;
- There was a lack of understanding as to “who should complete the questionnaire”

Nevertheless, it was interesting to note that these HR practitioners worked on the same or similar hierarchical level and/or worked in close proximity to the one or more expatriates in his HR organisation, and could thus complete the questions himself.

4.7. SUMMARY

4.7.1. Key findings

A South African based study on the perceptions of HCNs was made using a sample group selected from several international organisations with offices in South Africa. Each of these HCNs work on a similar level or/and in close proximity with an expatriate. The study set out to research three specific objectives, i.e. (1) to determine whether an HPCD exists, (2) to determine whether there is a relationship between the HPCD and OC and (3) to determine whether there is a relationship between the HPCD and JS, all within a South African based sample group. Each objective was reformulated as a hypothesis.

- The first hypothesis was supported, i.e. that an HPCD exists. This was confirmed by the fact that on average, HCNs reported that they disagree that local employees are fairly rewarded compared to expatriates. This finding strengthens the argument already proposed by others that HCNs have perceptions of pay unfairness when comparing to expatriates (Bonache *et al.*, 2009; Leung *et al.*, 2001; Leung *et al.*, 2009; Paik *et al.*, 2007; Sinangil & Ones, 1997; Toh & Denisi, 2003, 2005).
- Testing the second hypothesis, indicated a “small” to “medium” negative relationship between HPCD and OC, but with low statistical significance ($r_{(df = 86; p = 0.243)} = -0.129$).

Therefore, the hypothesis was rejected due to lack of statistical significance. This result was unexpected. This result is contradictory to the results found in Paik *et al.*, 2007 study where it was found that compensation gaps were inversely related to affective commitment (where affective commitment is the most relevant component of OC). Numerous possible reasons were presented that could explain the contradiction in these results, e.g., Paik *et al.*, 2007 study used a different sample group within a different cultural context and also carried out the research using a different set of questions. According to the results of this study the HCN still has a strong belief in the organisation's goals and has a willingness to exert effort regardless of this pay discrepancy. The difference in results may be as a consequence of the values these HCNs have and that possibly these highly professional HCNs not only seek extrinsic recognition but are equally in need of intrinsic acknowledgment. In fact one of the questions in the OCQ stated "I am willing to put in a great deal of effort beyond that normally expected in order to help this Organisation be successful", where 90% of respondents answered in agreement or strong agreement. This question is indicative of the definition of affective commitment and it shows that even though HCN experience compensation disparity they are still committed to the vision of the organisation. These interpretations are purely speculative in nature and future research would be required to confirm this.

- The third interesting finding was through testing of the last hypothesis, which indicated that there is a "medium" to "large" negative relationship between HPCD and JS, with high statistical significance ($r_{(df = 86; p = 0.002)} = -0.336$). This means that there is a very low probability that this relationship could have been observed purely by chance, and the hypothesis was accepted. This supports the findings presented in the literature review and the research thus helps create an understanding of what factors influence HCN job satisfaction. It could be argued that the HCN's attitudes towards the company are changed to reduce the inequity perceived with respect to their pay compared to expatriates within their workplace. This finding is noteworthy as it opens many new doors for future research not only in South Africa but globally.

5. CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

This final chapter draws the dissertation to a close by discussing practical and theoretical implications using the key findings mentioned in chapter 4.7.1. Following this, the limitations discovered during the process, are grouped into categories of generalizability, rigorousness, variables and assumptions. The closing statements are presented by means of recommendations to HRM researchers and practitioners.

5.1. CONCLUSIONS

Chapter 4.7.1 highlighted three key findings, where the first hypothesis was supported, i.e. that an HPCD exists. The second hypothesis was rejected due to lack of statistical significance, i.e. there was no relationship found between HPCD and OC. The third hypothesis was supported, which indicated that there is a “medium” to “large” negative relationship between HPCD and JS, with high statistical significance.

The implications of these results have both theoretical and practical benefits to HRM researchers and practitioners.

5.1.1. Practical implications

Although the sample group was small (86 respondents), it was diverse since it was selected from over 70 organisations and can therefore be deemed to be representative, forming the basis for a reliable study. The study indicates the existence of the HPCD phenomenon in South Africa. These results confirm previous studies and may further suggest that a similar perception could be present in other areas of the world. The practical implications of this HPCD are that this has a negative effect on the JS of the HCN individual (shown with high statistical significance), and this in turn could affect the effectiveness of the organisation. The results show that the same effect is true to a lesser extent for the OC job attitude, although this could not be statistically proven; however it was shown by other researchers’ results in the literature survey. The crux of the matter is that with the benefit that expatriates may bring to the organisation in terms of skills and

experience; this comes at the price of a negative effect on one or more of the HCN's job attitudes. These two effects need to be weighed against each other when considering introducing expatriates into the local workplace. Failure to view the organisation as an integrated system could cause the very practices implemented for achievement of expatriate success to be detrimental to the HCN's success, and hence to the detriment of the success of the organisation. This calls for the implementation of holistic policies in this regard, by HRM practitioners.

5.1.2. Theoretical implications

Through this study, not only has awareness been created about the HPCD phenomenon and its effects on job attitudes, but this could pave the way for a new area in related studies. Such studies should not be limited to a one dimensional linear equation but could result in the development of a complex interchangeable model which considers all such effects. As indicated, only a few studies have attempted to view the relationship of an expatriate and local employee from the local employee's perspective (Bonache *et al.*, 2009; Leung *et al.*, 2001; Leung *et al.*, 2009; Paik *et al.*, 2007; Sinangil & Ones, 1997; Toh & Denisi, 2003, 2005). This study provided unique insight regarding the highly professional, specialised local workforce interaction with expatriates. This research added new perspective by considering the HCNs perception which is critical to ensure a holistic HRM approach. The HCN-expatriate relationship should be considered from both perspectives and employee success criteria should not be focussed on only the one group's success (Note at this point that that expatriates are usually the *minority* group in an organisation). This view should be supported and assisted by the social comparison theory. To conclude, the presentation of this dissertation highlights to all future researchers the importance of investigation, research and development of models and activities related to such studies. Examples include an investigation of the feedback exchange between organisational changes such as use of expatriates, and the consequential psychological effects on the employees. Furthermore this dissertation gives HRM researchers and practitioners a theoretical understanding of how the equity-theory is present in the workplace and possible outcomes that can result from overlooking this theory.

5.2. LIMITATIONS

5.2.1. Generalizability

Although the questionnaires have been rigorously administered to ensure validity and reliability caution should be taken when generalizing the information:

- The specificity of the sample group's criteria and the sensitivity of the study limited the size of the sample that could be obtained. It was also essential to conduct a purposeful sampling (non-probable) process in order to target the right candidates. Fortunately, sampling from such a diverse number of organisations and industrial sectors helped mitigate this.
- This research was purposefully conducted with a South African HCN sample group to be applicable to the South African context. It therefore may not necessarily be readily applicable to other nations (The HPCD existence and its effect on JS was supported by other international studies, but the conclusions about the effect on OC were not perfectly matched with other international studies). Although the results may not be internationally generalizable, this in itself should be deemed valuable insight for other countries to consider before too swiftly attempting applying results to their context.
- The targeted population for this HCN is a highly professional employee which is comparable to an expatriate working on a similar or same hierarchical level. Although can be considered a limitation in scope, it provides a higher degree of criteria specificity to HRM practitioners wanting to apply the results.
- Cultural characteristics were not accounted for (This is especially important in South Africa where there is significant diversity of ethnicities and cultures, e.g., it is probable that if an employee has a lower power distance culture he is more likely to support equal rights / equity ideologies). However, this cultural limitation provides an interesting area in which future researchers could conduct additional sensitivity studies.

5.2.2. Rigorousness

- A pilot study, which is a small scale preliminary study, would have been a good process to follow in order to evaluate and improve on the study design before embarking on the full-scale research (Leedy & Ormrod, 2005). As mentioned earlier, achieving a large target population was extremely difficult and required a considerable amount of work to achieve. A preliminary study was not viable especially due to time constraints. This study may serve as a small scale study for possible future research concerning HCNs and expatriate pay differentials.
- Use of a single-item scale to measure HPCD could result in a susceptibility to lower reliability (due to different possible perceptions of the meaning of the item). This helped shorten the survey but a more in-depth approach to measuring compensation disparities may be required in future studies.
- Complete dependence on self-reporting in order to collect the input data, can make validation more difficult to prove if the validation method also uses self-reporting. However, self reporting is a commonly used practice and helps eliminate researcher/observation bias. Nevertheless, future studies may decide to consider more diverse data collection methods.

5.2.3. Variables

- A single referent, the expatriate, was selected for the purpose of measuring the HPCD. This study did not deal with external pay comparisons or the moderating effect that can occur when other referents are included for consideration, e.g., Leung *et al.*, 2009 studied the case where an HPCD existed when using the expatriate as a referent, but when HCNs further compared their salaries with other local employees with lower compensation, this had a moderating effect. Therefore, future research could account for multiple referents. Nevertheless, separate effects testing still form a vital part of all research. The single expatriate referent relates directly to the specific purpose of this study.
- The term “fairly rewarded (compensated)” was used in the formulation of the HPCD measure. This word “rewarded” have been slightly misleading or too general since

rewards/compensation usually extends beyond salary to bonuses and other “perks” but may not be understood in the same way by each respondent. Also an intrinsically motivated HCN might perceive “rewards” as including the emotions such as satisfaction or skills development. This could contribute to correlation bias. However, the researcher estimates the probability of such misinterpretations of the question to be low. Nevertheless, the call made in section 5.2.2 to a multiple-item scale for the HPCD variable would help mitigate this.

5.2.4. Assumptions

- The study assumes that the effects measured here are independent on the specific demographics of the sample group, i.e. the following variables have a negligible impact on the results: gender, age, qualification, job title, years working with expatriates and years in current position.
- Obviously, the study depends on the respondents taking the survey seriously and answering the questions with honesty/integrity.

5.3. RECOMMENDATIONS

The insight provided by the conclusions, and the mitigation activities mentioned in the list of limitations both lay the foundation for how to apply the results and how to make improvements to related future research. In addition to these, the following is a summary of the higher level recommendations from the study.

5.3.1. Consider the relationship between HPCD and JS

A statistically significant, negative correlation with medium to large effect was found between HPCD and JS (The higher the HCN’s perception of a compensation disparity, the lower his job satisfaction). This result should not be taken frivolously as JS is a clear indication of an employee’s attitude towards his work and can furthermore be a predictor of other work behaviours and operational effectiveness. Management employing expatriates should consider investigating the job satisfaction levels of their staff within the

organisation, and also take the effect into consideration before introducing new expatriate employees into the workplace.

5.3.2. Salary adjustments

Since the HPCD contributes to lower JS, one mitigation activity could be to consider decreasing the salary differential. This means either raising HCN salaries (on the basis of increased performance, improved qualifications, newly acquired skills, etc.), or reducing expatriates' compensation. The viability of the latter is contestable however since salary is a means of attracting staff and has its own direct effect on job attitudes such as OC and JS. However, expatriates who are intrinsically motivated would suffer less from such an action than those who are extrinsically motivated. In general, when HR develops salary packages, all employees should be taken into consideration.

5.3.3. Practices that discourage HCNs from comparing with expatriates – dampen the negative effects on job satisfaction

It may not be a viable option to reduce or completely remove expatriates from the organisation and therefore HRM and IHRM should consider managing HPCD. In most cases an attractive salary offer is necessary in order to attract and retain an expatriate. Considering the fact that an external referent plays such a considerable role with regards to moderating the negative effects of compensation disparity on JS; companies who employ expatriates can embark on a benchmarking exercise to be able to compare their local staff salary to other employees in a similar sector. Once this information is assimilated the results may yield two options:

1. In cases where HCNs are more generously compensated than their local contemporaries in similar organisations, they should be made aware of this to improve their perception of their relative compensation. Leung *et al.*, 2009 showed how this helps reduce the negative effects of HPCD on job attitudes. Competitively-natured locals wanting to compare their compensation with others should be encouraged to compare with other locals and not with representatives from the “international community”.

2. In cases where HCNs are still less generously compensated than their local contemporaries in similar Organisations, it is likely that they will change their referent from the expatriate to the local, hence reducing HPCD. Still, the company would need to consider the option of increasing their local staff salaries towards the benchmark.

It should be noted that even though this practice may be beneficial for the organisation in terms of the employees attitude; this will not moderate the attitude the local may have towards the expatriate. Further remedial action could include staff meetings, diversity training, teambuilding initiatives, etc.

5.3.4. Awareness discussions

As mentioned, the HCN is an important contributor to expatriate success (Toh & Denisi, 2003, 2005; Takeuchi, 2010); therefore it is of utmost importance the HCN does not have animosity towards the expatriate for perceived pay discrepancies. A good working relationship is required between them. Management can consider two options in this regard:

1. Discussions should be held with expatriates when salaries are significantly higher; to raise awareness about the potential impacts and generate buy-in from local staff.
2. Expatriates should be briefed on the sensitivity of salary-related information and the possible perceptions that can be created. This should include warnings against verbalisation of salary information, visibility of cash/valuables and even attitudes such as indiscreet/flamboyant spending practices. Hence a drive towards sensitivity and confidentiality should be implemented in this regard.
3. Providing some information to HCNs about the expatriate joining the organisation, to curb animosity and gain understanding into the reasons for bringing in the expatriate and why the expatriate could be expected to receive a highly competitive salary, e.g. visibility of resumes to highlight experience being brought into the company, understanding of the hardship of relocation, cultural and language barriers, etc.

Furthermore, in some rare cases expatriates may not necessarily earn more than the HCN. In these scarce situations it should be highlighted to HCNs that their salaries are within the South African market levels.

5.3.5. Future Research

Perception of reality

The sample group is limited to highly qualified HCNs. When comparing inputs to that of the expatriate, this is an appropriate sample group to choose (An employee working on the same or similar hierarchical level). This becomes important when making equity comparisons purely on the basis of outcomes, since equity comparisons are made in the form of ratios of outcomes to inputs. However, what is often forgotten in such discussions is that when one person compares his outcome or his equity to another's and makes a conclusion about fairness, it is mostly based on his perception of those variables and hence his perception of fairness and not the facts themselves. Who should be the judge of fairness?

In contrast to this attempt to restrict salary comparisons to employees who operate on similar job levels, it is evident from Section 2.5.1, that the individuals tested were operators, middle managers or employees reporting to expatriates. It is interesting that these individuals found an extreme unfair compensation compared to expatriates. Perception is a critical factor that should not be overlooked. Regardless of these employees' level of work they still feel inequitably paid. Further studies could be done with all employees interacting with expatriates, regardless of whether the inputs were similar.

"Some people can never be happy" - Another concept to consider is that individuals will naturally select input/outcome values of people who are "getting more than they deserve", according to their perception. Hence they place themselves in an "underpaid situation" (Lawler, 1965). The social comparison process can be an automatic one where people will engage in social comparison even when it is rationally inappropriate (Zell & Alicke, 2010). Future studies to investigate this phenomenon would not only be very interesting but would also help to mitigate this possible limitation to the study.

Researching behavioural outcomes resulting from lower JS

JS was the dependent variable in this research paper. It would be beneficial to further investigate what possible behavioural outcomes may result from the lower levels of JS.

Other likely outcomes from HPCD

This study has confirmed that in the South African context, the HPCD exists. In addition the study endeavoured to investigate the effect on two behavioural job attitudes: OC and JS. However, there may be many more equally important investigations that should be carried out, e.g. local employee resistance to assisting expatriates achieve their goals.

Researching other variables

As described in Chapter 1, social interaction within the organisation creates an environment for organisational justice, where perception of justice is influenced by the benefits one receives from the organisation (Cohen-Charash & Spector, 2001). From the “additional comments” collected in the survey, it became apparent that there are many other variables to consider when reviewing the HCN and expatriate in a social comparison perspective. E.g., a lower JS might not be caused solely by an HPCD. This notion is supported by the following extract from one of the questionnaires: *“Our SA based company has a strong international focus and as a result try to attract a large number of expats with technical expertise. Some of the expatriates are treated as if they're the chosen few, which, in fact they seem to be. They are usually well connected to senior management (senior management sometimes has friends in international companies and they see to it that these are brought over and employed as expats) and their skills are valued, so objecting against something untoward done by an expat will most likely not bring any result. This results in a high level of frustration under local employees, who feel threatened and highly upset about the fact that expats appear to receive more recognition for the work they do and seem to operate by a different set of rules. From time to time I see the lease agreements that are concluded to provide housing for expats and astonishing amounts are paid for the places they live in, so it is anybody's guess how much they earn in total. I would happily live in a rented house that's rented for half the amount spent on the expats' rented homes. Lastly, I am not sure that expats spend any/sufficient time on training local employees, because they guard their own knowledge*

on the subjects in which they are experienced quite well. More frustration for local employees.”

Clearly, much of this HCN's opinion is based on perception, without actually having the facts (*“it is anybody's guess how much they earn in total”*); which reiterates the aforementioned recommendations about future studies on perception. Nevertheless, from the full context of the comment, it is obvious that there are several causes of frustration, not only salary. Therefore, when considering the relationship between the expatriate and HCN, it may be necessary to do a more in-depth research of other variables to complement this study. In particular, such future studies could benefit from a more qualitative approach.

5.4. FINAL REMARK

The relationship between HPCD and JS exists which suggests that the cognitive model employed during the literature review has merit and could prove to be a beneficial tool for future research taking into account a few limitations. Furthermore HPCD and OC should further be studied within other cultures and sample groups to ascertain if there may be a relationship in an alternative context. In conclusion, this paper does not only provide theoretical insight into the social interaction between working individuals but furthermore presents possible practical alternatives for HR Managers to ensure that the policies employed have a positive impact on their employees and the business as a whole.

LIST OF REFERENCES

Adams, E.F., Laker, D.R. & Hulin, C.L. 1977. An investigation of the influence of job level and functional speciality on job attitudes and perceptions. *Journal of Applied Psychology*, 62:335-343.

Adams, S.J. 1963. Towards an understanding of inequity. *Journal of Abnormal and Social Psychology*, 67: 422–436.

Adams, S.J. 1965. Inequity in social exchange. In: Berkowitz, L. (ed.) *Advances in experimental social psychology* (pp. 267-299). New York, NY: Academic Press.

Adler, E.S. & Clark, R. 2008. *How it's done: An invitation to social research*. 3rd ed. Belmont, USA: Thomson Wadsworth.

Aguinis, H. & Cascio, W.F. 2005. *Applied psychology in human resource management*. 6th ed. Saddle River, New Jersey: Pearson Education.

Allen, N.J. & Meyer, J.P. 1990. The measurement and antecedents of affective, continuance and normative commitment to the organization. *Journal of Occupational Psychology*, 63:1-18.

Allen, N.J. & Smith, J. 1987. *An investigation of "extra-role" behaviours within organizations*. Paper presented at the annual meeting of the Canadian Psychological Association, Vancouver, British Columbia.

Ambrose, M.L. & Kulik, C.T. 1999. Old friends, new faces: Motivation research in the 1990s. *Journal of Management*, 25:231–292.

Angle, H. & Perry, J. 1981. An empirical assessment of organizational commitment and organizational effectiveness. *Administrative Science Quarterly*, 26:1-14.

Babbie, E.R. 2009. *The practice of social research*. 12th ed. Belmont, USA: Wadsworth, Cengage Learning.

Berman, J. & Nevo, B. 1994. Job satisfaction, components task characteristics, organizational characteristics and turnover intention among data processing employees. *International Journal of Management*, 11:585–590.

Beugré, C.D. 2002. Understanding organisational justice and its impact on managing employees: An African perspective. *International Journal of Human Resource Management*, 13(7):1091-1104.

Black, J.S., Gregersen, H.B., Mendenall, M.E. & Stroh, L.K. 1999. *Globalizing people through international assignments*. MA. Addison-Wesley.

Bonache, J., Sanchez, J.I. & Zárraga-Oberty, C. 2009. The interaction of expatriate pay differential and expatriate inputs on host country nationals' pay unfairness. *The International Journal of Human Resource Management*, 20(10):2135-2149.

Brief A.P. & Roberson, L. 1989. Job attitude organization: An exploratory study. *Journal of Applied Social Psychology*, 19(9):717–727.

Brooke, P.P., Russell, D.W. & Price, J.L. 1988. Discriminant validation of measures of job satisfaction, job involvement, and organizational commitment. *Journal of Applied Psychology*, 73:139-145.

Buitendach, J.H. & Rothmann, S. 2009. The validation of the Minnesota Job Satisfaction Questionnaire in selected organisations in South Africa. *SA Journal of Human Resource Management / SA Tydskrif vir Menslikehulpbronbestuur*, 7(1):183-191.

Caldwell, D.F. & O'Reilly, C.A. 1990. Measuring person-job fit with a profile-comparison process. *Journal of Applied Psychology*, 75:648-57.

Campbell, J.P. & Pritchard, R.D. 1976. Motivation theory in industrial and organisational psychology. In: Dunnette, M. (ed.), *Handbook of industrial and organisational psychology* (pp. 63-130). Chicago, IL: Rand-McNally.

Carrell, M.R. 1978. A longitudinal field assessment of employee perceptions of equitable treatment. *Organizational Behaviour and Human Performance*, 21:108- 118.

Chen, C.C., Choi, J. & Chi, S-C. 2002. Making justice sense of local-expatriate compensation disparity: Mitigation by local referents, ideological explanations, and interpersonal sensitivity in China-foreign joint ventures. *The Academy of Management Journal*, 45(4):807-817.

Cohen-Charash, Y. & Spector, P.E. 2001. The role of justice in organizations: A meta-analysis. *Organizational Behavior and Human Decision Processes*, 86(2):278-321.

Collings, D.G. & Scullion, H. 2009. Global staffing. *International Journal of Human Resource Management*, 20(6):1249-1272.

Collings, D.D., Scullion, H. & Morley, M.J. 2007. Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives. *Journal of World Business*, 45(2):198-213.

Commeiras, N. & Fournier, C. 2001. Critical evaluation of porter et al.'s organizational commitment questionnaire: Implications for researchers. *Journal of Personal Selling & Sales Management*, 21(3):239-245.

Cranny, C.J., Smith, P.C. & Stone, E.F. 1992. *Job satisfaction*. New York: Lexington Books.

Creswell, J.W. 2009. *Research design: Qualitative, quantitative, and mixed methods approaches*, 3rd ed. USA: Sage.

Cropanzano, R. & Ambrose, M.L. 2001. Procedural and distributive justice are more similar than you think: A monistic perspective and a research agenda. In: Greenberg, J. & Cropanzano R. (ed.), *Advances in organizational justice* (pp. 119-151). MA, Lexington: New Lexington Press.

Dittrich, J.E. & Carrell, M.R. 1979. Organizational equity perceptions, employee job satisfaction, and departmental absence and turnover rates. *Organizational Behavior and Human Performance*, 24:29-40.

Dittrich, J.E., Couger, D. & Zawacki, R.A. 1985. Intention to quit among data processing personnel. *Information & Management*, 8:67-75.

Dunham, R.B., Smith, F.J. & Blackburn, R.S. 1977. Validation of the index of organizational reactions with the JDI, the MSQ, and faces scales. *The Academy of Management Journal*, 20(3):420-432.

Evans, P., Pucik, V. & Barsoux, J.L. 2002. *The global challenge: Frameworks for international human resource management*. New York. N.Y: McGraw-Hill.

Festinger, L. 1954. A theory of social comparison processes. *Human Relations*, 7(2):117-140.

Field, A. 2005. *Discovering statistics using SPSS*. 2nd ed. London: Sage.

Fielding, N.G., Lee, R.M. & Blank, G. 2008. *The handbook of online research methods*, USA: Sage.

Fiske, S.T., Gilbert, D.T. & Gardner, L. 2010. *Handbook of Social Psychology*, 5th ed. New Jersey: John Wiley & Sons.

Folger, R.G. & Cropanzano, R. 1998. *Organizational justice and human resource management*. USA: Sage.

- Gilletta, B. & Schwab, D.P. 1975. Convergent and discriminant validities of corresponding Job Descriptive Index and Minnesota Satisfaction Questionnaire scales. *Journal of Applied Psychology*, 60(3):313-317.
- Goethals, G.R. & Darley, J.M. 1977. Social comparison theory: An attributional approach. In: Suls, J.M. & Miller, R.L. (ed.), *Social comparison processes: Theoretical and empirical perspectives* (pp. 259–278). Washington, DC: Hemisphere.
- Goodman, P.S. & Friedman, A. 1971. An examination of Adams' theory of inequity. *Administrative Science Quarterly*, 16(3):271-288.
- Goodman, P.S. 1974. An examination of referents used in evaluations of pay. *Organisational Behavior and Human Performance*, 12:170-195.
- Greenberg, J. 1982. Approaching equity and avoiding inequity in groups and organizations. In: Greenberg J. & Cohen R.I. (ed.). *Equity and justice in social behaviour* (pp 389-435). New York: Academic Press.
- Groves, R.M., Fowler Jr., F.J., Couper, M.P., Lepkowski, J.M., Singer, E. & Tourangeau, R. 2009. *Survey methodology*, 2nd ed. New Jersey: Wiley.
- Gruder, C.L. 1971. Determinants of social comparison choices. *Journal of Experimental Social Psychology*, 7(5):473-489.
- Harvey, M. 1993. Empirical evidence of recurring international compensation problems. *Journal of International Business Studies*, 24:785–799.
- Hirschfeld, R.R. 2000. Validity studies: Does revising the intrinsic and extrinsic subscales of the Minnesota Satisfaction Questionnaire short form make a difference? *Educational Psychological Measurement*, 60:255–270.

Hocking, J.B., Brown, M. & Harzing, A.W. 2004. A knowledge transfer perspective of strategic assignment purposes and their path-dependent outcomes. *International Journal of Human Resource Management*, 15(3):565–586.

Hoppock, R. 1935. *Job satisfaction*. New York: Harper & Row.

HSBC Bank International. 2009. Expat Explorer Survey. [Online] Available from: <http://www.expatorexplorer.hsbc.com/files/pdfs/overall-reports/2009/economics.pdf> [Accessed: 2010-06-18].

HSBC Bank International. 2010. Quotation of Lisa Wood regarding the expat explorer survey. [Online] Available from: <http://www.offshore.hsbc.com/1/2/international/expat/expat-survey> [Accessed: 2011-04-20].

Janssen, O. 2001. Fairness perceptions as a moderator in the curvilinear relationships between job demands, and job performance and job satisfaction. *Academy of Management Journal*, 44:1039-50.

Johnson, R.B. & Christensen, L.B. 2010. *Educational research: Quantitative, qualitative, and missed approaches*. 4th ed. USA: Sage.

Judge, T.A., Parker, S., Colbert, A.E., Heller, D. & Ilies, R. 2001. Job satisfaction: A cross-cultural review. In: Anderson, N., Ones, D.S., Singangil, H.K. & Viswesvaran, C. (ed.), *Handbook of industrial, work and organizational psychology: Personnel psychology volume 1* (pp. 25-52). London: Sage Publications.

Kalleberg, A.L. 1977. Work values and job rewards: A theory of job satisfaction. *American Sociological Review*, 42:124-43.

Kaplan, R.A.L, 1990. *The career anchors, job involvement and job satisfaction of professional people*. Unpublished Doctor of philosophy in psychology thesis. Cape Town: University of Cape Town.

- Klaus, K.J. 1995. How to establish an effective export program best practices in international assignment administration. *Employment Relations Today*, 22(1): 59–79.
- Klein, S. M. 1973. Pay factors as predictors to satisfaction: A comparison of reinforcement, equity, and expectancy. *Academy of management Journal*, 16(4):598-610.
- Kruglanski, A.W. & Maysseless, O. 1990. Classic and current social comparison research: Expanding the perspective. *Psychological Bulletin*, 108(2):195-208.
- Kulik, C.T. & Ambrose, M.L. 1992. Personal and situational determinants of referent choice. *Academy of Management Review*, 17(2):212-237.
- Lam, S.S.K., Schaubroeck, J., & Aryee, S. 2002. Relationship between organization justice and employee work outcomes: A cross-national study. *Journal of Organizational Behavior*, 23:1-18.
- Lawler, E.E., & Porter, L.W. 1968. The effect of performance on job satisfaction. *Industrial Relations*, 7:20-28.
- Leedy, P.D., & Ormrod, J.E. 2005. *Practical research: planning and design*. 8th ed. Upper Saddle River, New Jersey: Pearson Education.
- Leung, K., Smith, P. B., Wang, Z. M., & Sun, H. F. 1996. Job satisfaction in joint venture hotels in China: An organizational justice analysis. *Journal of International Business Studies*, 27:947–962.
- Leung, K., Wang, Z., & Smith, P.B. 2001. Job attitudes and organisational justice in joint venture hotels in China: The role of expatriate managers. *International Journal of Human Resource Management*, 12:926–945.
- Leung, K., Zhu, Y. & Ge, C.2009. Compensation disparity between locals and expatriates: Moderating the effects of perceived injustice in foreign multinationals in China. *Journal of World Business*, 44:85–93.

Locke, E.A. 1976. The nature and causes of job satisfaction. In: Dunnette, M.D. (ed.), *Handbook of industrial and organizational psychology* (pp. 1297–1349). Chicago: Rand McNally.

Lowe, K.B., Milliman, J., De Cieri, H. & Dowling, P.J. 2002. International compensation practices: A ten-country comparative analysis. *Human Resource Management*, 41(1):45–66.

Marks, J. 2004. *Expatriate professionals as an entry point into global knowledge-intensive value chains: South Africa*. [Online] Available from: http://siteresources.worldbank.org/EDUCATION/Resources/278200-1126210664195/1636971-1126210694253/South_Africa_Diasporas.pdf [Downloaded: 2009-04-13].

Mayer, R.C. & Schoorman, F.D. 1992. Predicting participation and production outcomes through a two-dimensional model of organizational commitment. *Academy of Management Journal*, 35(3):671-684.

Mello, J.A. 2006. *Strategic human resource management*. 2nd ed. USA: Thomson South-Western.

Meyer, J.P. & Allen, N.J. 1986. *Development and consequences of three components of organizational commitment*. Paper presented at the annual meeting of the Administrative Sciences Association of Canadian, Whistler, British Columbia.

Meyer, J.P. & Allen, N.J. 1991. A three-component conceptualization of organizational commitment: Some methodological considerations. *Human Resource Management Review*, 1:61-98.

Meyer, J.P., Paunonen, S.V., Gellatly, I.R., Goffin, R.D. & Jackson, D.N. 1989. Organizational commitment and job performance: It's the nature of commitment that counts. *Journal of Applied Psychology*, 74:152-156.

Mezias, J. & Scandura, T. 2005. A needs-driven approach to expatriate adjustment and career development: A multiple mentoring perspective. *Journal of International Business Studies*, 36(5):519–38.

Milkovich, G.T., Newman, J.M. & Cole, N. 2005. *Compensation*. Toronto: McGraw-Hill Ryerson.

Miller, C.T. 1984. Self-schemas, gender, and social comparison: A clarification of the related attributes hypothesis. *Journal of Personality and Social Psychology*, 46:1222-1229.

Miller, D.T. Turnbull, W. & McFarland, C. 1988. Particularistic and universalistic evaluation in the social comparison process. *Journal of Personality and Social Psychology*, 55(6):908-917.

Moorman, R.H. 1993. The influence of cognitive and affective based job satisfaction measures on the relationship between satisfaction and organizational citizenship behavior. *Human Relations*, 46(6):759-776.

Mowday, R.T. 1983. Equity theory predictions of behavior in organizations. In: Steers, R.M. & Porter L.W. (ed.), *Motivation and work behaviour*, 3rd ed. (pp. 91-113). New York: McGraw- Hill Book Co.

Mowday, R.T., Porter, L.W. & Steers, R.M. 1982. *Employee-organization linkages: The psychology of commitment, absenteeism and turnover*. New York: Academic Press.

Mowday, R.T., Steers, R.M. & Porter, L.W. 1979. The measurement of organisational commitment. *Journal of Vocational Behavior*, 14:224-247.

Mukhopadhyay, P. 2008. *Theory and methods of survey sampling*. USA: Phi Learning.

Nunnally, J.C. & Bernstein, I.H. 1994. *Psychometric theory*, 3rd ed. New York: McGraw-Hill.

O'Reilly, C. A. III 1991. Organizational behavior: Where we've been, where we're going. *Annual Review of Psychology*, 42:427–458.

O'Reilly, C.A., III, & Chatman, J. 1986. Organizational commitment and psychological attachment: The effects of compliance, identification, and internalization of prosocial behavior. *Journal of Applied Psychology*, 71:492-499.

Paik, Y., Parboteeah K.P. & Shim, W. 2007. The relationship between perceived compensation, organisational commitment and job satisfaction: The case of Mexican workers in the Korean Maquiladoras. *The International Journal of Human Resource Management*, 18(10):1768-1781.

Parhizgar, K.D. 2002. *Multicultural behaviour and global business*. New York: The Haworth Press.

Porter, L.W. & Steers, R.M. 1973. Organizational, work and personnel factors in employee turnover and absenteeism. *Psychological Bulletin*, 80:51-176.

Porter, L.W., Steers, R.M., Mowday, R.T. & Boulian, P.V. 1974. Organizational commitment, job satisfaction, and turnover among psychiatric technicians. *Journal of Applied Psychology*, 59:603-609.

Pride, W.M., Hughes, R.J. & Kapoor, J.R. 2010. *Business*. 11th ed. USA: South-Western.

Pritchard, R.D., Dunnette, M.D. & Jorgenson, D.O. 1972. Effects of perceptions of equity and inequity on worker performance and satisfaction. *Journal of Applied Psychology Monograph*, 56(1):75-94.

Reynolds, C. 1997. Expatriate compensation in historical perspective. *Journal of World Business*, 32(2):118–132.

Romero, E.J. 2002. The effect of expatriate training on expatriate effectiveness. *Journal of Management Research*, 2(2):73-78.

Saunders, M., Lewis, P. & Thornhill, A. 2007. *Research methods for business students*. 4th ed. Harlow, Essex: Pearson Education.

Saunders, R. 2003. *The concept of the foreign: An interdisciplinary dialogue*. Oxford: Lexington Books.

Scarpello, V. & Campbell, J.P. 1983. Job satisfaction: Are all the parts there? *Personnel Psychology*, 36(3):577–600.

Schmitt, N., Coyle, B.W., White, J.K. & Auschenberger, J. 1978. Background, needs, job perceptions, and job satisfaction: A causal model. *Personnel Psychology*, 31(4):889–901.

Scholl, R.W., Cooper, E.A., & McKenna, J.F. 1987. Referent selection in determining equity perceptions: Differential effects on behavioural and attitudinal outcomes. *Personnel Psychology*, 40(1):113-124.

Sinangil, H.K. & Ones, D.S. 2001. Expatriate management. In: Anderson, N., Ones, D.S., Sinangil, H.K. & Viswesvaran, C. *Handbook of industrial, work and organizational psychology* (pp. 424-444). London: Sage.

Smith, P.C., Kendall, L.M. & Hulin, C.L. 1969. *The measurement of satisfaction in work and retirement*. Chicago: Rand McNally.

Solomon, C. M. 1995. Global compensation: Learn the ABCs. *Personnel Journal*, 74:70-75.

Spector, P.E. 1997. *Job satisfaction: Application, assessment, causes, and consequences*. Thousand Oaks, CA: Sage.

Steers, R.M. & Porter, L.W. 1987. *Motivation and work behaviour*. New York: Mc Graw-Hill.

Suls, J., Martin, R. & Wheeler, L. 2002. Social comparison: Why, with whom and with what effect? *Current Directions in Psychological Science*, 11(5):159-163.

Summers, T.P. & Denisi, A.S. 1990. In search of Adams other. Reexamination of referents used in the evaluation of pay. *Human Relations*, 43(6):497-511.

Summers, T.P. & Hendrix, W.H. 1991. Modelling the role of pay equity perceptions: A field study. *Journal of Occupational Psychology*, 64(2):145-157.

Takeuchi, R. 2010. A critical review of expatriate adjustment research through a multiple stakeholder view: progress, emerging trends, and prospects. *Journal of Management*, 36(4):1040-1064.

Taormina, R.J. 1999. Predicting employee commitment and satisfaction: The relative effects of socialization and demographics. *The International Journal of Human Resource Management*, 10(6):1060-1076.

Tesser, A. & Campbell, J. 1982. Self-evaluation maintenance and the perception of friends and strangers. *Journal of Personality*, 50:261-279.

Thomas, D.C. 2002. *Essentials of international management: A cross-cultural perspective*. Thousand Oaks, CA: Sage.

Toh, S.M. & Denisi, A.S. 2003. Host country national reactions to expatriate pay policies: a model and implications. *The Academy of Management Review*, 28(4):606-621.

Toh, S.M. & Denisi, A.S. 2005. A local perspective to expatriate success. *The Academy of Management Executive*, 19(1):132-146.

Tremblay, M., Sire, B., & Balkin, D. 2000. The role of organizational justice in pay and employee benefit satisfaction, and its effects on work attitudes. *Group and Organization Management*, 25(3):268-289.

Tremblay, M., St-Onge, S., & Toulous, J-M. 1997. Determinants of salary referents relevance: A field study of managers. *Journal of Business and Psychology*, 11(4):463-484.

Tung, R.L. 1987. Expatriate assignments: enhancing success and minimizing failure. *Academy of Management Executive*, 1:117–26.

Van Tonder, C.L. 2004. *Organisational change*. Pretoria: Van Schaik Publishers.

Viswesvaran, C. & Ones, D.S. 2002. Examining the construct of organizational justice: A meta-Analytic evaluation of relations with work attitudes and behaviors. *Journal of Business Ethics*, 38(3):193-203.

Vroom, V.H. 1969. Industrial social psychology. In: Lindzey G. & Aronsen E. (ed.), *The handbook of social psychology* (pp. 200-208). USA: Addison-Wesley.

Warby, V. 2007. *SA to harness expat skills*. [Online] Available from: <http://www.southafrica.info/abroad/expats-150207.htm>. [Accessed: 2010-04-05].

Weick, K.E. 1966. Task acceptance dilemmas: A site for research on cognition. In S. Feldman (Ed). *Cognitive consistency* 225-255. New York: Academic Press.

Weiss, E.J., Dawis, R.V., England, G.W. & Lofquist, L.H. 1967. *Manual for the Minnesota Satisfaction Questionnaire*. St. Paul, University of Minnesota: Minnesota. [Online] Available from: http://www.psych.umn.edu/psylabs/vpr/pdf_files/Monograph%20XXII%20-%20Manual%20for%20the%20MN%20Satisfaction%20Questionnaire.pdf [Downloaded: 2010-01-20].

Weiss, H.M., Nicholas, J.P., & Daus, C.S. 1999. An examination of the joint effects of affective experiences and job beliefs on job satisfaction and variations in affective experiences over time. *Organizational Behavior and Human Decision Processes*, 78(1):1-24.

Welch, D.E. 2003. Globalisation of staff movements: Beyond cultural adjustment. *Management International Review*, 43(2):149-169.

Wheeler, L. & Miyake, K. 1992. Social comparison in everyday life. *Journal of Personality and Social Psychology*, 62:760-773.

Wood, J.Y. 1989. Contemporary social comparison theory. *Psychological Bulletin*, 106:231-248.

Zell, E. & Alicke, M.D. 2010. Comparisons over time: Temporal trajectories, social comparison, and self-evaluation. *European Journal of Social Psychology*, 40:375-382.

APPENDIX A

- Data collection instruments -

SECTION A: BIOGRAPHICAL INFORMATION

Please complete the following:

1.1 Gender

Male

Female

1.2 Age

1.3 Home language

1.4 Educational Qualification

1.5 Job title

1.6 Years in contact with expatriate colleague

1.7 Years in current position

SECTION B: COMPENSATION DISPARITY

Please answer the following statement with a YES or NO answer

Item	YES	NO
You are aware of what the expatriate (overseas employee) earns within your organisation?	YES	NO
Do you compare your salary (full compensation package) to the expatriate (overseas employee) within your organisation?	YES	NO
You work in close proximity (location) with an expatriate?	YES	NO
You hold a similar position or hierarchical level as an expatriate?	YES	NO

Please rate the following statement on a scale from *Strongly disagree* (1) to *Strongly agree* (5)

Item	Strongly disagree	Disagree	Unsure	Agree	Strongly agree
The same amount of effort and work is required from you and the expatriate.	1	2	3	4	5
The expatriate has more qualifications and work experience than you.	1	2	3	4	5
The expatriate has adequate experience and skills to fulfil the assignment within your local organisation	1	2	3	4	5
Local employees are fairly rewarded (compensated) in comparison to the overseas employees working in the local company.	1	2	3	4	5

SECTION C:
ORGANISATIONAL COMMITMENT QUESTIONNAIRE

Cross (X) one of the five categories from *Strongly disagree* (1) to *Strongly agree* (5) for each statement as it applies to you:

	Questions	Strongly disagree	Disagree	Unsure	Agree	Strongly agree
1	I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful	1	2	3	4	5
2	I talk up this organization to my friends as a great organization to work for	1	2	3	4	5
3	I feel very little loyalty to this organization(R)	1	2	3	4	5
4	I would accept almost any type of job assignment in order to keep working for this organization	1	2	3	4	5
5	I find that my values and the organization's values are very similar	1	2	3	4	5
6	I am proud to tell others that I am part of this organization	1	2	3	4	5
7	I could just as well be working for a different organization as long as the type of work were similar(R)	1	2	3	4	5
8	This organization really inspires the very best in me in the way of job performance	1	2	3	4	5
9	It would take very little change in my present circumstances to cause me to leave this organization(R)	1	2	3	4	5
10	I am extremely glad that I chose this organization to work for, over others I was considering at the time I joined	1	2	3	4	5
11	There's not too much to be gained by sticking with this organization indefinitely(R)	1	2	3	4	5
12	Often, I find it difficult to agree with this organization's policies on important matters relating to its employees(R)	1	2	3	4	5
13	I really care about the fate of this organization	1	2	3	4	5
14	For me this is the best of all possible organizations for which to work	1	2	3	4	5
15	Deciding to work for this organization was a definite mistake on my part(R)1	1	2	3	4	5

SECTION D: MINNESOTA SATISFACTION QUESTIONNAIRE

The following questionnaire measures your feelings towards your work related needs (job satisfaction).

You are requested to **cross (x)** or **circle (o)** the number of your choice which most accurately fits the extent to which you work. After you have read each question, please decide the degree to which your answer accurately describes your own situation and your feelings, using the following scale.

Example

2	To what extent do you have the chance to work alone in your present job?	Not at all	1---2---3---4---5	All the time
---	--	------------	-------------------	--------------

1	How busy are you kept in your present job?	Not busy at all	1---2---3---4---5	Extremely busy
2	To what extent do you have the chance to work alone in your present job?	To no extent	1---2---3---4---5	To a large extent
3	To what extent do you have the chance to do various things from time to time in your present job?	To no extent	1---2---3---4---5	To a large extent
4	To what degree do you feel that you are "somebody" in the community in your present job?	Definitely not somebody	1---2---3---4---5	Definitely somebody
5	How satisfied are you with your supervisor in your present job?	Extremely dissatisfied	1---2---3---4---5	Extremely satisfied
6	How satisfied are you with the competence of your supervisor in making decisions in your present job?	Extremely dissatisfied	1---2---3---4---5	Extremely satisfied
7	How satisfied are you that you don't do things that go against your conscience?	Extremely dissatisfied	1---2---3---4---5	Extremely satisfied
8	To what extent does your present job provide steady employment?	To no extent	1---2---3---4---5	To a large extent

9	To what extent do you have the chance to do things for other people in your present job?	No chance	1---2---3---4---5	High chance
10	How often do you have the opportunity in your present job to tell other people what to do?	Never	1---2---3---4---5	Always
11	How often do you do something that makes use of your abilities in your present job	Never	1---2---3---4---5	Always
12	In your present job, to what degree are company policies put into practice?	Not at all	1---2---3---4---5	Always
13	How satisfied are you with the pay compare to the amount of work you do in your present job	Extremely dissatisfied	1---2---3---4---5	Extremely satisfied
14	What is the chance for advancement in your present job?	No chance	1---2---3---4---5	High chance
15	How much freedom is there in your present job to use your own judgement?	No freedom	1---2---3---4---5	Total freedom
16	To what extent are there chances to try your own methods of doing the job?	No chance	1---2---3---4---5	High chance
17	How satisfied are you with your conditions?	Extremely dissatisfied	1---2---3---4---5	Extremely satisfied
18	How well do co-workers get along with each other in your present job?	Not well at all	1---2---3---4---5	Extremely well
19	How often do you get praise for doing a good job?	Never	1---2---3---4---5	Always
20	To what extent do you feel a sense of accomplishment from the job?	To no extent	1---2---3---4---5	To a large extent

Please add any additional comments that you feel necessary:

APPENDIX B

- Organisation consent form -

To whom it may concern

THE EFFECT OF EXPATRIATE SALARY ON HOST COUNTRY NATIONALS IN SOUTH AFRICA: A STUDY INVOLVING PERCEIVED COMPENSATION DISPARITY, ORGANISATIONAL COMMITMENT AND JOB SATISFACTION

I am conducting an empirical research on the perceived compensation disparity between local employees and their expatriate colleagues and further the effects that may exist due to this compensation gap on local employee's organisational commitment and job satisfaction. This research forms part of the degree requirements for a Masters of Human Resource Management and Industrial Psychology for which I am currently registered at the University of Pretoria.

Employees, the organisations most important competitive asset, can determine the success or failure of an organisation; regardless if the employee is a local workforce employee or an expatriate. The organisational success is dependent on all employee counterparts. South African employees a valuable source of social support, assistance and friendship to freshly arrived expatriates.

I am hereby requesting permission for the project, and inviting your organisation to participate. After completion, information regarding the outcomes of the project will be made available to your organisation. **Confidentiality** of results of participants as well as your institution will be maintained. Your organisation will not be identified in any of the publications (except in the report to yourself).

We would like your assistance regarding the following aspects:

- To sign that the company would like to partake in this project
- To provide the name of a contact person at your organisation who could assist us with administrative arrangements regarding the planning and execution of the project. This person should be able to supply us with a list of staff members at your institution and could also help with arrangements such as the electronic distributions of questionnaires, etc.

Should you require any further information, do not hesitate to contact me.

APPENDIX C

- Informed consent form -



Informed consent for participation in an academic research study

Dept. of Human Resource Management

COMPENSATION DISPARITY BETWEEN LOCALS AND FOREIGN MULTINATIONALS IN SOUTH AFRICA

Research conducted by:

Mrs. N. Sage (21110892)

Cell: +27 82 514 3822

Dear Respondent

You are invited to participate in an academic research study conducted by Natasha Sage, a Masters student from the Department Human Resource Management at the University of Pretoria.

The purpose of the study is to measure your organisational commitment and job satisfaction in relation to your received compensation.

Please note the following:

- This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 7-10min minutes of your time
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my supervisor, Dr. E.N Barkhuizen, nicolene.barkhuizen@up.ac.za if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

Respondent's signature

Date