

**PAY REFERENT SELECTION IN AN INTERNATIONAL CONTEXT:
THE ROLE OF EAST ASIAN VERSUS WESTERN COLLECTIVISM**

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ABSTRACT

The study used U.S. and Chinese samples of Host Country Nationals (HCN) to examine the pay referent selection process of HCNs in multinational enterprises (MNE). Given that previous research on HCN pay comparison was based on Western-born social comparison theories, the study first addressed the question of the generalizability of these theories in non-Western settings. By replicating Yuki (2003)'s study, the study confirmed the conceptualization of East Asian vs. Western collectivism: individuals from different cultures engage in different social identity processes in an intergroup context. Specifically, the Chinese sample exhibited more ingroup sociometric knowledge about their ingroups than the U.S. sample, and sociometric knowledge was significantly correlated to ingroup loyalty and identity. It indicated a relationship-based ingroup identification with an intragroup focus—East Asian collectivism. Meanwhile, the U.S. sample exhibited more perceived ingroup homogeneity about their ingroups than the Chinese sample, and ingroup homogeneity was significantly correlated to ingroup loyalty and identity. It indicated a category-based ingroup identification with an intergroup focus—Western collectivism.

Recognizing the role of national culture in social identity processes, and based on the distinction between East Asian and Western collectivism, the paper predicted that people from different cultures differ in the type of comparison they engage in when the

outgroup is salient, and thus the national culture of HCN moderates the effect of the salience of expatriate outgroup on pay referent selection in MNEs. Specifically, collectivist culture's strong intragroup orientation (East Asian collectivism) will lead HCNs from these cultures to make intragroup pay comparisons with HCNs working for other foreign companies. Individualist culture's strong intergroup orientation (Western collectivism) will lead HCNs from these cultures to make intergroup pay comparisons with the salient expatriate outgroup. Results of regression analysis support the predictions of different pay referent selection for the U.S. and Chinese samples. Theoretical and managerial implications of the study were discussed.

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DEDICATION

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CHAPTER 1

INTRODUCTION

Research in international human resource management (IHRM) has traditionally focused on expatriate policies designed to maximize the probability of expatriate success. Recent research has expanded the focus of study to include host country nationals (HCNs), upon the recognition that reactions of HCNs towards expatriate policies play an important role in the success of expatriates (Toh & Denisi, 2003; Toh & Denisi, 2005; Paik, Parboteeah, & Shim, 2007) and the success of the branch office or joint venture in which expatriates are employed (Chen, Choi, & Chi, 2002). One expatriate policy that catches the most attention of practitioners and researchers is expatriate pay policy, because it involves high cost to the company sending the expatriate, affects whether the expatriate will be motivated to take the challenge to work and live away from his/her home country, and in turn, determines the success of the company's globalization initiative.

A potential negative feature of expatriate pay policy is that the average compensation package of expatriates is often a great deal more than that received by HCNs. For example, research has indicated that on average, employers pay expatriates ten or more times as much as local nationals in the country to which expatriates are assigned (Reynolds, 1997). Researchers argue that such a pay policy can cause local employees to view the organization's pay system as unjust (Chen et al., 2002), and may

engender feelings of relative deprivation. Such feelings may generate resentment toward expatriates, and may reduce local employees' motivation to provide expatriates with information and other forms of assistance, thus making it more difficult for expatriates to adjust to their new environment and to perform effectively (Toh & Denisi, 2003).

Perceived injustice and discontent toward the pay system may also reduce local employees' motivation to perform their own jobs well (Scholl, Cooper, & McKenna, 1987).

However, this scenario is based on the assumption that local employees choose expatriates as their primary referent group when comparing pay. If, in some cultures, local employees do not select expatriates as their pay referent, the proposed negative effect of expatriate pay policy on expatriate success and local employee performance will not exist. In that case, there will be a different story. Previous research suggests that people usually have a number of possible referents when comparing pay (Goodman, 1974), but because of insufficient information and referents relevance, people tend to use only one or two of the referents (Oldham et al., 1982). Therefore, whether expatriate pay policy will actually undermine expatriate success and HCN performance depends on whether local employees choose expatriates as their primary referent in pay comparisons.

To make the issue more complicated, research suggests that social comparisons differ by individual and group. That is, two people in the same context may engage in different comparisons due to distinctive personal or group attributes (Buunk & Mussweiler, 2001; Gibbons and Buunk 1999; Hinkle & Brown, 1990; Wheeler, 2000; Wills, 1981, 1991). National culture is an important source of individual difference and is particularly relevant in social comparison behavior in MNEs where people from

diverse cultural backgrounds work together. Therefore, the role of national culture needs to be incorporated in models of HCN referent selection in pay comparison.

Theories of social comparison, including pay comparison, have generated a large number of studies, but only a few have been cross-cultural and even fewer have included national culture of individuals as a variable in making predictions. Furthermore, based on a study and theoretical analysis of social identity and comparison theories in the East Asian setting (Yuki, 2003; Brewer & Yuki, 2007), I propose that Social Identity Theory (SIT), a derivative of social comparison theories that are born in the Western cultural context and that have been applied to HCNs pay referent selection in MNEs (Toh & Denisi, 2003), may only apply to Western individualist cultural settings. It is possible that the pay comparison process is quite different for Eastern HCNs than what has been predicted on the basis of SIT. This paper aims to disentangle the complexity involved in these issues by first examining both social identity and social comparison theories and cross-cultural management literature. The paper then offers an integrated model to predict and test HCNs pay comparison process by incorporating the role of cultural values, specifically individualism-collectivism.

CHAPTER 2

THEORETICAL BACKGROUND

Pay Comparison and Pay Referent Selection

Social comparison is defined as “the process of thinking about information about one or more other people in relation to the self” (Wood, 1996, p.520). Thus the primary goal of social comparison is to acquire information about the self, i.e., self-evaluation. Two other motives of social comparison, self-improvement and self-enhancement, are derived from this primary goal (Gibbons & Buunk, 1999) because after people get accurate information about themselves in relation to others, they may use the information to improve themselves or to enhance their self-esteem or self-concept. Many studies have examined how individual characteristics affect social comparisons (Buunk & Mussweiler, 2001; Wheeler, 2000). For example, self-esteem and Big Five personality traits have been found to influence individuals’ comparison direction (Wills, 1981, 1991) and comparison frequency (Olson & Evans, 1999).

As a form of social comparison, pay comparison exists in organizations and is a way for employees to determine whether they are fairly treated and how they should respond. The focus in pay comparison is pay equity (Adams, 1963): people decide if they are being rewarded equitably by comparing their inputs and outcomes with those of a referent. Key to this comparison is thus the referent selected. Goodman (1974) suggested that the choice of a referent is a function of both the availability of information

about the referent and the relevance of the referent for the comparison. He identified level of professionalism, occupancy of a boundary role, salary level, and valence attached to pay as factors affecting availability of information and relevance, and in turn, individuals' different selection of their pay referent. Kulik and Ambrose (1992) proposed a mediating role of information availability and referent relevance between antecedent variables and referent choice. These antecedent variables are the personal and situational factors that influence the cognitive and psychological processes of pay referent choice. Examples of personal factors are gender, age, and position in the organization. Situational factors include changes in procedures and physical arrangement. Kulik and Ambrose (1992) also argued that the main effects of personal and situational factors may be moderated by motives of comparison in that motive influences referent choice by having an impact on the referent's relevance for the comparison.

Built on Kulik and Ambrose's (1992) model, Toh and Denisi (2003) examined HCNs pay comparison in MNEs. They pointed out the importance of national cultures in the relationship between actual pay discrepancies and local employees' experience of relative deprivation (RD) about the pay differentials against expatriates. They argued that the national culture of HCNs moderates the relationship between the perception of pay discrepancies and the experience of RD because cultural differences in terms of collectivism, power distance, masculinity, and ascription-achievement influence individuals' justice sensitivity, principles of justice, importance of pay justice, and in turn, feelings and behaviors of HCNs toward pay disadvantages relative to expatriates (Toh & Denisi, 2003, p.615-616).

Cross-Cultural Studies of Pay Comparison

Though Toh and Denisi's (2003) model theoretically recognized the importance of national cultures in the relationship between pay discrepancies and HCNs feeling of RD, only a few empirical studies on pay referent selection and its consequences have investigated the impact of national culture. Bordia and Blau (1998) examined culture in their study of pay satisfaction among public and private sector employees in India. They found that relatives' pay was a significant predictor of pay satisfaction. They considered this finding "unique to a collectivist culture" (Bordia & Blau, 2003, p.501) in that it reflected the importance of family in the collectivist cultures of Asia (Hui & Villareal, 1989; Triandis, Bontempo, Villareal, Asai, & Lucca, 1988).

Studies of HCNs pay comparison conducted in non-Western countries have found that comparison with local staff in other organizations was related to local employee job satisfaction, but comparison with expatriate staff was not (Leung, Smith, Wang, & Sun, 1996). In a study of international joint ventures (IJV) in China, Leung, Wang, and Smith (2001) looked at local employees' referent choice from among three groups— expatriates in the same company, local employees in state-owned enterprises, and local employees in other joint ventures. Local employees in other joint ventures were found to be the most important referent group, and comparisons with this group had the largest effect on job attitudes. In addition, results from Chen et al.'s (2002) investigation of local employees' perception of pay disparity showed that external IJV locals were the only group whose compensation information affected local employees' perceived compensation fairness, indicating that local employees of other IJVs, but not the internal expatriates, were the most influential referents for local employees in joint ventures in China.

These empirical studies on HCNs social comparison behavior in MNEs indicated that HCNs working for other foreign companies are the most important referent for HCNs in making pay comparisons. These findings contradict Toh and Denisi's (2003) proposition that a salient expatriate outgroup will lead HCNs to choose expatriates as the referent for pay comparisons. But the empirical findings echo the speculation in early part of the current paper that, if, in some cultures, HCNs do not choose expatriates as primary pay referent, the high compensation package of expatriates may not lead to the problems associated with HCNs' feelings of deprivation relative to their expatriate colleagues and less helping behavior. On the contrary, problems might come from HCNs' pay comparison with highly paid HCNs working for other organizations and the consequent feelings of deprivation relative to their HCN counterparts.

The questions are: Why did cross-cultural studies of pay referent selection yield results that contradicted Toh and Denisi's (2003) predictions derived from social comparison theories? What is the role of national culture in HCNs pay referent selection in MNEs? To answer the first question, I will investigate in more depth the social comparison theories upon which Toh and Denisi's (2003) model is based. The second question is in fact the focus of the present paper and the answer to it will derive from the answer to the first question.

Cross-Cultural Studies of Social Comparison

Toh and Denisi (2003) developed their model of HCNs referent selection process by "incorporating the role of social identification in determining referent choice and the interrelationships among salience of the social outgroup, information availability, and referent relevance" (Toh & Denisi, 2003, p.607). Based on Social Identity Theory (SIT)

and its derivative, Social Categorization Theory (SCT), Toh and Denisi (2003) proposed that in the context of a host unit of MNE, when the national (social) identities of HCNs gains salience, so does the salience of the national (social) identities of expatriates. The increased salience of expatriate outgroup identities in terms of their nationalities increases the likelihood that HCNs choose expatriates as pay referent. Toh and Denisi's basic rationale is that expatriate salient social identity leads to them being chosen as a referent in social comparison based on that identity. From the above argumentations, it is clear that Toh and Denisi (2003) were referring to "*identity salience* of the social outgroup" when they talked about "*salience* of the social outgroup". It is in fact also what "salience" refers to in SIT and SCT. Therefore, to be consistent throughout the paper, "*salience*" refers to "*identity salience*" or "*salience of X identity*", or vice versa in this paper.

Since social comparisons are typically situated in a social context that extends well beyond individual comparers and are influenced by social groups, Social Identity Theory (SIT) provides the basis to investigate *group* level social comparison (Buunk & Mussweiler, 2001). Social identity refers to "the individual's knowledge that he belongs to certain social groups together with some emotional and value significance to him of this group membership" (Turner, 1975, p.7). The basic idea of SIT is that "a social category... within which one falls, and to which one feels one belongs, provides a definition... or a part of the self-concept... of who one is in terms of the defining characteristics of the category" (Hogg & Terry, 2001, p.3). A social identity in terms of group membership acquires meaning because ingroups are different from outgroup. That

is, individuals' group identity is achieved by way of intergroup social comparison, and differentiation delineates groups (categories).

Social Categorization Theory (SCT) makes further distinctions between individuals' social identity (self-definitions in terms of social category memberships) and personal identity (self-definitions in terms of personal or idiosyncratic attributes). SCT argues that individuals can categorize themselves and others at these different levels of abstraction depending on which categories are evoked by the social field (Turner et al., 1987). Where social identity becomes relatively more salient than personal identity, people see themselves less as different individual persons and more as the similar, prototypical representatives of their ingroup category. These perceptions are transformed into collective behavior as people act in terms of a shared, collective conception of self—a process called “depersonalization,” which involves a “cognitive redefinition of the self” (Turner, 1984, p.528). Thus it is the relative salience of different levels of self-categorization in a specific situation that determines the degree to which self-perception/self-definition is personalized or depersonalized.

Salience of a particular identity is defined as the probability that a given identity will be invoked, and multiple identities can be ranked in a “salience hierarchy” according to their relative salience (Ashforth & Johnson, 2001). The higher the identity is in the ordering of the individual's hierarchy of identities, the more salient the identity is to the individual's self-concept/self-definition, and the more the individual views himself in terms of that identity. It is argued that the salience of an identity to an individual in an organizational context is determined by the identity's subjective importance (internal preferences) and situational relevance (external norms) (Ashforth & Johnson, 2001).

Though researchers have questioned the universal applicability of SIT (Hinkle & Brown, 1990; Smith & Bond, 1999; Triandis, 1989; Brewer & Yuki, 2007), Yuki's (2003) study is the first and the only one so far that has tested SIT in the collectivist cultures of East Asia. Yuki (2003) argued that the *intergroup comparison* emphasis and *depersonalization* process proposed in SIT could be conceptualized as Western collectivism, a category-based ingroup identification (Brewer & Yuki, 2007), in that they may not accurately represent group behaviors among East Asians. For East Asians, intergroup comparison is not a primary concern because the goal of group behaviors is to maintain mutually beneficial relationships with fellow ingroup members and to promote ingroup harmony, but not to gain favorable ingroup identity over the outgroup by way of intergroup comparisons (ingroup bias/favoritism phenomenon described in SIT). Thus East Asian's ingroup identification is relationship-based (Brewer & Yuki, 2007). The proposition is supported by evidence that suggests that ingroup bias based on ingroup-outgroup distinction might be in fact more pronounced in Western cultures than in Asian cultures (Yuki, Maddux, Brewer, & Takemura, 2005, p.49).

As for the depersonalization process, Yuki (2003) argued that the self-concept in East Asian cultures is more relational (Markus & Kitayama, 1991) than collective. While SIT proposes a depersonalization process that leads to a collective self in which individual group members categorize and view the self as indistinguishable from the ingroup and view other ingroup members as interchangeable with one another, East Asian group behaviors are based on a relational self that involves distinct personalities which are mutually connected via stable and visible relationships (Yuki, 2003, p.169). It differs from the depersonalization process because it does not mean the loss of self, the

fusion of self with others, or the absence of self-interest (Fiske et al., 1998). Yuki (2003) summarized the intragroup focus and the distinct but firmly connected self and ingroup representation in East Asian group behavior as East Asian collectivism. However, it is worth noting that although Yuki (2003) proposed that the bases of group cognition and behavior may differ across cultures, these differences are relative rather than absolute (Yuki et al., 2005).

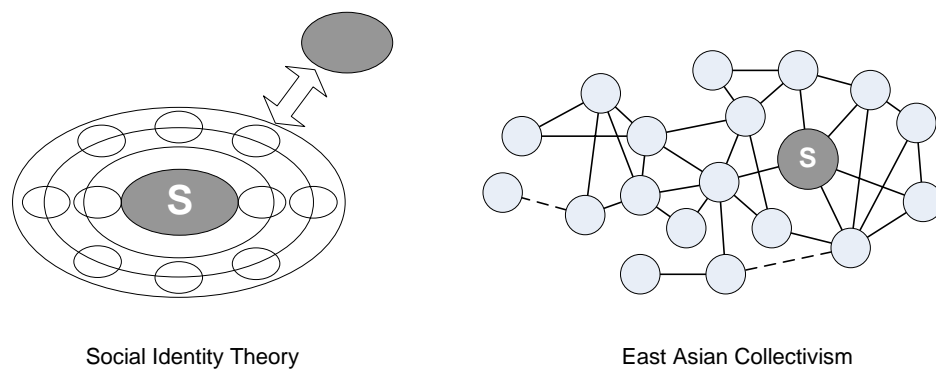


Figure 1. Social Identity Theory and Intragroup Relational Model of East Asian Collectivism (Yuki, 2003)

Based on the concept of East Asian collectivism, Yuki (2003) hypothesized that the East Asian group behavior is represented cognitively as an interpersonal network among the members, with the emphasis on the relational self (Figure 1). He conducted regression and correlation analyses in American and Japanese samples to test respondents' degree of ingroup loyalty and identity toward their small group and large group (country). Thus, the dependent variables in Yuki's (2003) study were ingroup loyalty and ingroup identity. The independent variables were subjective sociometric knowledge, perceived ingroup homogeneity, and perceived status of the ingroup. The relationship between the dependent variables and the first two independent variables were

investigated by multiple regression analysis. The relationship between the dependent variables and perceived status of the ingroup was examined by correlation analysis.

Yuki's (2003) implied rationale and prediction with sociometric knowledge as a predictor is: because East Asians are more concerned about maintaining a high level of knowledge about the complex relational structure within the ingroup to determine expected behaviors and to promote ingroup harmony, East Asians will exhibit more sociometric knowledge about their ingroup members than Westerners, and sociometric knowledge will be a stronger predictor of East Asians' ingroup loyalty and identity than for Westerners. The result from mean differences and regression analysis did not render support for this prediction. Rather, the result indicated the opposite: Japanese small group sociometric knowledge was poorer than that of Americans on average. Despite that sociometric knowledge was a significant predictor for small group loyalty and identity in both samples, it turned out to be a stronger predictor for the Americans. Yuki (2003) suggested that these contradictory findings might be due to issues of comparability caused by translation or interpreting mean differences across cultures in an absolute sense.

To test Yuki's (2003) prediction with regard to sociometric knowledge in different samples, the present study will perform the same analysis of the variables based on the following hypotheses:

Hypothesis 1a: On average, East Asians exhibit more sociometric knowledge about their ingroup than Westerners.

Hypothesis 1b: For East Asians, increased sociometric knowledge increases ingroup loyalty and identity. The relationship is weaker for Westerners.

Yuki's (2003) implied rationale and prediction with perceived ingroup homogeneity as a predictor is: because East Asian group members do not think about groups as categories of depersonalized members or view the self as indistinguishable from the ingroup or view other ingroup members as interchangeable with one another, East Asians will perceive less ingroup homogeneity than Westerners, and East Asians' perceived ingroup homogeneity will be a weaker predictor of ingroup loyalty and identity than for Westerners.

The result from mean differences rendered support for small group situation but not large group. But it is reasonable that at the country level the U.S. is in fact more ethnically and racially diverse and heterogeneous than Japan. Regression analysis indicated that perceived ingroup homogeneity was a stronger predictor for the U.S. than for the Japanese sample. Thus the prediction of less perceived homogeneity among East Asian group members was supported.

To test Yuki's (2003) prediction with regard to perceived ingroup homogeneity in different samples, the present study will perform the same analysis of the variables based on the following hypotheses:

Hypothesis 2a: On average, East Asians exhibit less perceived ingroup homogeneity than Westerners.

Hypothesis 2b: For Westerners, increased perceived ingroup homogeneity increases ingroup loyalty and identity. The relationship is weaker for East Asians.

Yuki's (2003) implied rationale and prediction with regard to perceived ingroup status is: because East Asian collectivism is largely based on the promotion of cooperative behaviors and maintenance of relational harmony within ingroups, intergroup

comparison for the purpose of positive ingroup identity is not a primary concern for East Asians as compared with Westerners. Therefore, the perceived ingroup status of East Asians will be less strongly related to their ingroup loyalty and identity than that of Westerners. Result of correlation analysis supported the prediction, indicating that East Asians do not have a strong intergroup orientation as Westerners do.

To test Yuki's (2003) prediction with regard to perceived ingroup status in different samples, the present study will perform the same analysis of the variables based on the following hypothesis:

Hypothesis 3: For East Asians, perceived ingroup status is less strongly related to ingroup loyalty and identity than for Westerners.

Though Yuki's (2003) framework did not get full support from his data, specifically on the sociometric knowledge variable, theoretical support for the distinct personal identity emphasis and intragroup focus conceptualized in Yuki's East Asian collectivism can be found in traditional SIT and SCT studies. For example, when linking specific self-identities to the distinction between intragroup and intergroup comparison, Kawakami and Dion (1993) argued that "salient personal self-identities direct our focus to intragroup comparisons rather than intergroup comparisons... Salient group self-identities, on the other hand, direct our focus toward intergroup comparisons rather than intragroup comparisons..." (p.527). Since East Asians do not "depersonalize" their distinct personal identities in group behavior as Westerners do, they are more prone to intragroup than intergroup comparison in the same intergroup context when their group identity is salient. Empirical support for Yuki's distinction between Western and East Asian group behaviors can be seen in Satterwhite, Feldman, Catrambone, and Dai's

(2000) study on culture and perceptions of self-other similarity. The study found that individuals from the U.S. perceived the ingroup to be relatively more similar to themselves as compared to individuals from Taiwan and Japan. The authors proposed an explanation in terms of differential relationship between self and other representations for people from the Western and Eastern cultures. It coincides with Yuki's argument that because East Asians do not psychologically "depersonalize" self and group member representations when their group identity is salient, they perceive less ingroup homogeneity than Westerners (Yuki, 2003; Brewer & Yuki, 2007).

The distinction between Western and East Asian collectivism in different cultures suggests an answer to the question as to why empirical studies of pay referent selection in a cross-cultural context yielded results that contradicted Toh and Denisi's (2003) theoretical predictions. Toh and Denisi's (2003) thesis, that salient expatriate outgroup identity will lead to HCNs intergroup pay comparison with expatriates, is true only of cultures with Western collectivism. Meanwhile, East Asian collectivism explains why HCNs in non-Western countries have been found to select local employees (ingroup) rather than expatriates (outgroup) as their primary pay referent (Chen et al., 2002; Leung et al., 1996; Leung et al., 2001). The answer leads to the focus of the present study—the role of national culture in individuals' referent selection behavior. That is, Yuki's conceptualization of different types of collectivism (Yuki, 2003; Brewer & Yuki, 2007) has its root in dimensions of national cultural differences in cross-cultural research. Therefore, relevant theories and studies from cross-cultural research will be discussed in the next section to complement the propositions of Western vs. East Asian collectivism

and to explain why national culture plays a role in individuals' intergroup behavior and in turn, their referent selection in an intergroup context.

The Role of National Culture in Intergroup Behavior

Cross-cultural research suggests that there are cultural differences in individuals' social behavior. Various typologies of national cultural differences have been advanced and numerous specific dimensions of cultural difference under these typologies have been developed (Chinese Culture Connection, 1987; Hofstede, 1980, 2001; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Kluckhohn & Strodbeck, 1961; Schwartz, 1992, 1994; Schwartz & Bilsky, 1990; Trompenaars, 1993). In their model predicting HCNs referent selection, Toh and Denisi (2003) touched upon the cultural dimensions of power distance, collectivism, masculinity, and ascription-achievement in their explanation of culture's influence on the relationship between perceptions and feelings of relative deprivation (p.615-616). However, with the focus of pay referent selection, the present study will utilize individualism-collectivism (IC) as the key dimension of cultural difference in explaining and predicting HCNs pay comparison behavior when the expatriate outgroup is salient. The reason is twofold.

First, individualism-collectivism (IC) is a universally applicable and most often studied dimension of cultural difference (Hofstede, 2001; Triandis et al., 1988). The concept was first introduced in Kluckhohn & Strodbeck's (1961) study on people's value orientations. It received its label of Individualism-Collectivism in Hofstede's (1980) classic cross-cultural study on work values. Subsequent cross-cultural studies verified the existence of this dimension of national cultural difference despite the various labels they applied (Chinese Culture Connection, 1987; House et al., 2004; Schwartz, 1992,

1994; Schwartz & Bilsky, 1990; Trompenaars, 1993). For example, the GLOBE Project (House et al., 2004), the most recent large-scale cross-cultural study on value orientations, found that the Ingroup dimension of the project's Collectivism measures have the strongest correlations with well-established societal-level collectivism scales in the literature such as Hofstede (1980) and Schwartz (1994) (Gelfand et al., 2004). In addition, remarkable consistency was found between the country rankings of GLOBE's Ingroup Collectivism and Hofstede's country rankings on individualism, suggesting the stability of the IC value orientation among different cultures over time, though the dimension has been labeled differently in various studies. Empirically, a large number of studies have been carried out based on this dimension and the dimension's validity has been tested in these studies. Second, among all the dimensions of cultural differences that have been developed, IC is the only dimension that specifically deals with group behaviors in different cultures and thus it is the most relevant dimension in explaining HCNs referent selection in an intergroup context.

According to Hofstede (1980), individualism-collectivism (IC) involves the degree to which individuals in a culture are expected to act independently of other members of the society. Though collective attachments are not completely absent even in the most individualist cultures, theorists largely agree that the principal distinction between individualist and collectivist values lies in the level of ingroup loyalty (Triandis, et al., 1988). An ingroup is defined as "a group whose norms, goals, and values shape the behavior of its members" (Triandis, 1989, p.53). Differentiation between ingroups and outgroups, and individual behavior towards ingroup and outgroup, both differ by national culture. Specifically, the ingroup/outgroup distinction is much more important in

collectivist cultures. In collectivist cultures people behave much differently toward ingroups than they do toward outgroups. While in individualist cultures, people behave similarly toward both groups (Rhee et al., 1996, p.1038).

In collectivist cultures, the definition of the ingroup depends to some extent on the situation or context. “While ‘family and friends’ is the main definition, fellow villagers, political allies, or the country as a whole become the relevant ingroups for particular behaviors” (Triandis et al., 1988, p.326). Each ingroup can have a “we” and “they” aspect for collectivists in different situations. Collectivist individuals can have the distinction among an “inner ingroup”, an “outer ingroup”, and an outgroup as situation changes (Triandis et al., 1988). Collectivists’ way of demarcating ingroups from outgroups and their different scopes of ingroups are directly relevant to pay referent choice in an international context.

Since ingroups in collectivist cultures are mostly ascribed (family, religion, and nation) from the birth of an individual (Rhee et al., 1996), individuals in collectivist cultures usually owe lifelong loyalty to their ingroup and their relationships to the ingroup tend to be stable over time (Triandis et al., 1988). In contrast, the definition of ingroup for people in individualist cultures is “achieved” in their interactions with others through similar beliefs, attitudes, values, and occupations (Rhee et al., 1996). Thus people in individualist cultures have many ingroups and their relationship to the ingroup is mobile (Triandis et al., 1988).

Because of the difference in ingroup/outgroup relationship in cultures, Triandis (1989) argued that SIT’s notion of people choosing ingroups that maximize their positive social identity reflects an individualistic emphasis, because in many collectivist cultures

people do not have a choice of ingroup. The different ingroup/outgroup relationship in cultures is also the underlying rationale for Yuki's (2003) distinction between Western and East Asian collectivism, i.e., why Western collectivism has an *intergroup* orientation while East Asian collectivism has an *intragroup* orientation. However, Western and East Asian collectivism do not refer to national culture's IC value orientation in general as usually described in cross-cultural studies (Hofstede, 2001; Triandis, 1998, 1999). Rather, they refer to the different types of group attachments when group identity is salient. Thus they incorporate awareness of ingroup vs. outgroup. Western collectivism implies only that individualists have a certain degree of collectivism, or attachments to collectivities, though in a different form than that of collectivists. In other words, when group identity is salient, East Asians exhibit a form of collectivism (group identity and attachment) that has an intragroup emphasis, while Westerners exhibit a form of collectivism with an intergroup emphasis (Yuki, 2003; Brewer & Yuki, 2007).

After understanding the reasons for the distinction of ingroup/outgroup relationship in different cultures, the answer to the question as to how this cultural difference will influence HCNs pay referent choice will be explored and a model of predictions will be presented in the next chapter.

CHAPTER 3
A MODEL OF PAY COMPARISON AND REFERENT SELECTION IN THE
CONTEXT OF MULTINATIONAL ENTERPRISES

Impact of Culture on HCNs Pay Referent Selection

Hogg (2000) argued that in an intergroup context when group identity is salient, people make either intergroup or intragroup comparisons or both, depending on the goal of the comparison. Intergroup comparison is for self-evaluation (uncertainty reduction) to “crystallize structural relations among groups” (Hogg, 2000, p.414), or for self-enhancement by favoring the ingroup over the outgroup. On the other hand, intragroup comparisons are aimed at reducing uncertainty (self-evaluation) by “accurately establishing the ingroup prototype and assimilating self to that prototype” (Hogg, 2000, p.414). In other words, while the goal of self-enhancement in an intergroup context is primarily achieved by intergroup comparison, the goal of self-evaluation (uncertainty reduction) can be served by either intergroup comparison or intragroup comparison, depending on the specific purpose of the comparison.

In the case of HCNs’ pay comparison in MNEs where a salient expatriate outgroup exists, it can be argued that social categorization and social comparison are for self-evaluation (uncertainty reduction) rather than for self-enhancement (Hogg, 2000). As one of the most important rewards that people get from working, pay reflects employers’ recognition of employees’ ability and productive contribution to the

organization. Consequently, employees engage in pay comparison to evaluate how much their employers appreciate their ability and contribution relative to others. This is particularly true for HCNs working in MNEs where multiple pay systems are perceived—those of expatriates and HCNs in their own company and in other foreign companies, those of local enterprises, and companies in other countries. HCNs are thus aware of a variety of pay systems (Chen et al., 2002) and their primary goal of pay comparison is to evaluate their worth to their employer relative to other employees in the various pay systems through either intergroup or intragroup comparison.

Given the variety of pay systems that HCNs are aware of, their pay comparison for self-evaluation may be targeted at different referent standards. In MNEs, where people from different countries work together, national identity of employees forms a natural line for social categorization and the demarcation of ingroup vs. outgroup. A salient expatriate outgroup may lead HCNs to either intergroup comparison with the expatriate outgroup as the evaluative standard or intragroup comparison with other HCNs as the evaluative standard. Thus, the salient social identity of an expatriate outgroup may either increase or decrease the likelihood that HCNs choose the expatriates as referent for pay comparison, depending on the specific evaluative purpose of HCNs pay comparison (Hogg, 2000). The different cultural values in collectivist and individualist countries influence people's relationship to their ingroups differently (Triandis et al., 1988; Hofstede, 2001; Uleman et al., 2000) and will lead to people's different purpose of comparison in an intergroup context. Therefore, HCNs' national culture impacts their purpose of pay comparison and in turn, their referent selection when the expatriate

outgroup is salient (Figure 2). Thus the basic proposition about HCNs pay referent selection in MNE is:

The national culture of HCNs moderates the relationship between salience of expatriate outgroup and the likelihood of HCNs choosing expatriates as referents.

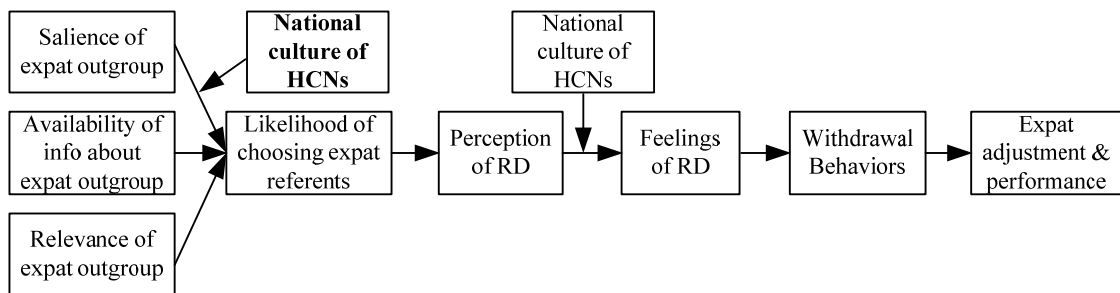


Figure 2. Adding National Culture of HCN as a Variable Influencing HCNs Referent Selection on Toh and Denisi (2003) Model

People in collectivist cultures are concerned with and focus more on their ingroup as opposed to their outgroup (Triandis et al., 1988; Hofstede, 2001; Uleman et al., 2000). Therefore, the relational self and intragroup focus of East Asian collectivism determines that, in an intergroup context with a salient outgroup, collectivists have a strong ingroup orientation (Yuki, 2003; Brewer & Yuki, 2007), and thus are interested more in knowing their relative status and difference as compared with their ingroup members through intragroup comparisons (Yuki, 2003; Brewer & Yuki, 2007) than in crystallizing group relations by comparing their ingroup to the salient outgroup (Hogg, 2000). As a result, the more salient an outgroup is, the more collectivists focus on their ingroup and the less important or relevant the outgroup is perceived, and thus collectivists are less likely to compare with the outgroup by choosing the outgroup referent. The same rationale applies to MNE context: the more salient the expatriate outgroup is, the more collectivist

HCNs turn to focus on other HCNs (their ingroup) and the less important or relevant the expatriate outgroup is perceived, and therefore, collectivist HCNs are less likely to compare with the expatriate outgroup and to choose an expatriate as referent (Figure 3).

Hypothesis 4: For HCNs from collectivist cultures, increased salience of the expatriate outgroup decreases the likelihood that HCNs will choose expatriates as referents.

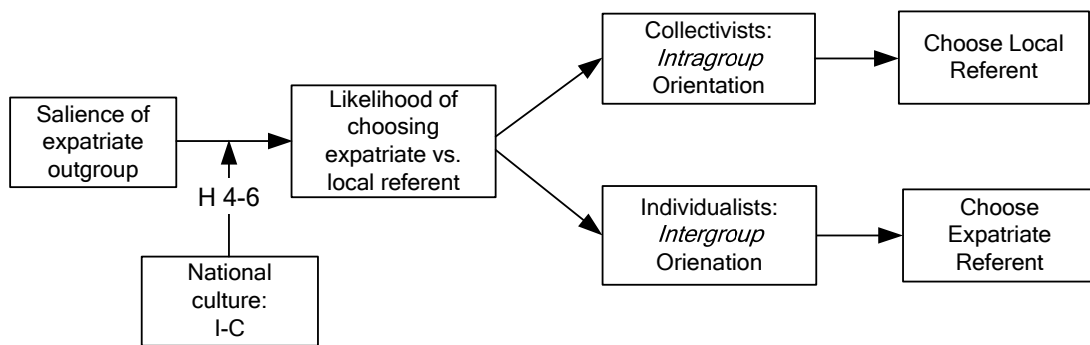


Figure 3. Model of HCN Pay Referent Selection: Impact of Expatriate Salience on HCNs Referent Selection.

If the salient expatriate outgroup is not likely to be chosen by collectivist HCNs as a referent for pay comparison, as has been evidenced in the empirical studies of social/pay comparison in international joint ventures in China (Leung & Smith, 1996; Leung et al., 2001; Chen et al., 2002), which group of employees will be the most likely referent in pay comparisons for collectivist HCNs? In collectivist cultures, relevant ingroups of different scope (inner ingroup & outer ingroup) can emerge for particular behaviors in different situations (Triandis et al., 1988). In a collectivist host country, local employees working for MNEs can form an ingroup in contrast to all of the expatriates in the host country, who form HCNs' outgroup. In collectivist cultures with East Asian collectivism, people have a strong intragroup orientation in an intergroup

context when an outgroup is salient (Yuki, 2003; Brewer & Yuki, 2007). Therefore they wish to know their relative status and difference as compared with their ingroup members and the relational structure of the ingroup (Yuki, 2003; Brewer & Yuki, 2007). As a result, the more salient the expatriate outgroup, the less relevant the expatriate outgroup is to HCNs' welfare, while the more important for HCNs to know their pay status relative to HCNs ingroup members, thus the greater the likelihood that collectivist HCNs will choose local employees working for other MNEs as referents for intragroup pay comparisons.

Hypothesis 5: For HCNs from collectivist cultures, increased salience of the expatriate outgroup increases the likelihood that HCNs will choose local HCNs working for other MNEs as referents.

The salience of the expatriate outgroup has a different impact on HCNs from individualist cultures. It is argued that individuals from individualist cultures define self through independent self construals independent of their ingroups (Markus & Kitayama, 1991; Rhee et al., 1996). They usually have weak ingroup/outgroup distinction and simultaneous membership in many different ingroups. As a result, individualists are more ready to cross group boundaries in social interactions than collectivists are. Further, due to the high mobility and overlap of individualists' group memberships, increased salience of the expatriate outgroup in MNEs creates an unambiguous intergroup context with clear-cut group membership for individualist HCNs, which facilitates intergroup comparison. Finally, in an intergroup context when group identity is salient, individualists perceive a high degree of homogeneity among ingroup members due to collective self presentation (Yuki, 2003; Brewer & Yuki 2007), so they have little

incentive to engage in intragroup comparisons for the purpose of assimilating themselves to their ingroup prototype, which they believe they already possess. Rather, when group identity is salient, individualists' Western collectivism is triggered and individualists exhibit a strong intergroup orientation (Yuki, 2003; Brewer & Yuki, 2007) for the purpose of "crystallize(ing) structural relations among groups" (Hogg, 2000, p.414). As a result, increased salience of expatriate outgroup will increase the likelihood that individualist HCNs will choose expatriates referent in pay comparison.

Hypothesis 6: For HCNs from individualist cultures, increased salience of the expatriate outgroup increases the likelihood that HCNs will choose expatriates as referents.

CHAPTER 4
STUDY ONE: EAST ASIAN VS. WESTERN COLLECTIVISM
REPLICATION OF YUKI'S (2003) STUDY

Methods

Sample and Data Collection

Two random samples of host country employees of foreign companies were investigated. One sample was drawn from the U.S., a country high on individualism value orientation, and the other sample was from China, a country high on collectivism value orientation (Hofstede, 1980, 2001). Respondents filled out a questionnaire tapping their individualism-collectivism orientations, group perceptions, group behaviors, organization information, compensation information, pay comparison behavior, and demographic information. Respondents were assured of the confidentiality of their answers and were not asked to provide the name of their company in the survey apart from general company information.

The questionnaire was drafted in English. Though in China, local employees working for foreign companies usually have a good command of the English language, the questionnaire was translated into Chinese to ensure accurate and consistent understanding of the questions among Chinese respondents. Back-translation of the questionnaire into English was carried out to further check the equivalence of the questions' meanings in two languages. Pilot studies of the questionnaire in both

languages were administered to two small groups of American and Chinese respondent respectively. The wording of the questions was revised based on their feedback.

Both the English and Chinese versions of the questionnaire were put online through an online survey service (Zoomerang). For the U.S. sample, the Zoomerang sampling team helped distribute the survey link to their random sample pool. The representativeness of a Zoomerang U.S. sample was based on the fact that Zoomerang survey panel is not a rented list of random people. Rather, “a panel is pre-screened and profiled against hundreds of data points of the population for precise demographic, lifestyle, occupational, and geographic areas so to be balanced to the U.S. census” (ZoomPanel Profile Reference Book). For the U.S. respondents, a screening question was added at the very beginning of the English questionnaire to get respondents who work for foreign (non-US) companies to fill out the survey. The screening question asked the respondents whether they work for a foreign (non-US) company whose headquarter was located in other countries than the U.S. Only those who answered “Yes” to the screening question were able to continue the questionnaire. Among the 1,613 U.S. respondents invited to the survey, 1,380 were screened out, 31 partially filled out the survey, and 202 completed the survey. Thus the U.S. sample had 202 completed responses (126 men and 76 women). The response rate of qualified potential respondents was 86.7%. Among the 202 who completed the questionnaire, 177 were European American (white), 8 African American, and 16 Asian American. The average age was 45 (SD = 10.8), with the youngest at the age of 25 and the oldest 72. The majority of the respondents had college degrees (144, 71%), those below and above college level accounted for 16% (33) and 12% (22) respectively.

For the Chinese sample, both online and paper surveys were used to gather responses. With the help of the author's many acquaintances in China's business community, the questionnaire was distributed directly to people working in various foreign companies in China, either through email or through human resource professionals. Since the internet speed to get connected to a U.S. web address in China was relatively slow and people were on business trips from time to time, paper surveys were provided to those who did not have easy access to the online survey or preferred to fill out surveys on paper. Paper surveys were returned in sealed envelopes opened by the author only. To ensure that the sample was representative of Chinese people working for foreign companies, responses from less developed cities than the metropolitan Beijing and Shanghai were also obtained. Altogether, people from 8 cities filled out the questionnaire. One hundred and eighty-one out of the 220 distributed questionnaires (or online invitations) were returned (responded) and completed (81 men and 100 women). The response rate was 82%. The average age of the Chinese respondents was 32 (SD = 6.1), with the youngest at the age of 22 and the oldest 55. The majority of the Chinese respondents had college degrees (120, 66.3%), those below and above college level accounted for 5.5% (10) and 28.2% (51) respectively.

In summary, the Chinese sample was about 13 years younger than the U.S. sample on average. Compared with about 94.5% of the Chinese respondents who had a college degree or higher, 83% of the U.S. respondents had a college degree or higher. Such a sample composition of the Chinese respondents was by far not representative of the general Chinese population with an average adult literacy rate of 91% (UNICEF 2006 China Statistics). It corresponded to the fact that only those young Chinese who were

well-educated and possessed professional skills would have the chance to work for foreign companies in China.

In the data analysis of the current study, the non-European American respondents (African and Asian American) in the U.S. sample were filtered out. The approach was based on three reasons. First, the Chinese population is generally more homogenous than the U.S. population in terms of ethnical and racial background. In the present study, the Chinese sample was even more homogenous due to the fact mentioned above. Thus filtering out ethnical groups in the U.S. sample was a way to enhance the comparability of the two samples. Second, previous cross-cultural studies consistently found within-country difference in individualism and collectivism orientations among U.S. respondents from different ethnical groups (Oyserman, Coon, & Kemmelmeier, 2002). European Americans have been found to be generally higher in individualism and lower in collectivism than others, thus being portrayed as the most individualistic group within the U.S. On the other hand, since U.S. is an immigration country with people coming from all over the world, it is usually “not clear how acculturated these samples (of ethnical groups) are” (Heine, Lehman, Peng, & Greenholtz, 2002, p.907). As a result, non-European Americans were either treated as an independent cultural group (Lalwani, Shavitt, & Johnson, 2006; Rhee, Uleman, & Lee, 1996) or filtered out (Heine, Lehman, Peng, & Greenholtz, 2002) in empirical cross-cultural studies to control for within-country variance. Third, the majority of the US sample in the present study was European Americans (88%). Filtering out non-European Americans did not hurt the sample size much and the study still had a decent number of responses (177) for regression analysis.

Of the 177 non-European Americans (113 men and 64 women), the average age was 45.9 (SD = 10.6), with the youngest at the age of 27 and the oldest 72. Still, the majority of the respondents had college degrees (130, 73.4%). Those below and above college level accounted for 18.7% (33) and 7.9% (14) respectively, and altogether 81.3% had a college degree or higher. The sample features did not change much as compared with the sample including non-European Americans. The means, standard deviations, and variable correlations of the two samples are presented in Table 1.

Measures

Study 1 was intended to replicate Yuki's study (2003) in non-student samples and to be a test of Hypotheses 1, 2, and 3. In the questionnaire, respondents were asked about their perceptions of specific social groups to which they belonged. Since the East Asian and Western collectivism concepts describe individuals' group behaviors in small groups, only perceptions about small groups (but not large groups such as country) were included in the questionnaire. Small groups were social clubs or other small scale affiliations that respondents identified as the most important to them. The variables and scales in Yuki's (2003) study were adjusted and revised to fit the present study's samples. All the dependent and independent variables were measured by 7-point Likert scales from 1 (strongly disagree) to 7 (strongly agree).

Dependent Variables. Ingroup Loyalty and Ingroup Identity were the dependent variables of the replication analysis. In his study, Yuki (2003) included five items from a group loyalty scale (Silver & Brewer, 1997) that measured individuals' willingness to sacrifice for the ingroup. The current study adapted four items from Yuki's scale and replaced the item about sacrificing life for the ingroup with an item about obeying group

Table 1. Means, Standard Deviations, and Pearson Correlations^a

| Variable | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|-------|-------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1. Age | 45.90 | 10.58 | | | | | | | | |
| 2. Education | 2.84 | 0.79 | -0.07 | -0.04 | 0.43 *** | 0.21 ** | 0.20 ** | 0.01 | 0.08 | 0.05 |
| 3. Tenure | 7.79 | 7.70 | 0.24 ** | -0.23 ** | -0.13 | 0.08 | 0.43 *** | -0.05 | -0.15 * | -0.10 |
| 4. Job Level | 1.83 | 1.44 | -0.06 | 0.13 | 0.03 | 0.24 ** | -0.16 * | 0.06 | 0.00 | 0.00 |
| 5. Pre-tax Annual Income (K) ^b | 76.18 | 3.72 | 0.06 | 0.23 ** | 0.08 | 0.32 *** | 0.18 * | 0.11 | 0.13 | 0.12 |
| 6. Individualism | 5.04 | 0.70 | -0.05 | 0.06 | -0.11 | 0.05 | 0.00 | -0.05 | -0.06 | -0.17 * |
| 7. Collectivism | 5.50 | 0.86 | 0.14 | -0.14 | 0.03 | 0.07 | 0.05 | 0.40 *** | 0.46 *** | 0.43 *** |
| 8. Social Desirability Bias | 4.49 | 1.04 | 0.00 | 0.07 | 0.09 | 0.11 | -0.03 | 0.08 | 0.24 ** | 0.58 *** |
| 9. Ingroup Loyalty | 5.20 | 1.29 | 0.26 *** | 0.02 | 0.12 | 0.20 ** | 0.14 | 0.16 * | 0.50 *** | 0.16 * |
| 10. Ingroup Identity | 4.85 | 1.21 | 0.28 *** | -0.04 | 0.09 | 0.20 ** | 0.02 | 0.14 | 0.48 *** | 0.17 * |
| 11. Sociometric Knowledge | 4.46 | 1.31 | 0.10 | 0.06 | 0.09 | 0.15 * | 0.02 | 0.10 | 0.30 *** | 0.17 * |
| 12. Ingroup Homogeneity | 4.80 | 0.95 | 0.10 | -0.03 | 0.11 | 0.04 | 0.04 | 0.21 ** | 0.29 *** | 0.16 * |
| 13. Ingroup Status | 5.02 | 1.15 | 0.21 ** | 0.05 | 0.09 | 0.14 | 0.10 | 0.12 | 0.42 *** | 0.10 |
| 14. Expatriate Identity Salience | 3.19 | 1.63 | 0.01 | 0.09 | -0.05 | 0.06 | -0.01 | 0.05 | -0.05 | -0.06 |
| 15. Likelihood Choosing Expat in the same company | 2.84 | 1.36 | -0.13 | -0.03 | -0.05 | 0.06 | 0.11 | 0.00 | 0.00 | 0.03 |
| 16. Likelihood Choosing Local in other companies | 3.19 | 1.42 | -0.13 | 0.17 * | -0.02 | 0.03 | 0.16 * | 0.06 | -0.06 | 0.00 |

Table 1. (continued)

| Variable | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | Mean | SD |
|---|----------|----------|----------|----------|----------|----------|----------|----------|--------|--------|
| 1. Age | 0.05 | -0.06 | 0.00 | -0.11 | 0.02 | 0.07 | -0.12 | -0.04 | 32.30 | 6.16 |
| 2. Education | -0.10 | -0.13 | -0.06 | -0.10 | -0.13 | -0.19 ** | 0.15 * | -0.12 | 3.96 | 1.02 |
| 3. Tenure | -0.10 | -0.09 | -0.06 | -0.08 | -0.02 | 0.24 *** | 0.04 | -0.02 | 4.28 | 3.13 |
| 4. Job Level | 0.19 * | 0.17 * | 0.00 | -0.01 | 0.10 | 0.04 | -0.02 | 0.13 | 1.93 | 0.89 |
| 5. Pre-tax Annual Income (K) ^b | -0.04 | -0.11 | -0.10 | -0.09 | -0.12 | -0.07 | 0.21 ** | -0.08 | 132.72 | 157.42 |
| 6. Individualism | 0.34 *** | 0.23 ** | 0.06 | 0.09 | 0.10 | 0.11 | 0.04 | 0.08 | 5.06 | 0.95 |
| 7. Collectivism | 0.57 *** | 0.39 *** | 0.42 *** | 0.21 ** | 0.29 *** | 0.23 ** | -0.21 ** | 0.28 *** | 5.63 | 0.87 |
| 8. Social Desirability Bias | 0.42 *** | 0.28 *** | 0.28 *** | 0.07 | 0.17 * | 0.14 | -0.16 * | 0.18 * | 5.47 | 1.02 |
| 9. Ingroup Loyalty | | 0.53 *** | 0.47 *** | 0.22 ** | 0.39 *** | 0.09 | -0.19 ** | 0.21 ** | 5.44 | 0.84 |
| 10. Ingroup Identity | 0.84 *** | | 0.35 *** | 0.14 | 0.32 *** | 0.17 * | -0.14 | 0.20 ** | 5.04 | 1.07 |
| 11. Sociometric Knowledge | 0.65 *** | 0.69 *** | | 0.30 *** | 0.41 *** | 0.17 * | -0.12 | 0.20 ** | 5.08 | 0.98 |
| 12. Ingroup Homogeneity | 0.51 *** | 0.52 *** | 0.51 *** | | 0.21 ** | 0.01 | -0.04 | 0.06 | 4.43 | 0.88 |
| 13. Ingroup Status | 0.81 *** | 0.72 *** | 0.52 *** | 0.45 *** | | 0.15 * | 0.07 | 0.14 | 4.74 | 0.83 |
| 14. Expatriate Identity Saliency | 0.08 | 0.12 | 0.18 * | 0.20 ** | 0.03 | | -0.07 | 0.32 *** | 4.49 | 1.27 |
| 15. Likelihood Choosing Expat in the same company | 0.09 | 0.12 | 0.12 | 0.19 * | 0.11 | 0.16 * | | -0.12 | 2.40 | 1.31 |
| 16. Likelihood Choosing Local in other companies | 0.05 | 0.01 | 0.07 | 0.18 * | 0.05 | 0.15 * | 0.32 *** | | 4.48 | 1.20 |

N=181 for the Chinese sample and 177 for the US sample.

a. The correlation matrix for the U.S. sample is shown on the bottom left, and the matrix for the Chinese sample is on the upper right (in italic).

b. U.S. income is in US dollars and Chinese income is in Chinese RMB.

* p<.05. ** p<.01. *** p<.001.

rules and regulations from the original group loyalty scale (Silver & Brewer, 1997). The revision was based on the consideration that the current study was measuring respondents' attachment to their relatively small ingroups in daily life. So strong feelings such as sacrificing for a large ingroup (i.e., country) was not the target of current study. Sample items of the scale were "If the group really needs me, I would be willing to donate my free time to it," and "If the group really needs me, I would be willing to donate my money on a regular basis to it." The internal alpha reliability of the five-item scale was 0.83 (Cronbach's Alpha).

The Ingroup Identity measure included five items to evaluate how strongly respondents identify with their ingroup. The same as Yuki (2003), four items were from Karasawa's (1991) identification scale. I added one more item to the scale to let the respondent directly express their opinions towards their ingroup membership, i.e., how positively they feel about being a member of the group. The item was "It makes me feel happy to be a member of the group". The overall scale covered both cognitive and affective aspects of ingroup identification. Sample items were "I think it is accurate if I am described as a typical member of the group," and "I often acknowledge the fact that I am a member of the group." The internal alpha reliability of the five-item scale was 0.80.

Independent Variables. Subjective Sociometric Knowledge and Perceived Ingroup Homogeneity were the independent variables of the replication analysis. The Subjective Sociometric Knowledge measure was adapted from Yuki (2003) and had five items to evaluate the degree to which respondents feel they correctly understand individual differences among ingroup members, the relationship structure within the ingroup, and the degree of perceived interconnectedness. Sample items were "I know

very well which members of the group know each other,” and “I think all the members of the group are somehow personally connected to each other.” A higher score of East Asians than Westerners on this measure would indicate that in an intergroup context, people from collectivist cultures have a relational and interdependent self defined in terms of connections and role relationships with group members. Consequently, ingroup harmony can be achieved with knowledge about the relationship among ingroup members, about the group structure, and about the interconnectedness among members. It is an important feature of East Asian collectivism. The internal alpha reliability of the five-item scale was 0.84.

Yuki’s (2003) Perceived Ingroup Homogeneity measure had two items: “Most people in the group are similar to each other in their values,” and “Most people in the group behave in a similar way.” Since reliability of measures with fewer than three items is hard to achieve and tend to be low, I modified Yuki’s (2003) measure by adding two more items so the respondents could think more and deeper about the degree of homogeneity of their ingroup. The two items were “People in the group have a lot in common with each other,” and “Most people in the group are similar to each other in their preferences” (a modification from the first item of Yuki’s measure). Given that Perceived Ingroup Homogeneity evaluates the degree to which self and ingroup member representations are depersonalized, a higher score of Westerners than East Asians on this measure would indicate Westerners’ collective self defined in terms of prototypical properties that are shared among depersonalized members of a common ingroup. It is the depersonalized ingroup perception proposed by SIT and an important feature of Western collectivism. The internal alpha reliability of the four-item scale was 0.75.

To measure intragroup vs. intergroup orientation, Perceived Status of the ingroup was utilized to assess how prestigious respondents consider their ingroups to be in comparison with other groups. Similar to the Perceived Ingroup Homogeneity scale, Yuki (2003) used two items in the Perceived Status of the ingroup scale to evaluate whether respondents' positive ingroup identity over an outgroup was obtained by comparing with the outgroup. Again, I modified the scale by adding two more items to ensure the reliability of the measure. Respondents were asked the degree to which they agree with the statements "People in other similar groups generally admire the group," and "In general, the group is not respected by others in other similar groups" (reverse coded). The two items I added were "People usually hold respect towards the group," and "People in other groups have good opinions towards the group". A higher score of Westerners than East Asians on this measure would indicate that Westerners have a stronger intergroup orientation than East Asians. It is an important feature of Western collectivism. The internal alpha reliability of the four-item scale was 0.67. By deleting the reverse-coded item, the alpha increased to 0.79. It was very possible that respondents did not catch the negative tone of the item while reading through questions of consistent positive wordings, so the response to the negative worded question did not accurately reflect respondents' perceptions about their ingroup status and consequently had low correlations with other items of the scale. Therefore, the negative worded item was deleted and three remaining items were used in later scale mean calculation and regression analysis.

Control Variables. Gender and age were controlled in regression analysis. In the present study, because the gender breakdown of the two samples differed, conducting

analysis with gender as a covariate had the advantage of controlling for differences caused by sex (Lalwani, Shavitt, & Johnson, 2006). In addition, since individuals' group attachments may change over time, age was also a control variable.

Analysis

It should be recognized that although Yuki's theoretical framework assumes that group cognition and behavior differ between people from Western cultures and people from East Asian cultures, his findings did not give full support to his theory. Yuki et al. (2005) rightly pointed out that even those supported findings cannot be generalized to include all people from Western cultures and all people from East Asian cultures. Whether the findings are replicable to more populations is essential to determine the external validity of his theory and result.

To test Hypothesis 1a and 2a, comparison of the means of the two samples on the five ingroup perception variables was performed. Independent-sample t-test would reveal whether cross-cultural differences in group perceptions do exist. Specifically, the result of t test were able to tell whether Westerners and East Asians were significantly different from each other in terms of their ingroup loyalty, ingroup identity, sociometric knowledge about their ingroup, perceived homogeneity of ingroup members, and perceived status of ingroup, and whether the differences were in the directions predicted by Yuki's (2003) framework.

To test hypotheses 1b and 2b, I performed separate multiple regressions to assess the relative contribution of perceived Subjective Sociometric Knowledge (*Hypothesis 1b*) and Ingroup Homogeneity (*Hypothesis 2b*) to explaining significant variance in Ingroup Loyalty and Ingroup Identity. The regressions are shown below. The two regressions

were performed separately for each sample from each country. For respondents from China (the collectivist country), the regression coefficient for Subjective Sociometric Knowledge was expected to be significantly greater than zero. For respondents from the U.S. (the individualist country), the regression coefficient for Perceived Ingroup Homogeneity was expected to be significantly greater than zero. To test whether the relationship between Sociometric Knowledge/Perceived Ingroup Homogeneity and Ingroup Loyalty/Identity was different between the two samples, regressions with interaction terms “Country*Sociometric Knowledge” and “Country*Homogeneity” (U.S. = 0, China = 1) on a pooled sample of the Chinese and U.S. respondents were performed. The regression coefficients for “Country*Sociometric Knowledge” were expected to be significantly greater than zero and the regression coefficients for “Country*Homogeneity” were expected to be significantly smaller than zero.

Regressions for two separate samples:

Dependent Variable: Ingroup Loyalty

$$1) Y_{loyalty} = \beta_0 + \beta_1 X_{sociometric\ knowledge} + \beta_2 X_{ingroup\ homogeneity} + \beta_3 X_{gender} + \beta_4 X_{age} + \mu$$

Dependent Variable: Ingroup Identity

$$2) Y_{identity} = \beta_0 + \beta_1 X_{sociometric\ knowledge} + \beta_2 X_{ingroup\ homogeneity} + \beta_3 X_{gender} + \beta_4 X_{age} + \mu$$

Regressions for one pooled sample:

Dependent Variable: Ingroup Loyalty

$$3) Y_{loyalty} = \beta_0 + \beta_1 X_{sociometric\ knowledge} + \beta_2 X_{ingroup\ homogeneity} + \beta_3 Country + \beta_4 X_{sociometric\ knowledge} * Country + \beta_5 X_{ingroup\ homogeneity} * Country + \beta_6 X_{gender} + \beta_7 X_{age} + \mu$$

Dependent Variable: Ingroup Identity

$$4) Y_{\text{identity}} = \beta_0 + \beta_1 X_{\text{sociometric knowledge}} + \beta_2 X_{\text{ingroup homogeneity}} + \beta_3 \text{Country} + \beta_4 X_{\text{sociometric knowledge}} * \text{Country} + \beta_5 X_{\text{ingroup homogeneity}} * \text{Country} + \beta_6 X_{\text{gender}} + \beta_7 X_{\text{age}} + \mu$$

To assess respondents' intragroup vs. intergroup orientation (*Hypothesis 3*), the relationship between the Perceived Status and the two dependent variables, Ingroup Loyalty and Ingroup Identity, were assessed by correlation analysis. For respondents from the U.S. (the individualist culture), the correlations between Perceived Status and Ingroup Loyalty/Identity were expected to be significantly greater than zero.

Results

Results of independent-sample t-test and hierarchical regressions to test Hypothesis 1 and 2 are presented in Table 2 and 3. Hypothesis 1a predicted that East Asians exhibit more sociometric knowledge about their ingroup members than Westerners. Results from the t-test show that on average, the Chinese exhibited more Sociometric Knowledge about their ingroup than the Americans and the difference is statistically significant ($t = 5.03, p < .001$). Therefore, Hypothesis 1a is supported.

Hypothesis 1b predicted that for East Asians, increased sociometric knowledge increases ingroup loyalty and identity, but the relationship is weaker for Westerners.

Results of regressions with Sociometric Knowledge as the independent variable and Ingroup Loyalty/Identity as dependent variables show that with the increase of Sociometric Knowledge, respondents' Loyalty and Identity increased significantly for both the Chinese ($\beta = 0.38, p < .001$; $\beta = 0.37, p < .001$) and the U.S. ($\beta = 0.52, p < .001$; $\beta = 0.52, p < .001$) samples, indicating that more sociometric knowledge is related to stronger ingroup loyalty and identity for both samples.

Table 2. Mean Ratings and t-test of Five Ingroup Measures by Country

| Scale | Country | Mean | SD | t |
|-----------------------|---------|------|------|-----------|
| Loyalty | US | 5.20 | 1.29 | |
| | China | 5.44 | 0.84 | 2.10 * |
| Identity | US | 4.85 | 1.21 | |
| | China | 5.04 | 1.07 | 1.65 † |
| Sociometric Knowledge | US | 4.46 | 1.31 | |
| | China | 5.08 | 0.98 | 5.03 *** |
| Homogeneity | US | 4.80 | 0.95 | |
| | China | 4.43 | 0.88 | -3.82 *** |
| Status | US | 5.02 | 1.15 | |
| | China | 4.74 | 0.83 | -2.58 * |

N=181 for the Chinese sample and 177 for the US sample.

All scales take values from 1 through 7

† p < .10. * p < .05. *** p < .001.

However, to test whether the relationship is weaker for the U.S. than for the Chinese sample, regression analysis on a pooled sample with Loyalty and Identity as dependent variables was performed. In the pooled sample analysis, a dummy variable Country (U.S. = 0, China = 1) and an interaction term between Country and Sociometric Knowledge (Country*Sociometric Knowledge) were added. Results show that regression coefficient of the Country main effect is significantly greater than zero ($\beta = 0.30, p < .05$) in the regression with Ingroup Loyalty as the dependent variable, indicating that on average, being a Chinese leads to a higher level of ingroup loyalty than being an American, besides the positive effect of sociometric knowledge and homogeneity on loyalty. It is consistent with result from the independent-sample t test showing that on average, the Chinese sample exhibited significantly more ingroup loyalty than the U.S. sample ($t = 2.10, p < .05$). Nevertheless, the regression coefficient of the Country main

effect is not significantly different from zero in the regression with Ingroup Identity as the dependent variable, indicating that being a Chinese or American makes no difference in ingroup identity. It is consistent with result from independent-sample t test showing that the two samples did not differ significantly from each other in their ingroup identity perceptions.

Table 3. Results of Regression Analyses of Ingroup Perceptions

| Variable | DV = Ingroup Loyalty | | | | DV = Ingroup Identity | | | |
|-------------------------|----------------------|--------------------|---------------------|---------------------|-----------------------|--------------------|---------------------|---------------------|
| | US (N = 177) | China (N = 181) | Pooled (N = 358) | Pooled (N = 358) | US (N = 177) | China (N = 181) | Pooled (N = 358) | Pooled (N = 358) |
| Controls | | | | | | | | |
| Gender | -0.11 | 0.11 | 0.00 | 0.00 | 0.05 | -0.01 | 0.01 | 0.02 |
| Age | 0.02 ** | 0.01 | 0.02 *** | 0.02 *** | 0.02 *** | -0.01 | 0.02 ** | 0.02 * |
| Socio Knowledge | 0.52 *** | 0.38 *** | 0.48 *** | 0.50 *** | 0.52 *** | 0.37 *** | 0.48 *** | 0.47 *** |
| Homogeneity | 0.30 ** | 0.08 | 0.20 *** | 0.31 *** | 0.26 ** | 0.04 | 0.17 ** | 0.30 *** |
| Country ^a | | | 0.30 * | 1.76 *** | | | 0.18 | 1.56 ** |
| Knowledge*Country | | | | -0.09 | | | | -0.04 |
| Homogeneity*Country | | | | -0.22 * | | | | -0.26 * |
| R ² Change | 0.44 | 0.23 | 0.40 | 0.41 | 0.48 | 0.12 | 0.33 | 0.35 |
| Adjusted R ² | 0.49 | 0.22 | 0.40 | 0.41 | 0.55 | 0.11 | 0.33 | 0.34 |
| Model F | 43.5 *** | 13.64 *** | 48.43 *** | 36.60 *** | 53.76 *** | 6.34 *** | 36.29 *** | 27.28 *** |

a. US = 0, China = 1.

Unstandardized regression coefficients are shown in the table.

† $p < .10$. * $p < .05$. ** $p < .01$. *** $p < .001$.

In the two regressions with an interaction term between Sociometric Knowledge and Country, the regression coefficient for the interaction terms is not significantly different from zero ($\beta = -0.09$; $\beta = -0.04$), indicating that Country did not interact with Sociometric Knowledge in explaining Ingroup Loyalty or Identity (Figure 4 & Figure 5), thus the U.S. and Chinese samples are not significantly different in terms of the

relationship between Sociometric Knowledge and Ingroup Loyalty/Identity. Hypothesis 1b is not supported.

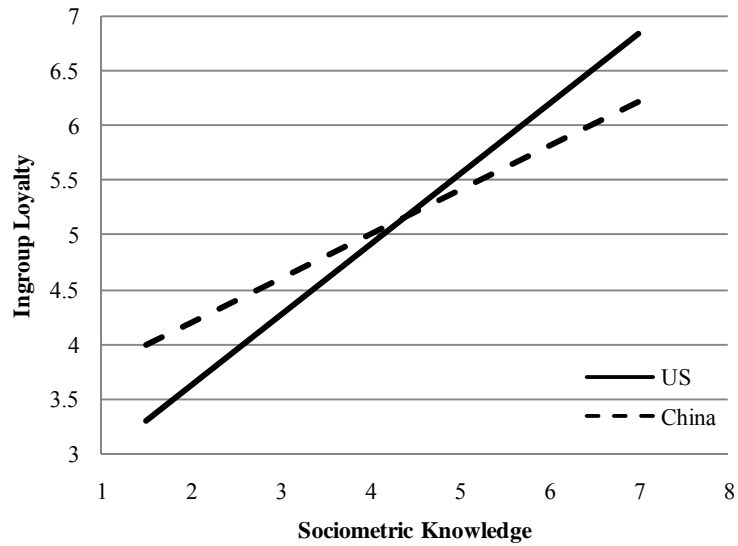


Figure 4. Relationship between Ingroup Loyalty and Sociometric Knowledge

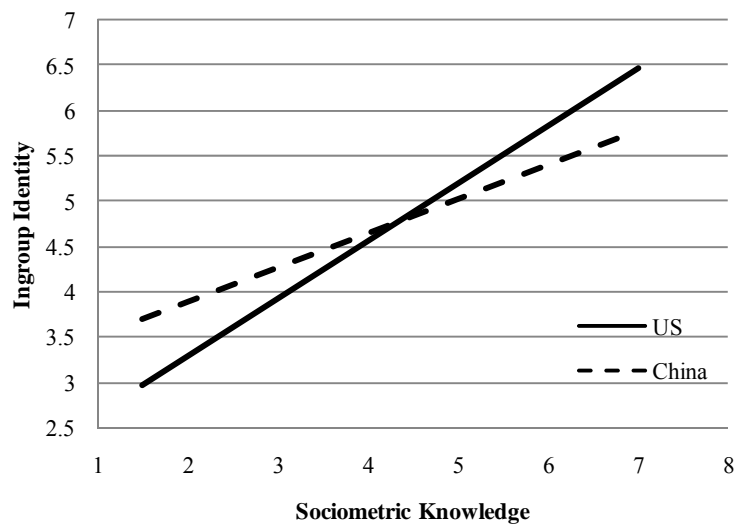


Figure 5. Relationship between Ingroup Identity and Sociometric Knowledge

Hypothesis 2a predicted that East Asians perceive less ingroup homogeneity about their ingroup members than Westerners. Results from the t-test show that on

average, the Chinese perceived less Ingroup Homogeneity about their ingroup than the Americans and the difference is statistically significant ($t = -3.82, p < .001$). Therefore, Hypothesis 2a is supported.

Hypothesis 2b predicted that for the Americans, increased perceived ingroup homogeneity increases ingroup loyalty and identity, but the relationship is weaker for East Asians. Results of regressions with Ingroup Homogeneity as the independent variable and Ingroup Loyalty/Identity as dependent variables show that with the increase of Ingroup Homogeneity, respondents' Loyalty and Identity increased significantly for the U.S. ($\beta = 0.30, p < .01$; $\beta = 0.26, p < .01$) but not the Chinese sample, indicating that more perceived ingroup homogeneity is related to stronger ingroup loyalty and identity only for the Americans. To confirm that the relationship between Ingroup Homogeneity and Ingroup Loyalty/Identity is stronger for the U.S. than for the Chinese sample, regression analysis on a pooled sample with Loyalty and Identity as dependent variables was performed. In the pooled sample analysis, a dummy variable Country (U.S. = 0, China = 1) and an interaction term between Country and Ingroup Homogeneity (Country*Homogeneity) were added. Results show that in the two regressions, the regression coefficients for the interaction terms are significantly smaller than zero ($\beta = -0.22, p < .05$; $\beta = -0.26, p < .05$). It indicates that Country negatively interacted with Ingroup Homogeneity in explaining Ingroup Loyalty and Identity. That is, for the U.S. sample, Homogeneity is more strongly related to Loyalty and Identity than for the Chinese sample (Figure 6 & Figure 7), thus the relationship between Ingroup Homogeneity and Ingroup Loyalty/Identity is stronger for Westerners than for East Asians. Hypothesis 2b is supported.

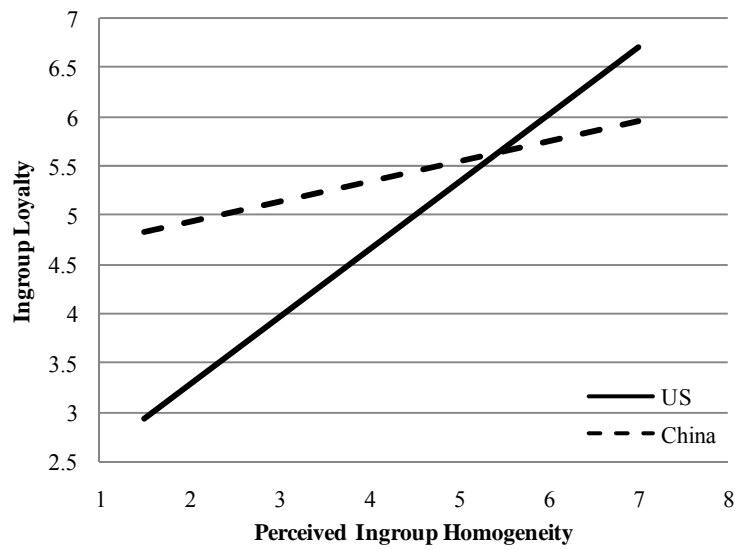


Figure 6. Relationship between Ingroup Loyalty and Ingroup Homogeneity

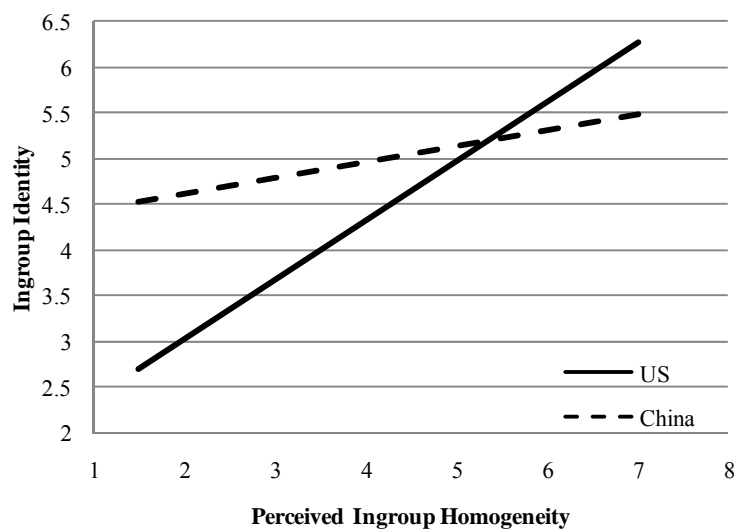


Figure 7. Relationship between Ingroup Identity and Ingroup Homogeneity

Hypothesis 3 predicted that perceived ingroup status of East Asians is less strongly related to their ingroup loyalty and identity than for the Westerners. Results of correlation analysis (Table 4) show that for both the U.S. and the Chinese samples, the correlations between Perceived Ingroup Status and Ingroup Loyalty/Identity are

significantly positive. It indicates that perceived ingroup status of both samples is strongly related to their ingroup loyalty and identity. Though the absolute values of the correlation coefficients for the U.S. sample is greater than those of the Chinese sample ($0.80 > 0.39$; $0.72 > 0.32$), to see whether the correlations are significantly different between the two samples required a regression analysis of a pooled sample, so that the regression coefficients can reveal whether perceived ingroup status of the Chinese sample is less strongly related to their ingroup loyalty and identity than for the U.S. sample as predicted.

Table 4. Results of Correlation and Regression Analyses of Relationship Between Perceived Ingroup Status and Ingroup Loyalty / Identity

| Variable | DV = Ingroup Loyalty | | | | DV = Ingroup Identity | | | |
|----------------------|----------------------------------|--------------------|---------------------|---------------------|----------------------------------|--------------------|---------------------|---------------------|
| | Partial Correlation ^a | | Regression | | Partial Correlation ^a | | Regression | |
| | US (N = 177) | China (N = 181) | Pooled (N = 358) | Pooled (N = 358) | US (N = 177) | China (N = 181) | Pooled (N = 358) | Pooled (N = 358) |
| | ρ | ρ | β | β | ρ | ρ | β | β |
| Controls | | | | | | | | |
| Gender | | | -0.07 | -0.03 | | | -0.04 | -0.02 |
| Age | | | 0.01 * | 0.01 * | | | 0.01 | 0.01 |
| Ingroup Status | 0.80 *** | 0.39 *** | 0.71 *** | 0.88 *** | 0.72 *** | 0.32 *** | 0.62 *** | 0.74 *** |
| Country ^b | | | 0.62 *** | 2.93 *** | | | 0.51 *** | 2.08 *** |
| Status*Country | | | | -0.49 *** | | | | -0.33 ** |
| R^2 Change | | | 0.46 | 0.04 | | | 0.32 | 0.02 |
| Adjusted R^2 | | | 0.46 | 0.50 | | | 0.31 | 0.33 |
| Model F | | | 76.70 *** | 73.02 *** | | | 41.96 *** | 36.44 *** |

a. Partial correlations with controls for gender.

b. US = 0, China = 1.

Unstandardized regression coefficients are shown in the table.

* $p < .05$. ** $p < .01$. *** $p < .001$.

In the pooled sample regression analysis with Ingroup Loyalty and Identity as the dependent variables and Status as the independent variable, a dummy variable Country (U.S. = 0, China = 1) and an interaction term between Ingroup Status and Country

(Status*Country) were added. Results show that the regression coefficients of the Country main effect are significantly greater than zero ($\beta = 0.62, p < .001$; $\beta = 0.51, p < .001$) in both regressions, indicating an additive effect of being a Chinese on ingroup loyalty and identity. Regression coefficients of the interaction term Status*Country in the two regressions are both significantly smaller than zero ($\beta = -0.49, p < .001$; $\beta = -0.33, p < .01$), indicating that Country negatively interacted with Ingroup Status in explaining Ingroup Loyalty (Figure 8) and Identity (Figure 9). That is, for the U.S. sample, Perceived Ingroup Status is more strongly (positively) related to Ingroup Loyalty and Identity than for the Chinese sample. It is consistent with the prediction that the perceived ingroup status of East Asians is less strongly related to their ingroup loyalty and identity than for the Westerners. Hypothesis 3 is supported.

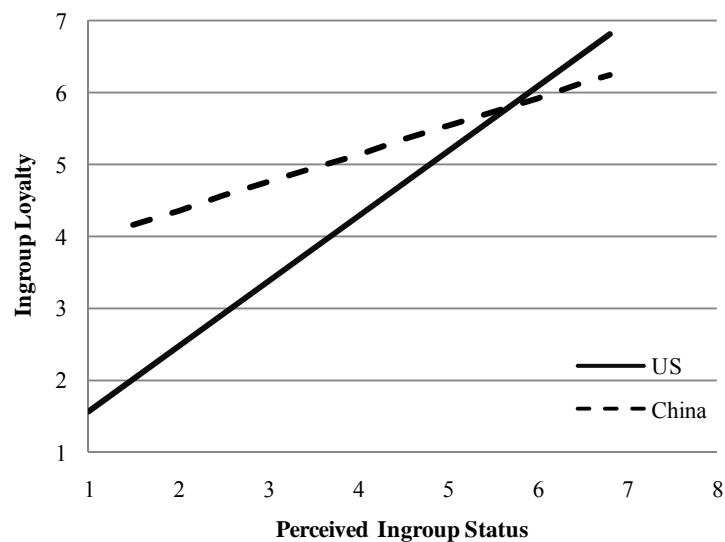


Figure 8. Relationship between Ingroup Loyalty and Perceived Ingroup Status

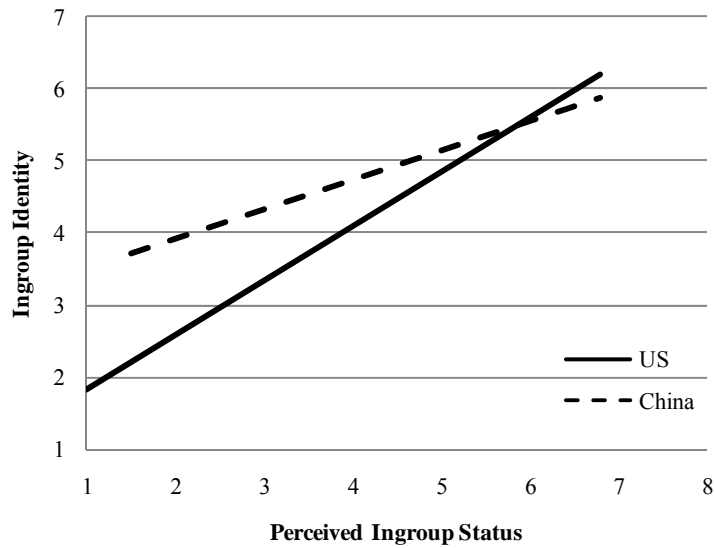


Figure 9. Relationship between Ingroup Identity and Perceived Ingroup Status

Discussion

This study replicated Yuki's (2003) study in a non-student sample and was aimed at testing the validity of the proposed differentiation between East Asian and Western Collectivism. Yuki (2003) argued that the group behavior and psychology described by SIT (Social Identity Theory) is in fact Western collectivism which involves an intergroup comparison focus and depersonalization process. It may not accurately represent group behaviors among East Asians whose focus of group behaviors is at the intragroup level. Western collectivism's intergroup comparison focus leads to strong perceptions of positive ingroup status relative to a salient outgroup, and the depersonalization process produces perceived homogeneity among ingroup members. The intragroup focus of East Asian collectivism, on the other hand, leads to individuals' more sociometric knowledge on the distinct but mutually connected relational self of ingroup members and attention on ingroup structure and harmony.

The distinction between East Asian and Western collectivism is supported by findings showing significant country differences in ingroup sociometric knowledge, perceived ingroup homogeneity, and perceived ingroup status. Specifically, consistent with the intergroup focus and depersonalization process of Western collectivism, the U.S. sample exhibited significant higher perceived ingroup homogeneity and ingroup status than the Chinese. Meanwhile, consistent with the intragroup focus and distinct but relational self of East Asian collectivism, the Chinese sample exhibited significant more sociometric knowledge about their ingroup members than the U.S. sample. As predicted, the depersonalization process of SIT is an important feature of Western collectivism in that perceived ingroup homogeneity explained a significant amount of variance in ingroup loyalty and identity for the U.S. but not the Chinese sample, indicating that East Asian group behavior does not involve the depersonalization of group members' personal identity as described in SIT. In addition, the intergroup focus of Western collectivism is supported by the finding that perceived ingroup status was significantly more positively related to perceived ingroup loyalty and identity for the U.S. sample than for the Chinese sample.

Though most findings were consistent with predictions, one finding did not support the hypotheses. Specifically, the relationship between ingroup sociometric knowledge and ingroup loyalty/identity is not different between the two samples. In other words, despite that on average the Chinese exhibited significantly more sociometric knowledge about ingroup members than the Americans, sociometric knowledge turned out to be an equally significant predictor of ingroup loyalty and identity for both the U.S. and the Chinese samples. One explanation could be that since East Asians perceive much

less homogeneity among ingroup members as compared to Westerners, they are more concerned about maintaining a high level of knowledge about the complex relational structure within the ingroup to determine expected behaviors and to promote ingroup harmony. Thus on average, East Asians exhibit more sociometric knowledge about their ingroup than Westerners. On the other hand, Westerners having relatively less sociometric knowledge about their ingroup does not necessarily lead to a lower level of loyalty or identification with their ingroup. Rather, less sociometric knowledge about the ingroup may be due to the fact that Westerners perceive more homogeneity about ingroup members so they are not so much concerned about obtaining the sociometric knowledge of their ingroup as East Asians do. Therefore, less sociometric knowledge does not influence Westerners' level of loyalty to or identification with their ingroup. Sociometric knowledge is an equally important predictor of ingroup loyalty and identity for East Asians as well as for Westerners.

In general, most results in the study support the proposition that individuals from different cultures have a different focus and experience different psychological processes in group behaviors. The differentiation between East Asian and Western collectivism incorporates both intragroup and intergroup aspects of group behavior and will be useful in the investigation of pay comparison in a cross-cultural context.

CHAPTER 5

STUDY TWO: HCNS PAY REFERENT SELECTION

Methods

Sample and Data Collection

Based on Yuki's (2003) East Asian vs. Western collectivism framework, study 2 was intended to test the proposition that the national culture of HCNs moderates the relationship between salience of expatriate outgroup and the likelihood of HCNs choosing expatriates as referents (Figure 2). Hypotheses 4, 5, and 6 were tested in this study. Respondents were the same as in Study 1. Their responses on pay referent selection and organization information in the questionnaire were variables investigated in Study 2. Apart from the general features of the US and Chinese samples described in Study 1, some sample features specifically relevant to pay referent selection analysis are discussed below.

As mentioned earlier, the Chinese sample had 181 completed responses and the U.S. sample had 177 responses from European Americans. The 181 Chinese respondents worked for foreign companies from 17 countries. Among them, 55 worked for U.S. companies and 40 worked for German companies, accounting for 52% of the total respondents. It may be because Germany and U.S. were the first and third rank among exporters in the world (WTO 2007 Statistics) in terms of dollar amount, and the U.S. had the most number of multinationals in the world. Apart from U.S. and Germany, Great

Britain (17), Japan (16), France (11), and Italy (9) were also major countries whose multinationals are expanding into China and employing Chinese people. Altogether, 82% of the respondents were from multinationals of these 6 industrial countries. The remaining 18% of Chinese respondents (33) represented multinationals from 11 other countries such as South Korea, Switzerland, the Netherlands, Canada, etc.

Of the 177 European Americans of the U.S. respondents, the distribution of the home country of the multinationals was more balanced than the Chinese sample. In total, the 177 respondents represented MNEs from 25 countries, with respondents from MNEs of Great Britain (27), Germany (22), Japan (22), France (18), and Canada (17) accounting for 60% (106) of the total, and the remaining 40% (71) represented MNEs from other 20 countries such as the Netherlands, Switzerland, Sweden, Mexico, Australia, etc.

In terms of the industry of the foreign companies where respondents work, both the U.S. and the Chinese samples represented eight out of the nine sectors of the Stock Maven Industry Index: Basic Materials, Conglomerates, Consumer Goods, Financial, Health Care, Industrial Goods, Services, and Technology. Utilities were the only sector that was not represented by the respondents. It was reasonable that utilities are usually not operated by foreign companies in a country.

Similar to the company industry background, the U.S. and Chinese samples had relatively similar profile in terms of occupations. The U.S. respondents covered 10 out of the 22 occupations listed in the SOC (Standard Occupation Classification, Bureau of Labor Statistics, U.S.), and the Chinese respondents covered 9. The major occupations of both the Chinese and U.S. respondents were management, business and financial operations, computer and mathematical science, architecture and engineering, sales and

related, and office and administrative support. The one occupation that was represented by the U.S. but not the Chinese sample was life, physical and social science. Examples of occupations that were not represented by either sample included community and social services, health care practitioner, building and grounds cleaning and maintenance, farming, fishing, and forestry, etc. Though such an occupation profile was not representative of the population in general, the samples could be considered representative in terms of individuals working for foreign companies in their countries.

To control for the effect of organizational and individual differences on analysis result, home country and industry of the foreign company, and occupation of the respondents were control variables in the pay referent selection analysis.

Measures

Dependent variables. Dependent variable of the pay referent selection study was the likelihood of HCNs choosing expatriate or HCNs working for other MNEs as their primary pay referent. The likelihood of choosing a particular pay referent was operationalized by questions that asked respondents to assign likelihood values to a list of possible referents to indicate the probability that they would choose a particular referent as their primary/focal pay referent. The list of possible referents included five referent groups: expatriate employees in the same company (A), local employees in the same company (B), expatriate employees in other MNEs (C), local employees in other MNEs (D), and local employees in domestic companies (E). The likelihood value was assessed on a six-point scale ranging from 1 (not likely at all) to 6 (extremely likely). The dependent variables for the study were in fact the likelihood of expatriate employees in

the same company (A) and local employees in other MNEs (D) being chosen as referent. Choice A was to test Hypothesis 4 and 6, and choice D is to test Hypothesis 5.

Independent variables. Independent variables for HCNs pay referent analysis were salience of expatriate outgroup and the national culture of HCNs.

Salience of Expatriate Outgroup. Based on SIT and SCT, Toh and Denisi (2003) proposed that in the context of a host unit of MNE, when the national (social) identities of HCNs gains salience, so does the salience of the national (social) identities of expatriates. The increased salience of the expatriate outgroup identities in terms of their nationalities increases the likelihood that HCNs choose expatriates as pay referent. Their basic rationale is that expatriate salient social identity leads to them being chosen as a referent in social comparison based on that identity. SCT research indicated that salience of a particular identity to an individual in an organizational context is determined by the identity's subjective importance to the individual and situational relevance of the identity. The former is defined by individual's internal preferences and the latter by external norms (Ashforth & Johnson, 2001, p.32). It means that the more importance an individual attaches to a particular identity and the more relevant the identity is to the individual in a given context, the higher the probability that the identity will be activated, the higher the identity is in the ordering of the individual's hierarchy of identities, and the more salient the identity is to the individual's self-definition, i.e., in which identity he views himself. This conceptualization of salience focuses on individuals' perceptions of their own identity. It encompasses both a cognitive and an affective dimension of salience (Randel, 2002; Randel 2003). The cognitive dimension of salience refers to the extent to which individuals notice a particular identity, and the affective dimension of

salience refers to the value placed on or commitment towards an identity (Randel, 2002; Randel 2003). Much psychological research investigates salience as part of the social self-schema of individuals. Thus the construct is mostly measured by self-reported survey responses (Callero, 1985; Laverie & Arnett, 2000; Ting-Toomey et al., 2000), open-ended self-descriptions (Forehand, Deshpande, & Reed, 2002), or experimental manipulations (Kawakami & Dion, 1993; Palomares, 2004; Reed, 2004).

Since one's identity does not exist in isolation and is shaped through social interactions with other individuals or groups, it is recognized as a "relational and comparative" concept (Elstak, 2004). One identity is created in reference to another entity. Therefore, a salient ingroup identity is created by a salient outgroup or vice versa. Based on this conceptualization of salience, the present study took the perspective of an observer who assesses identity salience of other individuals, i.e., the salience of expatriate outgroup in the eyes of the HCNs. Specifically, expatriate outgroup salience was defined as the extent to which the outgroup identities of expatriates were conspicuous or prominent to and thus noticed by HCNs. Because Randel's (2002, 2003) studies are the only ones that investigated identity salience in the eyes of an observer according to the author's knowledge, and because her measure of identity salience was validated in her studies, I adapted Randel's (2002, 2003) identity salience scale and changed the items to reflect the context of the present study. It is worth mentioning that following Randel's (2002, 2003) practice, only the cognitive dimension of salience was measured because the affective dimension of identity salience is more appropriately used to assess commitment toward one's own identity. The identity salience scale consisted of four items that were assessed on a 7-point Likert scale ranging from "strongly disagree" (1) to

“strongly agree” (7). The scale consisted of the following items: “When people ask me about who are my expatriate colleagues/supervisors, I initially think of describing them in terms of their ‘not-my-buddy’ status (e.g. from a different world than mine.)”, “Even though I may not mean to, I think of outsider as the most prominent characteristic of my expatriate colleagues/supervisors”, “If I stand back and think about my expatriate colleagues/supervisors, I first think of how they come from different countries as outsiders to me”, and “The first thing I am aware about concerning my expatriate colleagues/supervisors is ‘they’ instead of ‘we’”. Since expatriates as a salient reference group in MNEs are characterized in terms of many possible indicators (such as their physical appearance, speech, behavior, social characteristics, work style, pay, etc.) which are not salience per se, the outgroup salience items asked only about the extent to which expatriates’ outgroup status was noticed rather than why they were noticed (Randel, 2003), i.e., whether expatriate outgroup identity was salient to HCNs but not why it was salient. The internal reliability of the measure was 0.89.

National Culture. In cross-cultural studies with individualism and collectivism (IC) as the major construct representing national culture, three general approaches have been used by researchers to operationalize IC (Oyserman, Coon, & Kemmelmeier, 2002). For the present study, I used two of the three approaches. One was applying Hofstede’s (1980) ratings of country-level individualism as proxies. So the respondents’ country represented their national culture: Chinese respondents were collectivists and the US respondents were individualists. Many previous empirical studies on cross-cultural differences used this approach (Ting-Toomey et al., 1991; Ambady, Koo, Lee & Rosenthal, 1996; Oyserman, Sakamoto, & Lauffer, 1998; etc.).

Another approach I used was to measure IC at the individual level and to assess its impact on the dependent variables. Respondents were asked to answer questions that assessed their IC cultural orientation. Then t-tests between the two samples were conducted to see whether individual level measures of IC do differ by sample, i.e., on average, whether American subjects were more individualistic and Chinese subjects were more collectivistic, though there might be individualists in collectivist cultures and collectivists in individualist cultures (Triandis, 1988). The reason I used two approaches to operationalizing the cultural variable of IC was that each approach has limitations, and that while one approach might not find the predicted differences, the other might do (Oyserman, Coon, & Kemmelmeier, 2002).

Given the multitude of IC scales in the field of cross-cultural research (76 distinct scales of IC uncovered in Heine et al.'s study, 2002), two decisions had to be made when looking for the IC scale for the present study. First, because there are diverse opinions regarding how many dimensions exist in the IC construct, it is important to decide whether IC is a single bipolar or an orthogonal construct in order to pick a scale. For example, among the 27 widely-used IC scales Oyserman et al. (2002) meta-analyzed, 11 measured IC as a single bipolar construct and 16 as orthogonal construct. Defining IC as a single bipolar construct started from Hofstede (1980) who measured individualism orientation in his study, assuming that high on individualism implied low on collectivism.

However, in more recent studies, researchers began to argue that "it is probably more accurate to conceptualize individualism and collectivism as worldviews that differ in the issues they make salient" (Oyserman, et al., 2002, p. 5). It is argued that collectivism emphasizes a broader range of values and attitudes than individualism

(Oyserman, et al., 2002), and societies deal with the two value choices separately through differentiated contextual and social cues (Schwartz, 1994). It means that a society is likely to have both individualist and collectivist values, explaining why people from individualist countries might be collectivists while people from collectivist countries might be individualists.

Since recent empirical studies revealed that high individualism is not necessarily equivalent to low collectivism or vice versa (Oyserman, et al., 2002), the present study adopted the approach of treating IC as a two-dimension construct rather than pure dichotomies. Triandis and Gelfand's (1998) two-dimension IC attitude measure was used to assess respondents' cultural orientations. Reasons for taking the Triandis and Gelfand's (1998) measure were twofold. First, it covers not only the four most widely agreed attributes of IC (definition of self, personal vs. group goals, relationality, and importance of norms vs. personal attitudes in social behavior), but also the hierarchy aspect of cultural differences, i.e., whether a culture endorses equality and competition or endorses hierarchy and power. Thus it has high theoretical overlap between the items and the literature of IC. In addition, the items of the measure encompass an individual's attitude towards the day-to-day environment around him: general, work, family/group, and friends. The second reason for using the Triandis and Gelfand's (1998) measure was methodological consideration. The measure has 16 items, more concise as compared with other widely-used IC measures, thus reducing chances of respondents' fatigue in the survey process. The measure exhibited good internal reliability in previous empirical study (Lalwani, Shavitt, & Johnson, 2002).

The 16-item IC measure had 8 items tapping respondents' individualism and 8 items tapping collectivism orientations. Sample questions were "I'd rather depend on myself than others" (individualism), "Parents and children must stay together as much as possible" (collectivism). Respondents' answers were assessed on a 7-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (7). The mean scores of the 8 items of individualism and 8 items of collectivism were used as the respondents' individualism and collectivism score respectively. The internal reliability of the IC measures was 0.71 for Individualism and 0.82 for Collectivism.

Control variables. Since research found that personal and situational characteristics influence employees' pay referent selection (Goodman, 1974; Kulik & Ambrose, 1992), the analysis controlled for HCNs individual demographic and organizational variables of gender, age, education, tenure in the organization, job level, and annual salary income before tax.

Socially Desirable Responding (SDR). Socially desirable responding (SDR) is defined as the systematic tendency to give answers that make the respondent look good (Paulhus, 1991). It is a disturbing issue in psychological assessment, particularly with self-report measures as the one used in the present study. Furthermore, researchers recognized that culture plays an important role in determining the desirability of opinions and behaviors due to individuals' motive for social approval (Crown & Marlowe, 1964, p.27). Therefore, in cross-cultural study where self-reported attitudes are measured as dependent or independent variables, SDR should be controlled to reduce the impact of response bias on analysis result. The Marlowe-Crown Social Desirability Scale (MCSD) (1960, 1964) has 33 items and is one of the classic SDR measures in self-reports. Based

on measures such as MCSD, Paulhus (1984) developed a two-component model of SDR and a 40-item Balanced Inventory of Desirable Responding (BIDR) (Paulhus, 1991). The two components are self-deception enhancement (SDE, the tendency to give self-reports that are honest but positively biased) and impression management (IM, deliberate self-presentation of a positive image to an audience) (Paulhus, 1991). Thus the 40-item BIDR has 20 items measuring SDE and 20 items measuring IM.

Since SDE focuses on ego enhancement (Paulhus, 1991), such as overconfidence in one's judgment and rationality, it indicates a predisposition to see oneself positively in self-definition and self-concept. On the other hand, since IM focuses on positive manners that people believe would maintain their favorable image, it relates to individuals' expressed attitudes and behaviors that are more external than self-judgment. Given that the questionnaire in the present study was about attitudes, personal preferences, and behaviors rather than individual self-definition, only IM was to be controlled. Therefore, eight items from the BIDR's IM measure were adapted. Sample items were "I never cover up my mistakes", "I never swear", "I always obey laws, even if I'm unlikely to get caught". Respondents rated their degree of agreement to each statement along a 7-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (7). The internal reliability of the scale was 0.82.

Analysis

As discussed earlier, two approaches were used to analyze the data. One was applying Hofstede's (1980) ratings of country-level individualism as proxies. So the respondents' country represented their national culture. Under this approach, the data were analyzed in two ways: one was to perform an analysis on the U.S. and Chinese

samples separately; the other was to perform an analysis on the pooled sample of U.S. and Chinese respondents.

Two-separate-sample approach

When doing analysis on two independent samples, multiple regression analysis were performed separately for each sample from each country.

When the likelihood of choosing a particular pay referent was analyzed, one dependent variable was the likelihood of expatriates in the same MNE being chosen as pay referent (choice A in the likelihood question in the survey). The other dependent variable was the likelihood of HCNs working for other MNEs being chosen as pay referent (choice D in the likelihood question in the survey). Hypothesis 4 and 5 were tested with the collectivist HCNs sample and Hypothesis 6 was tested with the individualist HCNs sample. The purpose of the regression analysis was to see whether the regression coefficients of salience of expatriate outgroup were significantly greater/smaller than zero and thus related to the likelihood of choosing expatriate/HCNs referent. The regressions are shown below:

Collectivist HCNs sample

Hypothesis 4: Y_1 —likelihood of choosing *expatriates* in same MNEs referent

$$5) Y_1 = \beta_0 + \beta_1 X_{\text{salience}} + \beta_2 X_2 + \dots + \beta_9 X_9 + \mu \quad (X_3-X_9 \text{ were control variables})$$

Hypothesis 5: Y_2 —likelihood of choosing *HCNs* in other MNEs referent

$$6) Y_2 = \beta_0 + \beta_1 X_{\text{salience}} + \beta_2 X_2 + \dots + \beta_9 X_9 + \mu \quad (X_3-X_9 \text{ were control variables})$$

Individualists HCNs sample

Hypothesis 6: Y_1 —likelihood of choosing *expatriates* in same MNEs referent

$$7) Y_1 = \beta_0 + \beta_1 X_{\text{salience}} + \beta_2 X_2 + \dots + \beta_9 X_9 + \mu \quad (X_3-X_9 \text{ were control variables})$$

One-pooled-sample approach

Combining the two samples from the two countries into one dataset required two regressions to test the 3 hypotheses. One regression had the likelihood of choosing expatriates referent as the dependent variable (choice A in the likelihood question in the survey), and this regression was a test of Hypothesis 4 and 6. The other regression had the likelihood of choosing HCNs in other MNEs as the dependent variable (choice D in the likelihood question in the survey), and this regression was a test of Hypothesis 5. A dummy variable for country of origin and an interaction term between country of origin and salience of expatriate outgroup were specified. The advantage of a pooled sample analysis was that respondents' national culture was added into the regressions as a moderator variable, exactly as predicted in the model, to interact with the variable of salience of expatriate outgroup. The regressions are shown below:

Hypothesis 4 & 6: Y_1 —likelihood of choosing *expatriates* in same MNEs referent

$$8) Y_1 = \beta_0 + \beta_1 \text{Country} + \beta_2 X_{\text{salience}} + \beta_3 X_{\text{salience}} * \text{Country} + \beta_4 X_4 + \dots + \beta_{10} X_{10} + \mu$$

(X_4 - X_{10} were control variables)

Hypothesis 5: Y_2 —likelihood of choosing *HCNs* in other MNEs referent

$$9) Y_2 = \beta_0 + \beta_1 \text{Country} + \beta_2 X_{\text{salience}} + \beta_3 X_{\text{salience}} * \text{Country} + \beta_4 X_4 + \dots + \beta_{10} X_{10} + \mu$$

(X_4 - X_{10} were control variables)

The pooled sample regression analysis with the country as the dummy variable assumed that each respondent in one country had the same level of individualism and collectivism. It concealed the within-country variation in personal values. In other words, if on average respondents from the individualist country happened to be high on collectivist values or respondents from the collectivist country happened to be high on

individualist values, the analysis might not yield predicted result even though the model itself was valid, because in some sense, the model's predictions of referent selection depended more on the personal values of individualism/collectivism of the respondents and less on where they came from. To solve this problem, an alternative way of analysis was to replace the country dummy variable with respondents' IC score in regressions.

The regressions are shown below:

Hypothesis 4 & 6: Y_1 —likelihood of choosing *expatriates* in same MNEs referent

$$10) Y_1 = \beta_0 + \beta_1 X_{\text{individualism}} + \beta_2 X_{\text{collectivism}} + \beta_3 X_{\text{salience}} + \beta_4 X_{\text{individualism}} * X_{\text{salience}} + \beta_5 X_{\text{collectivism}} * X_{\text{salience}} + \beta_6 X_6 + \dots + \beta_{11} X_{11} + \mu \quad (X_6-X_{11} \text{ were control variables})$$

Hypothesis 5: Y_2 —likelihood of choosing *HCNs* in other MNEs referent

$$11) Y_2 = \beta_0 + \beta_1 X_{\text{individualism}} + \beta_2 X_{\text{collectivism}} + \beta_3 X_{\text{salience}} + \beta_4 X_{\text{individualism}} * X_{\text{salience}} + \beta_5 X_{\text{collectivism}} * X_{\text{salience}} + \beta_6 X_6 + \dots + \beta_{11} X_{11} + \mu \quad (X_6-X_{11} \text{ were control variables})$$

For all regressions in this study, the models with control variables were run alone first, then the models with predictor variables were run to see if the predictor variables explained a significant amount of additional variance.

Results

Results of regression analysis of HCNs pay referent selection is presented in Table 5. Hypothesis 4 predicted that for HCNs from collectivist cultures, increased salience of the expatriate outgroup decreases the likelihood that HCNs will choose expatriates as referents. Since three regressions were used to test this hypothesis, I'll describe the results of them one by one.

First, for the separate-sample approach, results of the Chinese sample regression show that the regression coefficient for salience of expatriate outgroup is not significantly

Table 5. Results of Regression Analyses of Pay Referent Selection

| Variable | DV = Likelihood of Choosing Expatriate in the Same Company | | | | | DV = Likelihood of Choosing Local in Other Foreign Companies | | | | |
|-------------------------------------|---|--------------------|---------------------|---------------------|---------------------|---|--------------------|---------------------|---------------------|---------------------|
| | US (N = 177) | China (N = 181) | Pooled (N = 358) | Pooled (N = 358) | Pooled (N = 358) | US (N = 177) | China (N = 181) | Pooled (N = 358) | Pooled (N = 358) | Pooled (N = 358) |
| | | | | | | | | | | |
| Controls | | | | | | | | | | |
| Gender | 0.06 | -0.25 | -0.08 | -0.06 | -0.14 | -0.16 | -0.11 | -0.26 † | -0.29 † | -0.22 |
| Age | -0.02 | -0.05 | -0.02 * | -0.02 * | -0.01 | -0.01 | -0.01 | -0.02 † | -0.02 † | -0.03 *** |
| Marital Status | -0.06 | -0.15 | -0.10 | -0.09 | -0.10 | -0.12 | -0.06 † | -0.17 | -0.19 | -0.17 |
| Highest Degree | -0.21 | 0.06 | -0.02 | -0.04 | -0.11 | -0.11 | -0.08 | 0.00 | 0.02 | 0.08 |
| Tenure | -0.01 | 0.11 ** | 0.00 | 0.00 | 0.00 | 0.00 | -0.06 | 0.00 | 0.00 | 0.00 |
| Job level | -0.01 | -0.16 | -0.03 | -0.03 | -0.02 | -0.02 | 0.25 * | 0.03 | 0.03 | 0.01 |
| Pre-tax Annual Income (z-score) | 0.20 † | 0.37 ** | 0.25 ** | 0.25 ** | 0.24 ** | 0.23 ** | -0.10 | 0.07 | 0.06 | 0.09 |
| Occupation | -0.02 | 0.02 | -0.01 | 0.00 | -0.01 | -0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| Home Country of the Company | -0.02 | 0.00 | -0.01 | -0.01 | -0.01 | -0.01 | 0.00 | -0.01 | -0.01 | -0.01 |
| Industry of the Company | -0.01 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 | -0.04 | -0.03 | -0.03 | -0.04 |
| Social Desirability Bias | | | | | -0.09 | -0.11 | | | | 0.16 * |
| Saliency of Expatriate Outgroup | 0.15 * | -0.09 | 0.06 | 0.13 * | 0.01 | 0.03 | 0.31 *** | 0.19 *** | 0.11 † | 0.23 *** |
| Country ^a | | | -0.77 *** | 0.00 | | | | 0.87 *** | 0.06 | |
| Country * Expatriate Saliency | | | | -0.19 † | | | | | 0.20 * | |
| Individualism | | | | | 0.16 † | -0.46 † | | | | -0.02 |
| Collectivism | | | | | -0.19 † | 0.33 | | | | 0.12 |
| Individualism * Expatriate Saliency | | | | | | 0.15 ** | | | | -0.01 |
| Collectivism * Expatriate Saliency | | | | | | -0.14 * | | | | 0.07 |
| R ² Change | 0.03 | 0.01 | 0.04 | 0.05 | 0.01 | 0.04 | 0.10 | 0.11 | 0.12 | 0.06 |
| Adjusted R ² | 0.02 | 0.08 | 0.05 | 0.05 | 0.02 | 0.05 | 0.10 | 0.24 | 0.25 | 0.21 |
| Model F | 1.37 | 2.32 * | 2.47 ** | 2.57 ** | 1.62 † | 2.06 * | 2.76 ** | 10.33 *** | 9.96 *** | 7.96 *** |

a. US = 0, China = 1.

Unstandardized regression coefficients are shown in the table.

† $p < .10$. * $p < .05$. ** $p < .01$. *** $p < .001$.

different from zero ($\beta = -0.09$), though it was in the predicted direction. It indicates that increase of salience of expatriate outgroup did not lead to less likelihood that the Chinese HCNs will choose expatriate as pay referent. However, regression coefficients for tenure and income are significantly greater than zero ($\beta = 0.11, p < .01$; $\beta = 0.37, p < .01$), indicating that with the increase of tenure and income, there is an increased likelihood that Chinese HCNs will choose expat in their same company as pay referent.

Second, in the pooled sample analysis where Country was added as a dummy variable (US = 0, China = 1), the regression coefficient of Country main effect is significantly smaller than zero ($\beta = -0.77, p < .001$), indicating that on average, the Chinese sample has a significantly lower likelihood of choosing expatriate outgroup referent as compared with the U.S. sample. In the regression where an interaction term Country*Expat Salience was incorporated, the regression coefficient for the interaction term is marginally significant ($\beta = -0.19, p < .10$) in the predicted direction, indicating that the relationship between salience of expatriate outgroup and likelihood of expatriate being chosen as pay referent is somewhat negatively influenced by Country. That is, as compared with the U.S. HCNs, the Chinese HCNs are less likely to choose expatriate as pay referent when the salience of expatriate outgroup increases (Figure 10). Among other predictors, income again turned out to be a significant positive predictor of the dependent variable.

Third, in the pooled sample analysis where the dummy variable Country is replaced by individual level IC scores, the regression coefficient of the main effect of Collectivism is marginally smaller than zero ($\beta = -0.19, p < .10$), indicating that collectivism cultural orientation is somewhat related to less likelihood of choosing

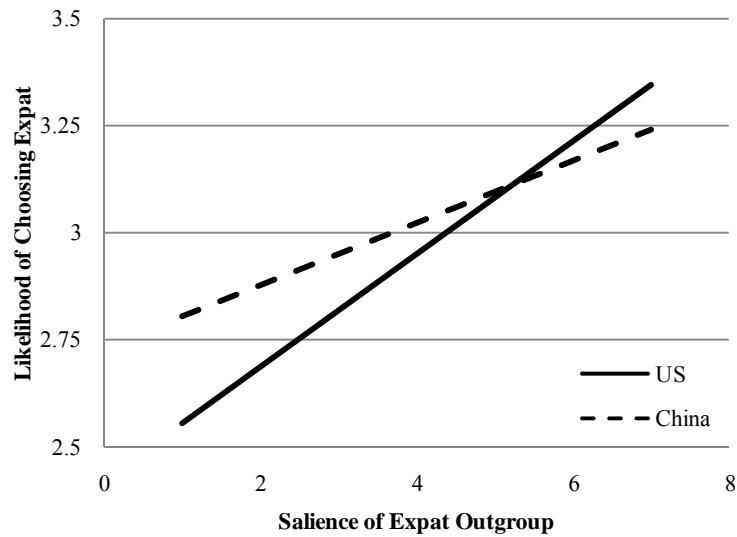


Figure 10. Relationship between Likelihood of Choosing Expat Referent and Salience of Expat

expatriate as referent. In regressions where interaction terms between IC and salience of expatriate outgroup were added, results show that the regression coefficient for the interaction term Collectivism*Expat Salience is significantly smaller than zero ($\beta = -0.14$, $p < .05$), indicating that for collectivists, increased salience of expatriate outgroup reduces the likelihood of choosing expatriate as pay referent. It is consistent with prediction of Hypothesis 4.

Results from the three ways of analysis are not consistent with each other. Hypothesis 4 got no support from the separate-sample approach, marginal support from the pooled sample approach with Country dummy to distinguish the two samples, and full support from the pooled sample approach with individual level IC measures.

To investigate the puzzle of mixed results from different approaches, I conducted independent sample t-test of respondents' IC scores to see if an individual's IC score accurately represents his/her nationality, i.e., whether a U.S. respondent is an individualist and a Chinese is a collectivist. Different from Hofstede's (1980) country

proxies, results of the t-test (Table 6) show that the U.S. and Chinese samples are not significantly different from each other in their individualism or collectivism orientation. It is either because the U.S. and Chinese samples in the current study are in fact not different from each other in their IC orientation, or because the IC measure in the current study failed to capture the differences between the two samples. This question will be further discussed later. By finding out that individualism and collectivism scores do not represent respondents' nationality, it can be concluded that Hypothesis 4 is not supported given the non-significant result of the separate sample analysis and the pooled sample analysis with the Country dummy variable.

Table 6. Mean Ratings and t-test of Individualism and Collectivism Measures by Country

| Scale | Country | Mean | SD | t |
|---------------|---------|------|-----|------|
| Individualism | US | 5.04 | .70 | 0.33 |
| | China | 5.06 | .95 | |
| Collectivism | US | 5.50 | .86 | 1.37 |
| | China | 5.63 | .87 | |

N=181 for the Chinese sample and 177 for the US sample.

All scales take values from 1 through 7

† $p < .10$. * $p < .05$. *** $p < .001$.

Hypothesis 5 predicted that for HCNs from collectivist cultures, increased salience of the expatriate outgroup increases the likelihood that HCNs will choose local HCNs working for other MNEs as referents. Again, since the hypothesis was tested by using three regressions, I'll discuss the result of each regression one by one.

First, for the separate-sample approach, results of the Chinese sample regression show that the regression coefficient for salience of expatriate outgroup is significantly greater than zero ($\beta = 0.31$, $p < .001$), indicating that increase of salience of expatriate outgroup leads to increased likelihood that the Chinese HCNs choose HCNs working for

other MNEs as pay referent. Meanwhile regression coefficient for job level is also significantly greater than zero ($\beta = 0.25, p < .05$), indicating that with the increase of job level, there is an increased likelihood that Chinese HCNs will choose HCNs in other MNEs as pay referent.

Second, in the pooled sample analysis where Country was added as a dummy variable, the regression coefficient of the Country main effect is significantly greater than zero ($\beta = 0.87, p < .001$), indicating that on average, Chinese HCNs has a significantly higher likelihood of choosing locals of other companies referent as compared with the U.S. sample. In the regression where an interaction term Country*Expatriate Saliency was incorporated, the regression coefficient for the interaction term is significantly greater than zero ($\beta = 0.20, p < .05$), indicating that the Chinese HCNs are more likely to choose expatriate as pay referent when the saliency of expatriate outgroup increases. This result is further confirmed by the separate-sample analysis of the U.S. sample with the same dependent variable. The U.S. sample regression results show that the regression coefficient of expatriate identity saliency is not significantly different from zero ($\beta = 0.10$), indicating that for the U.S. HCNs, the saliency of expatriate outgroup does not influence the likelihood that HCNs working for other MNEs being chosen as pay referent (Figure 11). Therefore, results from two ways of analysis and from both samples give strong support to Hypothesis 5 which predicted that increased saliency of expatriate outgroup will increase the likelihood of HCNs from a collectivist country choosing their countrymen working for other MNEs as pay referent.

Third, in the pooled sample analysis where the dummy variable Country is replaced by individual level IC scores, regression coefficient for the main effect of IC is

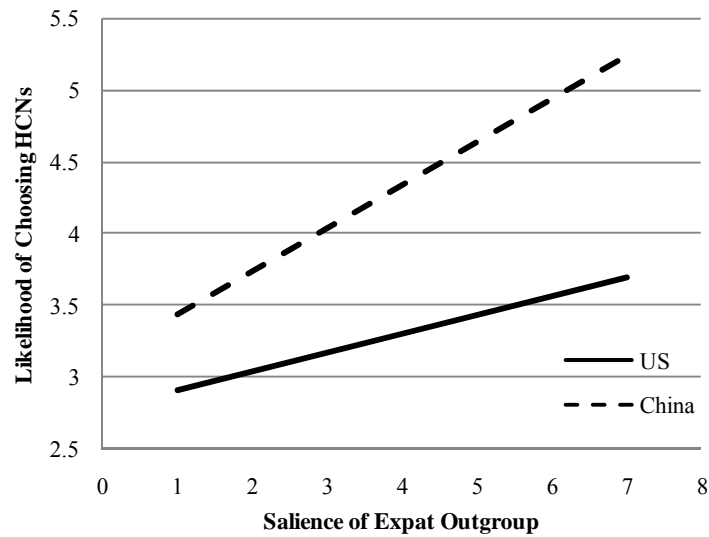


Figure 11. Relationship between Likelihood of Choosing HCNs Referent and Salience of Expat

not significantly different from zero, indicating that individualist or collectivist cultural orientation does not influence the likelihood of local employees of other MNEs being chosen as pay referent. In the regression where interaction terms between IC and salience of expatriate outgroup were added, results show that neither regression coefficients of the two interaction terms (Individualism*Expat Salience; Collectivism*Expat Salience) is significantly different from zero, indicating that IC does not interact with expatriate identity salience to influence HCNs choice of fellow countrymen as pay referent. Given that the IC measure did not differentiate the two samples effectively in the current study and results from both the separate-sample analysis and pooled sample analysis with Country dummy are consistent with predictions, it can be concluded that Hypothesis 5 is supported.

Hypothesis 6 predicted that for HCNs from individualist cultures, increased salience of the expatriate outgroup increases the likelihood that HCNs will choose expatriates as referents. Three regressions were used to test the hypothesis.

First, for the separate-sample approach, results of the U.S. sample regression show that the regression coefficient for salience of expatriate outgroup is significantly greater than zero ($\beta = 0.15, p < .05$), indicating that increase of salience of expatriate outgroup leads to increased likelihood that the U.S. HCNs will choose expatriates as pay referent.

Second, in the pooled sample analysis where Country was added as a dummy variable and an interaction term Country*Expat Salience was consequently incorporated, the regression coefficient of salience of expatriate outgroup represents the relationship between salience of expatriate identity and the dependent variable for the U.S. sample because the dummy variable and interaction term are zero when Country equals zero (U.S. = 0, China =1). Results show that the regression coefficient for salience of expatriate outgroup is significantly greater than zero ($\beta = 0.13, p < .05$), indicating that increased salience of expatriate outgroup leads to increased likelihood of expatriates being chosen as pay referent by U.S. HCNs (Figure 10).

Third, in the pooled sample analysis where the dummy variable Country is replaced by individual level IC scores, the regression coefficient of the main effect of Individualism is marginally greater than zero ($\beta = 0.16, p < .10$), indicating that individualist cultural orientation somewhat positively influences the likelihood of choosing an expatriate as referent. In the regression where interaction terms between IC and expatriate identity salience were added, results show that the regression coefficient for the interaction term Individualism*Expat Salience is significantly greater than zero ($\beta = 0.15, p < .01$), indicating that for individualist HCNs, increased salience of expatriate outgroup increases the likelihood of choosing expatriate as pay referent.

Results of three regressions are all consistent with the prediction that for HCNs from individualist cultures, increased salience of expatriate outgroup increases the likelihood that HCNs will chose expatriates as referents. Therefore, Hypothesis 6 is supported.

Discussion

Based on Yuki's (2003) East Asian and Western collectivism distinction, this study proposed a moderating role of national culture in the relationship between salience of expatriate outgroup and the likelihood of HCNs choosing expatriates as pay referents. Results of analysis support the hypotheses and show different patterns of pay referent selection between the U.S. and Chinese samples. In general, the Chinese sample exhibited more likelihood of choosing HCNs of other MNEs referent than the U.S. sample, while the U.S. sample exhibited more likelihood of choosing expatriate referent than the Chinese sample. As for the relationship between salience of expatriate outgroup and likelihood of a particular referent being chosen as pay referent, it is interesting to note that for the U.S. sample, change in salience of expatriate outgroup was related to likelihood of choosing expatriates as referent but not likelihood of choosing HCNs of other companies as referent. For the Chinese sample, however, the pattern is reversed, i.e., change in salience of expatriate outgroup was related to likelihood of choosing HCNs of other companies as referent but not likelihood of choosing expatriate as referent. So the U.S. and Chinese respondents exhibited different focus of pay comparison in an intergroup context, and national culture turned out to be an important factor that should be considered in the prediction of pay referent selection and comparison in an international context.

The finding that increased salience of expatriate outgroup did not lead to decreased likelihood that Chinese HCNs select expatriate as pay referent is not consistent with predictions. However, this finding does not contradict the proposition that HCNs from a collectivist culture have an intragroup focus and are more concerned with their ingroup as opposed to the outgroup. The finding that for the Chinese sample, increased salience of the expatriate outgroup had no impact on the likelihood of expatriate being chosen as pay referent further suggests that collectivist HCNs do not regard expatriate as an important or relevant referent for pay comparison no matter how the salience of expatriate outgroup changes. A symmetrical pattern is found for U.S. HCNs, i.e., increased salience of expatriate outgroup had no impact on the likelihood of HCNs of other companies being chosen as referent. It is an indication of an intergroup focus of individualist HCNs who do not regard HCNs of other companies as an important or relevant referent for pay comparison regardless of the changes in the salience of expatriate outgroup. These findings suggest that HCNs referent selection in the MNE context involve different psychological processes caused by different cultural orientations.

CHAPTER 6

GENERAL DISCUSSION AND CONCLUSION

Using non-students samples from two countries, the present study represents a pioneering study that investigated the applicability of Social Identity Theory (SIT) in both the Western and East Asian cultures, and HCNs pay referent selection behavior in the MNE context. The results are consistent with the proposition that individuals from Western and East Asian cultures exhibit different group behavior in an intergroup context, manifested as an intergroup vs. intragroup focus, which lead to different pay referent selection for HCNs from different cultures.

Of great interest to cross-cultural research, findings from the current study confirm the existence of different forms of group attachment in different cultures. Contrary to the common belief that people from individualist cultures have less attachment to or identification with their ingroup than collectivists, findings in this study show that “cultures do not differ in *whether* social (group) identities are important aspects of self-concept but in *what type* of social (group) identity is more salient” (Brewer & Yuki, 2007, p.313).

Specifically, results from the replication of Yuki’s (2003) study show significant differences in the U.S. and Chinese samples in their ingroup perception measures and the significantly different explanatory power of sociometric knowledge and perceived ingroup homogeneity for ingroup loyalty and identity of the two samples. It provides

support to the notion that predominant characteristics of group cognition and behavior may differ across cultural context. The more ingroup sociometric knowledge exhibited by the Chinese sample demonstrates East Asians' relational self and relationship-based ingroup identification, i.e., East Asian collectivism (Brewer & Yuki, 2007). Meanwhile, the more perceived ingroup homogeneity exhibited by the U.S. sample demonstrates Westerners' collective (depersonalized) self and category-based ingroup identification, i.e., Western collectivism (Brewer & Yuki, 2007).

Given that SIT describes depersonalized self-concept (collective self) and category-based ingroup identifications, it is Western collectivism and most applicable to people from Western countries with an individualist cultural orientation. A more comprehensive SIT is necessary to incorporate East Asian collectivism which is based on networks of interpersonal relationships. Incorporating the role of culture in defining social identity and group behavior into existing social comparison theories will provide a useful tool to investigating cross-cultural phenomena such as HCNs pay referent selection in the MNEs context.

Based on the distinction between East Asian and Western collectivism, the current study tested Toh and Denisi's (2003) model in samples from Western and East Asian countries. Consistent with Toh and Denisi's prediction and the rationale of Western collectivism, for the U.S. sample, salience of expatriate outgroup leads to increased likelihood that HCNs choose expatriate outgroup as pay referent. It supports the theoretical propositions of SIT and its applicability in a Western country such as the U.S. For the Chinese sample, however, predictions based on SIT are not supported. On the contrary, results are consistent with propositions of East Asian collectivism, i.e., the

increased salience of expatriate outgroup leads to increased likelihood that HCNs choose their ingroup HCNs working for other MNEs as referent. It renders support to the proposition of intragroup focus of collectivists and indicates that East Asian collectivism more accurately describes social identity and group behavior in countries with collectivism value orientations.

The tendency of collectivist HCNs choosing HCNs of other MNEs referent found in the current study is in fact consistent with findings from previous empirical studies on HCNs social comparison behaviors which indicated that for collectivist HCNs, the most important referent is their countrymen working for other MNEs but not expatriates in their own company (Leung, Smith, Wang, & Sun, 1996; Leung, Wang, & Smith, 2001; Chen et al., 2002). The proposition of East Asian collectivism in group behavior in collectivist cultures helps answer the question as for why findings of empirical studies on HCNs social comparison in collectivist cultures are not consistent with the predictions of Toh and Denisi's (2003) model.

Revealing differences in ingroup perceptions and in HCNs pay referent selection between the U.S. and the Chinese samples, the current study nevertheless found no difference in IC measure between the two samples. As mentioned previously, it is either because the two samples were indeed not different from each other in their individualism and collectivism value orientations, or because the IC measure fails to capture the differences.

Given the characteristics of the two samples, it is reasonable to speculate that the Chinese respondents were not different from the U.S. respondents in IC value orientation. As mentioned in the sample description in the Method section, the average age of the

Chinese respondents is 32 with the youngest at the age of 22 and the oldest 55. The Chinese sample is on average 13 years younger than the U.S. sample, and 95% of them have a college degree or higher as compared with 83% of the U.S. sample. The Chinese sample is far from representative of the general Chinese population profile. Furthermore, in China, only those young people who are well-educated and possess professional skills have the chance to work for foreign companies. Therefore, young age, good education, good command of English, high-income, and high level of living standard as compared with Chinese people working for local organizations, plus years of socialization in the culture of a foreign company, all these factors contribute to the Chinese respondents' endorsement of individualist values more than collectivist values. As a result, it is not surprising to find that the Chinese respondents exhibit similar pattern of value orientation as the U.S. sample.

From the methodological perspective, the current study is not the only or the first one whose IC measure fails to reveal a pattern of cross-cultural difference agreed by cultural experts (for example, Heine, Lehman, Peng, & Greenholtz, 2002). Apart from translation error that may confound the meaning of attitude questions, limitations of subjective Likert scale of culture measures might have contributed to the failure of the IC measure in revealing cross-cultural differences. First is the response set problem, or moderacy response styles, in which people from one culture are more likely to answer toward the center of a scale than are people from another (Chen, Lee, & Stevenson, 1995). It makes comparison of means across groups or cultures problematic (Hui & Triandis, 1989; Oyserman, 1993). Second is the reference group effect, i.e., the confounding role of context in comparisons of mean responses across different cultures (Heine, Lehman,

Peng, & Greenholtz, 2002). This problem comes from the assumption that what respondents mean when they say that they agree is sufficiently similar cross-culturally. It neglects the fact that in different cultures individuals may have different standards of comparison. The third limitation with the direct assessment of culture value orientation by a Likert scale is the assumption that “cultural frame is *a form of declarative knowledge* that a respondent can report on rather than some set of more *subtle and implicit practices and social structures* that respondents cannot report on” (Oyserman, Coon, & Kimmelmeier, 2002, p.7). It misses out something “cultural” and “reduces” culture to an individual-difference, inside-the-head variable, neglecting how situations, practices, and institutional arrangements are woven into individuals’ everyday life and form the essence of culture (Cohen, 2007). The fourth limitation of a Likert scale of culture measure such as IC lies in the multitude of IC measures that have been used in cross-culture research and the fact that there is still no convergence in the *questions* that must be answered to tap into the underlying dimensions of IC (Oyserman, Coon, & Kimmelmeier, 2002). For instance, given the American’s ingroup attachment in the form of Western collectivism described in SIT, Americans score high on collectivism when measures include items tapping a sense of group belonging as an aspect of collectivism orientation and consequently Americans are found to be no less collectivist than East Asians (Brewer & Yuki, 2007).

The first two limitations of subjective Likert scale measure of IC cultural orientation can be controlled by standardizing the data and “deculturing” the data respectively (Bond, 1988), though both methods have the effect of overcontrolling the data (Triandis, McCusker, & Hui, 1990, p.1012). The third and fourth limitations require

cross-cultural scholars' coordinated and rigorous search for a universal measure of cultural value orientation that is psychometrically and cross-culturally stable and reliable.

Since no perfect way of measuring culture exists so far and each way has its limitations, the present study employed a multi-method approach. It is one of the strengths of the study because different methodologies flow from different views of culture. Using a diverse set of methods to study culture enables the researcher to take a dynamic view of culture and think of culture from several angles (Cohen, 2007). Another strength of the study is the use of non-student cross-cultural samples to test SIT's applicability and HCNs pay referent selection model in both Western and non-Western cultural context. It increases the generalizability of Yuki's (2003) theoretical propositions and reveals culture's impact on individuals' social comparison behavior.

Despite the study's theoretical contributions to existing social comparison theories and its methodological strengths, certain limitations exist and point to directions for future research. The first limitation is the difference in results between IC measured by Country and IC measured by an IC orientation scale. Specifically, Hypotheses 4, 5 and 6 (the pay referent selection model) were tested by using three ways of analysis. But results from the three ways of analysis were only consistent for Hypothesis 6. That is, the prediction that for HCNs from individualist cultures, increased salience of expatriate outgroup increases the likelihood that HCNs will choose expatriates as referents was supported by consistent results from three different ways of analysis. Hypothesis 4 got support from only the pooled sample approach with IC measured by scale, and Hypothesis 5 got support from the separate-sample approach and the pooled sample approach with Country dummy variable but not with IC orientation scale.

Possible reasons for why the IC measure failed to reveal a widely agreed pattern of cultural differences between the two samples were discussed previously. In the current study, IC value orientation was treated as a two-dimension construct and measured by a two-dimension scale differentiating individualism and collectivism. But results of correlation analysis indicated that for both the U.S. and the Chinese samples, the correlations between individualism and collectivism are significantly positive ($r_{us} = 0.40$, $p < .001$, $r_{china} = 0.46$, $p < .001$). It raises doubt about the independence of the two dimensions of IC, and consequently about the accuracy of measuring IC by this two-dimension scale.

However, much being said about the inability of the IC scale of the current study in differentiating the two samples in their IC value orientation, regression analysis of pay referent selection using the pooled sample with IC as predictors and likelihood of choosing expat referent as the dependent variable produced results consistent with predictions. The regression coefficients of the interaction terms of Collectivism*Expat Saliency ($\beta = -0.14$, $p < .05$) and Individualism*Expat Saliency ($\beta = 0.15$, $p < .05$) are significantly different from zero in predicted directions. These results are consistent with predictions made in Hypothesis 4 and 6, indicating that increased saliency of expatriate outgroup decreases the likelihood that collectivist HCNs choosing expatriates as referent, but increases the likelihood that individualist HCNs choosing expatriates as referent. Given that the IC measure succeeded in revealing expected cultural differences in this analysis, to discard it completely as an inaccurate measure of IC may be a hasty decision, because I cannot rule out the possibility that the U.S. and Chinese samples are indeed similar in IC value orientation on average but collectivists and individualists are still

different in referent selection in the same intergroup context, though collectivists may not necessarily be Chinese and individualists may not necessarily be Americans.

Nevertheless, the fact that the majority of predicted cultural differences in the current study were revealed by the Country variable rather than by the IC scale indicates that there might be certain cultural differences not being captured by the IC scale but do exist between the two countries, therefore being revealed when Country was used as a variable to differentiate the two samples. It again points to the necessity for a validated and reliable IC measure in cross-cultural research, and the necessity for further investigation of cultural differences derived from value orientations other than IC.

The second limitation of the present study is that the study is based on cross-sectional data, thus the author is unable to eliminate the possibility of reverse causality for the causal mechanism between ingroup sociometric knowledge/homogeneity and ingroup loyalty/identity, and between salience of expatriate outgroup and likelihood of choosing expatriate or HCNs pay referent. For example, I cannot determine whether ingroup sociometric knowledge is an antecedent or an outcome of ingroup loyalty/identity, or whether choosing expatriate referent is the consequence of salience of expatriate outgroup or vice versa. Longitudinal studies are needed to identify the temporal ordering of changes in individuals' ingroup perceptions and referent selection. The third limitation of the study is that the sample from Western cultures is still confined with the U.S. as Yuki (2003) did. It limits the external validity of the theoretical contributions of the study. Samples from other Western countries are needed to replicate the study to promote the generalizability of the findings.

Though the study reveals different pay referent selection patterns of HCNs in different cultures, further empirical investigation on the impact of such kind of social comparison behavior on HCNs job satisfaction, turnover intention, performance, etc. is needed to provide insight on different approaches to managing host country unit and employees in different countries. It will enrich international human resource management research and deepen our understanding of effective human resource management initiatives in a diversified world.

Managerial Implications

The findings that Westerners and East Asians exhibit different types of collectivism in social identification and group behavior, and consequently engage in different pay referent selection behavior reveal several managerial implications for MNEs assigning expatriates in their host country entities. Specifically, besides continued attention on expatriate pay policy and efforts to minimize the compensation gap between expatriates and local employees, MNEs need to pay more attention on their local employee pay policies with a benchmark of local labor markets. It is because the widely-known downside of expatriate pay policy may not be universal if, in some cultures, HCNs do not select internal expatriates as pay referent or compare their pay with them. Meanwhile, HCNs not selecting expatriates as referent does not mean a worry-free environment for MNEs because HCNs do make pay comparisons and they have a range of local referents to choose apart from expatriates. Thus, HCNs selecting referents other than expatriates may lead to different problems (such as high turnover rate of HCNs) that organizations need to be aware of and deal with.

MNEs' foreign branches or joint ventures in host countries are competing with local industries and other MNEs. Whether they can succeed in the competition largely depends on their ability to attract and retain the most talented *local* employees. Therefore, in cultures where HCNs choose external local employees in the local job market rather than expatriates in their own organizations as primary pay referent, a fair and equitable pay policy relative to external *local* market will determine whether MNEs are able to attract and retain the talent they need, and in turn, the success of their globalization initiative.

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APPENDIX
SURVEY SCALES

Ingroup Loyalty

- 1) If the group is criticized, I am willing to defend it publicly, even if this causes controversy.
- 2) If the group really needs me, I would be willing to donate my free time to it.
- 3) If the group really needs me, I would be willing to donate money on a regular basis to it.
- 4) I am willing to help when the group needs me.
- 5) I am willing to obey the group's rules and standards. (adapted from Silver & Brewer)

Ingroup Identification

- 1) I think it is accurate if I am described as a typical member of the group.
- 2) I often acknowledge the fact that I am a member of the group.
- 3) I would feel good if I am described as a typical member of the group.
- 4) I often refer to the name of the group when I introduce myself.
- 5) It makes me feel happy to be a member of the group. (Jiu)

Ingroup Sociometric Knowledge

- 1) I know the personality differences among members of the group.
- 2) I know very well which members of the group know each other.

- 3) I know very well which members of the group are friends with each other and/or which members don't like each other.
- 4) I think all the members of the group are somehow personally connected to each other.
- 5) I think all the members of the group are somehow personally connected to me.

Perceived Ingroup Homogeneity

- 1) Most people in the group are similar to each other in their values.
- 2) Most people in the group are similar to each other in their preferences.
- 3) Most people in the group behave in a similar way.
- 4) People in the group have a lot in common with each other.

Perceived Ingroup Status

- 1) People usually hold respect towards the group.
- 2) People in other similar groups generally admire the group.
- 3) In general, the group is not respected by others in other similar groups.
- 4) People in other groups have good opinions towards the group.

Individualism

- 1) I'd rather depend on myself than others.
- 2) I rely on myself most of the time, I rarely rely on others.
- 3) I often do "my own things".
- 4) My personal identity, independent of others, is very important to me.
- 5) It is important that I do my job better than others.

- 6) Winning is everything.
- 7) Competition is the law of nature.
- 8) When another person does better than I do, I get tense and aroused.

Collectivism

- 1) If a coworker gets a prize, I would feel proud.
- 2) The well-being of my coworkers is important to me.
- 3) To me, pleasure is spending time with others.
- 4) I feel good when I cooperate with others.
- 5) Parents and children must stay together as much as possible.
- 6) It is my duty to take care of my family, even when I have to sacrifice what I want.
- 7) Family members should stick together, no matter what sacrifices are required.
- 8) It is important to me that I respect the decisions made by my groups.

Social Desirability Bias

- 1) I have never gossiped about other people's business.
- 2) I never swear.
- 3) I always obey laws, even if I'm unlikely to get caught.
- 4) I always declare everything at customs
- 5) When I hear people talking privately, I avoid listening
- 6) I have never dropped litter on the street
- 7) I have never taken things that don't belong to me
- 8) I never cover up my mistakes

Expatriate Outgroup Salience

- 1) When people ask me about who are my expatriate supervisors/colleagues/subordinates, I initially think of describing them in terms of their “not-my-buddy” status (e.g. from a different world than mine).
- 2) Even though I may not mean to, I think of outsider as the most prominent characteristic of my expatriate supervisors/colleagues/subordinates.
- 3) If I stand back and think about my expatriate supervisors/colleagues/subordinates, I first think of how they come from different countries as outsiders to me.
- 4) The first thing I am aware about concerning my expatriate supervisors /colleagues /subordinates is ‘they’ instead of ‘we’”.

Likelihood of Choosing a Particular Referent

1. not likely at all
 2. only a little likely
 3. somewhat likely
 4. quite likely
 5. very much likely
 6. extremely likely
- A. Expatriate employees in the same company
 - B. Local employees in the same company
 - C. Expatriate employees in other MNEs
 - D. Local employees in other MNEs
 - E. Local employees in domestic companies