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## MNEs and flexible working practices in Mauritius

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We compare how far companies based in Africa, India and the ‘global North’ operating in Mauritius adopt high-trust flexible working practices and how these are linked to different clusters of wider labour management practice. Using comprehensive firm-level data collected in late 2011, we find that African/Indian company practices are closer to those of indigenous firms than to those of Northern companies. The different company groups operate in quite different ways but regional multi-national enterprises operate in a similar way to indigenous companies. We therefore conclude that Rugman and Verbeke’s ‘regionalization’ theory also applies to the HR field. We further find that both a relatively strategic approach to HRM and measures to develop employer–employee interdependence are, respectively, linked directly and indirectly to flexible working incidence.

**Keywords:** employer–employee interdependence; flexible working; multinational enterprises; regionalisation; strategic HRM

### Introduction

We investigate the flexible working practices of companies operating in Mauritius, to discover how far companies from different home countries use high-trust flexible working practices. We investigate the degree of isomorphism between the practices of three company groups: Indian and African-based companies, their US- and European-based components and domestically owned firms. We refer to US- and European-based Multi-National Enterprises (MNEs) as ‘Northern’ in this context. We provide a complementary perspective to those derived from the qualitative approaches prominent in studies of HRM in African and Indian contexts (see for example Cooke and Saini 2010a,b; Horwitz 2012).

Mauritius is widely canvassed as an African success story, a unique example on that continent of successful development through its human resources, without natural resource endowments (Lange 2003; Sandbrook 2005; Lincoln 2006; Sandbrook et al. 2007; Darga 2011). Its government is active in key regional organizations while Mauritian companies are expanding their operations into continental Africa, diffusing their practices beyond the island’s confines (Van Demorteele and Bird 2010). It is therefore a case of wider interest to other countries.

The flexible working term has been ‘bedevilled with terminological problems’ (Harris et al. 2003, p. 101) and defined in different ways; our working definition is *working in ways that deviate from the classic Taylorist model of individuals employed on shifts of uniform length as part of a standard working week, centred on one workplace*. We focus on ‘high-trust’ working, i.e. those methods held to raise levels of employee commitment and identification with their work linked with ‘High Performance Working Systems’ (Boxall and Macky 2009). ‘Flexible’ working takes many forms; we are concerned with

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those linked to high-trust relations between managers and employees which we denominate ‘high-trust flexibility’.

We identify four principal forms of ‘high trust’ flexible working: *flexitime*, whereby some working hours may be determined by employees around a fixed core; *home-based work* whereby permanent employees (rather than ‘out-workers’) are normally based at home but have no permanent electronic link to a fixed workplace; *telework*, whereby employees are linked electronically to a fixed workplace but may visit it; *job-sharing* where one job is divided between two or more employees. These forms of work are of interest because they are linked to increased discretionary contributions by employees and positive performance outcomes (Dex et al. 2001; Atkinson and Hall 2011). These practices are also characteristic of MNEs based in the developed world and are valued within them because they facilitate the development of social capital (Gooderham et al. 2013) though less is known about how far they are used in African and Indian-based MNEs. In developing countries, they potentially promote company performance and model an alternative to the Taylorist forms of work organization that are common especially among smaller firms in Africa (Wood et al. 2011).

Different assessments exist of how far such approaches have been diffused by MNEs. The widespread diffusion of Northern HRM approaches, and the transfer of practices from Northern-based MNEs through foreign direct investment (FDI) has been asserted (Björkman 2003; Gooderham and Nordhaug 2003). The leading historian of MNEs asserts on the other hand that these companies have had discontinuous and uneven effects on management practices in Asian countries (Jones 2013). Both South African and Indian multinationals have well-developed HRM practices in their home countries (Chatterjee 2007; Horwitz 2012) but there is little evidence of how far they ‘export’ them. Frequently, even for developed country MNEs, evidence either originates in MNE headquarters or is of questionable quality. We need to discover the extent to which specific practices have been adopted and diffused by the increasingly important group of emerging market multi-nationals.

At least one influential author suggests that diffusion of such practices is necessary to African development (Deegan 2009). The characterization of African economies as ‘segmented business systems’ also strongly suggests that the division of these countries’ economies into different segments is linked to economic failure (Wood and Frynas 2006). In this ‘business system’ view, many serious developmental issues arise in African economies because of systemic segmentation, notably between the formal and informal sectors but also potentially between MNEs and indigenous firms. This may also apply to questions of labour management, a particular but important type of ‘know-how’ embedded within MNEs. Our study also allows investigation of the related issue of whether the influential ‘regionalization’ construct advanced by Rugman and Verbeke (2005) applies; is ‘regionalization’ also in evidence in HR?

Mauritius is a small, open African economy that is a suitable research site for investigating these issues because it has attracted both FDI and domestic investment in a relatively diversified economy. Thus, a high level of non-natural resource seeking FDI exists locally. The drive to attract FDI has been symbolized by the designation of the entire island as an Export Processing Zone since 1971. Strong institutions, low levels of corruption and consistent developmental policies have helped in attracting high levels of foreign investment (Van Demorteele and Bird 2010). Foreigners may control 100% of a company in most industries; in 2011 the Heritage Foundation’s ‘Economic Freedom’ ranking for the country was eighth in the world, two places above the USA. Since independence, successive social-democratic governments have diversified the economy away from earlier dependence on sugar, introducing light manufacturing, textiles, tourism

and financial services. Considerable industrial diversity therefore exists within a significant body of MNEs and domestic companies. Local investment is also considerable. Government has enjoyed the co-operation of the small Franco-Mauritian socio-industrial élite, a long-standing indigenous grouping wielding extensive economic power (Sandbrook et al. 2007). They continue to invest locally, encouraged by a ready supply of cheap, compliant and relatively skilled labour. The island has a moderate labour union movement, founded in the late 1930s and shaped by highly restrictive colonial statutes designed to restrict its political dimension (Croucher and McIlroy 2013). The government is committed to development and has long been integrated in developmental policy via tripartite mechanisms (Fashoyin 2010). It represents a further rationale for the Franco-Mauritians to maintain their local investment (Sandbrook et al. 2007; Fashoyin 2010).

Moreover, Mauritius exhibits a wide range of associative organizations to facilitate employer–employer links, potentially acting as conduits for the transfer of HR practices between companies (Sandbrook et al. 2007). MNE practices potentially model a range of possible ways that local companies may select from and experiment with. Yet previous research shows a mixed picture in terms of how far MNEs exhibit different configurations of HR practices from those in indigenous firms (Guthrie et al. 2008). The country therefore offers good possibilities for examining the degree of ‘segmentation’ (Wood and Frynas 2006) in HRM practices.

### **Hypothesis development**

High-trust flexibility has become widespread in developed economies during the last 40 years, linked to a broader movement towards ‘Strategic HRM’, within which the importance of employee commitment looms large. In the 1990s, a wave of prescriptive literature emphasized the need to move away from Taylorist models and towards heightened employee commitment (Wilkinson 1998). Simultaneously, growing availability of cheap information technology, together with shifts in domestic divisions of labour and related employee expectations drove employee demand for flexible working. This also raised the prospect of increased alignment between employer and employee objectives, the key goal of ‘SHRM’ (Hardill and Green 2003).

High trust relations are inextricably linked to these forms of working partly because the latter challenge Fordist managerial conceptions of the need to monitor employees at work and to enforce their attendance (Dimitrova 2003). The persistence of these conceptions is shown by the sizeable group of managers who are demonstrated to have intensified their monitoring efforts in an attempt to reduce teleworkers’ job control (Dimitrova 2003). Practitioner concerns about employee accountability have also been expressed in relation to job-sharing (Society for HRM 2007). High-trust flexibility is linked to the type of employee employed. Age-related concerns are evident among managers, who harbour fears of breaches of trust among less ‘mature’ workers. Requests for flexible forms of working have therefore been found to be concentrated among younger workers and also among women in the UK. Older workers, while they have a similar wish to use them are deterred by expectations of negative responses from managements (Mooney and Streatham 2002).

Operational problems must be confronted in implementing flexible working and managers must be sufficiently motivated by the countervailing attractions of attracting, retaining and motivating their skilled employees to overcome them. The motivation is potentially that skilled workers are at a premium in Africa generally, due to the emigration of large numbers of well-educated workers (Cheru 2002), yet Mauritian

government policy to create a 'cyber island' relies on overcoming this problem (Sandbrook et al. 2007). Piore and Sabel (1984) stressed the importance of high levels of employee skills in implementing the new strategic approach, while Lane (1988) also emphasized the critical importance of management skills in managing complex processes. Introducing high-trust flexibility practices makes demands on labour and operations management systems partly because of the issues of isolation they pose for employees (Safirova and Wales 2004). They simultaneously reduce contact with workplace social life and potentially extend the 'de-bordering' of work and other life activities (Döhl et al. 2000). For managers, worker self-management issues create indirect but significant concerns: a degree of interdependence between employees and companies is inherent in the employment relationship and backwash from employees' non-work lives may impinge on business operations. They tend to be more confident that these issues will be successfully resolved where employees have high skills, high work centrality in their lives and the ability to self-manage the borders between work and the rest of their lives (Voß and Pongratz 1998).

Flexible working is therefore common in high-trust working environments where employees have high educational levels and long tenure with organizations and their supervisors (Safirova and Wales 2004). For employees, they offer increased autonomy whilst reducing travel to work costs (Dimitrova 2003). Such working methods are therefore concentrated among professionals, the well-educated and those for whom work has psychological centrality (Krausz and Hermann 2008). The employees involved may therefore be conceptualized as 'self-starters' and as relatively autonomous workers. The attractions of flexibility for employees are the obverse of managerial concerns over increased employee job control and autonomy, mitigated by employees' 'self-starting' characteristics. Hence, high-trust flexible working may be associated with well-educated employees and associated types of industry.

We therefore hypothesize (**H1**): high-trust forms of flexibility will exist where relatively well-educated employees are employed.

The incidence of flexible working may also be influenced by the existence of strategic HRM (SHRM) which seeks to develop employee commitment by adopting various configurations of practices which are also designed to align HRM to company strategy. It is an orientation and a process rather than a specific set of practices, and companies generally treat it as a 'menu' from which they select (Brewster, Carey, Grobler, Holland and Warnich 2008; Brewster, Wood and Brookes 2008). Precisely what it consists of, and how far it exists in Africa are both subjects that have been widely debated (Harvey 2002; McCourt and Ramguttty-Wong 2003; Kamoche et al. 2004; Wood and Frynas 2006; Ramguttty-Wong 2009). Boojihawon and Hanuman-Oogarah (2010) suggest a lack of 'strategic orientation' by Mauritian managers. We do not enter into the core of this developed debate here. SHRM at enterprise level may exist in some configurations in Mauritius and notably in the larger enterprises, as in much of Africa (Kamoche et al. 2004). SHRM, widely defined as a set of processes, has been shown to increase the incidence of flexible working by recognizing the strategic importance of better-trained and educated workers required by all enterprises and attempting to attract and retain them (Mayne et al. 1996). Yet SHRM, while it may exist locally, is equally certainly not the sole labour management paradigm; alternative practices including but not limited to Fordist personnel management remain common (Ramguttty-Wong 2009).

We therefore test whether another concept based on enhancing employees' capacities to contribute their knowledge to organizations also explains the presence of these forms of working. This approach, sometimes labelled 'organizational learning' is a key motivator

of strategy in numerous organizations internationally and is deemed to assist companies to compete through high value-added strategies (Bell et al. 2004). Such approaches may resonate in Mauritius where employee involvement is high on many managers' agendas as part of their perceived participation in a national development project and where the state is anxious to promote an industrial paradigm in which companies become 'learning organizations', employing highly skilled employees making high contributions to organizational capacities (Whitley 1999; Darga 2011). This may create attempts to develop 'employer–employee interdependence' (EEIN) (Whitley 1999) which encourage employees to invest in their own development and in that of the company in which they are employed. EEIN is a national systemic characteristic, but companies may seek to enhance it through their policies.

In theory, EEIN and SHRM are orthogonal concepts. In practice, EEIN is distinct from certain forms of SHRM although it may also be compatible with others. SHRM has been conceptualized in contested ways. Initially, the 'Michigan model' emphasized the need for a tight fit between company strategy and labour management (Fombrun et al. 1984). This was later conceptualized as an instrumental or 'calculative' approach and contrasted to an alternative which emphasized 'collaborative' possibilities (Gooderham et al. 1999). 'Michigan' or 'calculative' forms emphasize employee monitoring, linking that strongly to payment on the basis of individual performance (Gooderham et al. 1999). Policies directed at enhancing EEIN implicitly reject relating to employees through instrumental or 'calculative' forms of SHRM. An EEIN-enhancing strategy may be perceived as appropriate in our setting because it is consistent with Jackson et al.'s (2008) argument emphasizing the need for HRM to relate to the communitarian aspects of African society.

EEIN always exists to some degree; the extent of its development can be located along a continuum. At its lowest point, a minimal quantum of interdependence is built into the employment relationship itself because both parties are at least to some extent dependent on each other to deliver. At higher levels, EEIN is manifested through high employee commitment. It both reflects and influences how far employers and employees are willing to invest in each other (for example through training in employers' case and knowledge transfer in that of employees) and hence in the relationship. EEIN is directly linked to an 'organizational learning' strategy because it is based on a resource-based view of the enterprise which centres on employee contributions to organizational capacities (Whitley 1999). In Whitley's framework, principally concerned with national systems, its origins are traced to external conditions such as training systems and levels of collective bargaining. Yet it may also be actively fostered by management strategies within firms. At high levels, as Whitley argues, it allows managers to delegate control over the productive process to workers, by a policy akin to that of 'responsible autonomy' long recognized as a significant labour management option (Trist and Bamforth 1951). EEIN is likely to be associated with attempts to develop high trust relations so that responsible autonomy becomes a viable possibility. Through building EEIN, management can seek to differentiate companies from competitors in the labour market by developing a 'partial gift exchange' with employees (Akerlof 1982).

We therefore hypothesize (**H2**): the incidence of high-trust flexibility in organizations is associated with the extent to which SHRM and EEIN are present.

Our final and key hypothesis relates to the practices of different groups of MNEs. The multinationals present in Mauritius fall overwhelmingly into four country of origin groups: African, Indian, European and Chinese. The last group made no returns to our survey but is concerned with infrastructural projects; companies within it employ mainly Chinese nationals.

The first two groupings may be described, following Rugman and Verbeke (2007), as *regional* multinationals; the significant Indian group has expanded rapidly (Chatterjee 2007). Regional multinationals focus on their home country and operate semi-autonomous organizations in adjacent host countries. They neither require nor seek full integration of practices across the company, but attempt to minimize transaction costs in host environments; national level responsiveness is the central strategy that is objectively required (Rugman and Verbeke 2007). High degrees of national-level responsiveness allow them to decrease the 'liability of foreign-ness' (Zaheer 1995) by reducing institutional and cultural 'distance' between their home country and the host environment (Ghemawat 2005). Relative familiarity with the host country environment is key. These considerations are held by Rugman and Verbeke to apply to companies' sources of firm-specific advantage in general, through their products and services, but we speculate that they may also be reflected in their HR practices through high levels of isomorphism with indigenous company practices. Unlike their Northern counterparts, these companies operate in industries where they lack the advantage of strong commitments from actors external to the firm. Meeting local market needs becomes more important because both rents and relational supports are weak. In these circumstances, they appear likely to follow practices close to domestic companies.

Assuming that HRM follows other company practices as suggested by Kostova and Roth (2002), those of Northern-based companies are likely to be different and less risk-averse than those of regional companies for the same fundamental reason: because they enjoy higher commitment from external actors. We would therefore expect them to use the flexible working practices from their countries of origin, as suggested above. They are likely to be influenced by the industries in which they operate (Brewster, Carey et al. 2008; Brewster, Wood et al. 2008) but also by the need to facilitate internal knowledge transfer (Björkman et al. 2007).

These companies are also by definition working across regions. One possibility is therefore to adopt a strategy based on relatively homogenous HRM practices across the regions in which they operate (i.e. by 'globalising' their practices), to increase efficiency across the inter-regional operation (Kostova and Roth 2002). An alternative is a 'federative' modus operandi which allows dispersed organizations to adopt practices closest to host countries (Andersson et al. 2007). However, the latter possibility may apply to modes of ownership, corporate governance and operations management rather than HR because access to skilled labour is an imperative amounting to a *sine qua non*. It therefore appears more likely that they will take a 'globalising' HR route than their regional counterparts.

Employee retention is a prime objective of managers in Mauritius, requiring reduction of high rates of skilled employee turnover, raising incentives to implement flexible working (Goolaup and Ramasawmy 2011). There are also contradictory pressures. In the Mauritian context, a low incidence of high-trust relations in locally-owned workplaces is likely to combine with weakly-developed labour management systems of which a bias towards 'presenteeism' is a part, to hamper its introduction (Ramguttty-Wong 2004). These factors are reinforced by strong employer-employer links through institutions such as the Mauritius Employers' Federation likely to strengthen the mimetic effects important in conditioning managers' views of the relative (dis)advantages of high-trust forms of working such as telework (Ramguttty-Wong 2004; Peters and Heusinkveld 2010).

Our third hypothesis is therefore (H3): Northern-based companies are more likely to follow high-trust flexible working practices than either African/Indian-based or local companies.

### Data and methodology

Our data are derived from the 2011 Mauritius HR survey, which covered a wide range of HR policies and practices at organizational level and was administered in October and November 2011. The respondents are the highest-ranking corporate officers in charge of HRM in each company. The questionnaire was developed using an iterative process between three groups: the researchers, experts in HRM at the University of Mauritius and their extensive network of HR professionals.

The particular difficulties of conducting survey research in the local context have been stressed (Ramguttty-Wong 2004, p. 55). In total, 120 organizations provided usable questionnaires, giving a response rate of 34%. The survey instrument's complexity, the number of respondent organizations and response rate compare favourably with other Mauritian HR surveys although theoretically, the larger number of questions might have led to a lower response rate (Rea and Parker 2005). The number of questions posed is considerably larger than in previous surveys; for example, 66 public and private organizations answered 16 questions including multiple options, giving a response rate of 33% in Ramguttty-Wong and Gokhool (2000), and 46 private companies answered an unspecified number of questions in Ramguttty-Wong (2004).

The survey was administered by post. In total, 350 organizations in both the public and private sectors were surveyed, using a sampling frame derived from a Human Resources Development Commission (HRDC) database of companies employing more than ten and designed by the HRDC to be representative of employment by industry. Although there are several thousand registered companies on the island, the great majority of these companies are tiny family concerns registered for tax purposes and the 350 organizations in the HRDC database represent a complete or very nearly-complete sample of the population of companies employing ten or more people not related by consanguinity.

The researchers cleaned the data which were then input to an SPSS data entry file set up by the authors. The data were entered by one person employed by a data entry company and checked separately by another experienced colleague. Spot checks on the data entry were carried out by the researchers involved in the survey.

The survey instrument contained 57 questions (items) – many with multiple options – ranging across the full range of HR practices and company information (the main headings are: HRM activity; staffing practices; employee development; compensation and benefits; employee relations and communication; knowledge transfer; organizational details). The survey included detailed indicators on work organization and knowledge transfer absent in the surveys mentioned above.

Public ownership occurs across all major industries and accounts for approximately one-third of employment. In our sample there are 48 such organizations; publicly owned bodies are therefore marginally over-represented within it. The median number of employees in respondent companies is 200; the smallest employs 12 and the largest has 12,000 employees. The sample's industry composition is: services 50%; transport, communications and utilities 23%; manufacturing 16%; construction 7%; agriculture 4%. The sample is therefore broadly reflective of the island's industrial structure, but manufacturing and agriculture are slightly under-represented within it when measured against official employment statistics. Local companies' size distribution is also similar to that in our sample (Mauritius Central Statistics Office 2011).

Our main *dependent variable* measures flexible working practices (FLEX) and is a synthetic index representing an ordinal, categorical scale. The four practices discussed above (flexitime, home-based work, teleworking and job-sharing) are integrated in the measure



according to the intensity of their use (ranging from 0 to 5) in a company. The measure of intensity is based on the share of the employees covered by any specific working arrangement. We apply Mokken's nonparametric scaling model (Mokken 1971; Mokken and Lewis 1982) to compute the synthetic index as the unweighted sum of item scores (intensities) forming a scale monotonously related to the latent true scores (Sijtsma et al. 1990; Hemker et al. 1995). The calculated synthetic index ranges from 0 (low degree of flexible working) to 18 (high flexible working). The primary scaling criterion, Loevinger's *H*-coefficient of homogeneity is 0.55, exceeding the threshold value of 0.30 and indicating a strong scale. Cronbach's  $\alpha$  is 0.74. Full details on the construction of FLEX are reported in Table 1.

We use four sets of *explanatory variables*: company and industry characteristics, employees' characteristics, labour management practices and type of company ownership

Table 1. Flexible working and labour management practices scales.

| Scale/variable   | MSP  |      | Alpha |
|--|------|------|-------|
|  | Mean | H    |       |
| <b>FLEX</b>  | 2.50 | 0.55 | 0.74  |
| <i>Prevalence of the following flexible working arrangements</i>   |      |      |       |
| Jog sharing (0–5)  | 1.14 | 0.54 | 0.64  |
| Flexi-time (0–5)   | 0.89 | 0.47 | 0.74  |
| Home-based work (0–5)  | 0.17 | 0.63 | 0.72  |
| Tele-working (0–5)   | 0.36 | 0.63 | 0.58  |
| <b>SHRM</b>  | 9.58 | 0.68 | 0.83  |
| The head of the Personnel/HR department have a place on the main Board of Directors (0–1)  | 0.45 | 0.47 | 0.84  |
| In setting up business strategy the Personnel/HR manager is not consulted, involved in implementation, through earlier stages, from the outset (0–3) | 1.78 | 0.28 | 0.88  |
| <i>HR department has primary responsibility for major policy decisions on the following issues</i>   |      |      |       |
| Pay and benefits (0–3)   | 1.58 | 0.78 | 0.77  |
| Recruitment and selection (0–3)  | 1.67 | 0.76 | 0.78  |
| Training and development (0–3)   | 1.64 | 0.77 | 0.78  |
| Industrial relations (0–3)   | 1.97 | 0.78 | 0.77  |
| Workforce expansion/reduction (0–3)  | 1.50 | 0.78 | 0.78  |
| <b>EEIN</b>  | 2.62 | 0.63 | 0.76  |
| In appraisal subordinates provide formal input (0–1)   | 0.12 | 0.43 | 0.80  |
| More than 50% of employees have received training (internally, externally, or both) (0–2)  | 0.72 | 0.52 | 0.82  |
| <i>For transferring knowledge inside the organization employees are rewarded by</i>  |      |      |       |
| Personal acknowledgement of employee contribution (0–1)  | 0.53 | 0.60 | 0.73  |
| Professional and personal development opportunities (0–1)  | 0.42 | 0.75 | 0.66  |
| Pay increments/bonuses (0–1)   | 0.47 | 0.78 | 0.64  |
| Promotion (0–1)  | 0.47 | 0.73 | 0.66  |

Notes: MSP denotes Mokken Scaling Program. *H* is Loevinger's coefficient of homogeneity (weighted); all *H*-coefficients are significantly different from zero at the 0.01 level. Alpha is Cronbach's  $\alpha$  measure of reliability.

and organization. The *company and industry characteristics* comprise company size (SIZE), company age (AGE), company type – private (PRCO) or public, and a set of dummy variables controlling for industry type – manufacturing (MANU) and other industries (OTHR) with services (SERV) as the reference category. SIZE and AGE are dichotomous variables with 1 indicating companies employing more than the median number of employees or companies older than the median company age respectively and 0 otherwise in both cases. The median is a robust statistic, but constructing SIZE and AGE with reference to their means gives very similar results. PRCO is a dichotomous variable with 1 indicating private and 0 public companies.

*Employee characteristics* are measured by the age, education and gender of a company's labour force. We use a set of three continuous variables to characterize employees' age: the share of employees at and under 25 years of age (AG25), the share of employees between 26 and 45 years of age (AG2545) and the share of employees at and above 46 years of age (AG45); AG2545 is the reference category. We characterize employees' education by a set of three continuous variables: the share of employees with primary or secondary education (EDHE), the share of employees with higher (Bachelor's) education (EDGR) and the share of employees with post-graduate (Master's and above) education (EDPG); EDHE is the reference category. The effect of gender composition is captured by the share of women employed (FEMS).

*Labour management practices* are captured by SHRM and EEIN. Both are composite indexes. SHRM consists of responses to seven questions (items) designed to assess how 'strategic' the role of the HRM department is. The items address issues such as the role of the head of the Personnel/HR department in the Board of Directors, the stage at which the person responsible for Personnel/HR is involved in the development of business strategy and who has primary responsibility for major policy decisions on pay and benefits, recruitment and selection, training and development, industrial relations and workforce expansion/reduction. Applying Mokken's nonparametric scaling model the sum of the responses to the seven items is used to create a synthetic index ranging from 0 (low degree of strategic HRM/no HRM department) to 19 (high degree of strategic HRM). The index's Cronbach's  $\alpha$  is quite high at 0.83; Loevinger's  $H$ -coefficient is 0.68. The details on the construction of FLEX are reported in [Table 1](#).

EEIN poses construct and measurement issues because it is a relationship and no widely-accepted ways of measuring it exist (Croucher et al. 2014). Our scale consists of responses to three sets of questions (items) designed to discern how employee knowledge contributions are enhanced through company practices because these help create conditions for establishing a credible implicit gift exchange relationship and for promoting mutual dependence. The first set of two items is on employee training. Training is clearly an investment in employees, designed to enhance their contributions to the organization. The second set of four items reflects how extensively employee knowledge transfer contributions are rewarded. We use a set of indicators that measure both 'social' (acknowledgement) and 'market' (pay and promotion) mechanisms for promoting social capital because these have been shown to be more effective in doing so than hierarchical mechanisms (Gooderham et al. 2011). The third set contains a single item providing information on employer–employee relationships based on appraisal contributions because in this form, appraisal demonstrates managers' relative trust in subordinates (Waldman and Bowen 1998, p. 127). The practice will therefore likely heighten employee identification with the organization. Applying Mokken's nonparametric scaling model, the sum of the responses to the above seven items is used to form a synthetic index that ranged from 0 (low degree of EEIN) to 7 (high degree). The reliability of the index as measured by

Cronbach's  $\alpha$  is 0.76 and Loevinger's  $H$ -coefficient is 0.63. The details on the construction of FLEX are reported in [Table 1](#).

The fourth set of variables captures differences in *ownership and organization* across three types of companies. We distinguish between Indian and African based MNEs (MNEA) and 'Northern' (Europe and North America) based MNEs (MNEN). Both are dichotomous variables with 1 indicating companies of the respective ownership type and 0 otherwise. The reference category comprises domestic companies (DOMC). Definitions and summary statistics for all regression variables are reported in [Table 2](#).

Our estimation methodology comprises two stages. First, we directly investigate the antecedents of flexible working using the four sets of explanatory variables described above and focusing on the role of MNEs. In this stage, we use an ordinary least squares (OLS) estimator applied to our full sample. Second, we analyse the characteristics associated with each type of company through a multinomial logit (ML) estimator applied to our full sample. The aim of the second stage is to identify significant internal characteristics of Mauritian MNEs that may help us understand MNE effects on flexible working.

## Results and discussion

The results of the OLS analysis are reported in [Table 3](#). We start with a base line specification, linking company and industry characteristics to FLEX in column 1. We find that smaller companies are associated with more flexible working; other company and industry characteristics are insignificant. In column 2, we add employee characteristics, finding that companies with younger and highly educated employees exhibit more widespread use of flexible working. So, too, do companies with larger shares of women though the latter effect is marginally insignificant at conventional levels. Next, in column 3, we extend the specification with SHRM and EEIN. There is some modestly significant evidence of SHRM positively affecting the use of flexible working practices. Finally, in column 4, we add a set of dummy variables measuring the impact of MNEs on flexible working. We find that Northern MNEs are strongly positively associated with flexible working. Importantly, the latter effect persists even after controlling for company, industry and employee characteristics as well as for company HRM practices. The effects in column 4 appear somewhat stronger as the negative effect of private sector and the positive effect of women's share of employment become statistically significant albeit only at 10%. Nevertheless, extending stepwise the estimated specifications as, for example, in Rizov and Croucher (2009), the coefficients of all variables remain stable suggesting no severe endogeneity problems. This assertion is also supported by the correlation matrix in [Table A1](#). Adding more variables at each step (in columns 2–4) improves the explanatory power of our model as measured by the  $F$ -test for significance of the changes in the Adjusted  $R^2$  from column to column.

To cast light on the nature of the MNE effect (particularly MNEN), we next use ML analysis and report the results in [Table 4](#). The dependent variable in this second stage is a categorical one with three levels: 1 = MNEA and 2 = MNEN; domestic companies (DOMC) form the reference group. In columns 1 and 2, of [Table 4](#) we report results (coefficients and marginal effects respectively) for African and Indian MNEs (MNEA); in columns 3 and 4 the results for Northern MNEs (MNEN) are reported. The majority of the control variables used in the first stage analysis is not statistically significant. The main finding here is that the most dominant characteristic of MNEA is that they employ relatively old employees (above 45 years of age); MNEA also appear less involved in sectors such as construction and utilities. MNEN on the other hand are mostly private

Table 2. Summary statistics.

| <i>Code</i>            | <i>Definition</i>   | <i>Full sample</i> | <i>DOMC</i>      | <i>MNEA</i>       | <i>MNEN</i>      |
|------------------------|---|--------------------|------------------|-------------------|------------------|
| FLEX                   | Flexible working practices indicator ranging between 0 and 20   | 2.508<br>(3.269)   | 2.055<br>(2.945) | 1.933<br>(2.120)  | 6.071<br>(4.178) |
| SIZE                   | Dichotomous variable with 1 denoting firms above the median size and 0 otherwise                              | 0.567<br>(0.498)   | 0.593<br>(0.494) | 0.533<br>(0.516)  | 0.428<br>(0.514) |
| AGE                    | Dichotomous variable with 1 denoting firms above the median age and 0 otherwise                               | 0.683<br>(0.467)   | 0.681<br>(0.468) | 0.800<br>(0.414)  | 0.571<br>(0.514) |
| SERV                   | Dichotomous variable with 1 denoting firms in the service sector and 0 otherwise                              | 0.508<br>(0.502)   | 0.483<br>(0.502) | 0.600<br>(0.507)  | 0.572<br>(0.513) |
| MANU                   | Dichotomous variable with 1 denoting firms in the manufacturing sector and 0 otherwise                        | 0.158<br>(0.366)   | 0.132<br>(0.340) | 0.333<br>(0.488)  | 0.143<br>(0.363) |
| OTHR                   | Dichotomous variable with 1 denoting firms in the remaining sectors (construction, utilities) and 0 otherwise | 0.333<br>(0.473)   | 0.385<br>(0.489) | 0.067<br>(0.258)  | 0.286<br>(0.469) |
| PRCO                   | Dichotomous variable with 1 denoting private firms and 0 – public firms                                       | 0.633<br>(0.484)   | 0.593<br>(0.494) | 0.600<br>(0.507)  | 0.928<br>(0.267) |
| AG25                   | Continuous variable denoting the share of employees of age 25 years or less                                   | 0.152<br>(0.221)   | 0.126<br>(0.208) | 0.223<br>(0.213)  | 0.243<br>(0.279) |
| AG2545                 | Continuous variable denoting the share of employees of age between 26 and 45 years                            | 0.604<br>(0.388)   | 0.665<br>(0.376) | 0.304<br>(0.302)  | 0.530<br>(0.406) |
| AG45                   | Continuous variable denoting the share of employees of age 46 years or more                                   | 0.244<br>(0.276)   | 0.209<br>(0.259) | 0.473<br>(0.236)  | 0.227<br>(0.327) |
| FEMS                   | Continuous variable denoting the share of women employees   | 0.418<br>(0.186)   | 0.417<br>(0.190) | 0.461<br>(0.140)  | 0.376<br>(0.203) |
| EDHE                   | Continuous variable denoting the share of employees with high education or lower                              | 0.734<br>(0.367)   | 0.808<br>(0.284) | 0.647<br>(0.366)  | 0.349<br>(0.571) |
| EDGR                   | Continuous variable denoting the share of employees with higher education                                     | 0.160<br>(0.234)   | 0.115<br>(0.184) | 0.252<br>(0.259)  | 0.352<br>(0.360) |
| EDPG                   | Continuous variable denoting the share of employees with post-graduate education                              | 0.106<br>(0.191)   | 0.078<br>(0.160) | 0.101<br>(0.166)  | 0.298<br>(0.288) |
| SHRM                   | Strategic HRM practices indicator ranging between 0 and 25  | 9.583<br>(5.149)   | 9.549<br>(5.147) | 10.667<br>(5.640) | 9.643<br>(4.765) |
| EEIN                   | Employer–employee interdependence indicator ranging between 0 and 7   | 2.625<br>(2.009)   | 2.253<br>(1.895) | 3.267<br>(1.334)  | 4.357<br>(2.340) |
| Number of observations |   | 120                | 91               | 15                | 14               |

sector organizations clearly characterized by highly educated employees. Importantly, the MNEN group uses HR practices strongly associated with employer–employee interdependence (EEIN) more than other company groups.

On the basis of our second stage analysis, we argue that besides the direct effects of company, industry and employee characteristics, other internal MNE properties and practices also have a significant impact on flexible working: Northern MNEs use these forms of work most actively. This appears partly due to their relatively younger, highly educated employees and to their HR practices associated with employer–employee interdependence and high trust relationships.

Table 3. OLS analysis: factors affecting FLEX.

| Variables  | Models          |                  |                  |                  |
|------------|-----------------|------------------|------------------|------------------|
|            | (1)             | (2)              | (3)              | (4)              |
| SIZE       | -1.048* (0.629) | -1.062* (0.574)  | -1.351** (0.585) | -1.369** (0.580) |
| AGE        | -0.938 (0.689)  | -0.999 (0.625)   | -1.137* (0.634)  | -1.209* (0.639)  |
| MANU       | -0.452 (0.860)  | -1.020 (0.795)   | -1.071 (0.789)   | -1.079 (0.98)    |
| OTHR       | 0.187 (0.663)   | 0.263 (0.625)    | 0.657 (0.645)    | 0.706 (0.721)    |
| PRCO       | -0.132 (0.635)  | -0.508 (0.606)   | -0.706 (0.618)   | -1.055* (0.626)  |
| AG25       | -               | 3.070** (1.348)  | 2.514* (1.339)   | 2.345* (1.300)   |
| AG45       | -               | 0.784 (1.035)    | 1.018 (1.030)    | 1.447 (1.021)    |
| EDGR       | -               | -2.263 (1.405)   | -2.769* (1.377)  | -3.412** (1.408) |
| EDPG       | -               | 8.088*** (1.614) | 8.508*** (1.609) | 8.871*** (1.593) |
| FEMS       | -               | 0.766 (1.528)    | 1.737 (1.529)    | 2.518* (1.532)   |
| SHRM       | -               | -                | 0.099* (0.052)   | 0.105** (0.050)  |
| EEIN       | -               | -                | 0.161 (0.157)    | 0.083 (0.153)    |
| MNEA       | -               | -                | -                | -0.301 (0.848)   |
| MNEN       | -               | -                | -                | 3.084*** (0.915) |
| No of obs. | 120             | 120              | 120              | 120              |
| Adj. $R^2$ | 0.062           | 0.287            | 0.315            | 0.387            |
| F-Test     |                 | 6.941***         | 2.512*           | 6.224***         |

Notes: For each regression variable, we report the estimated coefficient (marginal effect) and the standard error (in parentheses). The level of significance of estimated coefficients is indicated as follows: 1%\*\*\*, 5%\*\*\*, 10%\*. F-Test measures the significance of Adj.  $R^2$  changes from column to column.

Our first hypothesis proposed that a well-educated, highly skilled workforce would be RFA-trust flexible working practices. The factor was certainly shown to be significant and the hypothesis is therefore upheld. Interestingly, the proportion of women in workforces had only a small and weakly statistically significant effect probably because the practices examined are not necessarily directed at providing flexibility for women's dual roles.

Table 4. ML analysis: characteristics of MNEs.

| Variables    | Type of MNE     |                 |                 |                 |
|--------------|-----------------|-----------------|-----------------|-----------------|
|              | MNEA            |                 | MNEN            |                 |
|              | (1)             | (2)             | (3)             | (4)             |
| SIZE         | -0.453 (0.764)  | -0.026 (0.050)  | -0.637 (0.858)  | -0.033 (0.049)  |
| AGE          | 0.907 (0.890)   | 0.048 (0.046)   | 0.762 (0.939)   | 0.033 (0.040)   |
| MANU         | 0.609 (0.783)   | 0.049 (0.072)   | -0.975 (1.188)  | -0.041 (0.046)  |
| OTHR         | -1.596 (1.151)  | -0.082* (0.050) | -0.676 (0.914)  | -0.028 (0.052)  |
| PRCO         | -0.199 (0.807)  | -0.019 (0.053)  | 1.851 (1.282)   | 0.087* (0.052)  |
| AG25         | 1.048 (1.495)   | 0.063 (0.091)   | 0.458 (1.556)   | 0.020 (0.081)   |
| AG45         | 2.938** (1.255) | 0.182** (0.085) | 0.107 (1.497)   | -0.005 (0.078)  |
| EDGR         | 1.684 (1.495)   | 0.097 (0.112)   | 1.971 (1.701)   | 0.098 (0.099)   |
| EDPG         | -1.004 (2.343)  | -0.075 (0.145)  | 3.450** (1.654) | 0.185** (0.088) |
| FEMS         | 1.759 (2.263)   | 0.120 (0.140)   | -2.758 (2.202)  | -0.152 (0.120)  |
| SHRM         | 0.048 (0.065)   | 0.003 (0.004)   | 0.018 (0.070)   | 0.001 (0.004)   |
| EEIN         | 0.299 (0.187)   | 0.017 (0.012)   | 0.527** (0.247) | 0.026** (0.013) |
| No of obs.   |                 |                 | 120             |                 |
| Pseudo $R^2$ |                 |                 | 0.308           |                 |

Notes: Domestic firms make up the reference category. For each regression variable, we report the estimated coefficient (columns 1 and 3), marginal effect (columns 2 and 4) and for each, the standard errors (in parentheses). The level of significance of estimated coefficients is indicated as follows: 1%\*\*\*, 5%\*\*\*, 10%\*.

The second hypothesis proposed that both SHRM and EEIN were relevant to the incidence of high-trust flexible working practices. At the important first stage of analysis, SHRM was shown to be significant. However, the EEIN concept is also relevant. It is interesting that its influence operated through company contextual factors; it cannot therefore be considered a general, independent antecedent of these forms of flexible working. It proved most important in Northern-based MNEs; it was moderately significant in African/Indian organizations and was least important in indigenous companies. Hypothesis two is therefore upheld, with the caveat that EEIN operates indirectly. The result significantly supplements the recent finding that EEIN also directly influences direct management communication to employees in Mauritius (Croucher et al. 2014). The importance of using the EEIN indicator for other management practices in this and possibly other contexts is therefore confirmed.

Our second analytic stage found a strong association between Northern MNEs and EEIN. Given that in the first stage we found that Northern MNEs are strongly associated with flexible working, it appears that EEIN is arguably an important driving force of this association. Moreover, the EEIN effect on flexible working is not universal for all companies but rather specific to Northern-based MNEs. This finding suggests that EEIN is a significant antecedent of flexible working, one that probably works in concert with others to achieve its effects, but only in certain corporate contexts; the concept's main utility may therefore lie in the way that it sits within wider clusters of mutually reinforcing practices. Synergies may exist between EEIN and other MNE characteristics facilitating this indirect effect, suggesting a need for case study research to uncover these.

Finally, our third hypothesis was that Northern MNEs would have more high-trust flexible working than the other company groupings. This hypothesis is unequivocally supported; a range of in-company factors appears to be involved. Although Afro-Indian based companies operate in different industries with less educated and older workforces than their Northern-based counterparts, adoption of high-trust flexibility was driven by more than those simple facts in the Northern-based MNEs.

Afro-Indian companies show a slightly greater propensity to follow policies likely to increase EEIN than their indigenous counterparts, possibly confirming arguments about the 'Indian way' in that this approach is often identified as a collaborative, trust-building style. However, the effect here is not significant at conventional levels. Our results are therefore largely consistent with Rugman and Verbeke's (2007) important argument about regionalization. Afro-Indian companies operate in industries where other actors' commitments to them are weak, compared to their Northern counterparts. Rugman and Verbeke's argument that these regional companies are trying to minimize the gap between themselves and local companies also appears valid in the HR sphere, an area which they suggest is in practice relatively autonomous from other aspects of firm governance and operation. These 'regional' companies therefore operate in ways consistent with Kostova and Roth's (2002) argument that HRM manifests commonalities with other areas of company practice.

A significant serendipitous finding is that, intriguingly, flexible working practices appear to be more common in smaller firms because this is quite contrary to the international literature on the subject (for a review see Croucher et al. 2013) and also is somewhat different from Wood et al.'s (2011) findings on small companies' other HR practices in Mozambique where practices were not based on high trust. The association we found operates independently of industry.

## Conclusion

Our contributions are as follows. First, we demonstrate that MNEs from developed countries use high-trust flexible working more than either indigenous companies or other MNEs from African and Indian countries. The three country-of-origin groupings operate in silos on our dimensions. Despite high levels of flexible working within developed-country MNEs, the demonstration effects for local companies posited by many researchers appear currently at least to be very small. This finding may be of practical interest to local institutions, notably the Mauritius HRDC. The HRDC may consider whether enhancing these effects by increased emphasis on inter-company transfers of practice might be usefully pursued. Second, EEIN has been shown to have indirect analytic purchase on whether high-trust flexible working is used. Third, the ‘regionalization’ theory of globalization holds good for HR practices at least in this case and may therefore be extended to include these even though in its original specification it specifically excluded them. All of this also means that Mauritius, despite its uncertain status as an ‘African’ country is nevertheless a typically African ‘segmented business system’ and appears likely to remain so unless and until labour management practices become more isomorphic.

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**Appendix A**

Table A1. Correlation matrix.

|      | SIZE  | AGE   | MANU  | OTHR  | PRCO  | AG25  | AG45  |
|------|-------|-------|-------|-------|-------|-------|-------|
| SIZE | 1.00  |       |       |       |       |       |       |
| AGE  | 0.21  | 1.00  |       |       |       |       |       |
| MANU | 0.06  | 0.05  | 1.00  |       |       |       |       |
| OTHR | 0.05  | 0.06  | -0.21 | 1.00  |       |       |       |
| PRCO | -0.00 | -0.12 | 0.09  | 0.02  | 1.00  |       |       |
| AG25 | -0.02 | -0.18 | 0.10  | -0.07 | 0.21  | 1.00  |       |
| AG45 | 0.04  | 0.12  | 0.12  | -0.10 | 0.00  | 0.11  | 1.00  |
| EDGR | -0.21 | -0.04 | -0.06 | -0.12 | -0.15 | 0.18  | 0.16  |
| EDGR | -0.05 | -0.00 | 0.09  | -0.12 | 0.03  | 0.11  | 0.09  |
| FEMS | -0.09 | -0.05 | -0.04 | -0.18 | -0.05 | 0.10  | 0.11  |
| SHRM | 0.21  | 0.22  | 0.04  | -0.13 | -0.07 | 0.05  | 0.04  |
| EEIN | -0.08 | -0.18 | 0.09  | -0.14 | 0.30  | 0.18  | 0.02  |
| MNEA | -0.02 | 0.10  | 0.18  | -0.21 | -0.03 | 0.12  | 0.22  |
| MNEN | -0.10 | -0.09 | -0.02 | -0.04 | 0.12  | 0.15  | -0.02 |
|      | EDGR  | EDGR  | FEMS  | SHRM  | EEIN  | MNEA  | MNEN  |
| SIZE |       |       |       |       |       |       |       |
| AGE  |       |       |       |       |       |       |       |
| MANU |       |       |       |       |       |       |       |
| OTHR |       |       |       |       |       |       |       |
| PRCO |       |       |       |       |       |       |       |
| AG25 |       |       |       |       |       |       |       |
| AG45 |       |       |       |       |       |       |       |
| EDGR | 1.00  |       |       |       |       |       |       |
| EDGR | 0.31  | 1.00  |       |       |       |       |       |
| FEMS | 0.11  | 0.03  | 1.00  |       |       |       |       |
| SHRM | -0.05 | -0.09 | -0.12 | 1.00  |       |       |       |
| EEIN | 0.14  | 0.15  | 0.02  | -0.12 | 1.00  |       |       |
| MNEA | 0.15  | -0.01 | 0.09  | 0.08  | 0.12  | 1.00  |       |
| MNEN | 0.20  | 0.27  | -0.08 | -0.06 | 0.22  | -0.14 | 1.00  |