



**Human Resource Management Practices in Nepal:  
An Empirical Study on Foreign and Nepali Firms**

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## **Abstract**

Human Resource Management (HRM) of developing and least developed countries to that of developed countries is significantly different. So, are the multinational companies still being able to transfer their HR practices while running a business in the developing and least developed world? If not, what practices do they tend to localize? If they hybridize, how would the hybridized individual HR set look like?

This paper gives the answer for these questions being based on Japanese and US affiliates in Nepal. Nepal is one of the least developed countries and the concept of HRM in this country rose only after 1990 with the adoption of liberalization and privatization policy.

This paper first presents the overall HRM system of Nepal and shows how it is different than Japanese and the United States (US) HRM. Then it will present the results based on 16 qualitative case studies which was conducted in Nepali, Japanese and US companies. The findings indicate that the US and Japanese companies in Nepal are following a hybridized set of HR practices. The characteristics of HR department, recruitment method, pay level and evaluation results were found to have greater local influence while selection method, training, performance tools had greater foreign influence. This paper contributes towards understanding how the MNC affiliates make a unique set of individual HR practices. The paper also presents the trade union issues and the perception of Nepali managers toward Japanese and US firms.

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## Introduction

As the multinational companies (MNCs) are increasing their business operations in the developing and the least developed countries, an insight on the suitable HRM practices in these regions is becoming an emerging issue. The success and sustainability of the companies operating beyond boundaries depend on how effectively they manage to implement suitable practices in a distinctive cultural and national area. The suitable practices fundamentally refer to Human Resource Management (HRM) since it is the most localized aspects among different management functions (Pudelko and Harzing, 2007).

Several journals have devoted special issues to management in developing and emerging countries though very little have been known regarding the management of HRs in these regions (Budhwar, 2012). On the other hand, the researches on HRM practices of least developed countries are very rare.

This paper is about Nepal, which is one of the least developed countries in South Asia lying between India and China. In this paper, I will present the overview of Nepali HRM and the HR practices followed by foreign firms in Nepal. The paper will consequently present the transferred and/or localized practices in the Nepali context.

## Theoretical Framework

While talking about the management of multinationals and the transferring of practices, it basically refers to either localization or standardization. Localization is the extent to which the subsidiaries act and behave as local firms whereas standardization is the extent to which the practices resemble those of parent company (country of origin effect). Sparrow (2012) found that a combination of both external (such as the influences of home country, parent company, host country and other MNCs) and internal (including intra-organizational) factors dictates the adoption of either the globally standardized or locally responsive approach to MNC policies and practices. Budhwar (2012) acknowledged that both the approaches have a number of benefits. The standardization can help to lower costs; result in better control and co-ordination, cross-subsidization and

integration of resources, strategies and competencies. On the other hand, the locally responsive approach include the aspects like promptness in response to address the local needs, being quick to adapt, better access to local resources and higher level of flexibility. Pudelko and Harzing (2007) have raised a new approach, which says that management practices of subsidiaries are shaped in accordance to neither the host country (localization) nor the home country (country of origin effect), but according to the country that sets the standards for what are perceived as global best practices. They call it the 'dominance effect'.

To go back to the early literature; ethnocentric, polycentric and geocentric are the three main strategic choices identified by Perlmutter (1969) regarding the management of multinationals. Ethnocentrism refers to the superiority of the home country and imposes the corporate practices in the local subsidiaries. Polycentrism respects the local norms, believes in its subsidiaries and thus let them be independent. Geocentrism aims for a collaborative approach between headquarter and subsidiaries to establish universal standards. However this simple classification is only an overall orientation on management practices of the MNCs. It does not give the clear cut answers on the transfer of HRM practices abroad (Myloni et al., 2004). Some affiliate practices tend to be more like the home-country practices, while others may more closely resemble host-country practices, and still others may be global in nature (Soenen and Van den Bulcke, 1988).

HRM practices are likely to have the dual pressures for local adaptation and internal consistency (Evans and Lorange, 1989). Rosenzweig and Nohria (1994) also found that HRM practices in an MNC are shaped by the interplay of the two opposing pressures internal consistency and isomorphism. ,

Some practices may have to act in accordance with local laws and regulations and therefore, be compelled to bear a resemblance to local practices "coercive isomorphism", the affiliates may seek to resemble local firms, perhaps to compete more effectively and efficiently in local labor markets "normative isomorphism" and to fit in by imitating local practices "mimetic isomorphism". HRM practices are often mandated by local regulation or shaped by strong conventions. Moreover, since an MNC affiliate, in most cases, has little choice but to recruit and hire the employees from competitive local labor markets, it is hard for it to diverge too much from local norms and traditions. Taylor et al. (1996) and

Schuler et al also found that the host country legislative aspects represent a strong environmental pressure on MNC subsidiaries. Thus the legal environment in which the MNC subsidiary is set in can constrain the transfer of HRM practices from its parent company (Beechler and yang, 1994). Sölvell & Zander (1995) also found that the MNC remain dependent upon certain local environments for its competitive advantages and renewal thereof even though business may become increasingly global in many respects.

However, subsidiaries are also an integral part of the MNC and therefore they are subject to a significant amount of control (Martinez and Jarillo, 1989), as well as facing pressures for 'replicating' the organizational characteristics of the parent company (DiMaggio and Powell, 1983). Taylor et al. (1996) said that the management's belief or attitudes regarding the existence and possibility of generalizing its HRM competences determines the headquarters' strategic orientation. Further, the headquarters' internationalization perspective and strategies are decisive on transferring the practices. Gooderham et al. (2004) found that HRM is becoming more homogeneous as business becomes more global. Therefore, the subsidiaries in different countries tend to adopt similar HRM practices; facilitating the MNCs in transferring and implementing uniform HRM systems in different countries. This is known as convergence theory in the literature.

So, the convergence theory is based on the hypothesis which believes on existence of several universal management principles that are accepted by organizations regardless of the national contexts they operate in (Gooderham et al. 2004). On the other hand, the divergence theory says that the main differences between different countries cause differences in HRM (Gooderham et al. 2004) and thus it is not possible to have the homogeneous practices around the globe. Chow (2004) stated that these differences mainly indicate the cross-national differences and are generally explained by the two approaches: cultural and institutional. Differences in social values and norms are addressed by cultural approach and institutional approach perceives the institutions of a country as the determining agents and thus the organizations in a particular institutional environment become similar. Lertxundi and Landeta (2012) recently found that the cultural differences between headquarter and subsidiary is not decisive for transferring the basic principles of HRM system, although it is possibly decisive in the transfer of practices and sub-processes. Therefore, there is no perfect convergence or divergence

approach but it should rather be called the “cross-convergence”. This is consonant with the approach that the trend is said to be towards transferring the general policies and adapting the practices as was found by Becker and Gerhart (1996) and Stroh and Caligiuri (1998).

In one of the research works by Beechler & Yang (1994) on transfer of Japanese-style management to American subsidiaries stated that if the headquarter want to transfer HR and if the headquarter can transfer HR makes the difference. The global strategy and administrative heritage of headquarter are decisive factors whether it wants/can transfer HR policies and practices to its subsidiaries.

Rosenzweig and Nohria (1994) found that different HRM practices have different levels of MNC standardization and localization. Lu and Bjorkaman (1997) further acknowledged that HRM practices in MNC subsidiaries abroad has used a single measure of the degree of MNC standardization versus localization of HRM practices as a whole. Thus there is a need to explain and analyze each HRM practice separately rather than using an aggregate measure of entire HRM practices. Because each of the factors affecting HRM transfer has differing degrees of impact on the transfer of individual HR practices (Bae et al. 1998). However, Tayeb (1998) found that it is yet to be known clearly about the transferable and non-transferable practices and their impacts although MNCs try to choose those strategies that fit best with each subsidiary’s local scenarios. Many MNCs are now operating in emerging economies such as China, India, Brazil, Thailand, Hong Kong, Mexico etc. These countries have distinctive socio-cultural and institutional backgrounds than the developed nations. Merchant (2008) suggested that It is timely to investigate the management systems within MNCs that are relevant for these economies. Despite of a number of researches, many aspects is still unknown regarding the management of HRs within the affiliates of MNCs operating in emerging countries.

The MNC affiliates in developing countries pose unique problems for human resource management (Martinez and Ricks, 1989). The relatively poorly defined managerial systems and sophisticated HRM practices create a potential obstacle to success and sustainability in such economies (Miah and Bird, 2007).

Despite of many debates and the number of unanswered questions, the studies mentioned above depicts the existence of rich research works in the field of management

of subsidiaries in the developed countries and recently a growing research in the emerging countries. However, the researchers have rarely put an effort on the HR practices of MNCs in the least developed countries. In this paper, I will try to fill this gap by presenting an overview of HRM practices followed by foreign firms in Nepal. The paper deals with the transfer of HR practices in the Nepali subsidiaries and affiliates. It is based on the theory that the HRM practices should be analyzed separately and individually rather than aggregately. The paper presents an overall figure of the HR practices indicating the transferred practices and the practices to be localized in the Nepali context.

## Research Questions

Based on the above description, this research aims to answer the following specific research questions:

1. Is the structure of the HR department of foreign companies operating in Nepal different from that of Nepali companies? Are the foreign companies transferring their structure?
2. How the recruitment and selection, training and development, compensation and benefit, performance appraisal and labor relation practices are different in foreign companies from those of Nepali companies? Are any of these practices being transferred?

## Background of Nepal

### Nepal in a Glance

Nepal is the third smallest country of South Asia with the area of 147181 square kilometer lying between two emerging giant countries; China and India. It has a population of 26.62 million with 101 ethnical groups and 92 languages. Nepali is the official language. 80 percent of the population is Hindus, 10 percent are Buddhists and rests are Muslims, Sikhs etc. Eight out of ten highest peaks of the world lies in Nepal. Mt. Everest- the top of the world- is both the identity and glory of this Himalayan country. Lord Gautam Buddha, also known as light of Asia was born in Lumbini of Nepal some 2500

years ago. There are 10 world heritage sites in Nepal including both cultural and natural sites.

Nepal used to be a country of 22-24 states before King Prithbi Nayaran Shah conquered all the states in mid 1700s. Nepal was ruled by the Shah Dynasty for almost 240 years as a kingdom. It is the only country in South Asia which was never colonized. However, it suffered from the autocratic rule by Rana Prime ministers from 1846 to 1951. The Shah Kings merely had any executive power during this period. In 1951, The Shah Kings terminated the Rana hegemony with the help of Nepali Congress Party and the support from India. The power struggle between the new government and the king led Nepal to be in the direct control of the King again, although it strongly opted for the constitutional monarchy and the people's government. In 1990, the people's movement again soared and forced the King to end his direct control over the nation and to form a multi-party democratic parliamentary with the constitutional monarchy system. The communist party (Maoists) wanted the People's Socialist Republic. As they became unsuccessful, they started a bid to replace the system with violent means and Nepal faced a brutal civil war from 1996 to 2006. Almost 13,000 people were killed, with thousands more tortured or injured and almost 100,000 internally displaced. In 2005, King Gyanendra dismissed the entire government and captured all executive power. This led the political parties and the rebellion Maoists to be united and to give an end to the monarchial system. In 2008, Nepal turned to be a Federal Republic country; the end of an era and starting of new one. However, the power-sharing battle is still continuing among the political parties and the country is still in its transition period.

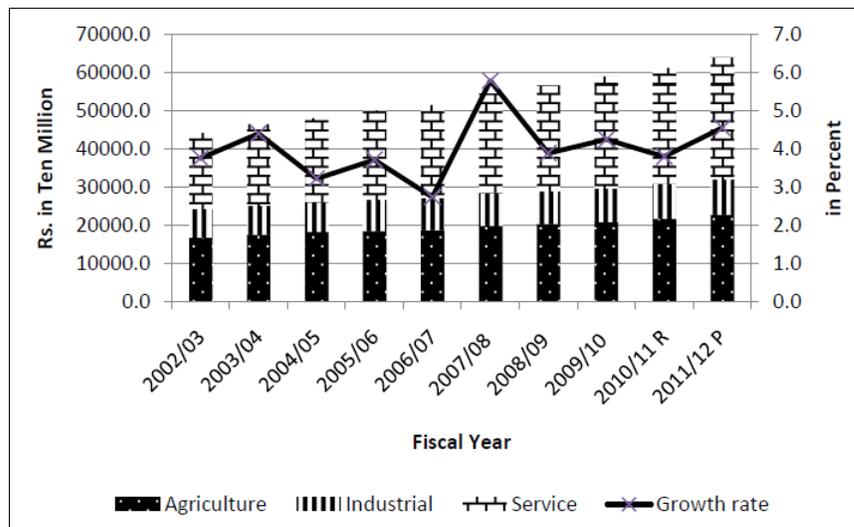
## **Economy**

### *Introduction*

Nepal is one of the least developed countries with per capita income of \$750. It is among the poorest counties in the world and currently ranks 157<sup>th</sup> out of 187 countries on the Human Development Index. More than 25 percent of the population is living below poverty line. However, the proportion of poor people halved in only seven years. The literacy rate also increased from 36 percent in 1995/96 to 57 percent in 2010/11.

Although the economic growth rate of the country is not satisfactory, it increased to 4.56 percent in the fiscal year of 2010/11 from the average growth rate of 3.51 percent over the past decade. The agriculture sector occupies the one third sector in total GDP and provides employment opportunities to two third of the population. The growth of industrial sector is not satisfactory. But the service sector has noticeable improvements.

**Figure 1: Sector-wise GDP & Growth Rate**



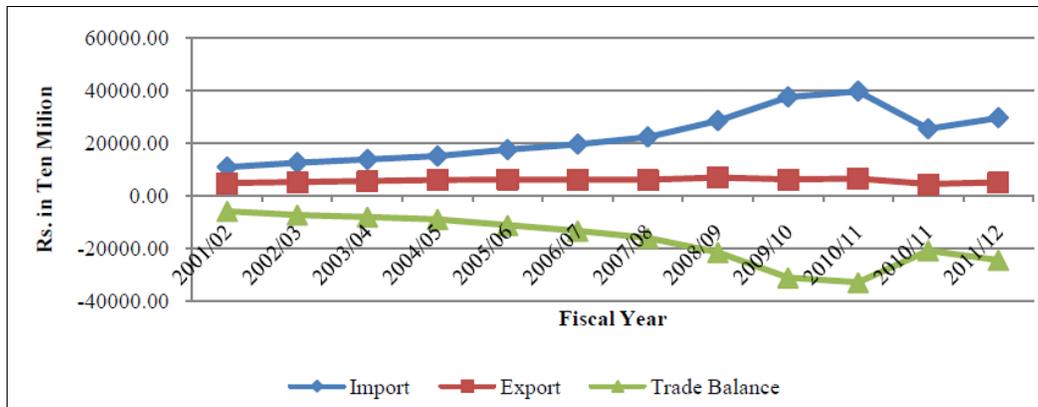
Source: Economic Survey Nepal, 2011/12

### Foreign Trade

The top two export items are readymade garments and the woolen carpets. Other export items are pashmina, hides and goatskin, lintels, metal and wooden handicrafts, agro- and forest-based primary and secondary goods etc. Leather, raw jute, lentil, large cardamom, ginger, tea and medicinal herbs are traditional export items. Recently, terry towels, micro transformers, blankets and buttons have emerged as new export items. Capital goods, industrial raw materials and consumer goods are the major import items. It includes petroleum products, machinery and spare parts, transport equipment, pharmaceuticals, textiles, chemicals, electrical goods, vehicles and spare parts, medicines and medicinal equipment, raw wool, betel nuts, aircraft and spares parts, raw silk, threads, fertilizers, telecommunication equipment etc.

India is the main country for the foreign trade. In the fiscal year 2010/11, India alone accounted for 67.1 percent and 64.8 percent for the total export and import respectively. The other major countries are USA, Germany, France, UK, Italy, Canada, Japan etc.

**Figure 2: Export-Import Figure of Nepal**



Source: Economic Survey Nepal, 2011/12

### *Foreign Investment in Nepal*

#### **History**

To know the origin of foreign investment in Nepal, we should first go back to the earlier history of Shah Dynasty. King Prithbi Nayaran Shah developed and adopted the nationalist policy prohibiting foreigners in Nepal for the purpose of preserving “nationalism, independence and sovereignty”. The following Kings also did not allow foreigners to have any trade or business operation in Nepal. It was also because the Kings were aware of British companies’ immense influence over the Indian society. The Kings had fear to be colonized and loosing the sovereignty. After the war with British in 1816, Nepal became a completely isolated country from the rest of the world. The rise of Rana Regime made Nepal gradually open to the foreigners as the Rana prime ministers embarked travelling in different countries.

The foreign investment in Nepal started with the first company act-1936. Biratnagar Jute Mill Company was established as the first joint venture company in Nepal with the

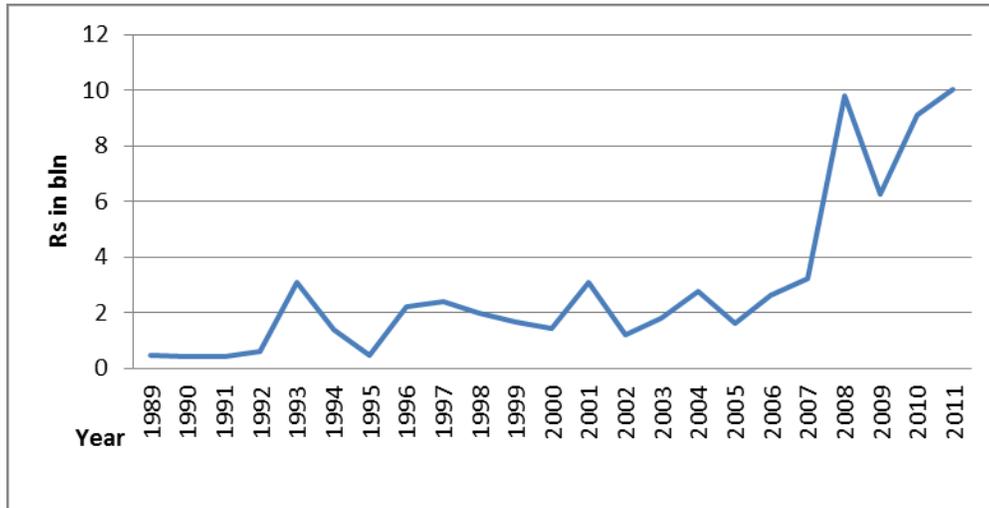
collaboration between Nepali and Indian entrepreneurs in 1936. This was the beginning of foreign investment in Nepal. In 1984, government of Nepal reviewed the company act and liberalized the financial sector for Joint Venture Investment in Commercial Bank. Accordingly Nepal Arab Bank Ltd (Nabil Bank) was established as the first foreign joint venture bank in the same year with the objective of extending international standard modern banking services to various sectors of the society (Nabil Home Page). Further, after the restoration of democracy in 1990, Nepal followed liberalization and privatization policy to both increasing the involvement of private sector in economic activities and attracting foreign direct investment (FDI). Afterwards, three major policies; a) Foreign Investment and Technology Transfer Act, b) One Window Policy and c) Industrial Act were set in 1992 to creating an investment-friendly environment for FDI.

Nepal encourages foreign investment as joint venture operations with Nepalese investors or as 100 per cent foreign owned enterprises. It also encourages foreign investment in every sector of the economy except some few sectors which have been either reserved for national entrepreneurs in order to promote local small and medium enterprises and protect indigenous skills and expertise, or restricted for national security reasons. Foreign investment in Nepal is welcome in three forms; 1) Investment in share (equity), 2) Reinvestment of earnings derived from foreign investment, 3) Investment made in the form of loan or loan facilities. (UNESCAP, 2003)

### **FDI Trend and Structure**

Permission has been granted to 2108 foreign projects until mid 2011 with the total foreign investment of Rs. 68.05billion. In the Fiscal Year of 2010/11, the number of projects approved for foreign investment was 209 with total foreign investment of Rs.10.05billion while it was only 1.64billion with 63 approved projects in 2005/6.

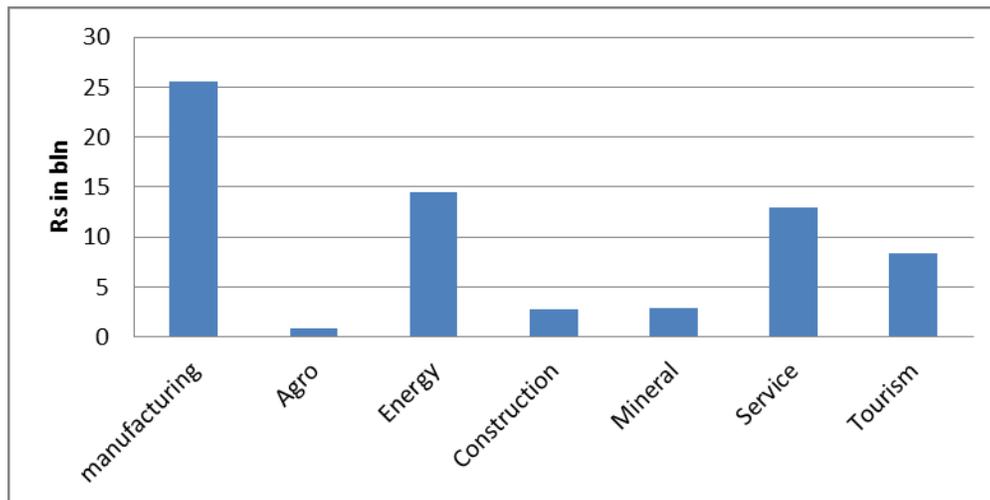
**Figure 3: FDI Trend**



Derived from Appendix: 2

The areas of foreign investment basically include industrial manufacturing, agriculture, energy, construction, mineral, services and tourism. Manufacturing is the highly invested sector followed by energy, service and tourism.

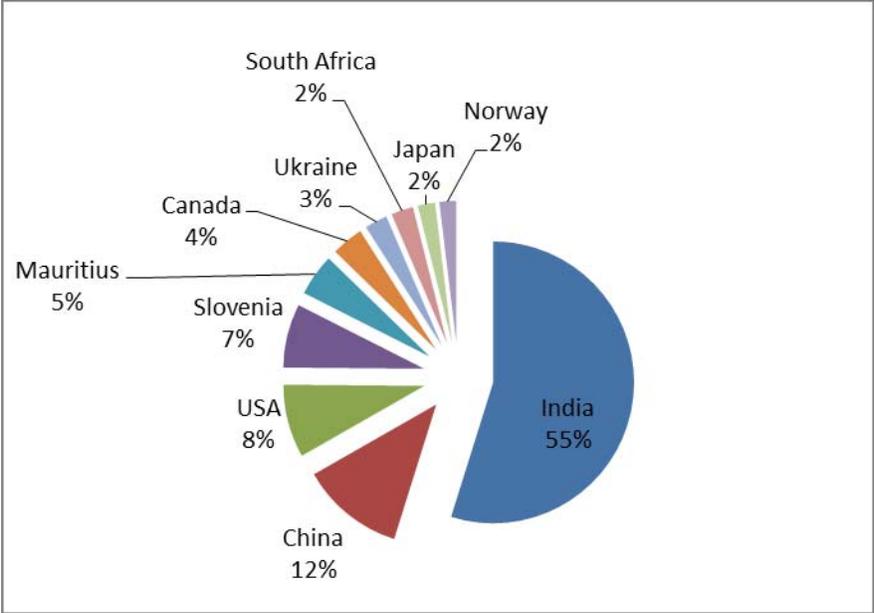
**Figure 4: Total FDI by category by mid 2011**



Derived from Appendix: 3

The major investments are from India, followed by China and USA. Japan is the 9<sup>th</sup> largest investor in Nepal among 70 countries in the entire figure of total foreign investment in Nepal by 2010/11. -

**Figure 5: Major Foreign Investors (as of mid 2011)**



Derived from Appendix: 4

**Reasons for Investing in Nepal**

Being situated between the two big emerging economies India and China, Nepal poses a great potentiality for comparatively easier access to the large portion of the world market. A trade treaty with India guarantees duty-free access to most Nepali products. Nepal is the first South Asian country to receive “approved destination” status from China. As a least developed country, Nepal is also entitled to preferential treatment in a number of developed-country markets; the European Union’s Everything-But-Arms initiative, offering its products preferential access to the European market. Nepal is one of the richest countries in both Natural and cultural assets. It offers some of the most spectacular tourist attractions in the world. It also offers enormous potential (40000mw) for hydropower and a remarkable variety of agricultural products in the five climatic zones packed into a north–south breadth of 150–250 kilo meters (UNCTAD, 2003).

However, Nepal receives a very small portion of total global investment. In 2010, it was the second least invested country in South Asia after Bhutan.

**Table 1: FDI Flows in South Asia, 2005-2010**

	(\$ mln)					
Afghanistan	271	238	243	300	185	76
Bangladesh	845	792	666	1086	700	913
Bhutan	9	6	78	28	15	12
India	7622	20328	25350	42546	35649	24640
Maldives	53	64	91	135	112	164
<b>Nepal</b>	<b>2</b>	<b>-7</b>	<b>6</b>	<b>1</b>	<b>39</b>	<b>39</b>
Pakistan	2201	4273	5590	5438	2338	2016
Sri Lanka	272	480	603	752	404	478

Source: World Investment Report, 2012 UNCTAD

The political stability and policy reforms seem to be the big reasons. Besides, the lack of physical infrastructure and appropriate human resources could also be among the main reasons for not receiving a remarkable FDI. However, recent political change, regained peace, developments of physical infrastructures, increasing literacy rate and skillful labor force can be expected to positively affect the FDI inflows in Nepal in the near future.

## **An Overview on Human Resource Management**

The concept of HRM in Nepal rose after the liberalization and privation policy in 1990. Prior to this, Nepali organizations were not using any precisely defined HR strategies. Establishment of private business organizations and joint ventures after 1990 gave a new turn to Nepali business organizations. For example; pay and benefits became competitive for competent employees, many organizations started emphasizing on performance. Training and development programmes were highly welcomed as means to develop employees' skills and knowledge (Adhikari's study, cited in Adhikari and Gautam,

2011). However, the Nepali organizations are still on learning phase and thus the foundation of HRM is not yet clearly established (Adhikari and Muller, 2001).

This section presents an outline on individual HR practices of Nepali, Japanese and US companies.

#### Human Resource Department

The size of organization generally determines whether to have or not to have a HR department (Agrawal, 2009). In Nepal, over 90 % of the organizations are small and medium sized. Organizations with less than 100 million of fixed assets and less than 100 employees are defined as small and medium sized by the government of Nepal. In one of the researches conducted by Gautam (2011) covering a variety of sectors such as manufacturing, services and others revealed that 69% of the organizations have HR departments in Nepal. 28% have a HR director who has a place in board of directors or equivalent and the HR director is appointed from within the organization in a large percent of companies. 90% organizations have male HR representative. 68% of Nepali companies have written HR policy (Cranet, 2005).

The HR department at Japanese companies is closer to the administrative center of the company. Meaning, the area of responsibility of HR department covers more than only HR than their counterparts in the US (Japan Institute for labor policy and Training, JILPT). The HR department in Japanese companies is male-dominated while US companies are female-dominated. Forbes magazine stated that in 2011, over 70% of the human resource profession was dominated by females. 60% of Japanese companies have written HR policy while it is 90% in case of US companies (Cranet, 2011).

#### Recruitment and Selection

Recruitment is the process of discovering qualified job candidates and encouraging them to apply for work (French, 2006). It is a part of hiring process which includes attracting, collecting, short-listing and examining the job applicants (Gautam, 2011). Recruitment should locate and attract a sufficiently large pool of qualified candidates since it increases the possibility of recruiting right and the competent person. Recruitment sources are defined as follows (Agrawal, 2009; Dessler, 2009):

- Internal sources : promotion, transfer, rehires, job rotation
- External sources: advertising, internet, employment agencies, executive recruiters (head hunters), educational institution placement, internships, professional associations, referrals, walk-ins etc.

Selection is the process of screening effectively among the people who apply for work with an organization (French, 2006). Selecting the right people is regarded as one of the most important function of HR manager as the right skills and attitudes do the better job for the organization (Dessler, 2009).

Agrawal (2009) says that referrals i.e. friend and families in case of Nepal, is the most commonly used recruitment sources. Nepotism, favoritism and 'bending of rules' to hire the favored candidate is also very common. Therefore, choosing inappropriate recruitment sources and lack of transparency and fairness in selection have been a problem in many organizations in Nepal. On the other hand, Gautam (2011) argues that Nepali organizations placed bigger priority for fighting against favoritism after 1990 as they needed the real job performers to remain competitive. He further says that there is no uniform practice of recruitment among Nepali organizations. However, they have developed certain process depending upon the HR need. Company website and commercial web sites are increasing as the recruitment sources and some organizations have started the practice of educational institute placements. The Cranet report (2005) shows that the Primary responsibility for recruitment and selection in majority of the Nepali companies is fulfilled by line managers.

Company websites and advertisements are the most commonly used recruitment sources for Japanese companies (Cranet, 2011). They focus on periodic hiring of new graduates. They recruit a large number of fresh graduates every year. The new graduates are not hired for specific jobs rather they are hired on the basis of their potentiality and future possibilities. Further, the candidate's major field of study at school is often regarded as an unimportant aspect. Personality, attitude, enthusiasm, desire, ability to understand and judge things, ability to cooperate with others are the standards for hiring. Though the mid-career hiring is very rare in Japanese companies, recently there is a great deal of hiring the mid-careers through private recruiting agencies. In addition, hiring throughout the year, in-house recruiting, recruiting by job types are the recent trends in Japanese

companies (JILPT). In around 60% of the Japanese companies, the Primary responsibility for recruitment and selection is done by HR only (Cranet, 2011).

For US companies, in- house recruiting is very common. Using the company website is the most common source for recruitment; newspaper advertisements are also used. Dessler (2009) says that social networking sites also provide assistance. A recent survey done by Jobvite (2012) revealed that social recruiting has become an essential HR practice, with 92% of U.S. companies using social networks in 2012 which was 78% five years ago. Individual competency, talent and skill, experience, independency etc are the standards for hiring. The Primary responsibility for recruitment and selection is shared between HR and line managers in around 40% of US companies (Cranet, 2011).

### Human Resource Development

Human resource development is the managerial function of preserving and enhancing employee's competence in their jobs through improving their knowledge, skills, abilities and other characteristics (Cascio, 1998). Thus it is concerned with the process for developing capabilities and competencies and acquired through organized learning experience. It is linked with the contribution of employees for successfully achieving organizational goals. The area of human resource development covers both training and managerial developments. (Agrawal, 2009)

Training refers to the methods used to give new or present employees the skills they need to perform their jobs. Task analysis for the new employees and performance analysis for the present employees are the two basic tools used for accessing the training needs (Dessler, 2009). Training methods are broadly categorized into on the job (Apprenticeship, internship, job instructions, informal learning etc) and off the job (lectures/conferences, simulation, programmed instructions etc) training (Agrawal, 2009). Management development is any attempt to improve managerial performance by imparting knowledge, changing attitudes, or increasing skills (Dessler, 2009). Management development could also be either on the job (coaching, understudy, job rotation, planned work assignment, internship etc) or off the job (lectures/seminar, simulation, role play, computer modeling, sensitivity training, transactional analysis etc).

Nepalese labor sector had been unable to take the full advantage of new jobs generated by development activities. One of the reasons is the lack of sufficient opportunity to learn the requisite skills (Pant's study, as cited in Adhikari D.R. and Gautam D.K., 2011). Nepalese employees are looking for training with specific reference to new technology and opportunity for further education (Adhikari and Gautam, 2011). However, many Nepali organizations do not have any defined training and development policies. Further, training is the first victim of budget cuts. It is regarded as costs rather than investment (Agrawal, 2009). In average, 0.5% of total budget is used as training budget. Supervisors and line managers play the most influential role in defining training needs, designing training activities and even selecting the potential trainees. Training need assessment surveys and post-improvement studies is hardly conducted (Gautam, 2011). In one of the studies on manufacturing companies of Nepal revealed that the identification of training needs are accessed by informal inquires with employees. Moreover, the companies start looking for employees to participate in training programs once it gets the request for participation by various training providing institutions (Baniya, 2004). Nepali organizations prefer to hire mid-career and experienced human resources to reduce time and cost on training (Gautam, 2011). The mix of both on the job and off the jobs training methods is used in Nepal but very few organizations have practice of management development programs. Coaching, understudy, lectures and seminars are used for such programs (Agrawal, 2009). The primary responsibility of training and development is of line managers in 35% of the Nepali companies while in 25%, it is done by line managers in consultation with HR. (Cranet, 2005)

In Japan, on-the-job training is focused while little weight is given for off-the-job training. On-the-job training is conducted particularly for new employees. But the existing employees are also equally participated as Japanese companies have the practice of job rotation which is basically used as an effective means of adjusting the demand and supply of labor force. On-the-job training is used as a tool to make the employees prepared for job rotation and future career development for managerial posts. For off-the-job training, study abroad and working in different company of the same corporate group is common (JILPT). Training and development is the responsibility of HR in majority of

the Japanese companies covering 48%. In 25% of the companies, it is conducted by line managers in consultation with HR (Cranet, 2011).

US companies offer both on-the-job and off-the-job training and development programs. They tend to spend a lot of time and money on training their employees. According to American Society of Training and Development, US companies spent \$125.9 billion on employee learning and development in 2009 (Stern, 2011). US companies use both task analysis and performance analysis for assessing training needs (Dessler, 2009). Training and development is a shared responsibility of HR and line managers (Cranet, 2011).

### Performance Appraisal

Performance appraisal is a formal, systematic assessment of how well employees are performing their jobs in relation to established standards and the communication of that assessment to employees. It is a review of the job-relevant strengths and weaknesses of an individual or a team in an organization (Cascio, 1998; French, 2006). Therefore, this appraisal provides crucial information on which the supervisor can make promotion and pay increment. It points out the deficiencies and emphasizes to work correctly. It also assists in career-planning of employees (Dessler, 2009). Performance appraisals are mostly done by immediate supervisors. Peer reviews, rating committees, self ratings, appraisals by subordinates, 360 degree feedbacks are other performance appraisals tools. Dessler (2009) advised to use multiple tools to obtain more reliable ratings for the evaluation.

In Nepali organizations, performance appraisal has received lower priority. Personal judgment and subjective assessment have been the key criteria in many private sector organizations. It is mostly linked with promotion and pay increment. However, it lacks transparency and not used either for corrective action or for career planning (Agrawal, 2009). One of the researches conducted by Adhikari and Gautam in 2009 revealed that there is no formal performance appraisal system in almost 17% of the Nepali organizations. The lack of performance appraisal system makes the competent employees highly dissatisfied at work and with pay and benefits. Performance appraisal is often done by immediate supervisor in Nepali organizations. In addition, supervisor's

supervisor, employee herself/himself, subordinates, peers and customers feedback are also used as inputs. The outcome of evaluation is basically linked with training and development, pay determination and HR planning (Gautam, 2011).

In Japanese companies, the evaluator for performance appraisal is line manager (direct senior). Subordinates and colleagues are also used for reference information for the primary appraisal. Skills, enthusiasm and achievement are the three main factors used as base for appraisal. Skills refers to acquired knowledge obtained through job experience and training. Enthusiasm refers to job posture and attitude while achievement means the contribution to the company during a specified period. The outcome of performance appraisal is linked with human resources development, organizing jobs, stationing, rotation, salary increment, rank promotion and selection for bonuses (JILPT). However performance appraisal in Japan is seldom used for giving feedback to employees and is sometimes used intentionally as a means of employment discrimination (Endo's study, as cited in Endo, 1998). In addition, one of the surveys conducted by JILPT (2004) showed about 30% of the workers were less happy with their pay and bonuses not accurately reflecting their personnel evaluations and work performance. It was also revealed from the same survey that more than half of the workers were not happy with their wages based on performance appraisals.

In US companies, performance appraisal is made by the employee's immediate supervisor in 92% of the cases which is reviewed by supervisor's own supervisor in 74%. Peer review, self-rating, 360 degrees and management by objectives are also used as the performance appraisal tools. The outcome of the performance evaluation is linked mostly with promotion and salary increments. Further, it is also used for giving feedbacks to employees on their strengths and weaknesses and as guidance for the career planning purpose (Dessler, 2009). Smith et al (1996) revealed in one of the surveys that 90% of US companies have mandatory performance appraisal system. The appraisal is subject to Civil Rights Act which assists in providing justice in case of any discrimination (Endo's study, as cited by Endo 1996).

### Compensation

Compensation refers to all forms of pay or rewards going to employees and arising from their employment. It has two main components: direct financial payments (in the form of wages, salaries, incentives, commissions, and bonuses) and indirect payments (in the form of financial benefits like employer-paid insurance and vacations) (Dessler, 2009). Compensation should be attractive and at the same time it should also be cost effective for balancing employee's motivation and the financial capacity of the organization. Compensation structure is affected by legal considerations, market rates, equity consideration, cost of living, union pressures etc (Agrawal, 2009).

The current level of salary and wages is one of the most dissatisfying and demotivating factors for Nepalese employees. The current pay level in Nepali organizations is the lowest in South Asia (Adhikari, 2008; Adhikari and Gautam, 2010) and what was seen in the literature, there is no specific pay determination system except the minimum wage and benefits stated in law.

Traditionally, Japanese companies have seniority based wage and promotion system and thus the pay level is determined on the basis of service period. However, a survey conducted by JILPT (2004) revealed that 60% of the Japanese companies applied performance based wage system. Chen (2004) found that salary increment in Japan depends on collective bargaining which is based on company performance and the increase rate of consumer prices. Companies without trade unions follow the industry level. The salary increment takes place once a year. The basic wage normally consist of two types of wages: age based and skill based wages. Age based refers to the length of service while skill based wages determined by performance appraisal. The amount of bonus is also determined through collective bargaining and basically paid twice a year (June and December). The amount varies to 20% of the annual wages to even 5-6 months' salary.

In US, job-based wage system is widely adopted. Every employee belongs to a specific job and salary is determined within the respective salary range based on individual evaluation and skills. The pay is basically market driven and the employees with higher performance are paid more (Chen, 2004). There is less emphasis on seniority based pays and more on employee performance, contribution and value to the company. Additionally, US companies give less emphasis on job's duties and more on the skills and

competencies. Most employees earn bonus or incentive in addition to salary under individual incentive program and/or variable pay. Individual incentive programs give performance-based pay to individual employees. Variable pay is group pay plans that tie payments to productivity or to some other measures of the firm's profitability (Dessler, 2009).

### Labor Relations

A healthier labor-management relationship is imperative to achieve organizational objectives. A good labor relation is maintained by harmonizing the distinctive and conflicting interests of the workers, employers and society. Here, society indicates the government and pressure groups (Agrawal, 2009). Workers are represented by trade unions. A union is an organization of workers, acting collectively, seeking to promote and protect its mutual interests through collective bargaining (Decenzo and Robbins, 2009). Collective bargaining refers to the negotiation between management and union for terms and conditions of employment (Agrawal, 2009).

According to the Trade Unions Act of Nepal, employees can form an enterprise based trade union if 25% of the employees agree of the same company. Trade Union Association and Trade Union Federation can also be formed. Trade Union Association refers to the group of enterprise-based unions based on the same function or industry. Trade Union Federation refers to the group of Trade Union Association. Fifty seven percent of the organizations are unionized in Nepal (Adhikari, 2010) and the number of trade unions has risen drastically in the past six years. It was 200 in the fiscal year 2005/06 while it went to 286 by April 2012, raised by 30% (Poudel, 2012).

Agrawal (2009) says that higher compensation, job security, better working conditions, influence over work rules and obtain political power are the main reasons to form a union in the context of Nepal. He further says that the Nepali trade unions are rather political than institutional. The existence of more than one union in an organization is creating the inter-union competition and rivalries, which is adversely affecting both the employee welfare and the organizational performance. Trade unions in Nepal are obsessed with demands of pay increment and extra benefits. They hardly make the management aware for the improvements on quality of work life.

The main barriers in having a sound labor relation in Nepali organizations are hierarchical nature with over-centralization of power, lack of trust between top management and the line management, the headstrong feeling of status and prestige in top management etc. The conflicts mainly arise due to the communication breakdown, personality clashes, and role inconsistencies (Adhikari, 2008; Gautam, 2011). Further, lack of education in the unions and the management itself has led to an enormous labor issues (Agrawal, 2009).

Enterprise based labor unions are one of the major characteristics of Japanese companies. These labor unions display strong bargaining power in collective negotiation to determine wages and working conditions. However, they maintain a flexible stance and a fully understanding of the financial situation of the companies. Company management also seeks labor unions for their views on management in general in addition to discussing the labor issues. Generally, collective bargaining is conducted three times a year and nearly 90% of workers are covered by the agreements (JILPT). 19% of the workforce is unionized in Japan in 2011 while it was 21.5% in 2000 (OECD).

Unions in US are industry based. Unions are established through the union drive and election. They have the two sets of aim: 1) union security and 2) improved wages, hours and benefits for members. Unions fight hard for the right to represent a firm's workers and to be the exclusive bargaining agent for all employees in the unit (Dessler, 2009). In US, only 11.3% of the workforce was unionized in 2011 while it was 12.9% in 2000 (OECD).

## **Research Methodology**

### **Method**

This study adopted a qualitative approach due to the lack of previous literature on the HRM practices of foreign companies in Nepal. I performed an exploratory research based on interviews with 16 companies. The interviews were semi-structured so that interviewees would be able to express their own views in their own words (Qualitative Research Guidelines Project, 2006). It gives the opportunity to interviewees to discuss any aspects related to their personal experience and professional attitude. It also allows

the interviewer to prepare the questions beforehand and being in line with the research objective.

## Research Context

An attempt was made to utilize the large companies as the target for the research study because the HRM in small firms tend to be ad hoc and informal (Dessler, 2009). In case of the Japanese companies, although I selected relatively the larger ones, Japanese companies in Nepal are originally operating on a smaller scale. The Economist (2010) reported that the HR practices of small firms in Japan are more similar to that of large companies as they are often affiliated to the Keiretsu (conglomeration of firms) system. Thus, in case of transferring the HR practices, the Japanese companies in Nepal are also assumed to have the similar HR system as of the Japanese large companies.

There are altogether 154 Japanese and 174 US companies approved for investment in Nepal by the fiscal year 2010/11. I managed to interview seven Japanese and five US companies for the research purpose. Among these, two of the companies are individual level joint ventures; one each from the respective countries. These two companies were interviewed at the final stage. The reason behind including these two companies is to further verify whether there are substantial differences between the HR practices of MNC subsidiaries/affiliates and the companies formed on the individual level. Four Nepali companies are also included in the study with an objective to confirm the previous literature. So, there are altogether 16 targets.

### Selection Process

For selecting the Japanese companies, I followed the following steps:

1. First, I put an effort to finding out the extended information such as total number of employees, contact information etc of Japanese companies on the database of government of Nepal. However, no such information was found.
2. Then, I followed the Japan Nepal Chamber of Commerce Website ([www.cometonepal.com](http://www.cometonepal.com)). There are altogether 29 companies listed as the members. Among these, 20 companies have disclosed their contact information. But no information was available on the total number of employees again. I

omitted Japanese language training institute and restaurants from the list assuming of not having major HR issues there. The companies outside of Kathmandu valley were also omitted because of possible difficulty to visit and finally 10 companies were shortlisted. I emailed all the 10 companies but only 3 of them responded. Among these responded 3 companies, only one company was regarded as a good target as it had 99 employees and also agreed to participate in the research. However, the other two were not applicable since they were one-man Company and a company of three employees respectively.

The 7 companies, which did not respond to the email, I made contact again through telephone. Among these 7 companies, 3 companies agreed for the participation, 2 companies declined and the other 2 could not be contacted. So until this stage, I had 4 Japanese companies in the list.

3. In this step, I shortlisted 18 Japanese companies with higher authorized capital from the government database of Nepal. It was based on the assumption of having higher number of employees with higher capital. Among 18 companies, the contact information of only 2 companies was found through the internet search engines. These 2 companies were contacted through email initially and then later through telephone as the emails were not responded to. Both companies agreed for the participation and were added to the target list. Until this stage, I managed to have 6 Japanese companies for the interview. Finally, 1 more company was added through personal connection. So there are altogether 7 Japanese companies who participated in the research.

For selecting the US companies, I shortlisted the companies with higher authorized capital operating in Kathmandu valley. 13 companies were shortlisted. Among these, contact information was found of only 6 companies. I emailed all 6 companies but got a response from only one company. The remaining 5 companies were contacted through telephone later on. One of them declined to participate. So finally, I managed to have 5 US companies for the research purpose.

Four Nepali companies were selected basically through personal connection but with the consideration of higher number of employees.

The following table shows the basic information on companies and the position of interviewees. For protecting the privacy of the companies, I gave the following symbolic names to each of them.

Table 2: List of Nepali Companies Interviewed

Company Name	Number of Employees	Industry	Interviewee
N(1)	236	Tourism	Assist. HR Manager
N(2)	300	Manufacturing	Production Manager
N(3)	800	Manufacturing	HR Manager
N(4)	255	Manufacturing	HR and Adm. Manager

Table 3: List of US Companies Interviewed

Company Name	Number of Employees	Industry	Interviewee
U(1)	500+	Manufacturing	Learning & Development Manager
U(2)	419	Tourism	HR Development and Training Manager
U(3)	300	Tourism	HR Manager
U(4)*	65	Tourism	Managing Director
U(5)	113	IT	HR Manager

\*individual level US joint venture

Table 4: List of Japanese Companies Interviewed

Company Name	Number of Employees	Industry	Interviewee
J(1)	18	Tourism	Manager
J(2)	52	Tourism	Assist. Managing

			Director
J(3)**	99	Tourism	Managing Director
J(4)	70	IT	Managing Director
J(5)	19	IT	Manager
J(6)	19	IT	Adm. Manager
J(7)	37	IT	General Manager

\*\*individual level Japanese joint venture

Interviews were conducted in Nepal from mid-September to early October 2012. Eight of the interviews were digitally recorded while notes were taken in all of the 16 interviews and later transliterated. Interviews were planned for around 30-40 minutes. However, it went for more than one hour in 12 companies which further helped in disclosing new facts about HRM in Nepal.

## Results

### HR Department

#### Nepal

All four Nepali companies had HR department. Three of them have written HR policy. HR department works under the direct supervision and control of top management and it is male dominated. Heads of HR department in all companies are male. The size of the department varies from 1 to 11 employees. Area of responsibility in one company is only HR; three of them cover administration and general affairs too. Turning to the personal qualification of the HR manager, three of them had Master's degree. However, none of them had studied HR as a major subject in the University.

Table 5: HR Department Structure of Nepali Companies

	N(1)	N(2)	N(3)	N(4)
Written HR policy	Yes	No	Yes	Yes
Number of Employees in HR Department	11	2	3	1

Head of Dept	Male	Male	Male	Male
Studied HR in University	No	No	No	No
Area of Responsibility	HR + Adm	HR + Adm	Only HR	HR+ Adm

### Japan

All seven Japanese companies including joint venture are without HR department. They also do not have written HR policy. All the HR functions are done by the assistant manager and/or managing director in cooperation with the department heads. The size of the company could be the reason for not having a HR department.

### USA

All four US affiliated companies have HR department and all of them have written HR policy. HR guidelines are provided by the corporate head quarter in one of the companies. HR department of all companies is male dominated and the heads are also male. The size of the department ranges from 2 to 16 employees. Area of responsibility in two companies is only HR while other two companies also cover all administrative works and general affairs. Regarding the personal qualification of HR manager, two of them had Master's degree. But none studied HR in university as a major subject.

The Joint Venture is without HR department. It also does not have HR policy and all HR responsibilities are carried out by the managing director.

Table 6: HR Department Structure of US Companies

	U(1)	U(2)	U(3)	U(4)	U(5)
Have HR Department	Yes	Yes	Yes	No	Yes
Written HR policy	Yes	No	Yes	No	Yes
Number of Employees in HR Department	16	4	10		2
Head of Dept	Male	Male	Male		Male
Studied HR in University	No	No	No		No
Area of Responsibility	HR +	HR +	Only		Only

	Adm	Adm	HR		HR
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This finding shows the similar structure of HR department in Nepali and US companies. Unlike mentioned in the literature, HR department of US companies is not female dominated in Nepal and the area of responsibility covers more than HR. Therefore, it is assumed that the HR department of US companies in Nepal is more tended to having a local structure.

## **Recruitment and Selection**

### Nepal

The main sources of recruitment for Nepali companies are internal, advertisement in newspaper, word of mouth, referrals, recruitment agencies and head hunting. Three out of four companies are also recruiting fresh graduates. Demand for recruitment comes from the respective departments with the defined requisition form in three companies. It shows that the HR works in co-ordination with the line managers. One company said that the demand for new recruitment comes from the senior level. It indicates the direct control of the top management.

Experience, potentiality, loyalty, independency, diversity, job knowledge, market image, confidence level and sound health are used as core values during selection. Among these, experience and job knowledge are mostly emphasized. This finding is in accordance with the previous literature which described the willingness of employers in hiring the experienced candidates to reduce the training and development cost. Three companies said that they have a defined selection procedure. In these companies, final selection is done by the panel which includes head of department, representative from HR and the top management. This shows the shared responsibility of recruitment and selection among line management, HR and top management unlike declared in the literature that the primary responsibility for recruitment and selection is solely decided by line manager in majority of Nepali companies. Simultaneously, it is also assumed that the top management influences selection of the candidates.

## Japan

Internal, connection, word of mouth, head hunting, newspapers, websites, recruitment agencies are the sources used by Japanese companies for recruitment. Three companies use only internal and connection as recruitment sources. . Fresh graduates are recruited in two companies while one company is recruiting only fresh graduates in collaboration with well-known educational institutions.

The joint venture uses only headhunting as a source of recruitment. It depicts the variety of recruiting sources used by Japanese companies in Nepal. Recruiting only fresh graduates could be a Japanese influence whereas using the sources such as head hunting and connection could be local.

Experience, language, learning power, attitude, long term working plan and interest are the main core values seek in job candidates during selection. One company is recruiting and hiring only females.

“We are a small company and cannot fulfill the higher ambitions of employees. We hire only females. Usually, they do not have big ambitions as the males do. It makes them stay in the company and the turnover rarely occurs. This enables us to work on the normal basis without facing the lack of manpower and it also minimizes the cost of new hiring.” – J(2)

“We get information about the candidate beforehand as we hire only from the reliable connections. So what we do is; we simply check his/her working background and hire. In most of the cases, we do not even take interviews.” – J(1)

One of the Companies insisted that it does not look for education or experience but the attitude and employee’s intention to stay longer in the company. This portrays the Japanese influence. The joint venture company insisted on job knowledge and experience. This depicts the Nepali influence. The decision of final selection is basically a combined task of the head of department and the managing director in all companies. Four companies do not have the practice of direct hiring to managerial positions. Meaning,

these companies have seniority based system, which seems to be following the Japanese way.

These findings show that the Japanese companies in Nepal are using a variety of recruitment and selection procedures. It is very difficult to summarize all of them in one context and conclude whether they are more directed towards following the Japanese recruitment and selection system or localized to the Nepali context. However, to put it generally, some companies tend to follow completely the Nepali way and some the Japanese while others are using a mixture of both.

## USA

Internal, Head hunting, newspaper, recruitment agencies, job portal (company website), drop box, word of mouth, referrals are the recruitment sources used by US companies. In three affiliated companies, demand for recruitment comes from the respective departments with justified requisition form filled up by department head. It shows the involvement of line managers and it is in accordance with the previous literature on recruitment procedure of US companies. One company said that all the HR information is based on the job portal and so is recruitment.

“We have job portal. It is a huge information network on human resources which is accessible by any affiliate. Information are uploaded and upgraded on continuous basis and any affiliate can access all information on any other affiliate and/or any employee. Thus the demand for recruitment is also known through the portal.” – U(3)

For the joint venture, demand for recruitment comes from managing director, which is in accordance on the ‘basis of day to day observation’. Meaning, they do not have any specific recruitment process.

Experience, job knowledge, educational qualification, age, competency, capability, interest, attitude, long term plan, team player and confidence level are the core values seek by US companies while selection. All four affiliated companies have a defined

selection procedure. The decision of final selection is done by HR and head of department in two of the companies while in other two, the top management is also involved.

For the joint venture, it is only the managing director who is involved in selection procedure.

The findings show that the Nepali and US companies have similar characteristics in recruitment and selection practice. However, using the social networking as a recruitment source was not found. Further, company website as a source was used by only one company. These should be the two main recruiting sources for US companies as mentioned in the literature. Therefore, it is assumed that US companies in Nepal are more tended to localization in terms of using the recruitment sources. However, less accessibility to internet in Nepali labor market could be the reason behind this scenario. The involvement of top management in selection could also be a Nepali influence.

## **Training and Development**

### Nepal

All four Nepali companies offer both on the job and off the job training. Three of them provide managerial training while only two have training budgets. Supervisor's direct observation, training need analysis form and performance appraisal are used for determining training needs. In all four companies, selecting employees for training is a combined task of head of department, immediate supervisor and HR. All the companies often participate in training programs held by various training providing institutions in Nepal giving more focus on off the job trainings. One company said that these training institutions are the decisive factor for providing training to its employees. Company decides for training after getting information on upcoming training events and workshops. This finding agrees the previous literature. However, it is not the case for other three companies. One of these three companies further mentioned that it has recently designed mentoring program which is conducted in co-ordination with various departments.

Although it is difficult to conclude without thorough analysis, it is assumed through the findings that the majority of large Nepali companies are putting efforts on training and

development programs. They have developed some formal and/or informal need assessment tools and also designed some training programs. Nevertheless, it might be because of the large size of the companies.

### Japan

Five companies provide both on the job and off the job trainings. One company offers only on the job training. Managerial training is provided in two of the companies. Five companies are without training budget and they also do not have any training need identification tools.

The joint venture offers both on the job and off the job trainings. It has training budget. However, it does not have any training need identification tool.

All seven companies mentioned that trainings are designed as per the expansion or the growth of the company. Furthermore, most of them stated that they decide on training programs after getting information from the training institutions on upcoming training events. This finding is in accordance with the previous literature on private companies of Nepal. Companies further mentioned that new trainings are given whenever new skills and knowledge become necessary with the launch of new projects. For such trainings, either employees are sent to the head quarter or the instructors come from Japan.

“Selecting the employees for training in Japan is very competitive as many of them are interested. This is one of the motivating factors among employees to perform well.” – J(6)

All six subsidiary companies train new employees. This can be the Japanese influence. Five of the companies also provide Japanese language training. However, one company recently terminated the language training stating the following reason:

“Our company looked like a language school. All we wanted from our employees is to learn the kanji (Japanese characters), not the conversation skills. However, they showed less interest in learning kanji and more in conversation. They started devoting a large part of working time

for language which was actually unnecessary. It was slowing down the work rather than improving.”

- J(5)

The joint venture does not provide training to the new employee. They seek for the trained (experienced) employees who can perform their job responsibilities right after joining the company.

The above findings show that the Japanese companies are more tended to have a local system. Training to new employees could be the Japanese way. However, undecided and unstructured training schedule, practice of off-the-job training and lack of need assessment tools could be the local influence.

## USA

US companies offer both on the job and off the job training. Among four affiliated companies, one company has its own training institution while one even offers study abroad program. Three of them provide managerial trainings and have training budget. The percentage of budget spent on training varies from 0.5% to 10%. All four affiliated companies have structured training need identification tools which is conducted by head of department in consultation with HR. However, the joint venture does not have any structured training need identification tools and the decisions on new trainings is basically depends on the schedules of training providing institutions.

The findings depict that training and development is being well thought-out in all US affiliated companies. Training responsibility is shared between HR and line managers and they tend to invest considerable amount on training, which is in consonance with the literature that the US companies focus more on training and development. Thus, it is assumed that the US affiliated companies transferred their practice of training and development. However, the joint venture seems to be more like Nepali company.

## **Performance Appraisal**

## Nepal

Three out of four Nepali companies use structured form for performance appraisal. Two companies conduct performance appraisal twice a year while other two once a year. Performance appraisal is a sole responsibility of head of department or supervisor in three of the companies. In one company, performance is measured on a single base of sales figure and only the employees from sales and marketing department are in the evaluation system.

This finding depicts the majority of Nepali companies lack fairness in evaluation process which is in accordance with previous literature. The outcome of appraisal is linked with pay increment, promotion, training and development and the feedback to employees for their area of improvements.

## Japan

All seven companies conduct performance appraisal. Among six subsidiary companies, only four companies are using structured performance appraisal form. It is carried out once a year in five companies and for one company, it is in every two years. Performance appraisal is conducted by supervisors and/or managers in four companies while one company uses informal peer reviews. Still in another one, it is conducted directly by the head quarter.

For the joint venture, appraisal is conducted twice a year. It is conducted by supervisors and/or head of departments.

“Report on all employees is sent to head quarter every week based on the prescribed format by the head quarter. Depending on this report, head quarter conducts the overall performance of each individual employee.” – J(6)

The outcome of performance appraisal is linked with pay increment, promotion, trainings and the feedback to employees in six companies including joint venture while one subsidiary company uses it only for the feedback.

The finding shows that Japanese companies in terms of performance evaluation are somewhat similar to Nepali companies. However, the involvement of head quarter

and using the method like peer review shows that some Japanese companies have a more transparent performance evaluation system. In addition, it is assumed that the performance evaluation in majority of the Japanese companies is a fair work since the real performers are sent to Japan for the further training and/or to work there. An unfair selection may cause the disputes adversely affecting the trust with the head quarter. The transparency that the Japanese companies are having in Nepal is different than that of traditional Nepali and Japanese companies as stated in the literature. Therefore, this can be seen as a new approach the Japanese companies tend to follow in Nepali context.

## USA

All four US affiliated companies use structured performance appraisal form. Two companies conduct it once a year, one company twice a year and another one four times a year. It is conducted by head of department in consultation with HR in one company, another one use both supervisor and subordinate. The other two companies use 360 degrees. It is conducted by the immediate supervisor in the joint venture. Although the evaluation system varies among companies, the practice of 360 degrees and the two way appraisal (supervisor to employee and employee to supervisor) can be the US way of appraising as mentioned in the literature.

The outcome of performance appraisal is linked with pay increment, promotion, training and feedback to employees for the areas to improvement in all companies. This aspect of evaluation is consistent in the both Nepali and US companies.

## **Compensation and Benefit**

### Nepal

All four Nepali companies stated that they strictly follow labor law of Nepal in case of determining the minimum salary/wages and the benefits. Besides the former, company capacity and market rate are the two most influential factors for determining the starting pay level. For pay increment and benefits, collective bargaining and performance appraisal are decisive.

## Japan

Japanese companies are using a variety of factors to determining pay level and extra benefits. For most of the companies, market rate, company capacity and the employee expectations seem to play a vital role. The trade unions also seem to be influential however very few Japanese companies have unions. One of the companies mentioned that it tries to minimize its pay level as less as possible but with the consideration of minimum level set by the government law. One company said that it sets a higher salary than the Japanese Embassy in Nepal. The joint venture is following the same basic salary as of government offices. . This diversity shows that Japanese companies in Nepal seem to be struggling on perfectly determining the initial basic pay level. However, the increments found to be depended on performance appraisal, seniority and collective bargaining in all companies.

## USA

Market rate and the individual competency are the determining factors for pay level in US affiliated companies. None of the Nepali and Japanese companies mentioned that the pay level is influenced by the competency of the individual. This could be the US influence as also mentioned in the literature review about the competency and skill based pay system in US companies. However, the joint venture stated that it follows the labor law of Nepal. The pay increment found to be based on performance evaluation and collective bargaining in all companies which is in consistent with Nepali practice.

## **Unions**

### Nepal

Three out of four Nepali companies have employee unions. None of the companies are against of having a union. Protecting labor rights, giving unity to employees and making it easier for the management to control the workforce are mentioned as good aspects of having a union. Two of the companies have more than one union. All companies are facing union problems.

“Last year, we had meeting for 10 times with the union for collective bargaining agreements. They had 35 demands. It took a lot of time and effort of management.” – N(1)

“Our company got locked up for 45 days because of union problem. It is difficult to make them understand that the company is not capable enough to fulfill all of their unrealistic demands. We always need to be very aware of union activities and be proactive for not arising any big issues.” – N(2)

All companies mentioned the reason for union problem in Nepal is mainly because of the lack of education and awareness in both the management and the employees. Management is always suspicious to union while the union’s expectation is that most of their demands can be met. Influences to unions from external environment such as competitors and political parties seem to be very huge. This makes them more political than institutional. One of the companies further mentioned that creating a good labor relations and dealing with unions are the most complicated task of management in Nepal. This agrees with previous literature.

### Japan

Two out of seven Japanese companies have unions. Among these two, one is joint venture while other one is subsidiary. Only this subsidiary company is positive to having union. All other companies including the joint venture do not prefer and mentioned the unions as political affiliates and problem creators. The joint venture found union to be the most complicated problem. Here are some of their own words.

“Sometimes, we even have to hire inappropriate people. Most of them cannot continue since they do not have enough job knowledge. However, who remains in spite of their shortcomings become the most problematic ones. These people even do not try to improve their deficiencies and never seek for improvements. I give you an example; there is a girl in our office. She does not know Japanese language at all. Though we have a policy not to hire anyone without language ability, she was hired because of union force. Moreover, it is not only me who do not know for what position she was hired for, the girl also has no idea about her job descriptions.

She is always in front of the computer doing nothing and we (management team) cannot take any action against of her since she is protected by union. Further, the probation period is already over and now we have legal obligation not to fire her. “– J(3)

“Our company will be closed the next day the union is formed” – J(4)

“Formation of union will reversely affect the employee welfare since the company will automatically tend to soothe the union rather than considering the overall employee welfare”  
– J(5)

“Our company is divided into three sub-companies; known as sister company. This prevents the employees to be in bigger groups and thus put a stop to form a union. Further, we will not be legally obliged for having a union if we have less number of employees in one company.” – J(7)

Two companies insisted on intimacy development, harmonious environment, open communication and timely grievance handling for not arising any labor relation problems and thus either prevent on forming a union or make them a supportive part of management.

These findings show that Japanese companies in Nepal are not untouched from the union issues and some of them seem to be using various strategies to cope with it.

## USA

Three US affiliated companies have unions. Surprisingly, one company has five unions and still this company is not against of having unions. Like some other Nepali and Japanese companies, this company also acknowledged union as a way to hold the management accountable nonetheless it is very complicated. One company stated that it has to deal with the union problems around the clock. It also mentioned that coaching and educating the labor force is the only way to cope with this problem. The joint venture also had union and found to be neutral towards it. This company was unwilling to explain much about the unions.

The findings depicts that US companies are also affected with the union issues in Nepal and cannot be dealt with as the unions in US.

Thus this special feature of Nepali labor force must be taken into consideration while running business operations in Nepal. The companies need to understand the local state of affairs to successfully deal with this issue.

## Discussion

The main objective of this research was to find out the HR practices followed by foreign firms operating in Nepal and consequently present the transferred and/or localized practices in Nepali context.

## Major Findings

To get the clear picture of the analysis and to precisely answer the research questions, I will present the major findings in the following points and tables.

1. HR department of US companies found to be localized being male-dominated and covering the area of responsibility more than HR. This feature of HR department is similar to Japanese companies as stated in the literature although the Japanese companies operating in Nepal do not have HR department.

Table 7: Findings on HR Department

Nepali Companies	Japanese Companies	US companies	Finding
male dominated, area of responsibility covering more than HR	no HR Department, small size could be the reason  features of Nepali and Japanese companies (as stated in the literature) are similar	male dominated, area of responsibility covering more than HR	Japan: no HRD  US : localized

2. Various practices were found in recruitment and selection in different companies. Some Japanese companies tended to follow completely the home practice (hiring the fresh graduates only), some localized (headhunting only) while some mix (experience as well as attitude as core values while selection) of both. It shows the three different groups on recruitment and selection practice followed by Japanese companies. 1) Complete Japanese, 2) Complete Nepali and 3) A mix of both. US companies also found to be using a variety of practices. The following table shows the overall summary on findings of recruitment and selection through the partition into four groups:

Table 8: Findings on Recruitment and Selection

	Nepali	Japanese	US	Finding
Recruitment Sources	<i>internal, advertisement, word of mouth, referrals, recruitment agencies, head hunting, fresh graduates</i>	<i>internal, advertisement, word of mouth, connection, recruitment agencies, head hunting, fresh graduates, only fresh graduates</i>	<i>internal, advertisement, word of mouth, referrals, recruitment agencies, head hunting, job portal, drop box</i>	Japan: hybrid  US: more localized
Demand for recruitment	from the respective departments with the defined requisition form	not clear, depends on work load and resignation	from the respective departments with the defined requisition from	Japan: unclear  US: either localized or transferred as the both have same features

Selection Criteria	experience, job knowledge, market image	experience, attitude	experience, competency, capability	Japan: hybrid US: more transferred
Interview Panel	head of department, HR, top management	head of department, managing director	head of department, HR, top management	Japan: localized US: more localized

3. Japanese companies in terms of training and development are more like Nepali traditional companies. They do not have structured and planned training programs and policies. However, US companies seem to be practicing well planned programs with structured training need identification tools and defined training budget. This finding could also be interpreted as an indication which shows the possibility of conducting a well designed training and development practices in Nepal as also mentioned in the literature that the workforce in Nepal are keen to learn new technologies and seeking opportunities for further education. The following table shows the overall major findings:

Table 9: Findings on Training & Development

	Nepali	Japanese	US	Finding
Method	on the job, off the job  more focused off the job	on the job, off the job  more focused off the job	on the job, off the job  both equally focused	Japan: localized  US: transferred
Training need analysis tool	supervisor's direct observation, need analysis form, performance appraisal	Not specific -the features are closer to the Nepali companies found in literature	structured training need identification form; conducted by head of department in consultation with HR	Japan: localized  US: transferred
Have defined training programs and schedule	no	no	Yes	Japan: localized  US: transferred

4. The US firms tend to follow the home practices for the performance appraisal tools. This could be because of the lack of fairness in Nepali way of performance appraisal system. In case of Japanese firms, they are using extra tools to make the appraisal system more fair and transparent. The outcome of performance appraisal could be said as more localized in case of Japanese companies since it is also used for giving feedback to employees. US companies could either be said as transferred or localized since both Nepali and US companies have the same features.

Table 10: Findings on Performance Appraisal

	Nepali	Japanese	US	Finding
Conducted by	head of department	head of department, peer review, headquarter evaluation	head of department, supervisor to subordinate, subordinate to supervisor, 360 degrees	Japan: localized with improvements  US: transferred
Outcome	pay increment, promotion, training, feedback to employees	pay increment, promotion, training, feedback to employees	pay increment, promotion, training, feedback to employees	Japan: more localized  US: either localized or transferred as the both have same features

5. Compensation is found to be the most varied practice among the Japanese companies. Nevertheless, they are trying to fit in the local context. The US companies

are influenced by their home practices emphasizing more on the individual competency for basic pay level. However, the increment decisions are more localized.

Table 11: Findings on Compensation

	Nepali	Japanese	US	Finding
Base for initial salary	company capacity, market rate	tending to imitate different Nepali institutions including private companies, embassies, government office	market rate and individual competency, skill	Japan: localized  US: transferred
Base for increment	Collective bargaining, performance appraisal	Collective bargaining, Performance appraisal, seniority	Collective bargaining, Performance appraisal	Japan: hybrid  US: more localized

- Maintaining the labor relations was found to be one the most difficult aspect to manage in Nepal. The features of trade unions in Nepal are different than those of Japanese and/or US.

Japanese companies found to be very cautious to trade unions, almost all of them do not want to have a trade union and using various tools such as developing intimacy and family feelings for preventing the formation of unions. This was found as a Japanese way to deal with Nepali problem. The US companies are also equally affected by this problem. They are dealing with this problem using the tools such as coaching and educating the labor force.

- Both joint venture companies were found more likely to be traditional Nepali companies. Both rarely found to have any Japanese or US influence. This finding further portrays that the joint ventures formed in the individual level in Nepal are least likely to be affected by the foreign practices.

## Other Findings

### Head Quarter Guidance

All Japanese companies get guidance from headquarter. This guidance is mostly work related. Around 30% of the companies are guided in all aspects of HR management; from recruitment and selection to performance evaluation.

50% of the US companies are guided by headquarter. 40% of them are strictly asked to maintain the standards. 75% of the companies said that the head quarter do not influence any HR decision.

This finding shows that the level of control in Japanese companies is higher in comparison to US companies.

### Easy Aspects in working with Japanese Companies

Nepali managers (interviewees) stated the following facts as the easy aspects while working with Japanese companies:

- Trust is the most important aspect which makes it easier to work with Japanese. One of the managers further mentioned that such trust is almost impossible to have with any Nepali or other foreign companies.
- Japanese people communicate frequently and with clear work schedules.
- They tend to share ideas and put effort on team building.

### Difficult Aspects in working with Japanese Companies

Surprisingly, many Nepali managers stated a lot of challenges which they find difficult while working with Japanese. The overall list is presented here.

- Japanese people do not understand the local scenario of Nepal and in most cases; they do not even want to understand it. Their intention is all about getting the job done. This proves very difficult to work in cooperation with them.
- Almost 60% interviewees find Japanese people to lack international mentality. Their 'Japan is ahead' perception and intention to impose inapplicable systems in Nepali context is too demotivating.
- More than 40% of companies said that the only vision for Japanese investment in Nepal is low labor cost. They do not have clear plans and visions for enlargements

of the company. It makes it difficult to convince the employees to stay in the company; many of them leave in 3-4 years.

- Although the frequent communication makes it easier to have clear work plans, lack of Japanese language creates a communication barrier. Furthermore, the knowledge of Japanese language is not enough; lack of knowledge on Japanese way of communication increases this barrier. Additionally, as Japanese people do not state directly, it takes time and patience to understand them. On the other hand, they need clarification in every single matter.
- 30 % of interviewees said that they do not get enough resources in time.

These findings show that Nepali managers and/or employees are dissatisfied in many aspects while working with Japanese companies.

#### Easy and Difficult Aspects in Working with US companies

In case of US companies, surprisingly, no Nepali managers mentioned any difficult aspect in working with them. Brand support was listed as the most advantageous part while clear policies, work plans and clear schedules were mentioned as the aspects which make the cooperation smooth. They further said that the companies are independent and do not actually need to deal with the head quarter directly.

These findings depict a completely different perspective of Nepali managers and/or employees towards Japanese and US companies.

#### What Motivates Nepali Employees?

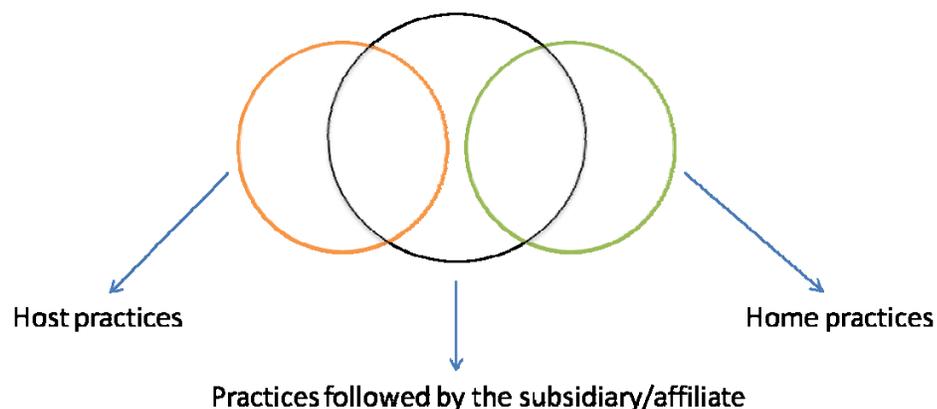
Participative management, open communication, training and development opportunities, good salary and extra benefits are the motivation tools mentioned by Nepali companies. Harmonious environment, personal touch and guidance to individual employees, training and working opportunity in Japan, team work are the motivational factors acknowledged by Japanese companies whereas US companies stated that it is ownership feelings, training and development and personal care which motivate Nepali employees.

## Implications

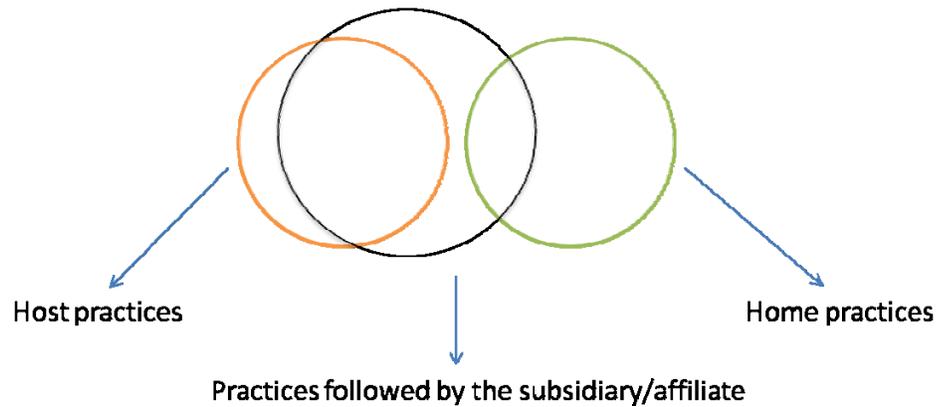
This research has both theoretical and practical implications. For what was seen in the literature, this is the first study of this type in Nepal. The findings have depicted a theoretical background on the complex combinations of different HR practices followed by foreign companies. Initially, the paper aimed to find out the transferred and localized practices through the study of individual HR practices. However, it was revealed that each individual HR practice is a complex set and thus difficult to state whether a particular individual HR practice is transferred or localized. Therefore, each individual HR practice should be partitioned in different groups to clearly see the transferred and/or localized portion. Thus, it would be better to see the portion/parts transferred/localized rather than an entire individual HR practice.

Additionally, this paper contributed in an extended definition of 'hybridization'. When a practice is formed with a combination of equal influences by host and home country features, the word 'hybridization' is rational to use. However if the practice has much more features of local context, it is better to use the word 'more localized' rather than using 'hybridization' because it shows the mixed-set has more local influences. Similarly, if the practice has much more features of home country, the word 'more transferred' is better be utilized, which shows the mixed-set has more home influences. This reduces the ambiguity of the definition of hybridization. This description is shown by the following figures:

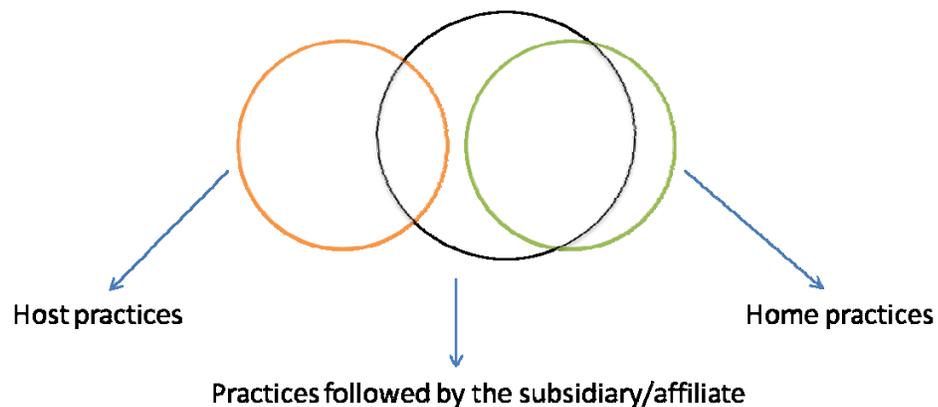
Hybridization



More Localized



More Transferred



This study also has practical implications to existing as well as future investors in Nepal. First, it gives an insight on individual HR practices in Nepali companies which help to understand the overall HRM in Nepali context. Second, it alerts the managers of the aspects to be taken into consideration while deciding on HRM matters. For example, successful dealing with the unions in Nepal is very imperative for the sustainability of the company. Educating the unions and the development of trust and intimacy between management and employees seem to be the better options. Third, it gives an insight on transferring and deciding on HR practices. To mention a few, employees in Nepal are eager to learning; a well designed training could make a big difference in the organizational performance. Better compensation and benefits could attract competent

workforce and a transparent appraisal system could be a source of motivation. Additionally, it also gives an insight to foreign individual investors on the HR practices of individual level joint ventures in Nepal.

## **Limitation and Future Studies**

The utilization of personal interviews as an information source depicts new information. However, the interviewee may be biased in disclosing true information as not to compromise with the company's interest and reputation.

Besides, this research did not focus on a single industry. As HR practices in different industry could be varied, the selection of companies from diverse industries might have affected the analysis and the conclusions. Also, the size of the Japanese companies was smaller whereas the Nepali and US companies was comparatively larger. The research could be better managed with the same size of companies.

Additionally, only one respondent from each company could lead to bias. Thus use of more respondents from the same company could improve the research reliability. It is also crucial to study the performance of the companies. It gives a clearer image whether it is effective to transfer certain practices in Nepal or opt for localization. Nonetheless, this research gives an important insight on HR practices to existing as well as prospective foreign investors in Nepal.

The FDI to Nepal is increasing and many more foreign companies are expected to start their business operation in the near future. Thus more information on HR practices is expected to be sought after. A quantitative research to statistically test the result of this research could be one of the future studies. An intensive research on companies from particular country and on particular industry could also give a clearer picture of HR practices. This type of research could provide more useful information to the specific groups. Additionally, to have a clearer image of HR practices of the individual level joint ventures, a study with more number of targets could be one of the future researches.

## Conclusion

The foreign firms in Nepal are using a complex set of HR practices. It is difficult to summarize in one context even under a microscope of each individual HR practices. The structure of HR department is localized while recruitment and selection seems to be a mix of transferred and local practices. Training and development is transferred by US companies whilst Japanese companies are more localized. Performance evaluation tools are localized in Japanese companies but with consideration to make it fair and transparent unlike Nepali companies. US companies have transferred their performance evaluation tools. Performance outcome in Japanese companies are more localized while US and Nepali companies have the same features and thus can either be said to be transferred or localized by US companies. The base for determining compensation is different in each Japanese companies nevertheless they all are tending to fit with certain local practices. US companies on the other hand tend to transfer their home practice such as skill and competency based pay level. Maintaining the labor relation and dealing with trade unions are found to be the most complicated problem faced by all companies. Japanese companies are using intimacy development as a tool to cope with this problem while US companies are trying to educate the labor force. Additionally, Nepali managers seem to be satisfied in working with US companies than with Japanese. Lack of understanding the local scenario and imposing the rigid rules are the two main drawbacks found that makes the cooperation difficult with Japanese companies.

The above description shows that the foreign companies in Nepal are creating complicated but unique sets of HR practices. It could be said that they are still trying to make a better set of HR practice as the HRM foundation in Nepal is yet to be clearly established and thus the situation could also be defined as flexible and modifiable.

Finally, it is concluded that the HR practices in least developed countries like Nepal do not resemble the dominance effect as was suggested by Pudelko and Harzing (2007) since the Japanese companies in Nepal is not following the US way of management. The situation is also not exactly the same whether the headquarter wants or can transfer the practices as explained by Beechler and Yang (1994). And, it is neither convergence and divergence (Gooderham et al 2004) nor cross-convergence as was explained by Lertxundi and Landeta (2012). Rather, the MNCs tend to make a better set of practices by

replacing or filling out the unclear and ineffective portions or parts of each individual HR practice. For example, the case of *performance appraisal*; the Nepali appraisal tools had deficiency in fairness and transparency. So the foreign companies either replaced this part by transferring their home practice or used extra tools to overcome it. However, the outcome of the performance appraisal is localized as it did not have any deficiencies. Similarly, in case of training and development, the US companies transferred their practices as the Nepali way of providing training was ineffective. Therefore, for what was seen in the literature regarding the theories of MNC's HR practices in its subsidiaries; it is difficult to present the case of least developed countries like Nepal just being based on the same theories. To outline the overall conclusion, MNCs in least developed countries tend to put their effort in forming a better set rather than emphasizing on transferring or considering too much on localization; a set that works better is often sought after.

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## Appendixes

## Appendix: 1

### Overview of Interview Script

#### Part 1: Background Information on the Targets and the Interviewees

##### I. Company Background

1. Name
2. Year of Establishment
3. Foreign Equity
4. Sector
5. Number of Employees
6. Male
7. Female

##### II. Personal Information

1. Position in the company
2. Education

#### Part 2: HRM Information

##### I. Human Resource Department (HRD)

1. Do you have HRD in your company?  
Number of employees in HRD  
Male:  
Female:
2. What is the gender of HRD head?
3. Do you have HR policy? Is that in written or unwritten form?
4. From where or by whom the HR policy is to be approved?
5. Whom the HRD reports to?
6. What are the areas of responsibility of HRD?

##### II. Recruitment and Selection

1. What are the recruitment sources?
2. From where/whom the demand for recruitment comes?
3. What core values you seek in candidate while selecting?
4. Do you have defined selection procedure?
5. Who all are involved in interview panel?

### III. Human Resource Development

1. What types of training do you offer?
2. Do you have training budget? What is the percentage of training budget?
3. How do you access training needs?
4. Who decides who receives what training?
5. Do you offer any language training?

### IV. Performance Appraisal (PA)

1. Do you have any PA system?
2. How many times a year is conducted?
3. Who conducts?
4. What is the outcome of PA?

### V. Compensation and Benefits

1. What determines basic salary?
2. What determines increment?

### VI. Unions

1. Do you have unions? How many?
2. Do you prefer or not prefer to have it? What is the reason?
3. How often do you face union problems?
4. How do you solve it?

### VII. Other Questions

(Added after the first interview with an objective to discover more about the practices as well as the image of foreign companies in Nepal)

1. What types of guidance you get from headquarter?
2. Do you feel any influence in HR from headquarter?
3. What are the easy aspects in working with Japanese/US companies?
4. What are the difficult aspects in working with Japanese/US companies?
5. \*What strategy are you using to motivate employees? (\*This question was added after the fourth interview as the union was noticed to be the biggest issue; representing the dissatisfaction of the employees.)

## Appendix: 2

Number of Industries Approved for Foreign Investment by Fiscal Year  
(Up to F.Y> 2067/68)

Rs. mln)

Fiscal Year	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	Total No. of Employment
UPTO ASHAD 2046	58	5102.80	4271.60	449.56	10586
2046/47	30	2438.19	2139.60	398.51	9515
2047/48	23	863.56	690.74	406.28	2974
2048/49	38	3508.17	2902.10	597.84	5615
2049/50	64	17886.22	16210.81	3083.67	13873
2050/51	38	3733.23	3175.66	1378.76	4734
2051/52	19	1627.28	1247.85	477.59	2386
2052/53	47	10047.47	9398.54	2219.86	8032
2053/54	77	8559.25	6692.15	2395.54	9347
2054/55	77	5569.38	5142.32	2000.28	4336
2055/56	50	5324.42	4380.17	1666.42	2146
2056/57	71	2669.09	1910.24	1417.61	4703
2057/58	96	7917.62	6122.49	3102.56	6880
2058/59	77	3318.53	1559.59	1209.65	3731
2059/60	74	4921.82	3608.25	1793.77	3572
2060/61	78	4323.74	3775.86	2764.80	2144
2061/62	63	1796.10	1149.49	1635.77	5559
2062/63	116	4121.08	3296.95	2606.31	7358
2063/64	188	3425.57	2650.56	3226.79	7389
2064/65	212	20403.88	16896.27	9811.00	10677
2065/66	231	9417.89	7530.02	6255.09	11108
2066/67	171	15853.78	14987.98	9100.00	7848
2067/68	209	11250.19	9375.46	10050.71	10887
<b>TOTAL</b>	<b>2108</b>	<b>152181.75</b>	<b>129116.39</b>	<b>68049.97</b>	<b>155432</b>

Source: Ministry of Industry, Government of Nepal

“The year shown is in Bikram Shambat. It is a lunar calendar based on ancient Hindu tradition. It is 57 years ahead of the solar Gregorian calendar.”

### Appendix: 3

#### Number of Industries Approved for Foreign Investment by Category

(Up to F.Y. 2067/68)

(Rs. mln)

Category	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	Total No. of Employment
Agriculture	60	1674.42	1095.61	893.29	3497
Construction	42	3605.34	2683.10	2762.81	3016
Energy Based	47	40759.24	40381.02	14518.77	7947
Manufacturing	712	54611.18	40355.50	25595.87	78409
Mineral	36	5162.62	4223.60	2904.24	5574
Service	650	25955.40	21220.18	12974.65	32127
Tourism	561	20413.55	19157.38	8400.34	24862
<b>Total</b>	<b>2108</b>	<b>152181.75</b>	<b>129116.39</b>	<b>68049.97</b>	<b>155432</b>

Source: Ministry of Industry, Government of Nepal

#### Appendix: 4

Number of Industries Approved for Foreign Investment by Country of Origin  
(Up to F.Y. 2067/68)

(Rs. mln)

S.N.	Country of Origin	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	Total No of Employment
1	Australia	34	463.91	400.11	395.22	974
2	Austria	15	205.56	158.46	81.36	561
3	Azerbaijan	2	9.90	8.60	9.90	50
4	Bangladesh	26	520.15	263.10	264.66	4166
5	Belgium	11	53.77	38.10	41.84	335
6	Bermuda	6	1995.25	1694.03	118.27	1474
7	Bhutan	3	27.26	20.58	3.61	98
8	Brazil	5	541.07	513.20	520.83	524
9	Bri.Virg.Is	3	2739.78	2636.19	961.43	1018
10	Canada	25	5081.87	4892.78	2166.54	1926
11	China	401	13547.54	10899.31	7036.17	23325
12	Colombia	1	2.40	1.50	2.40	7
13	Congo	1	2.50	2.10	2.50	28
14	Croatia	1	2.50	2.10	2.50	15
15	Cyprus	1	1000.00	974.00	304.00	235
16	Czech Repbul	1	3.50	2.50	3.50	12
17	Denmark	20	760.69	666.56	193.36	930
18	Dutch	1	18.90	13.90	18.90	80
19	Ecuador	1	2.50	1.30	2.50	45
20	Egypt	2	20.00	14.50	12.00	98
21	Finland	5	25.00	19.76	14.55	149
22	France	49	596.85	497.77	309.85	2036
23	Germany	79	2364.31	2124.64	926.72	3848
24	Ghana	1	6.50	6.18	1.95	0
25	Guatemala	1	10.00	5.00	2.50	84
26	Holand	1	7.00	0.00	1.79	0
27	Hong Kong	19	1861.54	1438.34	740.84	2616
28	Hungeri	1	10.00	8.90	5.00	29
29	India	501	62725.01	51118.64	32390.31	56407
30	Iran	7	24.20	15.35	19.70	132
31	Ireland	6	723.90	680.60	340.97	320
32	Israel	12	681.20	566.64	139.25	405
33	Italy	19	1423.69	1300.45	264.63	516
34	Japan	154	3195.03	2713.48	1171.24	6683
35	Kazakistan	3	15.40	13.03	15.40	67
36	Kyrgyzstan	4	36.50	32.05	22.50	175

S.N.	Country of Origin	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	Total No of Employment
37	Lebnon	2	7.00	5.50	7.00	49
38	Libiya	1	5.00	2.80	5.00	80
39	Malaysia	13	691.24	645.22	245.18	444
40	Mauritius	5	2980.00	2909.87	2845.00	892
41	Mexico	2	17.93	16.35	15.33	35
42	N. Korea	3	64.82	58.80	32.55	147
43	Netherlands	34	1309.42	1076.07	588.89	3046
44	New Zealand	9	296.63	239.71	30.07	2069
45	Norway	12	8116.59	6766.80	1135.83	726
46	Pakistan	15	2169.45	1883.77	149.73	2403
47	Panama	1	83.28	65.17	24.98	121
48	Philippines	11	1181.12	1009.68	97.28	1633
49	Poland	7	138.22	128.55	55.39	194
50	Portugal	1	2.50	2.00	2.50	23
51	Russia	18	254.80	189.19	125.78	793
52	S. Africa	5	47.30	37.84	47.30	137
53	S. Korea	149	8343.56	7840.81	4320.89	6232
54	Singapore	23	2916.32	2788.34	1505.39	1965
55	Slovenia	1	4.19	3.94	4.19	0
56	Spain	13	154.02	103.04	107.23	365
57	Sri Lanka	4	89.15	65.10	47.41	99
58	Sweden	8	30.40	23.26	27.60	223
59	Switzerland	31	734.48	665.05	331.25	628
60	Syria	1	2.50	2.10	2.50	17
61	Taiwan	9	414.75	360.43	174.62	596
62	Tchad	1	2.50	1.86	2.50	18
63	Thailand	11	1032.37	884.79	116.29	1159
64	Turkey	9	48.20	38.32	60.70	225
65	UAE	5	1635.74	733.74	886.31	721
66	UK	103	4684.35	4150.54	1539.71	8578
67	Ukraine	2	91.70	83.25	16.40	52
68	USA	174	13892.46	12560.48	4955.90	12287
69	Uzbekistan	1	10.00	7.50	10.00	52
70	Vietnam	2	24.60	22.80	24.60	55
	<b>Total</b>	<b>2108</b>	<b>152181.75</b>	<b>129116.39</b>	<b>68049.97</b>	<b>155432</b>

Source: Ministry of Industry, Government of  
Nepal