Transfer of Hr Practices across Different Cultures

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ABSTRACT

The aim of this research work is to find out about the transfer of human resource management policies and practices through the identification of human resource management role in global organisations and impact of culture. An understanding is necessary about changes and developments in the field of human resource management before going towards International human resource management and human resource practices.

The research addresses the role of human resources and its management in organisations on domestic and international level. An increase in the level of competition in the global business environment has forced companies to gain competitive advantage through mergers and acquisitions and by locating subsidiaries in less developed areas for cost effectiveness. This has increased the significance of human resource management in international organisations and multinational companies have recognised the importance of international human resource management. The globalisation of human resource management has shown that the multinational companies face difficulties to transfer HR policies and practices from parent company to their subsidiaries in the host country. Multinationals use different approaches to transfer their HR policies and practices depending upon the local environment. MNC usually face difficulties to transfer HR policies and practices from parent company to the subsidiary due to values of local people and cultural differences and mostly regulates their HR policies and practices to the local ones. The analysis shows that most of the multinational companies are using combination of HR practices created by local influences and parent company practices.

The human factor is important in the management of other resources efficiently and effectively and to achieve organisational objectives successfully. The values of people, characteristics of the home and host country, age, ownership and size of the subsidiary are main factors to be considered in the transfer of HR policies and practices from parent company to the subsidiary.

This study largely supports the effect of national culture on the transfer of HR policies and practices and the best method to be used to deal with differentiation in the transfer of HR policies and practices would be through divergence.


INTRODUCTION

In today’s changing organizational structures and boundaries it’s become important to discuss the new dimension of human resource management and the transfer of HR practices across different cultures. Human resource management is part of the management related to people and their relationship with each other at workplace in an enterprise and to enable them to contribute individually and in form of group in the success of organisation (Wright, 1997). Human resource management is a distinctive approach to employment management, which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques. (Storey, 1995, p. 5)

Different arguments presented in support of human resource management show its importance towards business strategy. The workers involvement in the planning process effects organisational performance (Appelbaum and Batt, 1994; Blyton and Tumbull, 1992; Guest, 1987; Wilkinson, 2003). HRM has to look at proactive instead of reactive methods towards quality, effectiveness and improvement in overall operations of the organisation by shifting certain level of authority and responsibility to the lower level staff (Hollway, 1991).

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According to the definition of Scullion (1995) about international human resource management ‘the human resource management issues and problems arising from internationalisation of business, and the human resource management strategies, policies and practices which firm pursue in response to the internationalisation of business’. Stroh and Caligiuri (1998) suggest that the field of international human resource management is an important research area and its importance would be developed more in the future.

Novicevic and Harvey demonstrate that “As globalisation significantly changes, not only the operating boundaries but also the symbolic context of the global organisation” (Novicevic & Harvey, 2001, p.1251). This argument clearly shows that the comparison of corporate human resource management with the past is different as it is more important for global organisations in the present competitive environment.

Harris, et al. (2004) outlines that International human resource management as the management of human resources across different nations by multinational enterprises. Companies are now-a-days looking towards international coordination for cost effective competition in the international market. Due to forces of globalisation in the world economy like liberalisation of international trade, increase in the international integration of production, research and marketing by multinational companies and the regional integration in all economic regions have forced companies to invest and compete internationally for competitive advantage (Ferner and Quintanilla, 1998; Huang 1998).

Due to globalisation the importance of expatriates has been increased for global competition. Expatriates determine the success/ failure of an international business by the management of human resources globally (Tung, 1984). The successful implementation of international business strategies depends upon experienced international management and the lack of international management is a big problem for multinationals (Alder and Bartholomew 1992, Scullion, 1992). Multinationals can easily transfer HRM policies and practices to those host countries where work forces are unskilled, having less job opportunities and low rate of education. In such situation the multinational face no or less intervention from local work force to implement parent company policies and practices.

The main question in the area of international human resource management is the extent to which the subsidiaries adopt local practices and those resemble with their parent company (Rosenzweig and Nohria, 1994; Jain et al., 1998).

This study will give an insight view of different aspects related with the field of human resource management focus on different human resource practices, International human resource management and the impact of culture on performance of organisation and transfer of HR practices.

**Significance of International Human Resource Management (IHRM)**

The large firms are extending their business throughout the world to compete globally. Multinational corporations are making investments in foreign countries through merger and acquisition with an annual rate of 95 percent for the last thirty years (Begin, 1997). A multinational company generate about 25% of its sales from foreign sources. Due to change in global trends and competition, the international manager need to know about the factors that affect the business like political situation, technology, regulatory environment, competitive advantage and cultural norms. An international manager needs to develop appropriate strategies (Deresky, 2000).

Harris, et al. (2004) has pointed out the trend towards foreign direct investment: The Economist Intelligence Unit has predicted foreign direct investment (FDI) flow for 60 countries for the year 2001 to 2005 (Trend International, 2001) using econometric and competitiveness data. Despite the recent slump, overall investment will go up from $6,500 billion in 2000 to $10,000 billion by 2005. The USA will receive 26.6 percent of global investment in this period, followed by UK (9.3 percent), Germany (7.8 percent) and China (6.5 percent) (Harris, et al., 2004, p. 3).

According to Economist (2000) multinationals corporations turn out to be central part of the world economy. The report shows that 80 per cent of the world industrial productivity is generated by 1,000 major companies. The report has also pointed out the importance of international business and multinational enterprises by comparison of annual sale of ten major multinationals larger than tax revenues of Australia. Engardio, et al. (2003) indicates that US will shift about 3.3 million white-collar jobs and $136 billion wages by 2015 to low cost countries. Human resource management is an important factor for the success of multinational enterprises in global context (Harris, et al., 2004).

Scullion (1995) has suggested three choices for a company to manage human resource policies and practices, by employing host country nationals (HCNs), parent country nationals (PCNs) or third country nationals (TCNs). The company has a choice to use any of the three approaches, ethnocentric by employing nationals of the home country; polycentric to employ host country nationals (Heenan and Perlmutter, 1979) and geocentric approach to recruit and select management from third country (third country nationals) (Redman & Wilkinson, 2006).
According to Tayeb (1998) multinational companies usually not consider single strategic approach for the transfer of human resource policies and practices and different approaches are concerned to transfer these policies and practices to their subsidiaries according to the host country conditions.

Beechler and Yang (1994) present their arguments about the transfer of human resource policies and practices by multinationals to their subsidiaries. They have identified three factors that mainly affect the process of human resource transferability. The first aspect to be considered is the home country regarding its culture and influence on the company, secondly host country in respect of its culture, market situation and industrial relations and thirdly the position of subsidiary and dependency of parent company on subsidiary to fulfil its requirements. Milliman, et al. (1991) suggests that human resource practices should be adopted in such a way to fit the internal and external environment of the organisation and cope with the changing business environment.

Objectives of Study
The main objectives are:
- To identify the role of human resource management in the success of an organisation
- To what extent MNCs and their management are truly international, with a focus on different factors of IHRM
- To investigate the level to which MNCs can transfer HR policies and practices from parent company to their subsidiaries in the host country
- To examine culture in national and global context and explore its effect on HR management in different cultural dimension

REVIEW OF LITERATURE

According to Boxall and Purcell HRM includes everything and anything related to the management of employment relationships in the organization. We do not associate HRM only as a high-commitment model of labour management or with any particular ideology or style of management (Boxall and Purcell, 2000, p. 184). Human resource management is the most familiar topic that has been the focus of research on management side over the last twenty years (Sparrow &Budhwar, 2002). Storey (1987) has pointed out two dimensions 'hard' and 'soft’. The hard dimension of human resource management is about the usage of something in terms of quantity while soft manner emphasise towards motivation and leadership.

The Chartered Institute of Personnel Development (CIPD) 2004 mission statement says that ‘People management professionals need to continue to demonstrate and deliver the links between people management and organisational success. We need to work with our colleagues on the board, our fellow managers and our staff colleagues at every level to boost performance by people’. This view demonstrates about the management of people and how to work with and through people for future success (Foot & Hook, 2005, p.14).

The main point of strategic human resource management is the concept of ‘flexibility’ and ‘fit’. The idea of flexibility gives organisation an opportunity to cope with the environmental changes and opportunities (Snell, et al., 1996) while Capelli and Singh (1992) view fit as the HR policies and practices, which suit the organisation business strategy (Konzelmann, et al.,2006).

To compete globally the large firms are extending their operation all over the world. Through mergers and acquisitions the multinational corporations (MNC) are making investments in foreign countries with an annual rate of 95 percent for the last thirty years (Begin, 1997). A multinational company generate about 25% of its sales from foreign sources. Due to change in global trends and competition, the international manager need to know about the factors that affect the business like political situation, technology, regulatory environment, competitive advantage and cultural norms. An international manager needs to develop appropriate strategies (Deresky, 2000).

Transfer of HR Policies and Practices across Cultures

There are three choices for a company to manage their human resource policies and practices; 1) by employing host country nationals (HCNs), 2) by employing parent country nationals (PCNs) or 3) by employing third country nationals (TCNs)(Scullion,1995). The company has a choice to use any of the three approaches, ethnocentric by employing nationals of the home country; polycentric to employ host country nationals (Heenan&Perlmutter, 1979) and geocentric approach to recruit and select management from third country nationals (Redman & Wilkinson, 2006).

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**International Human resource Management (IHRM)**

The research done by different intellectuals has shown that international human resource management (IHRM) is important for global market or business achievement and successful IHRM makes difference between the success/failures of MNCs (Schuler, et al., 2002). Harris, et al. (2003) says that IHRM is the management of human resources across different nations, which is different and complex from local/national HRM.

According to Chen and Lin (2003) the human capital can be defined from three angles with the help of three theories the transaction cost economy theory, the human capital theory and resource based view of the firm theory. The study shows that international human capital enables firm to compete globally (Ling & Jaw, 2006). Scullion and Linehan (2005) have investigated the ‘strategic and operational’ part of international human resource management in respect to the changing strategies of international business firms. They have shown the difference between human resource management and international human resource management in the domestic sphere with the help of different definitions.

The international human resource management involves the same activities as the domestic human resource management has including human resource planning, staffing, recruitment, development and rewards etc., (Morgan, 1986) but Dowling, et al. (1999) argue that domestic human resource management usually engage with employees ‘within one national boundary’ (Scullion and Linehan, 2005).

This global model of HR presented by Harris, et al. (2003) shows five organisational drivers for international human resource management, efficiency orientation, global service provision, information exchange, core business processes and localisation of decision-making. These aspects of HR put pressure on HR specialists and in this regard multinational companies develop enablers of high-performance like HR affordability, central HR philosophy based on global theme and HR excellence through knowledge transferability. To enable these competencies and deliver them effectively different HR processes are required like talent management, global leadership to manage international workforce and to know about the contribution of human resources. The research work shows that there is a need for global HR functions (IHRM) to give global capability to the organisation (Harris, et al., 2003).

**Mergers and Acquisitions**

Cross-border mergers and acquisition is one of the major ways in which firms have acknowledged themselves worldwide (Edwards & Rees, 2006). The UN (2004) report cited by Edwards and Rees (2006) has shown the increase in cross border mergers and acquisition from $150 billion in 1990 to $1,080 billion in 2000 and the fall between 2000 to 2003 is still three times high than ten years earlier. Mergers and acquisition fails due to ignorance of international human resource management and intention towards local one Stahl et al. (2004). Edwards and Rees (2006) suggest that mergers and acquisitions across borders are of particular concern for those having interest in international human resource management. Different issues of HR come up with the process of merger like management of employees, communication, pay and benefit policies and employment cost for reformation.

**Expatriates**

According to Bartlett and Ghoshal (1995) expatriates plays an important role in the transfer of knowledge across transnational organisations. Schuler (2000) says that companies are giving importance to the management of human resources in global perspective and success of a company is not possible without effective management of their employees. Over the last 20 years research conducted for IHRM was mainly focused on expatriates, who are sent to different parts of the world as ‘corporate missionary’ to improve the management and company (Schneider and Tung, 2001). The staffing policy of international organisation. ‘Having the right people in the right place at the right time emerges as a key towards company international growth’ (Duerr, 1986, p.43). The employment of overseas operations is also important for multinationals as they may face difficulties in the management of global players to combine the understanding of domestic market situation with local and organisational competency (Pucik, 1984).

Most of MNC are facing high cost by expatriates, as the compensation rate for expatriates is two to three times more than domestic professionals (Black &Gregersen, 1999). Despite these problems multinationals still relay on expatriate professionals as their strategic partners having responsibility in the foreign subsidiaries of the MNE’s (Martinko& Douglas, 1999). Globalisation has shown its impact on the global management, trade and industry and
the internationalisation of business has made changes to the world economy but we cannot ignore the importance of national system (Edwards & Rees, 2006).

Transfer of HR Policies and Practices

In a global context the transfer of knowledge and HR function is a part of multinational companies. Mostly the transfer of management and technology with capital and production took place across different nations. Multinational companies usually use four types of strategies for the transfer of HR policies and practices:

a) Ethnocentric strategy which focuses on the use and implementation of the same human resource practices and policies in host country as employ in parent company.

b) Polycentric strategy is used to employ local people on the managerial positions and the implementation of host country practices in the subsidiary.

c) Regiocentric approach separates the operations of the company and transfer of the staff over different geographical areas.

d) Geocentric approach is used to employ staff regardless of their nationality but suitable for key jobs in the company.

Transfer of HR Policies and Practices by MNCs to their Subsidiaries

Turner, et al. (1997) research based on multinationals companies and domestic firms in Ireland shows that the industrial relations and HRM practices of foreign MNCs and native firms are similar. But the recent work done by Geary and Roche (2001) criticise Turner, et al.’s observations and their result shows that multinationals mainly U.S owned are different in human resource management practices from local firms (Irish). The human resource practices of MNCs have played its role in Ireland as a medium and pattern of change for local firms (Geary and Roche, 2001).

RESEARCH METHODOLOGY

In initial the method that has been selected for this research was primary data collection method but due to lack of coordination and response the secondary method has been adopted. Stewart and Kamins (1993) argue that if researcher use secondary data it will give him advantage on those using primary data for their research. The secondary data already exists and can be easily evaluated before use. Collins (1994) points out, that the conclusion drawn from research work will be presented in such a way that convinces the research community (Remenyi, et al., 1998).

Findings


The globalisation and new market development of business have increased the importance of human resource management in the global business environment and to achieve performance for competitive advantage (Taylor, et al., 2006; Tarique, et al., 2006). Harris, et al. (2003) mention that organisations need a global HR functions to compete globally. According to the view of Schuler, et al. (2002) the success of international business depends upon the successful management of their human resources.

The transfer of knowledge in international management is linked to expatriates and merger and acquisition of the organization (Sparrow 2002). In view of Bartlett and Ghoshal (1995) management of knowledge is important in IHRM while the latter one says that the role of expatriate is significant in the transfer of knowledge across transnational companies. Stahl, et al. (2004) argues that failures in mergers and acquisitions are due to the lack of knowledge on IHRM and tendency towards domestic human resource management.

Budhawar and Sparrow (2002) suggest that global companies should get proper information to build up their human resource policies and practices. Carson, et al. (2000) has found the divergence among the views of different researchers and reality for adaptation and rejection of HR practices. Subramony (2006) has supported his view identifying different factors due to which company adopts/ reject certain human resource practices.

So, the above discussion gives us the idea that culture understanding is essential for organisation to develop their business and human resource management effectively. The transfer of HR policies and practices shows the effect of host country culture in acceptance/rejection of the parent company practices to the local ones. This shows that the individual/ organisation that fit/ successful in one set up (environment) may not fit another.
Conclusion

The role of human resource management is just like back bone in the organisation towards the management of all resources through humans in an efficient and effective way to achieve organisational goals. The business strategy of the organisation is linked with the strategic position and management of human resources and human factor is important for successful management of other resources. The role of human resource management is same almost in all the organisations but the main difference is found in the human resource practices of the establishment due to local environment.

The opening of new markets and the globalisation of business have given new direction to management of human resources to get competitive advantage in the borderless world of business. The management of human resources at national and international level is almost the same but the second one is more complex due to exercise of different policies and practices across different countries.

The internationalisation of business and a shift towards global era in the business environment has given importance to the management of human resources internationally. The merger and acquisitions take place by firms for global competition and to get access to low cost markets (developing countries) has increased the importance of international human resource management.

Local people are important to be considered in the host country, as their values and attitude towards organisational culture would directly affect the transfer and implementation of HR policies and practices. The importance of culture has been identified with the origin of international human resource management. National culture cannot be ignored while planning about the host country (subsidiary), nationals (employees) and human resource management.

The study conducted and research done shows that human resource management is linked with the performance of the organisation and welfare of the employees. The best technique that could be use to cope with differentiation in the transfer of human resource policies and practices would be through divergence.

Recommendations

- With the introduction of new market and competitive environment for multinational companies there is a need of HRM study across different countries.
- The management and policy makers are required to have familiar with the management of human resources and determinants of HR policies and practices across different regions and cultures (worldwide).
- Maximum of the work on culture has been done by researchers from developed countries and, ignored other parts of the world. So, it is important that they should consider the culture of rest of the world. It would be beneficial for the management of the global companies looking towards less developed locations.
- Researchers have presented different theories about values and cultural differences between individuals and groups. But they have pointed out few aspects of culture and need is felt for a broad study to come across full range of significant cultural aspects.

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