

AN ANALYTICAL VIEW OF THE TRANSFER OF HRM PRACTICES IN MULTINATIONAL COMPANIES

JANA COCULOVÁ

Abstract: The paper aims to provide a view on the issue of transfer of human resource management (HRM) practices in multinational companies (MNCs) through the review of the literature and by using the empirical data collected by the survey in Slovakia. By analysing of literature sources can be stated that the authors are not united in their opinion whether it is necessary to transfer of HRM practices from the parent company to subsidiary and to what extent these practices should be adapted to local conditions. Based on a survey conducted from March - April 2013, we tried to give a view on the ways of HRM in MNC subsidiaries operated in Slovakia through analysing of certain issues in the field of HRM and comparing with local conditions.

Keywords: human resource management (HRM), multinational companies (MNCs), human resource management (HRM) practices.

JEL Classification: F23, M12, O15

1. INTRODUCTION

Globalization has created new conditions for the operation of companies associated with the ability to enter into new markets beyond the national borders. The important condition for the acquisition of the international competitive advantage is that companies entering into new markets integrate local business differences and effectively transfer knowledge and technology across to other countries [6]. However it should be noted that due to cultural and institutional differences is not always possible to transfer human resource management (HRM) practices in other countries since the way of implementation of HRM practices is strongly influenced by the characteristics of the culture in which the organization operates [4].

Purpose

The paper aims to provide a view on the issue of transfer of HRM practices in multinational companies (MNCs) through the review of the literature and by using the empirical data collected by the survey in Slovakia.

2. A REVIEW OF THE LITERATURE ON TRANSFER OF HRM PRACTICES IN MNCs

In relatively recent times research carried out has begun to indicate that organizations in different countries are different also in their policies and practices of HRM [4]. It has been noted that the transfer of personnel policies and practices to different countries can be quite difficult [10]. The main obstacles are associated with the host country culture and its institutional environment.

If a multinational company operates in the global economy, the role of HRM lies in an international support of primary business activities. The need for coordination of business activities presents a problem for any multinational company. In order to establish, maintain and develop the corporate identity, MNCs must strive for unity in the ways of human resource management. However it is necessary to adapt these methods to the specific cultural needs of different companies. While the global nature of the business

requires a greater consistency, diversity of cultural backgrounds could call for differentiation [1].

In relation to the existence of MNCs is more often said about the international human resource management. Laurent (1986) states that the international HRM concept requires the following steps [1]:

1. An Explicit recognition of the parent company that their own specific ways of HRM reflect some assumptions and values of its home culture.
2. An Explicit recognition of the parent company that their specific practices are not universally better or worse than others but they are different and it is likely to exhibit strengths and weaknesses, especially abroad.
3. An Explicit recognition of the parent company that their subsidiaries may have different preferred ways of managing people that are not universally better or worse but could be more effective in a local environment.
4. A Willingness of headquarters to acknowledge cultural differences.
5. The building a genuine belief among all parties involved that creative and effective ways of managing people can be developed as a result of cross-cultural learning.

MNCs are often trying to find a balance between the need to standardize its own HRM practices beyond national borders and to adapt them to local practices and customs. A prerequisite for the successful transfer of personnel practices is to know the factors that affect the transfer of practices from the parent company to subsidiaries.

There are three variables that affect the transfer of HRM practices in MNCs. The author correlates transfer of HRM practices with knowledge transfer. These are the following factors [9]:

1. The ability and willingness of the recipient to receive - to absorb knowledge.

The low absorption capacity of employees, their inability to accept new knowledge, to recognize the importance

of new information, to use them for commercial purposes present one of the most frequently cited barriers to the transfer. Subsidiaries vary in their absorption capacity and it has a major impact on the level of internal knowledge transfer [7] and thus can be expected also the affect the transfer of personnel practices.

2. The environment in which knowledge is shared, implemented and used.

Transfer is possible only if there is provided a close relationship between the sender and the receiver [7]. Parent companies with highly skilled and motivated workforce are not successful in the knowledge transfer, while subsidiaries are not successful in building of infrastructure, education and the support of educational environment.

3. The complementarity of transferred HRM practices.

Another very important factor influencing the transfer is whether HRM practices are transferred as a coherent system of mutually supportive practices or these practices are transferred separately.

The important entity which operates in the transfer of HRM practices is the expatriate. Companies are often faced with poorly prepared and qualified staff unable to conduct foreign operations effectively. Therefore, MNCs are forced to send their employees from headquarters to subsidiaries. So the expatriates present some means of transfer of knowledge and practices of MNCs [11].

When the expatriate goes abroad, he has to adapt to the new situation and he has to adapt the implementation of personnel practices to the conditions of subsidiaries [8]. The inability to adapt is the cause of frequent problems and failures. HR manager should consult and intensive communicate with the local representatives of local companies about the home culture, employee aspects, customs and traditions in order to the successful adaption of the expatriate [2]. Due to the potential differences which workers from parent company in subsidiaries meet, it is necessary to pay due attention to the expatriates. Companies that decide to operate internationally and to implement international HRM, they must take into account all the factors affecting the operation of expatriates. According research of Mercer, conducted in 200 MNCs, 44% of companies increased the number of expatriates in the last two years, but only 56% of these companies have any strategy to achieve the success of expatriates [11].

Managing of various HRM practices in companies at the international level can be very challenging since many problems can occur if the mutual integration is insufficient. While globalization has led to the standardization of certain elements in the management systems of MNCs, including HRM systems, the impact of national culture puts pressure on the divergence. The way to approach this process can be very problematic. While there are many different procedures, personnel managers should first know the culture, laws and rules existing in the country. Although the parent company has highly developed HRM practices, it is wrong to assume that the transfer of these practices to the another country is resource undemanding due to the specific conditions in the host country [3].

3. METHODOLOGY

In order to analyze the issue of transfer of HRM practices in MNCs in Slovakia, the survey was conducted. The aim of the survey was to obtain information about the performing of HRM practices in MNC subsidiaries operating in Slovakia. Data collection process took place over a two-month period, between March and April 2013. The research sample consisted of HR managers of MNC subsidiaries located in Slovakia. The method for collecting data was used a questionnaire which was distributed personally or by electronic post. In total, 65 companies were addressed and 18 of them participated in the survey. The sample consisted of subsidiaries of various parent companies, whereas the composition of the research sample is as follows:

- 4 subsidiaries of German parent companies,
- 2 subsidiaries of Austrian parent companies,
- 2 subsidiaries of Czech parent companies,
- 2 subsidiaries of US companies,
- 1 subsidiary of French parent company,
- 1 subsidiary of Croatian parent company,
- 1 subsidiary of Dutch company,
- 1 subsidiary of Spanish parent company,
- 1 subsidiary of Polish parent company,
- 1 subsidiary of Swiss parent company,
- 1 subsidiary of the parent company from the UK,
- 1 subsidiary of Belgian parent company.

4. FINDINGS AND DISCUSSION

Using of expatriates in MNC subsidiaries

The expatriates play the key role in the transfer of knowledge and practices. We examined whether in the MNC subsidiaries have been sometimes employed the workers from the parent company. The results are shown in the figure 1.

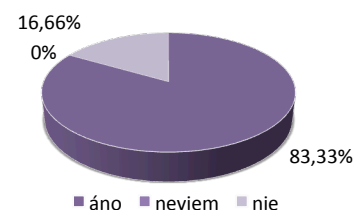


Figure 1 Employing of the expatriates in MNC subsidiaries

Source: own research

Based on the answers of the respondents, we can see that a large number of the MNCs (15) have used of expatriates in their subsidiaries. Only 3 respondents stated that in their subsidiaries haven't been operating the workers of the parent companies. They are the subsidiaries of the MNCs from Germany, Croatia and the Czech republic.

In another three items we wanted to find out whether there are differences in the HRM between subsidiaries and the parent company, and the extent to which the transfer of HRM practises has been implemented from the parent company to the subsidiary.

The perception of differences in the performing of HRM practices in MNC subsidiaries compared with the local companies.

We were interested whether there are perceived any differences in the performing of HR activities in the MNC

subsidiary in a comparison with local companies. The results are shown in the figure 2.

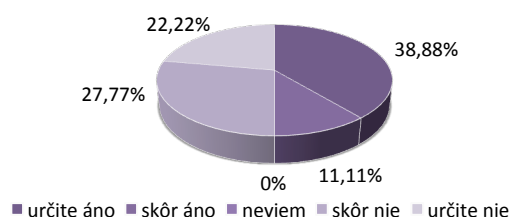


Figure 2 The perception of differences in the performing of HRM practices in MNC subsidiaries compared with the local companies

Source: own research

The most of respondents confirmed that in the performing of HRM practices in MNC subsidiaries compared with local companies are some differences, so we can assume that in these subsidiaries was realized the transfer of practices in a some extent. These practises therefore can be different from common HRM practises in Slovakia. Existing differences were clearly confirmed by the subsidiaries with the headquarters in the Czech Republic, Switzerland, the UK, the Netherlands, the USA and by one subsidiary of the German multinational company. Respondents of subsidiaries with the headquarter in Belgium, Croatia and Spain expressed to the question rather approvingly. However, the same number of respondents expressed disapproval, and thus they don't perceive differences between HRM practices comparing with slovak conditions. They are respondents of subsidiaries of spanish, french, czech, 2 austrian and 3 german multinational companies.

HR activities performed by the same way in the parent company and the subsidiary.

Given the wide range of HR activities we were interested which of these activities are carried out by the same way in the subsidiary and in the parent company, and therefore can be presumed to have been transferred from the country in which the parent company is located.

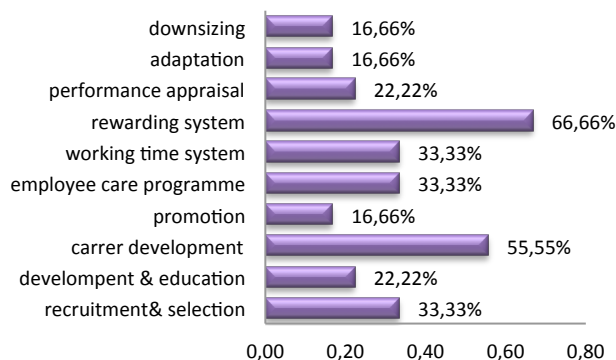


Figure 3 HR activities performed by the same way in the parent company and the subsidiary

Source: own research

Based on the respondents' answers, it is clear that the rewarding system is a practice which in the most of subsidiaries is not different from the way of its performing in a parent company, because it was marked by 12 respondents. 10 respondents confirmed that career development system is realized the same as in the case of a parent company. All results are shown in the figure 3.

The form of personnel documents used in MNC subsidiaries.

For further information on the transfer of HRM practices, we investigated what form are documents as a personnel strategy and directives, and whether the most of these documents copy the documents of the parent company or they are prepared for conditions of the subsidiary. Based on the results we can say that the subsidiaries have some degree of autonomy, since in the most of cases the subsidiary draws up its own documents, as shown in the figure 4.

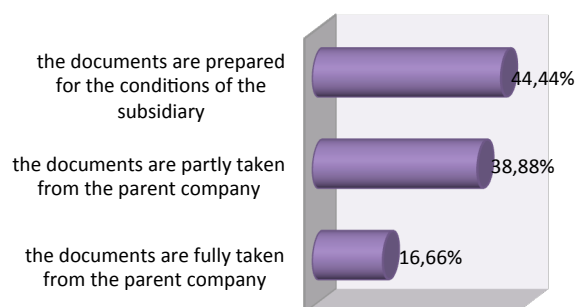


Figure 4 The form of personnel documents used in MNC subsidiaries.

Source: own research

The survey results suggest that the ways of HRM in MNCs are different and based on the results of the survey it is not possible to clearly assess the extent to which the HR practices of subsidiaries are adapted to the practices of the parent company. The final form of HR practices is influenced by many factors, and in particular by the degree of similarity between the parent and the host country in cultural, institutional, political and other characteristics. The authors, who are concerned with the issue of transfer of HRM practices are not united in the view to what extent practices of subsidiaries should copy the practices of the parent company. One opinion is that the policies and practices of international HRM in MNCs should be a mix of local HRM system, the characteristics of the host country and the specific features of the company. This could mean that in each host country the personnel policies would be different [2]. This opinion differs from other that presents that MNCs are generally expected to change their HRM policies and programmes to achieve compliance through the whole organisation. If such a system is implemented correctly, this should help to minimize contradictions within company as a whole [5]. However, this approach would certainly be time and resource difficult. The another author assumes that personnel managers should be able and willing to compromise. Finally, the business process in a multinational company cannot be fully standardized, because of the natural differences in operations of each country [2].

5. RESUME

In connection with the growing number of MNCs, the dimension of HRM is changing. The employing staff of different nationalities, performing of personnel activities in the countries with cultural and institutional differences, it puts much higher demands on the HR managers, whose role lies in a successful transfer of HRM practices and in adapting them to local conditions. The issue of the successfull transfer is still actual and very important because eventually it may affect the achievement of the goals of MNCs.

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Mgr. Jana COCULOVÁ

Prešovská univerzita v Prešove, Fakulta manažmentu
 Konštantínova ul. 16, 080 01 Prešov, Slovakia
 e-mail: jana.coculova@smail.unipo.sk