GLOBALISATION AND THE DYNAMICS OF HUMAN RESOURCES PRACTISES IN MULTINATIONAL CORPORATIONS (A GLOBAL PERSPECTIVE)

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Abstract

The study undertakes issues in globalisation and the dynamics of human resources practices in multination corporation as a result of challenges multinational corporations (MNCs) encounter when expanding their business or establishing their business in a new environment. Multinational Corporations (MNCs) play important role as the key driver of globalisation. MNCs drive globalisation by constantly searching for evolving markets external to its country of origin and as a way of serving more customers and enjoying the benefits that can be gotten from such markets, which on the other hand leads to rising trans-national trade. This study explores cultural systems and their significance on employees' voice and performance management in Multinational corporations in the successful running of businesses and also in managing human resources transversing national boundaries, which is regarded as most crucial in doing international business and carrying out human resources management (HRM) successfully. The study adopted secondary method of data collection by searching and exploring data and useful information from journal, magazines and online resources. It was concluded that MNCs business relationship and decision making can be determined by the culture of the host country and this can influence employee voice and performance of the business. It is recommended among others that MNCs should do away with the belief on well formulated 'one works for all' strategies; and instead, they should formulate standardised management approaches in line with their knowledge and understanding of the culture (laws) of their host country.

Keywords: MNCs, HRM, Employees Voice, Culture, Market

Introduction

The rise in global business as a result of globalisation has been a cause of challenge for business managers and the business environment in which many organisations exist is gradually becoming turbulent and dynamic (Brooks, 2006). Nevertheless, this development has led to the increasing improvement in international communication and wide spread of business processes across national boundaries; it also resulted in to global competitive pressure, an illustration in which can be traced to rising and emergence of new industrialised free market economies which offer ample opportunities for real worldwide development (Mullins, 2013; IMF, 2002). Leat (2001) defines "Globalisation" as a term that is associated to the rise of a borderless world or intertwined economy in which worldwide corporate structure, products markets, production chains and finance flow to all intent and purposes that would make the nation state and national boundaries mostly

irrelevant. It therefore means that globalisation entails the movement of factors of production from one country to another where they are required, the creation of global markets and the integration of financial markets due to the high levels of cross border flows of trade, labour migration, communication and movement of goods and services (Sperrow et al., 2004). Multinational Corporations (MNCs) play an important role as the key driver of globalisation (Lodge & Wilson, 2006). MNCs drive globalisation by constantly looking for evolving markets external to its country of origin and as a way of serving more customers and enjoying the rewards that can be gotten from such markets, which in other words result into increasing trans-national trade (Banse, 2007).

Going by the number of MNCs in the business world today which is made possible through globalisation and the dominance of European and American businesses among them, the problem that arise which form the focus of this research is "are the labour laws in force in Europe and America the same with other country's labour laws? Which is also the main contributor for industrial disharmony in some of these MNCs.

In dealing with human resources and employee relations in international context, a lot of factors are considered. This is because of the cultural influence in creating and developing business relationships and decision making that differ from one country to another country. For in-depth analysis, this paper explores cultural systems and their significance in the successful conduct of businesses and also in managing human resources from one national boundaries to another, which is regarded as the most important in doing international business and carrying out human resources management (HRM) successfully (Briscoe and Schuler, 2004). Furthermore, this paper considered and analysed employees' performance management and employees' voice management in MNCs. Moreover, the narratives in this study put more emphasis on the impact of culture on employee voice and the effect of the manner in which performance management is carried out across national boundaries, using practical cases ranging from divers MNCs such as British Airways, CMM industry, M&S and Multinational oil company in Nigeria (e.g. Shell)

in order to highlight the importance and impact cultural awareness has on behaviours in an organisation.

Literature Review

Leats (2001) defines MNCs as business enterprises that own and control production activities or service facilities and add value in at least two or more counties. Dunning (2008) opined that the ownership and control of production/ productive resources and value adding ventures distinguish MNCs from other organisations that do business internationally; which often result in challenges in the management of human resources and pose as threat to employee relations from various national perspectives. In order for MNCs to beat competitors, they should pay emphasis on employee development through effective and efficient cultural management with regards to varying national context (Wright et al., 2001).

In order for MNCs to be managed properly, profitably and be ahead of competitors in the global market, they should ensure effectiveness in handling its human resources and their application of performance management in achieving high level organisational performance (Baron, 2005; Taylor et al., 1996; Wright et al., 2001). Culture plays important role in all organisation today particularly in MNCs; staff values, national and organisational culture are the key determinants that can impact the success or failure of an organisation (Reddy, 2011; Newman and Nollen, 1996). Keyton (2011) specified the various levels in which culture can exist which include organisational level and national level.

Culture was seen and described from varying perspectives of researchers. Hofstede (2011) describe culture as the collective programming of the mind that differentiates the members of a group or the category of people from another. Mead (1951) explain that culture as a body of learned pattern of behaviour, habits and traditions and a collection of beliefs, shared among a group of people and continuously learned by people who enter such a society. Schein (2004) explain culture to be a pattern of people's basic assumptions that enables groups to stay together. Therefore, culture can be summed up to be a shared dynamic (i.e. can change from time to

time), shaping process, which consist of human elements and can be learnt (Bernardi, 1977) while this can be determined by the level (i.e. national or organisational) in which it is existing as explained by Keyton (2011).

National culture defines those sets of values and assumptions that form what a group of people accepts to be good or bad, right or wrong that can be observed in their behaviours and attitudes which determine the information people will notice, retain and interpret (Brewster et al., 2001). Newman and Nollen (1996), Brooks (2006), Hofstede (2001) specified and discussed five cultural dimensions that will help in comparing and understanding culture as illustrated below: Power distance (this has to do with the social distance between people of diverse rank and position), masculinity/ femininity (this has to do with values that are considered to be masculine such as being assertive and competitive, in comparison with the feminine that are likely to be more cooperative and also has more feelings and agitate for equal opportunities), Uncertainty avoidance (this mirrors people's attitude to ambiguity or less direction), individualism/ collectivism (this has to do with the extend in which an individual depends on a group for problem solving, decision making and engaging in productive engagement) and long-term orientation (this is concern with respect, obedience and patience towards the larger good of all). An illustration of national culture was made by Brooks (2006) by citing the Americans to be individualistic in their goal attainment unlike the Chinese and often time the Asians in general are more collective i.e. depend more on a group for them to take action and in making decision for result and effectiveness. And this can be used to support the reason for Guanxi (meaning relationships) approach in China that is developed before a deal begins as compared to the Swiss culture that develop relationships after a deal is perfected as it is in the case of Swiss-Chinese joint venture. As a result, MNCs have to adjust their management practices to suit the national culture of their host country for them to achieve the desired business performance (Newman and Nollen, 1996). Furthermore, power distance is considered to be less in the US as compared to India. Though, the disparity in

MNCs home culture and the host culture can often times result into culture clash as a result of the difference in thinking and perception as discussed by Brewster et al. (2001). Culture clash can be viewed from Grimshaw et al. (2011) illustration citing CMM industries an American company that prohibits independent union organisation and preventing trade union influence which is considered to be a culture in the CMM home country, this therefore led to a long history of industrial disharmony in many of its European subsidiaries. Also, numerous cultures can exist within the boundary of a nation in which a national culture is in dominance e.g. organisational culture which Wood (2010) illustrate to have unique subculture of their own and are important in maintaining effectiveness and solidarity.

Organisational culture on the other hand is defined by Hofstede (1991) as the collective programming of the mind which differentiate a member of one organisation from another. Organisational culture is differentiated from national culture in the sense that organisational culture can be learned on the job as a result of continuous practice or induction programme in that organisation as compared to national culture which is imbibed in a person from childhood or internalised by every member of the society through socialisation process (Schein, 2004; Wood, 2010; Keyton, 2011, Adholiya, et at., 2014). Culture clash often times occur in organisations due to some workplace features such as managerial style in connection to the method of perceiving employees voice (i.e. suggestion or dissatisfaction) and performance management (Kazimoto, 2013).

Performance management (PM) is explained to be an important aspect of human resources practice and from Hofstede's dimensions of culture, it makes obvious to understand how the culture of a nation can influence practices that are associated with performance management system and this has a significant impact in MNCs (Takeuchi et al., 2007; Verma & Budhwar, 2015). Briscoe and Claus (2008); Budhwar and DeNisi (2015) Defined PM as the system by which organisations set performance standards, determine work goals, provide performance feedback, assign and evaluate work and distribute rewards, determine

training and development needs. PM is sometimes used interchangeably with Performance Appraisal (PA) in this study, nevertheless, there are differences between both terms. While PM is flexible and encompassing in style, PA on the other hand is said to be a component of PM in the sense that PA describes those activities that are contained in the illustration of PM but applied to each individual employee and this can include some form of manager employee feedback that is always a top–down style and this style of management practice is important in guiding human capital to a desired direction (Amstrong & Baron, 2005; Briscoe & Claus, 2008; Chiang & Birtch, 2010). Chiang and Birtch (2010) explain PA primary function include communication and development in the long term and evaluation in the short term while its effective use in organisations may result into a leading number of vital outcomes such as improved productivity and quality, job satisfaction, employee commitment and trust.

Methodology

The methodology adopted in the study involves a comparison of culture and employees voice system and how it affects industrial harmony and productivity among MNCs in countries. The culture of a people can have significant influence on how performance is perceived, handled and assessed. Furthermore, Verma and Budhwar (2015); Chiang and Birtch (2010) explain the absence of a valid appraisal system in place makes it difficult to correctly differentiate between a poor and good performer, communicate work desired results to motivate desired performance outcomes and allocate rewards equitably and effectively. The persistent presence of MNCs in business makes the problems related to managing performance of employees and managers in these global organisations take on a special importance while the culture of the people where the MNCs is situated can have impact on how a superior evaluate their subordinates. As a result, MNCs are encouraged to put this into consideration when formulating PM for different cultures (Verma & Budhwar, 2015; Verma et al., 2008). For example, Chinese culture impacts the conditions on which PA is carried out and this can include; regards for

harmony and face, respect for age and seniority, group based assessment (collectivism) rather than individual evaluations and feedback with particular importance on behaviour and traits instead of performance outcomes as compared with the USA in which PA is done individually for every employee while focusing on accountability, performance and results attained, etc. (Verma & Budhwar, 2015). The influence of cultural variance on PA in MNCs can be demonstrated with the case of American MNC the CMM which revealed that rating employees based on their performance is an exercise that lacks acceptance in every country and culture. Policies relating to PA and HRM practices in the organisation was designed and formulated at the parent country for its subsidiaries worldwide and there were reactions against this in its subsidiaries in Europe except for Hungary. The MNCs resistance to union involvement in the US and the success achieved encouraged the business to repeat the same in its European subsidiaries.

Furthermore, the difference in culture of the various countries in Europe resulted to divergent reactions that varies from one host country to another resulting from their cultural background i.e. Managers from the German subsidiary of the MNC are of the believe that adapting the business home country rule will not be productive due to the fact that activities pertaining to the management of employee are structured to suit the work council system, while the business PM was planned in a manner that negates the German law of equity as it lead to higher pay gap at surpass the German stated standard, while the practice for the UK managers was to assign lesser performance ranking to those employee that are retiring or leaving the job for a new one. Also, in France the practice makes it illegal to isolate a candidate for redundancy on the ground of competency and a policy that selects some of their employee for promotion and others for dismissal can hinder the employee from setting a long term plan for the oragnisation and can demoralise the staff (Grimshaw et al., 2011). The problem encountered by CMM industries as a result of its PA system above and the response or ways in which the employees from various host country in Europe expressed the violations on their national work culture springs a thought on knowing and

understanding what is referred to as 'employee voice', and communication comprising of one of the fundamental functions of PA give rise to the connection between PM and employee voice. Employee voice according to LePine and Van Dyne (2001) define EV as a form of change oriented communication that takes place between management and employee with the aim of improving the condition of the organisation. Going by this, the preceeding paragraph undertakes an assessment and effect of culture on employee voice in MNCs.

Employee voice (EV) according to Sablok et al. (2013) was be defined as the level to which employees have their influence on work related activities and participate in decision making. Lepak et al., (2006); Cregan et al., (2009) explain that EV has always been associated with participation, representation and existence of trade union with the main purpose of ensuring employee participation in decision making, motivation and ensuring that justice and right of the employees in the employment relationship stands. Examples of this include the European trade union congress (ETUC), European works council (EWC) etc. Bryson et al., (2007) highlight that EV can be accomplished through both informal and formal means and this can include both direct (i.e. through management employee processes) and indirect means (i.e through trade unions). Sablok et al. (2007) illustrate that while direct voice approach focuses on informal means of communication i.e. interaction between employees and their employers, information sharing, employee feedback and suggestion schemes. Indirect voice on the other hand focused on formal mechanism such as union representation and their bargaining structure.

Also, Sablok et al., (2013) illustrate that EV can be can be expressed in two forms (i.e. uses both indirect voice and direct voice) as well as minimalist (i.e it uses neither indirect voice nor direct voice) in approach. Research carried out by Tuselmann et al. (2006) showed that UK based holdings of US MNCs are more likely as compared with indigenous UK company to adopt direct voice mechanism in its subsidiaries. However, the level and the prevalence of voice varies from country to country which mean that a nation's culture can either support or prevent the approach

in utilising employees voice (Blyton & Turnbull, 2004). This proposes that MNCs establishing its subsidiary away from the parent home country is advised to take into consideration the host country work culture as contained in the labour laws in order to prevent disturbance similar to that of Marks and Spencer (M&S) experience in France, as explained by Ozbilgin (2005).This circumstance was a situation in which the trade union was not welcomed, instead M&S preferred direct voice; which led to the management of M&S to overlook the labour laws in France by declining to inform its staff about its close down as a requirement by the law. This led to serious resistance and protest that tarnished the image of M&S and resulted to payment of huge amount for redundancy. MNCs knowledge and understanding of the variance in culture will enable them come up with distinctive ways of dealing with employees at various times. On the other hand, British Airways (BA) was cited by Lucas et al (2006) to implement a dualistic (i.e. direct and indirect) approach to EV in the organisation. And research shows that MNCs operating in other countries may develop distinct approaches to employee relations that persist in their overseas subsidiaries (Tuselmann et al., 2006).

Conclusion

In conclusion, MNCs business relationship and their decision making can be influenced by the culture of its host country and this can have its effect employee on voice and performance of that organisation (Tuselmann et al., 2006). MNCs are known to be high users of EV practices in many cases, the presence of trade union determines the form and extent of these practice and the greater the existence of trade union the higher the likelihood of utilising indirect form of EV and where trade union presence is lacking the direct approach is then possibly to be in use (Sablok et al., 2013). For MNC to avoid clash of interest that may prop up as a result of difference in culture and perception, MNCs should device a suitable PM system and adequate employees voice mechanism that will be in consonance with the culture of its host country. As a result, MNCs are advised to discard their belief of well established 'one works for all' approach; rather, they should device standardised management approaches that is

based on their knowledge and understanding of the culture (labour laws) of the host country in which its doing business as doing otherwise can lead to business failure (Wood, 2010).

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