

National Culture And Transfer Of Hrm Practices In Multinational Corporations (MNCs)

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Abstract: This paper provides a review on the role of national culture in transferring the Human Resource Management (HRM) practices of the headquarters of a Multinational Corporation (MNC) to its subsidiaries in other parts of the world. This challenging concern over transfer of HRM practices has created a huge development and a series of novel insights in the field of International Human Resource Management (IHRM).

Index Terms: Headquarters, Human Resource Management practices, International Human Resource Management (IHRM), National Culture, Multinational Corporations (MNCs),

1. INTRODUCTION

Multi-national Companies (MNCs) are business firms that are headquartered in one country and own significant business operations in more than one country in the world (Brikinshaw, 2016). There are multifaceted concerns in running business with such greater expansion, and the effective management of human resources is increasingly recognized as a major determinant of success or failure in international business (Tarique, Briscoe, & Schuler, 2015). With this great concern, there is a rapid development in the field of International HRM over the past two decades from being a field in infancy to an expanding area (Sharma & Matta, 2018). Accordingly this paper focuses on giving a brief overview on MNCs, International Human Resource Management (IHRM) practices used in MNCs and thereafter on how organizations have adopted mechanisms to transfer the same across geographical borders to the countries to which they have expanded, mainly through wholly owned subsidiaries. There are many external factors such as PESTEL and internal factors such as the MNC's strategy and structure (Deresky, 2017) etc. which affect the operation of international organizations and their staff. Out of these factors, the impact of national culture is a major focus (Farndale, Raghuram, Gully, Liu, Phillips, & Vidović, 2017), and thus this paper looks at its influences on transfer of International HRM practices in MNCs. In doing so the author argues that national culture of the host country has a major impact on the organizational culture of the subsidiary and thereby on the transfer of HRM practices from the headquarters to the locality.

2 MULTI-NATIONAL COMPANIES AND INTERNATIONAL HRM PRACTICES

Ghoshal and Bartlett (1990) define a MNC as a group of geographically dispersed and goal-disparate organizations that include its headquarters and the different national subsidiaries, whereas Dunning (1993) defines an MNC as an enterprise that engages in foreign direct investments and owns and controls value adding activities in more than one country. According to Nakhle (2011) Dunning's definition is widely accepted and applied in academia, business, national governments, and international organizations. Multinational companies were initially considered indigenous to more economically advanced countries. Later, while keeping the native habitat of MNCs, most of those companies have invested and conduct operations all over the world especially focusing on the African and Asian continents (Buckley & Casson, 2016). When these companies operate in different continents, one of the outstanding problems that they face is how to make the company run as efficient and effective as a whole. In this scenario, the Human Resource (HR) plays an essential role in the process of internationalization by contributing to effective and efficient performance of MNCs (Buckley & Casson, 2016). With this significance of HRM in determining the success of MNCs, the emergence and the growth of IHRM has occurred, a lot of studies are being undertaken covering its scope. Two decades ago, IHRM was described as a field of infancy (Santos, 2016). Early work in International Business (IB) and multinational firms have been directed towards entry strategies of MNCs to foreign markets and the business approaches adopted by them rather than about management practices. However, with the massive expansions of business operations of MNCs in foreign markets, the focus of researchers has also directed towards areas such as expatriate HRM, repatriation of employees, transfer and diffusion of HRM practices, improving productivity, cross cultural management, global leadership development, and diversity management etc. IHRM is the effective management of human resources in global markets to gain a key source of competitive advantage for MNCs and for them to be globally successful (Dowling, Festing, & Engle as in Zheng, 2011; Farndale et al., 2017). Taylor, Beechler, and Napier (1996) focuses their definition of IHRM on the activities involved in managing the HRM system of the MNC with a set of distinct activities, functions, and processes that are directed at attracting, developing, and maintaining MNC's human resources for both local and overseas operations. Morgan (1986) has adopted a relatively broader approach in explaining the IHRM framework which has a three-dimensional view on

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