

Management in multinational corporations (mnc)



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The internationalization of business activity is getting progressively essential and inevitable. Of considerable significance is thus also the globalization of human resource management. Nowadays, an increasing and sufficient flexibility of companies is required as well as the ability to react to local circumstances and market constraints.

Hence, in order to facilitate the process of adaptation to global developments in corporations, and especially in the Human Resource vicinity, a set of typologies/approaches have been developed for Multinational Corporations (MNC's). In that case, the approaches can be used to illustrate the strategic intent and the situation in which the MNC is in (Hollinshead, 2010, p. 51). Accordingly, there are different approaches to IHRM developed by several theorists. This paper examines four approaches, which have been developed by the US management theorist Howard Perlmutter (1969) and by Adler and Ghadar, with the purpose of giving an understanding to the association between the multinational parent in the country of origin and the subsidiary located elsewhere. The four approaches build up in succession by describing a trend from 'immature dependency' of international subsidiaries towards mature autonomy (Hollinshead, 2010, p. 52). These approaches have been created to be applied to managing and staffing the subsidiaries and constitute certain policies and attitudes in managing IHRM activities. Consequently, are there any similarities and differences between these four approaches?

Discussion

MNC's have to decide upon one approach to apply to the HR activities. The best suited one can be chosen among the ethnocentric, polycentric,

regiocentric, and geocentric style. Before starting to outline parallels and divergences, it is key to get a short overview of the characteristics of each approach. Firstly, the ethnocentric (also called domestic) method has its focus on home market and export.

Approved management techniques from the country of origin are transferred to the operating international subsidiaries. The aim here is to maintain the power in the home country; thus a centralized managerial authority comes into its own (Hollinshead, 2010, p. 52).

Another trait is that cultural factors do not play a role; the foreign cultural influence is totally ignored. As outlined by Adler and Ghadar (1990: 242) it is more a matter of ' We allow you to buy our products' (Hollinshead, 2010, p. 55). Consequently, routine activities are carried out by recruited host country nationals (HCN's), while parent country nationals (PCN's) are in charge for the management of the subsidiary (Hollinshead, 2010, p. 52). In polycentric (international) oriented companies, the focus lies on local receptiveness and transfer of learning. The overseas subsidiaries are regarded as self-governing business units, which are controlled and managed by HCN's, whereas key decision making (e. g. financial investments, etc.) is still in the responsibility of PCN's (Hollinshead, 2010, p. 54). The third method is the regiocentric (multinational) approach, where the focal point is the global strategy, low cost and price competition. This method is a midway between the culture and the global profile. In this case, the most effective managers get recruited regardless of their country of origin, thus a sharing of common organizational culture across distinct managerial alliances take place (Hollinshead, 2010, p. 54-56). The last approach is a geocentric (global)

cultural sensitive one, where it is concentrated on both local responsiveness and global integration. The aim is to establish a collaboration between the parent and the subsidiary and again between subsidiaries (Hollinshead, 2010, p. 54-56). Eventually, these approaches, when comparing, have similarities and divergences in some aspects. In the polycentric method the primary orientation is the market and in the geocentric one the strategy, whereas ethnocentrism concentrates on the product or service itself and regiocentrism on the price factor. Concerning the worldwide strategy, the ethnocentric/domestic style permits overseas clients to purchase the product/service, the polycentric/international method focuses on augmenting the market internationally and to transfer the technology abroad, whereas the regiocentric/ multinational approach is looking forward to supply, market and produce the goods globally, and the geocentric/global approach wants to gain global strategic competitive advantage.

Regarding the staffing of expatriates, the international and global approach assigns many expatriates, while the multinational method only allocates a few expatriates and the domestic one even none. There are also differences referring to whom gets sent. In the domestic phase it doesn't matter whom to send to the subsidiaries (regarding the fact that almost no one is sent abroad), in contrast the international approach assembles 'OK performers' and sales people, whilst multinational and global approaches give attention to employ only very good performers as well as high potential managers and top executives. The aspect purpose varies again for the four approaches: the domestic one rewards employees when expatriating, the international approach regards expatriates as people 'who get the job done',

in the multinational method a project and career development takes place and in the global approach a career and organizational development occurs. Furthermore, with reference to the career impact, in the domestic attitude, there is a negative career impact for expatriates, the international method states a deficient impact for the domestic career, which is in contrast to the multinational and global approach, where it is considered important for the global career and essential for the executive suit. For the matter of a professional re-entry, the domestic and international approaches aggravate this particular process to a great extent, whereas in the multinational and global methods it is less difficult to re-entry even professionally easy. Another facet, is the training and development (language and cross-cultural management) one, where in the domestic method no training is required and in the international approach only a time-span of one week. Quite the opposite is necessary for the multinational and global ones, where training and development can be carried out throughout the career. Expatriates need also certain necessary skills. The ethnocentric approach requires technical and managerial skills, the polycentric one the same as the ethnocentric one plus cultural adaptation, the multinational one plus recognizing cultural differences and the global one plus cross cultural interaction, influence and synergy (Scullion & Linehan, 2005, p. 28-29). To conclude, the four approaches can be splitted up to two blocks of approaches, by putting the domestic and international ones together in one ' block' and the multinational and global approaches to the other ' block', with regard to similarities and differences. Eventually, it gets obvious that the multinational and global approaches are best suited for the globalizing market, because a

change in business activities require also a change in HR policies and activities to be most efficient and effective.