

Human resource management in multinational banks

[Finance](#), [Banks](#)



The case study, Human Resource Management in Multinational Banks in Tanzania, refers to the east located African country Tanzania, which is a developing region and has a high rate of unemployment, poverty and consists of a poor national institutional system.

The country ranked poorly on the Corruption Perception Index. The country has also low influence of foreign banks.

In the history the country went through different regimes including European partition and the scramble for African colonies. A strong influence on the country has the first elected leader, President Julius Nyerere, of Tanzania.

The local Swahili language is known as “Ujamaa”, which became an official language. The Ujamaa philosophy rely its principles of government on three tenets of traditional African family system which are:

mutual respect of each member of the family and society

sharing of property and income

obligation of all to work

The African country wanted to attract foreign direct investment and other MNCs by implementing private policies to improve the socio-economic and institutional conditions and increase the inhabitants living conditions.

1. Is the role of the head offices a prerequisite for business strategy success for MNCs in cross-market integration? Explain your answer in detail.

In my opinion and based on various literature the role of head offices is prerequisite for business strategy success for MNCs in cross-market integration.

The head offices of MNCs represent the position where most or nearly all of the important functions of an organization are coordinated. The head office is the entity at the top of a corporation by taking full responsibility to manage all business activities. The service initiated by corporate head offices refers to corporate functional policies that are uniformly applied to both domestic and international operations. They are established specific to meet the needs of international units on an ongoing basis.

One major role of the head offices which influences the business strategy success is characterized by coordination and controlling the host nation. These factors are highly visible particularly in the finance and accounting areas. For example, 70 percent of investment decisions are typically made by corporate head offices. So the head offices can keep in mind the general view of the organization.

It seems to be best performed when public relations and dealings with host country governments are totally delegated to the local management.

Corporate head offices of MNCs in cross-market integration are necessary to determine overall objectives and to specify organization wide strategies. The

head offices are responsible for the policy guidelines and make their decision on the allocation of corporate resources to the various operating divisions.

Relating to the case both bank centralized organizational system similar by controlling strategic management and business activities, including HR functions in the host nation.

The Citibank head office was responsible for major corporate decisions at its country head office. The head office control was intended to achieve business integration globally and transparency in managing work and HRM policies. The head office of the Citibank was also in charge of the recruitment of expatriates for core business activities.

The Standard Bank's head office had full operational control over the country head office.

To conclude, for MNCs in general and multinational banks particularly in this case study, the role of the head offices can be seen as prerequisite for business strategy success in cross-market integration.

2. Does the transfer of corporate business culture have a significant impact on MNC's global business competitiveness? Be specific (you may provide examples from other companies).

To understand the following question I think it is necessary to define the term corporate business culture which can be used as a synonym for organizational culture.

Corporate business culture refers to the shared values, attitudes, standards, and beliefs that characterize members of an organization and define its nature. Corporate culture is rooted in an organization's goals, strategies, structure, and approaches to labor. It is an essential component in any business's ultimate success or failure. It is an unwritten value-set that management communicates directly or indirectly that all employees know and work under.

It is the underlying soul and guiding force within an organization that creates attitude alliance, or employee loyalty. A winning corporate culture is the environmental keystone for maintaining the highest levels of employee satisfaction, customer loyalty, and profitability, stated John O'Malley in Birmingham Business Journal.

Figure 1: Artefacts of organizational culture

(Reference: Organizational Behavior, Steven L. McShan, 2010)

Positive corporate culture is a prerequisite for success and offer significant competitive advantages over rivals.

Corporate business culture includes three important functions. The first function represents the control system. Corporate business culture is a deeply embedded form of social control that influences employee decisions and behaviour. Secondly the organizational culture is the " social glue" which bonds people together and makes them feel as a part of the organizational experience. Employees are motivated and want to internalize the

organizations culture because it fulfils their needs for social identity. The third function represents the sense-making process. This is defined by the understanding of the employees of what goes on and why things happen in the organization.

Successful MNCs have strong corporate business culture which means that employees understand and embrace the dominant values. This can influence the organizational performance and results as the employee's well-being.

For example The Standard Bank LTD promotes a family working environment which is part of their corporate culture. They also value their employees work expectations and treat them fairly which results in a willingness and motivation of the employees work. These make a balanced working environment and outstand on the global business competitiveness.

Another example is Wal-Mart, which is a multinational retailer, benefited from the positive effects of corporate business culture. The MNC creates an environment of trust and respect their staff which persists to this day. Employees are called by their first name and the founder of Wal-Mart encouraged change to maintain the competitive edge.

A further example which is related to our lecture is the Southwest Airlines. Southwest Airline has a very strong corporate business culture. HR policy doesn't provide layoff when the business is not going well. One main point which includes the corporate culture is the relaxed atmosphere, where people can be more flexible, loyal and productive. Job security promotes a willingness and motivation of Southwest Airlines employees. This results that

employees convince relatives, friends or family members to work for this MNC. The productivity and effort of the employees helps the Southwest Airlines to keep labor costs low and savings are transmitted to travellers in form of lower prices. These factors of corporate culture might help the MNC to outstand from their rivals.

Related to our lecture we learned that work behaviour is culturally determined and a lot of debates can make whenever corporate culture supersedes or supplants other cultures.

What is understood and meant by corporate culture translates into universal work behaviors and standardisation of work practices

An organization with a strong corporate culture can standardize more and the local culture has less influence but still local adaption should be taken into account.

Figure 1: The linkage between culture and behaviour (Reference: slides from the lecture)

This figure demonstrates the connection between the corporate business culture and the home and host culture and the behaviours. Standardization of work behaviour should take into account the choice of mode of operation in determining standardization of work practices. Other important points are the ownership and control. For instance wholly owned subsidiaries provide greater opportunities for transferring work practices than in International Joint Ventures. The standardization of work practices depends on different aspects:

receptivity of local workforce to keep corporate norms of behavior.

effectiveness of expatriates in the role of agents of socialization

time of localization

appropriateness to the local environment

To conclude, related to the theory and the mentioned examples it is visible that the transfer of corporate business culture have a significant impact on MNCs global business competitiveness.

3. How and why did the MNC banks implement global HR “best practices” in their cross-market integration? Do their actions in fact reflect “best practices”?

A precise definition of the term “best practice” is necessary to discuss in detail the mentioned question.

A best practice is a technique or methodology that, through experience and research, has proven to reliably lead to a desired result. A commitment to using the best practices in any field is a commitment to using all the knowledge and technology at one’s disposal to ensure success.

Citibank LTD is an American bank and is one of the most global companies by providing financial services and products. The MNC bank offers different kinds of specialized financial services and products. The bank implemented “best practice” by applying modern sophisticated technology in its business operation in Tanzania. These services were used to standardize services, to monitor work performance and forms of financial transactions, to inform its

customers of global financial market trends, currency fluctuations and price changes in commodities. The main corporate decisions of the Citibank were made by the head office in New York which had a systematic control of operations in the host nation.

The bank used an “ e-check” system which was used on a daily basis to monitor incoming and outgoing phone messages and record messages and telephone numbers.

Employees weren't given high flexibility. For instance every employee had to eat at the company's canteen. They were not allowed to bring their lunch meals from outside. Security checks made sure that employees didn't bring their own food to the workplace. The company gave bonuses to those people who attended the recreational scheme regularly, which is an organized process for socializing between employees and bank representatives.

Expatriates' role in the Citibank was to provide training to the local employees.

One lack in the bank's “ best practice” was that the back-up function of the corporate culture which was directed from the head office, let the branch representatives and expatriates only a small space to change their policies or make local adaptations. The “ best practice” included training program but this was also provided from the head office in New York. The purpose of training local employees was to ensure that head office policies were systematically followed.

The first bank used Western-style HRM practices and didn't take local practices into account.

The second bank, Standard Bank LTD was based in Johannesburg, South Africa. The mission of the bank was to offer guidance and expertise in the financial industry for its customers' needs. Similar to the Citibank also the Standard bank was controlled from the head office in South Africa. In my opinion the second bank followed the "best practice" better in a way to take into account local adaptation and responds. They provided local and foreign magazines, videos and textbooks. The Bank tries to come closer to local institutional policies by focusing on a collective working environment, HR functions started to address more openly. The bank used the collective management and leadership terms to characterize its HRM practices in Tanzania. The Standard Bank implemented "best practice" by integrating the employees in the organizational process and culture.

For both MNC banks it seems that they performed "best practices". In my opinion Citibank and also Standard Bank didn't reflect totally on it.

The Citibank used different modern sophisticated technology and offered various benefits but didn't take into account local circumstances. This bank didn't refer to the local culture, because the main power was in the head office in New York. This is one main lack in their performance.

The Standard Bank was more successful by performing "best practice" because they tried to adapt locally in different ways. One lack of their "best

practice” regarding to the Citibank was that they didn’t use modern technical systems and didn’t offered as many benefits as Citibank did.

In my mind “ best practice” might be achieved when both performances of the two MNC banks are combined. A mix between both bank’s policy can result in a balance of their performance and they could approach better the “ best practice” in their cross-market integration.

4. How can the MNCs best reconcile the need for global integration and local responsiveness in their HRM policies?

Human resource management policies are important and vital for organizations that are serious about resolving personnel issues and finding HR solutions.

HRM policies are intended to help maximize the effectiveness of the Human Resource function.

Types of HRM Policies:

policy recruitment

attendance policy

leave of absence policy

performance planning and evaluation performance

probationary

period compensation

Different studies have established the need for MNCs to gain a balance between the global integration and local responsiveness in their HRM policies.

It is important for the MNCs to implement HRM policies to complement the existing culture in the country where the subsidiary exists. A study of European MNCs illustrates the global integration and local responsiveness in MNCs HRM practices. This study is based on 600 UK and Ireland MNCs. They found that MNCs differ in their HR policies by noting that localization is more influenced in “ career traditions” and “ labor market”. MNCs sustain more similar to training frameworks. The implemented study found that host country regulation increase, when home country influence was reduced.

The MNC must be aware of the local responsiveness by developing local staff through recruitment, training and development and retention. Cultural awareness training should be provide, because it has various applications domestically which can increase the effectiveness of MNCs

One key factor to harmonize global integration and local responsiveness is to create and develop a consistent corporate business culture across multiple locations and maintain the critical balance between a strong corporate business culture and local cultural differences. Related to these points, communication plays an important role in all locations of the common corporate business culture. The Identity of local culture should maintain in the context of the corporate business culture.

Another main reason for MNCs to best reconcile the need for global integration and local responsiveness is to integrate and adapt strategic human resources management. MNCs must become more differentiated, integrated and coordinated. Various successful MNCs implemented options like cross-national management training, cross-national assignments and cross-national project teams, to develop different values and culture to pursue global responsiveness of corporate vision and objectives. A very appropriate example of MNCs illustrates McDonalds. The organization operates globally but responds with their products and also regarding to the HR policies locally. For instance McDonalds adapt local taste to their products to satisfy their customer needs and employ local citizens in every subsidiary. The MNC build a standardize products line to succeed globally but they also take into account the local responsiveness to reach a high level of effectiveness and efficiency.

However, MNCs should standardize as much as possible to save money, efforts and work but the local culture and cultural differences should be taken into account in their HRM policies.