

The national context of hrm business essay



The assignment investigates about the importance of national context of including cultural and institutional of HRM in the organisation. Firstly, the national context of HRM that influence the relationship of the managers and the employers are going to be discussed. Secondly, the significance of the Hofstede's cultural framework according to the strategic implications of cultural diversity is highlighted along with the differences within two countries; UK and Brazil. Thirdly, the difficulties and problems that are occurred during managing the employees from diverse backgrounds are considered while giving recommendations to the managers when they organise HRM in global operations.

The national context of HRM

The cultural (soft) and institutional (hard) dimensions of national business affect the relationship between employers and employees in an organisation. Importantly, Browaeys and Price (2008) claim that not only national but also international context have a significant impact on multinational corporations (MNCs) upon their management style for employees. According to Tayeb (2005), culture influence the management style informally through the 'internalised socially accepted norms of behaviour' (e. g. paying disrespectful to people) whereas, institutions influence formally through rules, regulations and the imposition of sanctions (e. g. imprisonment for stealing).

Nevertheless, 'Culture' can be defined as an organised system of values, attitudes, knowledge, beliefs, assumptions and behavioural meanings that are relating to both social groups and to outsiders (Wilton, 2011). However, Tayeb (2003) states that a country's physical environment, history, religion, education and mass media can impact on one's national culture.

Gardenswatz and Rowe (2001) suggest that managers should be aware of different cultural norms when managing with employees from different cultural backgrounds. Likewise, organisations must respect 'cultural diversity' which is essential for attaining sustainable development for the employers and the employees when they start planning to do business joint ventures. Moreover, Assen, Berg and Pietersma (2009) state that, managers should make use of Hofstede's cultural dimensions, if the goal of the organisations is to develop effective strategy. It is noted that Hofstede's cultural differences contains five dimensions (Appendix 1).

Nowadays, MNCs operate across a wide variety of national business systems that is why some organisations carry out international joint venture, representing equal proportions for two cultures. As for example, Hofstede's dimensions of culture can be clearly learned by using and comparing the different indexes between two countries; United Kingdom and Brazil.

Differences between the UK and Brazil using Hofstede's framework

Country

Power distance (PDI)

Individualism (IDV)

Masculinity (MAS)

Uncertainty Avoidance (UAI)

Brazil

(BRA)

69

38

49

76

Figure 2 Indexes of Brazil

Country

Power distance (PDI)

Individualism (IDV)

Masculinity (MAS)

Uncertainty Avoidance (UAI)

United Kingdom (UK)

35

89

66

35

Figure 3 Indexes of United Kingdom

Individualism/ Collectivism

In individualist cultures, people prefer staying independently and they prefer doing jobs with self-determination. Whereas, in collective societies people tend to stay with groups rather than living as individuals. Triandis, 1995 believes that the relationship between the organisation and employees could reflect their individualism or collectivism. People from United Kingdom are supposed to stay mutual dependence or interdependence as it has more individualism index than Brazil.

Power Distance

Hofstede (2001) describes that Power distance (PDI) is linking to the extent of equality and inequality between people in a particular society. While, Assen, Berg and Pietersma (2009) express that PDI is the level to which the less powerful members of organizations and institutions accept and expect power to be distributed unequally among individuals. Thus, it is prominent that Brazil has high power distance while UK has low power distance.

Uncertainty Avoidance

Hofstede (2001) explains that UAI is the desire for formalized rules and procedures while; Schneider and Barsoux (2003) indicate that Uncertainty Avoidance (UAI) refers to a society's discomfort with uncertainty, preferring predictability and stability. As a result, the Brazil has strong uncertainty avoidance and the UK has weak uncertainty avoidance.

Masculinity/ Femininity

Besides, Hofstede (2001) illustrates that 'masculine' value in assertiveness, competitiveness, materialism and the acquisition of wealth while 'feminine' value in nurturing, relationship building and quality of life. The Brazil has low Masculinity index (MAS) than the UK.

Long term/ Short term orientation

This is the fifth dimension that Hofstede added in the 1990s after finding that Asian countries with a strong link to Confucian philosophy acted differently from western cultures. It explains that values associated with long term orientation are thrift and perseverance and values associated with short term orientation are respect for tradition, fulfilling social obligations and protecting one's face. Torrington et. al (2005) describe that UK is short-term orientation. . As Brazil is high - context culture, they suppose that things are relatively not fully spelt out and the issues remain implicit. Brazilians would like to communicate in indirect ways (Bhattacharyya, 2010). Measuring Long or Short term orientation is more suitable in Asian countries so, it is not necessary to consider these orientations in western ones.

National Institutions of HRM

The national institutions, sometimes known as 'secondary institutions', comprises of two-way relationship with a nation's cultural values and attitudes. For example: A country that uses high quality production strategy might emphasise on its employment security. Therefore, Edward and Rees (2006) conclude that the combination of the role of the state, financial, legal, education and labour relation systems create distinctive social organisation of a country, providing a 'logic of action' that guides management practice.

Furthermore, Tayeb (2005) adds that National institutional context such as Political economic system, economic context, national education and trading systems, social hierarchy and class system and legal system influence directly and indirectly on a company's policies and practices regarding Human Resource Management.

Political economic system

It has a direct influence on both nation's developments and the individuals as the strategies and policies are related to business organisations internally and externally (Tayeb, 2005). For example, having 'right of centre' policies, Germany, a capitalist country, possesses workers councils whereas, the employees' participation in the management of their workplace is confirmed (Lane, 1995). Furthermore, it is seemed that companies' HRM policies and practices are influenced indirectly by the trading policies of government intervention and the foreign investment (Wilton, 2011). As there are differences between nations, not only cultural and political factors but also economic and commercial ones effect on the decisions for national and company's foreign direct investments (Tayeb, 2005). Moreover, Wilton (2011) concludes that the government may have a direct impact on employment legislation that restricts the capability of managers to perform in a specific way by imposing minimum standards of employment.

Torrington et al (2005) recommends that the aim of trade unions or employee unions is to advance the employee's working situations which can generate chance for productivity or performance of the organization. They also suggested that diverse HR policies and practices create high

performance in different firms according to the organization's business strategy and environment. Therefore, it is obviously significant to every organisation to set the HR policies and practices effectively to enhance the performance of organization. According to Becker and Gerhart (1996), Human Resource policies and practices is one of the characteristics in high-performing organisations.

Economic Context

The social and labour market of a country may alter under which management operates due to the economic development of a country. As an example, United Kingdom, which is economically a developed nation comprise of many educated people in the workplace that would create a better working conditions since they are aware of the political and civil rights (Tayeb, 2005). Besides, a least developed country (LDC), Uganda, may have people from rural areas that have less knowledge on education and employment policies. Hence, unemployment rates, one of the economic factors also shape the HRM police and practices.

Furthermore, a financial system also impacts on the economic system since the capital supply and demand shapes how firms take towards the market and how workers are managed in the organisations (Wilton, 2011). As an example, a 'share holder economy', Unites States, has multinational companies for many investors, where the purpose of senior management is to deliver short- term return on investment. However, in Germany, a ' stakeholder economy' has a long- term relationships between firms and banks as a presence of ' patient capital' (Wilton, 2011). Similarly, different

nations organise the relationship between trade unions and management differently as in UK; there is a relationship such as reflections of historical class structures while in Germany; the relationship is more co-operative as trade unions emphasize on equal partners in collective bargaining (Wilton, 2011).

Social structures

Tayeb (2005) advises that the social hierarchy and class systems also vary according to the nations. He adds that social structure is based on class differentiation in most industrialised societies. For example, because of the existence of management- employee relationship in Sweden, there is no discrimination and all the opportunities are equal unlike UK (Tayeb, 2005). Nonetheless, certain employees are discriminated against in some countries due to their domestic laws and other reasons such as non- white vs white, young vs old and so on. Wilton (2011) agrees that more elderly and seniority employees are respected in Japan whilst the youths are most considered to be employees in Western countries.

Legal system

Wilton (2011) approves that the legal system plays a fundamental role in HRM activities so as to impose minimum standards for the employees. Labour law can be sometimes individual which covers up health and safety at work, physical working conditions, pensions, maternity and paternity leaves and the minimum wage for the employees. Additionally, the collective legislation relates with industrial relations such as the legitimacy of trade union membership and the rights of recognition. For example, Germany

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makes ' co-determination' rights for workers and strong legal position for trade unions for the workforce management. Tayeb (2005) believes that business and employment laws create problems for multinational firms. In US unlike Japan, if senior managers are forced into ' voluntary retirement', the Age discrimination in Employment would be occurred.

Decision making styles according to the different cultures

Schneider and Barsoux (2003) advise that managing employees from multinational companies is to recognize the international issues and to better understand the interdependencies between units. Consequently, managers who are working with a multicultural team have benefits such as; a development opportunity, inherent diversity, enhances quality of decisions, a greater range of perspectives and options. Kidger and Allen (2006) being cited in Wilton (2011) state that because of the globalization, MNCs has greater global standardization of management practice.

It is recognised that Porter (1986) express that companies usually accept centralised (global) or decentralized (multi domestic) decision making. In addition, the strategic implications of each and every culture according to Hodgetts and Luthans (1991) can impact straight on management methods. They are decision making styles, rewards and competition, risk, formality, organisational loyalty and short or long- term orientation (Confucian dynamism).

According to the previous examples of Hofstede's cultural dimensions, BRA is categorized as " Pyramid of People" while the UK is grouped in " Village Market". The Brazilians make centralized decision- making rather than

devolving decisions. Knowledge, information and ideas are decided at top level and they use power and authority so there is less delegation among department managers. Brazilian managers focus more attention to adverse social implications. Thus, there is more input control in BRA. The people from UK tend to use decentralized decision – making. There is more delegation that means responsibility is diffused at all levels of management throughout the organization.

According to Bhattacharyya (2010) claim that UK is in a risk-tolerance culture, since its uncertainty avoidance is low. Thus organizational decisions are flexible, and circumstantial. As for the formality, the relationships of Village market type societies are more informal and ad hoc action is more likely to be used. Torrington et. al (2005) describe that Brazil is in a risk avoidance culture as it has strong uncertainty avoidance. Therefore, Brazilian organizations develop standards, norms, rules and procedures to guide the decision making process.

Difficulties and Problems when managing the MNCs

“ Culture diversity” plays a fundamental role for the organisations in order to attain the sustainable development. Although the managers who are managing the MNCs have extensive international business experience, they sometimes face national cultural risk causing careless mistake in intercultural communications. The example would be ‘ Evitol’ shampoo that lost its sales in Latin countries as ‘ Evitol’ is similar to the words which means ‘ dandruff contraceptive’ (Terpstra and David, 1991). Nevertheless, some conflicts and stereotyping would be occurred when managers manage and handle the employees are from different cultural assumptions.

Bhattacharyya (2010) defines 'Stereotyping' as meaning generalization to make sense of the world. Stereotyping can sometimes create drawbacks for the organisations since it is ineffective when managers consider without further critical thinking which is considering without individual background knowledge. For an example: As each race has different behaviours, American business women usually wear "man-like" business suits; rolling up sleeves in work; indicating "getting down to business". Hence, the managers should have a better understanding on diverse cultural backgrounds which would create effective communication on stereotyping thinking.

MNCs and HRM

When managing across nations, MNCs should process strategies for team members. Firstly it is compulsory to build up teams as it enhances collaboration with employees from diverse backgrounds to find out how to rely on one another for support – enhancing team motivation and productivity within organisation (Schneider and Barsoux, 2003). Secondly, "communication" is essential as language and communication patterns are significant when negotiating and working together with people from dissimilar cultural backgrounds. The example would be when communicating with Anglo people who are from 'monochronic', it is necessary to make exact time by making appointment schedules.

Thirdly, Schneider and Barsoux (2003) add that some cultural prefer direct intervention i. e. thinking that problems can be solved by designing processes and providing a forum where individuals can articulate their needs, clarify their expectations and resolve the differences e. g. American managers. Last but not least, managers from MNCs should start apply '

compensation and rewards' system to reward the employees who work hard for organisation's future development. Schneider and Barsoux, 2003 remark that Anglo people prefer decentralized recruitment to hire the employees who are between 5 to 7 years trial while Latin people wish to recruit people who possess MBAs and scientific PhDs.

Certainly, managers who are managing the employees from across nations should be aware of the different cultural norms. According to Human Resource Magazine (2001), managers should set clear expectations that help the employees to perform better. In addition, they should emphasize on relationship building for employees who in turn will give feedbacks to managers; performing an act of 'loyalty'. Not only managers but also employees from MNCs should work as harmony in order to create solution that would achieve organisation's goals and objectives. Finally, creating development sessions would outcome a better understanding of each styles and preferences on cultural diversities for the employees.

Similarly, Walton (1985) advocates that employee commitment can build superior outcomes in better quality, lower turnover rate, greater capacity for innovation and more flexible employees. Porter (1985) identifies commitment as attitudinal and behavioural commitments. According to Porter, attitudinal commitment means that it supports the organisation by putting effort to reach its goals while behavioural commitment let the company to track its objectives. Behavioural commitment means that it is remaining with the company and continuing to pursue into objectives.

As a result, there should be a simple model for HRM and MNCs (Appendix 1). The diagram indicates simply as applying HR practices, which are giving employee commitment for MNCs can be created in the organization's productivity and quality so as to get sales and financial performance. By supporting the model, I believe, HR practices of MNCs can be impacted on its employee attitudes, fulfilment, satisfaction and approval that can lead to internal performance outcomes. As a result, employees from MNCs are influenced by factors as Purcell (2003) suggested. They will have job influence, career opportunities, job challenge, team working, management leadership, and performance appraisal work-life balance therefore, getting motivation, commitment to job which can meet their satisfactions.

Conclusion

Multinational companies and firms should adapt HRM practices and cultural diversities so as to meet the additional complexities and uncertainties of operating in the international environment. There is no wonder that the miscommunication may occur within a country and within a culture. David (1986) comments that ' Intercultural management' should be concerned with domestic as well as international business relationships those are subject to risk of cultural miscommunications and should inquire into processes of managing such as cultural risk. The cultural dimensions and differences can be managed for the managers from MNCs, along with the understanding of stereotyping practicing HR policies and creating commitments for the employees. Nevertheless, a strong relationship between managers and employees within the organisations is required so as to succeed the organisation's aims and goals in the future.