

# Hrm: overcoming difficulties in diversifying the mncs

[Business](#), [Management](#)



Much as we are aware about the significance of the human resource aspect in organizations, a strategic form of management applied within the arena of human resources permits the easier facilitation of organizational change.

Although the human resource agenda have immemorially been incorporated in the principles of strategic planning, an understanding of the applicability of these processes in organizational management is relatively new.

Today, as more companies recognize the benefits that organizational development and the role of human resource management, sturdy provisions reengineered with applicable implementation guidelines could often promote positive outcomes in operations. In a society that evolved in promoting the features of being different, multiculturalism, gender politics, affirmative action, preferences and mandates have been applied in the workplace.

The workforce, composed of people of different origins, are categorized by race, gender, national origin, ethnicity, sexual orientation, religion, cultural norms, physical ability and socio-economic status. We have discovered we are diverse and we always were. Upon the embarkation of the globalized era, the value of employees with cross-cultural skills and diverse demographic characteristics has increased. In order to maximize cross-national management capabilities, we need to understand how people in different national settings respond to similar concepts within their particular functions.

This can be useful in clarifying the influence of a wide range of variables on cross-national HRM in multinational companies (MNCs) as well as developing practical induction and training tools for expatriate and international

managers (Budhwar & Sparrow 1998). It will also help to test the convergence-divergence thesis from a functional point of view (McGaughey & De Cerie, 1999) and to highlight the 'context-specific' nature of HRM (Rousseau & Fried 2001).

The globalization dynamics promoting convergence and divergence in organizations and managerial practices worldwide have attracted attention from a broad range of social disciplines (Guillen, 2001). Two lines of the debate are currently very well defined. A common argument is that market, technological and managerial forces compel multinational corporations (MNCs) to adopt common strategies and practices, fostering economic, organizational and employment homogenization in its various locations.

Primarily, MNCs are seen as being carriers of globalization, spreading managerial knowledge and techniques internationally through the dissemination of 'best practice' (Martin ; Beaumont, 1998). An institutional approach suggests an alternative stance (Hollingsworth ; Boyer, 1997). The massive institutional complexity that MNCs face as a result of operating in numerous host countries acts as a counterweight to pressures for convergence.

At the same time as globalization forces promote the standardization of certain elements of management systems, including personnel issues, local culture, institutional arrangements and labor practices manifest the resilience of capitalist variety (Mall ; Soskice, 2001). This difficulty in the part of MNCs has been observed by Ferner and Quintanilla (August, 1998) that

this globalization debate has prompted repercussions of having different national 'models' of capitalism to continue to be the basis of economic actors' engagement in the world economy.

Far from being 'stateless' organizations operating independent of national borders in some purified realm of global economic competition, MNCs continue to have their assets, sales, work-force, ownership and control highly concentrated in the country where their corporate headquarters are located. Although the MNCs are separated across several nations, it remains a single enterprise and therefore must consider how to balance competing pressures for differentiation and integration (Galbraith, 1987).

Multinationals must decide how to be sensitive to unique demands of the indigenous environment without inhibiting their ability to coordinate the internal operations of local units in pursuit of global strategies. Because these issues of differentiation and integration are often facilitated by human resource management activities, they represent a critical component in international HRM (IHRM).

An example of this dual focus is found in most American based MNCs, which tend to assign primary responsibility to their subsidiaries for local compensation and benefits, training, and labor relations, with regional units assuming secondary (i. e. , coordinating) responsibility (Reynolds 1992; Merchant 2000) One tension which the central HR function encountered in Case Study 1 which cited Engineering Product's dilemma. This refers to the

balancing act the company is facing between standardizing practices and allowing variation between plants to reflect local factors.

Many elements of personnel practice necessitated to be standardized across borders, and the Engineering Product's headquarters (HQ) was prepared to use sanctions to ensure that this occurred. However, in other areas, variations in the nature of the law, institutions and national cultures meant that differences in practices persisted. One example was the variations in the way performance-related pay operated; different arrangements reflected the expectations of both plant managers and employees concerning fairness. Another example was employee representation.

In the American plants, there were no formal structures through which employees could be represented; the law did not oblige management to recognize unions and nor were unions influential enough to force management to recognize them. In the European plants, on the other hand, it would have been inconceivable for the company to avoid dealing with unions, given their well-established position in the plants and In some cases the legal support they enjoyed. Clearly, the central HR function had to balance the drive to standardize practice with adapting to local conditions in the country where they will be expanding.