

Features of hrm in usa and europe



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The concept of human resource management (HRM) had been first developed in the United States of America (USA) since 1960s and 1970s. Since then, the American model of HRM had been widely spread around the world both in the theoretical and practical aspects. However, the influences of American HRM model in other countries in term of its approaches and practices are still open for investigation by researchers (Brewster, C., 2004). In general, American HRM model is more emphasis on freedom and flexible working practices; high degree of formalisation; strong sense of managerial ‘right to manage’ and contractual; strong in private enterprise culture; low level of state involvement and legislative control; and antagonism to trade unions.

Apart from USA, other models of HRM were also being developed in other regions of the world especially in Asia and Europe. Researchers had then come out with the concept of comparative HRM to study the similarities and differences in HRM practices of different countries (Adler, 1983; Boxall, 1995; Brewster, 1995; Reading, 1994, cited by Brewster, 2004). In Europe, there are certain areas in the American concept of HRM had not been accepted by the communities. For example, HRM in Europe is practicing ‘Logic of honour’ instead of contractual, and at the same time resisting to formalisation. Besides that, private enterprises in Europe are constrained by national culture and legislation and the working communities are heavily unionized. In 2004, Communal, C. and Brewster, C. had identified and summarised the main differences of HRM between USA and Europe as shown in Table 1.

Table 1: FEATURES OF HRM IN THE USA AND IN EUROPE

Dominant Features

HRM in the USA

HRM in Europe

Roots

Freedom and autonomy

Qualitative impact of cultural diversity

Organisational cultures

Private enterprise

Sense of organisational and managerial responsibility towards employees

Role of the state

Low interference from the state

Greater involvement of the states and European supranational agencies

Trade unions and representative

Traditional antagonism of management towards trade unions

Wider support towards trade union and other forms of employee representation

Source: Communal, C., and Brewster, C., (2004), HRM in Europe, International Human Resource Management, 2nd Edition, Sage Publications Ltd, London, p. 180

American HRM stresses on high degree of formalisation in the processes. It can be seen in the implementation of total quality management (TQM) by MPS in USA from the case study. MPS's employees in USA works are basing on a systematic process and procedures that had been benchmarked according to a certain standards in the industry for quality control purpose. Moreover, TQM system in MPS will also facilitating the improvement of production efficiency and reducing operation cost in order to achieve competitive advantage. In Europe, the HRM practices are normally not as formal as compare to the American. There are also fewer organizational charts and lesser formal grading system. Therefore, MPS's employees in Europe prefer to have a line management system in directing the workforce towards the work tasks instead of the organizational and reporting system that practiced by the US headquarter.

Communication plays an important role in HRM to generate workforce commitment. To achieve this objective, MPS in USA had been conducting regular staff feedback sessions and annual staff opinion surveys to ensure employees' needs are well taken care of. Through the staff surveys, MPS can also benchmarking the compensation and benefits against the competitors this will be useful in creating long-term staff retention effects. On the other hand, its Europe's subsidiaries in UK, France and Sweden are facing problem with the same feedback mechanism. According to Brewster, et al. (1994), there are two common ways of communication between the employees and their employers in Europe: through line management, and through the trade

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union or work council. Therefore, the European workforce preferred to have a line manager as the channel of communication between them and their employers instead of direct feedback system. Due the above circumstances, work councils that normally not to the American's favour had also been formed by MPS in accordance to the European law.

Pieper highlighted that the main difference between American HRM and the European is the influences and controls by the state regulations (Pieper, 1990, cited by Brewster, 2004). There is less protection for workers in USA as compare to Europe. Research data had shown that most of the workers in USA work more than 40 hours in a week. While in Europe, working hour in a week are restricted to only 35 hours and further control on the overtime works are limited to 130 hours a year (Brewster, 2004). In Europe, there are stringent controls by the legislative requirements on the employment policies. For example, minimum wages; hours of work, as well as public holidays had been regulated strictly in the form of employment contract by the authorities. Therefore, MPS's subsidiaries in UK and France are having difficulties to get their workers to work extra hours or carry out weekend works even though MPS is willing to pay for the extra work hours.

American is culturally more individualistic and autonomous as compared to the European. They are also very achievement-orientated in their works. For the performance management and rewards system (PMRS) in MPS, stringent criteria and target setting that linked to group and individual performance had been implemented traditionally. The HRM practices in USA will insist performance appraisal being conducted in a fair manner whereby the management will emphasis on the measurable aspects in the target setting

and performance reviewing exercise. Therefore, employees in USA are always willing and motivated to walk the extra miles to achieve the targets. This will ensure the results be reflected in their performance appraisal for a better rewards and remuneration later. While for in Europe, they are normally less autonomous and lack of entrepreneurialism. Unlike the American, European communities are having wide support towards trade union and other forms of employee representation in their working places. However, the influence of trade union varies among countries. According to the Trade Union Density statistics in 2008, among all the four countries that MPS is operating, Sweden has the highest union density of 68.3%, while UK has 27.1% and France is only 7.7% as compare to USA which is 11.9% (OECD. StatExtracts, 2008).

As the European law requires the trade unions to be recognised for collective bargaining purpose, the unions' representatives will play a vital role in the management's decision especially those related to HR practices and policies. This conflict had clearly shown in the occasion where the unions and the employees in the UK and Sweden subsidiaries do not agree with the performance management system introduced by the American. They felt that the targets were too harsh and they had little control over them. In addition to that, work council is also a compulsory under the law of France and Sweden. The work council that consist of members from the union will normally have a certain degree of power in the managerial decision. It was not a common practice in USA whereby the American model of HRM actually emphasis on the theory of "management's right to manage" (Brewster, 1995).

Findings from researches had shown that there are clear differences and characteristics between the American HRM model and the HRM practices in Europe. Therefore, it is important for MPS to understand the national culture as well as the legal systems of the host countries in Europe before and during the expansion exercise. All these will information will facilitate the MPS's management in their decisions making between adopting the local standards or maintain home country HRM practices in their international ventures.

ANSWER FOR QUESTION 1 (b):

As HRM concept was founded and developed in the USA, most of the studies done on the HRM practices and the roles of HRM in organizational competitive advantage were also US based. In 1995, Brewster had acknowledged the needs of introducing the European models of HRM as the nature of business environment in Europe is different from the American (Brewster, 1995, cited by Stavrou, E. et al, 2004). Claus, L. in 2003 through his interviews conducted with the experts in Euro-HRM research, he had summarized that most of the HR experts are generally agreed that there is no European model of managing HR but there are various HRM practices within the Europe countries.

A single currency (the Euro) and some other common regulations had been successfully implemented through the European Union (EU) within the European Union countries in 2002. These efforts had actually led to the growing of “Europeanization” concept not only from the economical perspective but also politically as well as their institutional and cultural influences. Therefore, the establishment of EU had extensively influenced

the HRM practices among the European Union countries. However, HRM experts had been trying to determine the common HRM principles in Europe and to link it with the geographical, cultural, institutional and organizational aspects among the European countries as a force of convergence.

In European organizations, although there are some common HRM principles that had been practised, there are also differences in some of the aspects depending on the geographical conditions (Sparrow and Hiltrop, 1997, cited by Stavrou, E., et al, 2004). Ronen and Shenkar (1985, cited by Communal, C. and Brewster, C., 2004) had classified the European countries into four clusters according to their cultural and geographic aspects as shown in Table 2. Sparrow and Hiltrop, 1997 also stated that each European cluster would have its own unique HRM style as national cultures were the main determinant of HRM practices.

In Europe, the convergence and divergence of European HRM practices are still under development. For example, divergence will happen due to the different cultural, societal conditions as well as in legal systems. While the common management philosophies and similarity in organizational behaviour will lead to the convergence in the HRM practices in Europe (Mayrhofer and Brewster, 2005). Although there are some clear characteristics of HRM practices had been identified in Europe as compare to the American HRM Model. A lot more studies and coordination works are still needed for the identification and integration of common HRM practices in Europe. Nevertheless, many European organizations had already display some pan-European HRM characteristics although a clear model of European HRM still does not exist yet (Sparrow and Hiltrop, 1997, cited by Stavrou, E. <https://assignbuster.com/features-of-hrm-in-usa-and-europe/>

et al, 2004). Therefore, it is still more appropriate to call it as an HRM in Europe rather than European Model of HRM. Furthermore, the European Union (EU) has not actually covered the whole of Europe (Communal, C. and Brewster, C., 2004).

ANSWER FOR QUESTION 3 (a):

There are three popular models of national cultures in the international cultural studies: the Hofstede's cultural dimensions; Trompenaars' cultural dimensions; and value orientation-based cultural dimensions introduced by Lane, Distefano and Maznevski. In general, Hofstede addresses on the values as the core culture and Trompenaars stresses that meanings are the vital part of culture. While Lane, Distefano and Maznevski, argue that the importance of value orientations in understanding cultures (Romani, L., 2004). However, all the three models of national cultures did have link between values, meanings and value orientation with cultures.

Hofstede through his worldwide research in cross-cultural had identified the first four main cultural dimensions of work-related values at the national level. The four Hofstede's cultural dimensions are: ' power distance'; ' individualism versus collectivism'; ' masculinity versus femininity' and ' uncertainty avoidance'. The fifth dimension, ' long-term versus short-term orientation' was later been developed in his another research conducted with Michael Bond in 1987. Hofstede's cultural-dimensions are mainly exploring on the cultural differences based on the thinking and social action of the people at the country level.

For Trompenaars' cultural dimensions, there are seven dimensions that had been discussed by Trompenaars. The dimensions are: ' Neutral versus Affective'; ' individualism versus communitarianism'; ' universalism versus particularism'; ' achievement versus ascription'; ' specificity versus diffuseness'; ' sequential versus synchronic'; and ' inner versus outer directedness'. Trompenaars' theories had supplements Hofstede's research in certain areas and further developed the concept of culture by assuming cultures are made of shared meanings which will influence the management practices.

Lane, Distefano and Maznevski adapted the value orientation theories that were first introduced by Kluckhohn and Strodtbeck (1961) into their cross-cultural studies. In the cultural analysis by Lane, Distefano and Maznevski, the selection of items used to evaluate five out of the six orientations presents beliefs related with each variation. The six orientations with their variations of measurement are shown in Table 3 below.

Hofstede's and Trompenaars' cultural dimensions are having a common feature which both are bipolar-based. This feature will force the respondents to choose only between two alternatives which are mutually exclusive. However, Lane, Distefano and Maznevskis' value orientations offering three options that provide a level of preferences for each orientation and can improve the bipolar-based cultural response for a better accuracy and anticipation.

The impact of culture in HRM can first be seen in individualism and collectivism (Uysal, G., 2009). Table 4 shows the position of 50 countries on

the power distance and individualism versus collectivism dimensions by using Hofstede's cultural-dimensions. Brewster (2004) stated that the high individualistic culture in USA causes the American to be very performance orientated in their works. On the other hand, collective culture will lead to the trade union recognition that is generally happen in the Europe countries. However, by comparing all the four countries where MPS are operating, we noticed that USA, UK (Great Britain) and Sweden are within a same region whereby small power distance and individualism characteristics are significant. France had been identified to have a higher power distance and at the same time shows sign of individualistic culture. From the above observation, the management of MPS should have had a better understanding of how should they manage the HRM policies in their subsidiaries abroad.

ANSWER FOR QUESTION 3 (b):

The studies in cultural theories rely on the assumption that implicit differences in national cultures are linked to diverging managerial beliefs and actions (Child, 2002, cited by Romani, L., 2004). Besides that, Hofstede through his research in 1980 has verified that national culture should plays a more important role in differentiating work value even within big MSCs which have strong organizational culture. Claus, L., 2003 stated that the national culture which has rooted in the value dimensions will affect the individual and social behaviour and at the same time influence the organization culture of companies.

The three different models of cultural dimensions above had provided us the methods of evaluation and identification of the practices, beliefs and values

shared by the communities of a country which aid to the understanding and management of people from various cultural backgrounds.

For MPS as a MNC, the transfer of the HRM practices and its strong organizational culture should strictly rely on the degree of acceptance and cultural compatibility by the host countries in Europe. Some of the organizational cultures which are traditionally embedded in the company may not be suitable to be implemented in its subsidiary in another country which is culturally different at the national level. For example, MPS in America is culturally strong in formalization of process and performance orientated. These organizational cultures is had not been accepted by the employees from the Europe subsidiaries as these Europe countries are culturally more collectivism as well as low in individualism as compare to the American.

Although most people will believe that excellent companies should have strong organizational culture, it is a requirement for MSCs to link their organization cultures with different national cultures of its subsidiaries and anticipate their resistance in implementing HRM practices and determining of HR policies. Therefore, MNCs should be cautious in the transfer of their organization cultures as well as HRM practices in other host countries and should treat national culture as the most important factors in determining the HRM practices and policies.