

# Human resource management - effect of culture



The current paper will seek to explore the employee cultural values in the Pakistans multinational companies and the influence of culture on SHRM practices. Hofstede's cultural dimensions of collectivism, power distance, uncertainty avoidance, and femininity will be applied. These value dimensions reflect human thinking, and feelings of people, which pose basic problems that any society has to cope with but for which solutions differ.

### **Introduction:-**

Every researcher looking into human resource management (HRM) practices on a comparative basis comes across a major question. This question has to do with the extent at which societal culture influences the way firms manage their personnel and the way HRM practices are developed and implemented within firms across various countries. Globalization as well as the expansion of multinational companies (MNCs) has shifted the attention of both researchers and practitioners to the way that organizational practices, and especially HRM, are differentiated across various countries. In the literature one can find several comparative HRM studies concluding, in their majority, that national culture is a decisive factor in shaping HRM (Heijltjes et al., 1996; Sparrow et al., 1994). In studying about MNCs in 12 countries, Sparrow et al. (1994) found differences in the HRM practices that are perceived to be a source of competitive advantage across the countries. The most popular model for comparison at the level of national culture is that of Hofstede (1980, 1991), which has been the base of numerous studies in the area of management in general.

Of all the factors affecting strategic human resource management (SHRM) perhaps none is more

potent than the national culture. This is because the values underlying human resource management (HRM) are not based on individual country's values. As Kanungo (1995, p. 11)

pointed out:

“...because many of our human resource management tools have been developed primarily within a context of economically developed nations, most have never been appropriate for use in developing countries. Traditional US-based HRM theories, in particular, with their lack of contextual embeddedness, their strong individualistic orientation, and their emphasis on freewill... mismatch what is most salient about the nature of work and human systems in developing countries”.

Aycan et al (2000) contend that because of the increasing demands of the globalized and liberalized business environment, both researchers and practitioners have started paying more attention to the study of culture as an explanatory variable. The researchers have also come to realize that the uncritical adaptation of SHRM practices and techniques evolved in the context of

Western cultural values may not be effective in other socio-cultural environments.

The current paper intends to analyze the employee cultural values in Pakistani multinational companies (MNCs) and the influence of culture on SHRM practices. Hofstede's (1980) cultural dimensions of collectivism/individualism, power distance, uncertainty avoidance, and femininity/masculinity will be applied.

### **Objective of the study:-**

In view of the above discussion, this paper has focused on the objective:- To statistically examine the relationship between societal culture and HRM practices. On the basis of the stated objective following research questions can be formulated.

R1:- To what extent national culture affects HR practices of an organization

R2: To identify the impact of the cultural attributes (Power distance, Uncertainty avoidance Individualism/Collectivism, Feminity/ Masculinity) on HR practices.

### **Significance of the study:-**

This significance of the study is that it will lead to the better explanation of HRM in an international environment. On a practical basis, the findings that will be drawn from the current paper could serve as a guide in transferring HRM policies within the MNCs, as they give an indication of the most culture-sensitive practices and the way they are related to societal culture characteristics. Expatriate HR managers could be stimulated to look into

cultural differences prior to implementing HRM practices directed by the parent country.

## **Literature Review:-**

The impact of national culture on a variety of HR practices has become one of the most important topics in management research (Chen et al., 2006; Gahan and Abeysekera, 2009). From the perspective of institutional theory (Scott et al., 2003; Westney, 2005) it is suggested that HR practices are affected by differences in national culture and that HR practices will be largely dependent on managers' abilities to understand and balance different cultural values and practices (Wang et al., 2008). The contingency or external fit perspective emphasizes the fit between national culture and HR practices, implying that specific HR policies are affected by national culture.

Research (Sonja and Phillips, 2004) assumes that managers in today's multicultural global business community frequently encounter cultural differences, which can interfere with management practices in organizations. In comparing cultures of different countries, cross-cultural researchers have concentrated effort on an examination of a set of cultural value dimensions developed by Hofstede. Dominant value systems of different countries can be ordered along Hofstede's set of cultural value dimensions (Hofstede, 1980; Hofstede and Bond, 1988). People's Dominant value systems have been crystallized in the institutions these people have built together: their family structures, educational structures, religious organizations, associations, forms of government, work organizations, law, literature, settlement patterns, and buildings. All of these reflect common beliefs that derive from the common culture. Whereas the value systems affect human

thinking, feeling, action, and the behavior of organizations and institutions in predictable ways, the value dimensions reflect basic problems that any society has to cope with but for which solutions differ from country to country (Hofstede, 1983).

Extant literature (Gelfand, 2000) concludes that managers in organizations are recognizing that it is impossible to maintain bias views while doing business across cultures. Cultural knowledge and a global focus are crucial to survive, and to thrive, within today's business environment. However, the same literature does not give a global focus that is accordant with the global reality of business. Discussion and empirical assessment of culture and human resource management practices (Aycan, et al, 2000) has been focused on specific developed countries and developing countries have been given little attention (Nyambegera et al, 2000).

## **Variables of the study**

For the purpose of this study the study variables have been grouped into two categories, namely cultural variables that include sub variables as defined by Hofstede, 2001, and organization variables that include HR practices as defined by Gong et al., 2009.

## **Cultural variables**

The first category of variables includes the societal culture as defined by Hofstede, 2001.

Power distance refers to the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally (Hofstede, 2001). High power distance cultures tend to view

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inequality as normal or natural. In such cultures, lower-status people are addressed by their first names, whereas for higher-status people different prefixes are added before their first names (Pellegrini and Scandura, 2006). In low power distance cultures lower-status people are more likely to believe that they should have voice in decision processes (Alves et al., 2006), and will be less motivated if this is withheld. Power distance has significant implication for management styles and practices (Van Emmerik et al., 2008). In low power distance cultures there is a preference for leadership styles that promote flexibility, innovation, job mobility, and general skills, rather than the specialized skills that are preferred in high power distance cultures (Dickson et al., 2003). People in high power distance cultures accept more guidance from superiors, and this extra attention makes high-status employees more enthusiastic about work. In lower power distance cultures wage differentials between men and women are smaller (Hofstede, 2001).

### **H1:- Low power distance cultures will have a significant impact on HR practices that increase empowerment more than in high power distance cultures**

Hofstede (2001) defines uncertainty avoidance as the extent to which a culture's members feel uncomfortable in unstructured situations. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and this is also reflected at a philosophical and religious level. People in uncertainty avoiding cultures are also more emotional, and motivated by inner nervous energy. People in uncertainty accepting cultures may be more tolerant of different opinions and relatively unstructured situations. In the work environment, uncertainty avoidance may lead individuals to try to avoid ambiguous situations and look

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for precise alternatives. Within such a cultural context, there will be many established formal rules or informal norms controlling the rights and duties of employees (Chang et al., 2007).

## **H2:- High uncertainty avoidance cultures will have a significant impact on HR practices that promote stability and security, more than HR practices in low uncertainty avoidance cultures.**

Hofstede (2001) defines individualism against its opposite, collectivism, as the degree to which individuals are integrated into groups. In individualistic societies everyone is expected to look after themselves and their immediate family. In collectivistic societies people from birth onwards are integrated into strong, cohesive in-groups, often extended families. The dimension of individualism and collectivism has received the most attention in cross-cultural organizational research (Triandis, 1994). It has been shown to have major implication for the motivational as well as employment practices. For example, in more individualistic societies HR practices tend to differentiate between employees based on their individual performance. These societies also use differentiation in the reward system (Beer and Katz, 2003). At the same time, employees from collectivistic countries prefer reward systems that are non-competitive in nature (Chiang and Birtch, 2005). Employees from more individualistic cultures tend to be more driven by improving themselves and their own positions in life, and are also characterized by feeling comfortable in competitive environments (Probst et al., 1999), whereas employees from more collectivistic countries tend to be more motivated by the success of the group as a whole. More individualistic cultures will tend to emphasize HR practices that stress individual rewards



management (e. g. offering individual bonuses and perks, promoting on performance) more than in collectivistic cultures.

### **H3:- More individualistic cultures will tend to emphasize HR practices that stress individual rewards management (e. g. offering individual bonuses and perks, promoting on performance) more than in collectivistic cultures**

Hofstede (2001) refers to masculinity versus its opposite, femininity, as the distribution of roles between the genders. His research showed that women's values differ less among societies than men's values; and men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. Research showed that the distribution of gender roles has major implications for HR practices and for career strategies as well as career opportunities of women. At work, in more feminine societies more weight is attached to subjective, intuition-oriented conditions such as care, nurturing and relationships (Alves et al., 2006). At the same time, in more masculine societies people ascribe greater value on monetary rewards, while in turn more feminine societies place greater importance on non-financial rewards (Chiang and Birtch, 2005).

## **H4:- More feminine cultures will tend to emphasize HR practices that stress gender equality more than in masculine**

### **Organizational variables**

The second category of variables includes the HRM practices that reflect cultural dimensions in which they were developed. HR practices that are likely to be sensitive to cultural influences are (Gong et al., 2009):

employment security;

reduction of status distinctions;

selective hiring;

training and development;

performance appraisal; and

career planning and advancement.

Employment security and reduction of status distinctions can be characterized as maintenance-oriented HRM because they protect employees' well-being. Employment security may induce employees to stay in their job. Selective hiring and training and development are aimed at developing an organizations talent pool. Performance appraisal and career planning and advancement motivate employees to produce (Gong et al., 2009).

### **B (i) Norms regarding HR practices**

Organizational Culture is thought to have a strong effect on processes within organizations that contribute to choices among different HRM practices

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(Aumann and Ostroff, 2006). That is, organizations usually have strong norms about how employees should be managed that will be shaped by cultural influences and essentially culture is the process of transmitting these values and norms. The content of cultural norms transmission can be thought of as the mean level of a particular cultural value, while culture strength can be viewed as the degree of variability or dispersion around this mean score (Aumann and Ostroff, 2006).

The norms likely to be linked with selective HR practices used in this research are

## **NORMS REGARDING HR PRACTICES**

### **HR PRACTICES**

Reduction of status distinctions Empowerment (refers to H1)

Employment security Stability and Security (refers to H2)

Performance appraisal Rewarding and Individual Performance (refers to H3 )

Selective hiring Gender equality (refers to H4)

### **Source :- (Gong et al., 2009)**

Within a culture that emphasizes collectivism this cultural dimension will influence the range of the more specific organizational norms, such that these norms are consistent with the cultural dimension of collectivism. In a strong collectivist culture, for example, one organization may emphasize the rewarding of individual performance, while another may emphasize rewarding of team performance. In both cases, these more specific organizational HR practices of reward management can be consistent with <https://assignbuster.com/human-resource-management-effect-of-culture/>

the higher-order culturally based collectivism. As argued by Aumann and Ostroff (2006, p. 9) “ organizations embedded in the same societal cultural context are likely to develop organizational cultures that share certain cultural attributes derived from that culture.” Consequently, organizations in similar cultural contexts are likely to develop similar HRM practices

## **Proposed Conceptual Model**

**Power distance**

**HR practices**

**Reduction of status distinctions**

**Employment security**

**Performance appraisal**

**Selective hiring**

**Feminity/**

**Masculinity**

**Individualism/**

**Collectivism**

**Uncertainty**

**avoidance**

**Adapted from :- (Aumann and Ostroff, 2006 and Gong et al., 2009).**

**Methodology:-**

This section highlights the research procedures, which the researcher follows for conducting the study.

## **Research method**

In order to examine the model, research questions, and hypotheses proposed in this study, a survey will be conducted. A survey is a suitable tool for measuring attitudes or characteristics of a large population (Babbie, 2001). Survey research also has been used frequently in cross cultural research (e. g., Gudykunst, 2002; Rubin, 2002). As this study will seek to measure the impact of culture on HR practices therefore, a survey research method was appropriate for examining the variables in the proposed study.

## **Research strategy:-**

A quantitative research with a deductive strategy will be used as the quantitative research seeks to explain what percentage of people do one thing or another while the qualitative researcher pays much greater attention to individual cases and the human understandings that feature in those cases and deductive strategy helps in formulating a possible explanation, a theoretical argument for the existence of the behavior or the social phenomenon under consideration (Blaikie; p19)

## **Research design:-**

A quantitative method will be used to explore the employee cultural values in the Pakistan's multinational companies (MNCs) and the influence of culture on SHRM practices. A sample size comprising of 15 MNCs currently functional at Lahore region will be selected . MNCs will be selected by using convince sampling technique. While 25-30 Respondents from each MNC's will be selected again on the basis of convince. Focus is drawn on MNCs because extant literature (Youndt et al, 1996) has established that it is common to choose MNCs in any study showing relationships between SHRM practices

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and performance grounded on the fact that such companies are better placed to use the SHRM practices in their management than local firms

### **Hypothesis:-**

H1:- Low power distance cultures will have a significant impact on HR practices that increase empowerment more than in high power distance cultures

H2:- High uncertainty avoidance cultures will have a significant impact on HR practices that promote stability and security, more than HR practices in low uncertainty avoidance cultures.

H3:- More individualistic cultures will tend to emphasize HR practices that stress individual rewards management (e. g. offering individual bonuses and perks, promoting on performance) more than in collectivistic cultures

H4:- More feminine cultures will tend to emphasize HR practices that stress gender equality more than in masculine

### **Statistical tests:-**

The Chebycheve's rule will be used for this purpose and 6 $\sigma$  rule will be followed to determine the spread of the data. The main reason for determining the outliers will be for the reason to eliminate the outliers if any, present in the data and then go for the data analysis in order to get accurate and reliable results. Statistical tools such as, correlations, analysis of variance (ANOVA), means, and standard deviations, will be used for the analysis of the data gathered. Basically ANOVA will be used to bring out the significant differences among various categories of respondents and

correlation is useful for determining the strength and direction of the association between two or more variables.

### **Implications :-**

This research focusing on diversity of national cultures and their influence on employees' behavior will inspire much optimism about emerging perspectives on culture and SHRM practices and will guide the organizations around the globe in making decisions, allocating resources, negotiating, managing and in training, developing and motivating employees.