

To which extent do
host country effects
influence hrm



**ASSIGN
BUSTER**

In the past century, globalisation became a buzzword. The economy growth entailed workplaces and standards of living. National based companies became multinational companies, which included a change in the old fashioned way of doing business. Nowadays, companies have to face the local needs of different countries while focusing on the company's global goals. Finding the right mix of these two forces is one of the main challenges for the Human Resource (HR) management department of a multinational company.

Discussion

Facts about cultural differences

There are different ways of responding to the local needs of different countries. Multinational Enterprises (MNEs) are companies which have mostly autonomic subsidiaries in their operating countries. These subsidiaries work independent and are so called 'stand-alone' businesses. They want to satisfy local needs and address the customers directly. However, MNEs are still influenced by the parent company, but, vice versa, the subsidiary also affects its parent company (institutional effects). Multinational companies have a high responsiveness and a low global efficiency (Snell & Bohlander, 2007). The high responsiveness affects the Human Resource department of a company. The main challenge for the HR department in a multinational enterprise is to find the balance of global standardization and localization. Global standardization mainly focuses on the company's culture and its strategy and structure, which finally leads to its goals. Localization is more concerned on the host country itself including

cultural and institutional environment. Both modes deal with the firm size and maturity (Zagelmeyer, 2010).

The cultural environment of a country consists of the education, social structure, values and ideologies, communication, and religion (Snell & Bohlander, 2007). These factors are very important for company decisions. Therefore, it is the task of the Human Resource departments to face the five factors, which are defined by Geert Hofstede:

1 Power distance, which deals with how power is distributed in a country and how the inhabitants accept this distribution.

2 Uncertainty avoidance, which is about how uncertainty is tolerated in a country.

3 Masculinity describes the role of genders in a country.

4 Individualism examines to which extent people are integrated into a group.

5 Long-term orientation is about the degree to which people plan and consider the future and how important values and traditions are for them (Nevins, Bearden & Money, 2006).

Other factors which influence cultural differences are:

6 Human orientation which refers to the degree to which inhabitants of a country are fair, altruistic, generous, caring and kind to others (Zagelmeyer, 2010).

7 Assertiveness is about the degree to which inhabitants are assertive, confrontational and aggressive in the relation with others.

8 Future orientation, to which degree people behave future oriented.

9 Performance orientation discusses to which degree people are able to receive and give performance outcomes analyses (Zagelmeyer 2010).

Impact of cultural and institutional differences on HRM

All these nine factors define the culture of a country and the company operating in this country and therefore Human Resource management should adapt when needed. To get a closer understanding of how these factors influence Human Resource management, we have to analyze its different practices. It starts with recruitment and selection. In countries like the United States, the Human Resource departments look for employees who are able to work in a collectivistic work environment. Team players are highly wanted. Here, collectivism plays a major role whilst it is the opposite in countries like China as these societies are low in group-collectivism (Zagelmeyer, 2010). The Human Resource department would look for someone who is able to accept decisions and rules from above without questioning them. Past individual achievements are very important for job selections in individualistic countries. The different education systems (public and private) also influence the recruitment and selection process.

This also affects the training and development practice, which is another Human Resource management task. The challenge is to find the right mix of masculinity in a country. In some countries like the United Kingdom it is

normal that women are in high positions, whilst other countries like Japan do not accept females in such an extent.

The compensation of employees also differs from country to country. The main task for HR is to find the balance between a fixed- or a performance-based salary depending on the uncertainty levels of the host country. High on uncertainty avoidance implies that employees tend to prefer a fixed salary and in societies with low on uncertainty avoidance, employees are more risk tolerated and therefore accept performance-based salary like bonus payments (Zagelmeyer, 2010). Countries with high uncertainty avoidance are for example Russia and Japan, which stand in contrast to countries like Sweden and Great Britain. The institutional effects are influenced by state regulations such as minimum wages, which HR has to take into consideration, too.

The last Human Resource management assignment is about task completion. In this tool, collectivism versus individualism plays a major role. In a country like the United States, tasks are often completed in groups where teamwork is very important. In China, this is rather unusual as individual performance is much more important. In terms of the institutional context, this means that tasks are gender divided according to the host country.

These are just some examples how host countries effects influence Human Resource management. These examples show that there is a high effect on Human Resource management, especially if countries differ in their

dimensions. Generally, it is easier for a parent company to open a subsidiary in a country with similar cultures, traditions and regulations.

Conclusion

Nowadays, companies have to go abroad to stay competitive, and therefore a country analysis like the one made by Geert Hofstede can help to identify potential conflicts and define different approaches to individual tasks.

However, one has to say that the effect of a host country towards Human Resource management is huge and comprises a high degree of potential conflicts but nevertheless there are many ways to balance these issues. As mentioned above, finding the right mix between company's interests and cultural awareness is crucial to survive in a globalized world.