

# International hrm, globalization effects and national business systems assignment...

[Sociology](#)



Question Identify and analyse the relationship (in the context of HRM issues) between ' Globalisation Effects' and ' National Business Systems' ??? do you think national patterns are likely to survive during the first half of the twenty first century? Globalisation is a term much talked about in the media, most often by economists. It is having an increasing effect on national business as companies find themselves adapting to increasing homogenisation across the globe.

This comes about as a result of increasing numbers of businesses expanding internationally and therefore having to standardise, among other areas, their HRM practises in order to gain the levels of control required to operate competitively. This trend to a single global market is causing many countries and regions to loose their own individual HRM styles in favour of more global practices which better suit the demands of this market.

This includes both technological developments, staffing and personnel development, however at the same time problems are being faced along the way as globalisation resistance factors come into play in many different forms. Stuart Wall (2004) describes this change. From the view of political scientists globalisation is a process that leads to the undermining of the nation state and the emergence of new forms of governance. From the sociologists viewpoint globalisation is seen in terms of the rise of a global culture and the domination of the media by global companies.

This global culture is slowly becoming the expected norm and it may well be the case that companies that do not take note and make the necessary changes may be left behind in the race for global survival. Research carried

out by the University of Manchester ([www.sed.manchester.ac.uk](http://www.sed.manchester.ac.uk)) covering globalisation and staffing argues that different societies exhibit important social and institutional variation due to their differences in culture, polity, education systems and financial regulations and therefore embody different welfare regimes, labour market practices and capacities for state economic management.

It is argued that these variations leave a distinctive imprint on the practices, which include HRM, carried out in particular national territories. However a one-dimensional view of globalisation is likely to result in only a partial picture at best. ' Globalisation is a complex process which is not necessarily teleological in character ??? that is to say, it is not necessarily an inexorable historical process with an end in sight. Rather, it is characterised by a set of mutually opposing tendencies. ' (Giddens 1990) McGrew (1992) attempted to identify several of these opposing tendencies. 1. Universalisation vs. particularisation.

While globalisation can make many aspects of modern social life universal it can also identify the differences between what happens in particular places and what happens elsewhere (the UK and China for example). However when these differences are highlighted this can lead to a resurgence of regional and national identities and the particular practices that come with this such as HRM. 2. Homogenisation vs. differentiation. While globalisation creates this trend towards sameness (or homogeneity) in products, processes and institutions it can also mean that general approaches must be assimilated within the local.

For example international HRM is becoming more homogenous across the globe however it may still take on different forms in different places while still maintaining the same core standards. 3. Integration vs. fragmentation. Globalisation creates new global, regional and transnational communities that unite people across territorial boundaries. However it can also potentially divide and fragment communities, for example labour can become divided along sectoral, local, national and ethnic lines.

These insights into the opposing reactions that accompany increasing globalisation indicate some of the areas of difficulty that may be faced by national firms and those increasing their international involvement.

Personnel issues are becoming ever more commonplace with many western companies now reducing the amount of home grown executives working away in foreign countries for extended periods. Due to failures highlighted in the performance of these employees they are fast being replaced by local, third and returning national alternatives.

The actual process of HRM in these countries can be much more stressful and difficult than at home with managers often suffering from social problems such as cultural isolation and a lack of support for the family's involved. Costs are also a big factor with local nationals being cheaper to hire and more often efficient at the job in hand. While many leading multinational companies are attempting to standardise their business systems across the globe they often find difficulty in efficiently coping with the differences presented by culture and national identity.

The relationship between globalisation effects and national business systems is one of continual each way reaction evolution, while leading multinationals both set the standards in technology and have high influence over many countries, reactions are always occurring on the other side to both adapt and gain from the changes where possible. Some say globalisation has been occurring for as long as civilization has been documented however the relatively recent magnitude of change is presenting ever increasing issues for national and multinational firms and for many change will be needed in the near future if not all ready underway.

As an example in 1975 only three of the world's ten largest banks were Japanese, by 1987 the number was seven. When Toyota announced its decision to locate a manufacturing facility in Derby it was the hundredth Japanese manufacturing company to invest in the UK. It took a fifteen-year period, from 1972-87 for the first 50 to arrive; the next 50, however, were rapidly established in the following two years. Storney (1992) indicates how senior managers in recent years have become more acutely aware of their markets.

The mind-set of many has been under ever growing and demanding assault, seeming they must move away from traditional stances in order to respond to the market changes. These changes are both cultural and structural, Storney goes on to highlight how many of these organisations that undergo development or aspire in that direction have been symbolised by the change in terminology from ' industrial relations' to 'employee relations' and from ' personnel management' to ' human resource management'. This highlights

how important it now is to adequately control your workforce in today's expecting and demanding global and national markets.

It must be recognised, however, that there are certain organisations that for various reasons do not always pursue the kind of policies of change that have been previously mentioned. These can be situational reasons, such as technological circumstances. Edwards and Kuruvilla (2005) in a journal regarding international human resource management (IHRM) describes how Taylor et al (1996: 960) draws on a resource based view to argue that strategy and practices in multinational companies (MNC's) should be based around specific organisational competencies that are crucial for achieving competitive advantages in a global environment.

This often manifests itself in the spreading of practices from the home country to the foreign country. Bird et al. (1998: 162) explains how home management practices and subsequent business systems are often looked upon as a powerful resource in regard to competition, this then leads to firms attempting to 'transfer' these systems overseas in a bid to duplicate that advantage.

As previously discussed when multinational firms attempt this kind of transition they often face a diverse range of practices in different countries, Bartlell and Ghoshal (1998) describe how 'worldwide innovation' can simply be this kind of interaction. Taylor et al's model of strategic international HRM indicates that transfers of HRM policies and practices 'can go in any direction' (1996: 996-7), not just from the home to host countries.

This supports the suggestions made previously that the link between globalisation and national business systems is a two way evolutionary process. Transitions can work in which case the host country will be influenced by newly introduced policies or resistance and opposition can be faced in which case more traditional or native solutions must be used, for example the hiring local management. This issue of global versus local is a delicate balance for MNC's due to the risk of failure involved, primarily the under studied variables involved when working away from 'home'.

This is expanded upon by Kamoche (1996) who describes how the shared knowledge from managers experiences working on an international level in MNC's has over time created a broadly uniform IHRM strategy base to which managers most often conform to instead of choosing the freedom to adapt their own experimental HR practices at a local level. Edwards and Kuruvilla (2005: 8) suggest this pressure upon HR practices to become uniform globally can come about also from the degree of 'embeddedness' of a MNC in its original national base.

And that even if there is a conscious attempt to 'export' the style and particular practices of the home the key decisions that impact on the foreign base still come from nationals in the home country, therefore this informs the behavior of the firm at the international level. Edwards and Kuruvilla call this the 'country of origin effect', where the deployment of expatriate staff to foreign subsidiaries bring an influence in culture, and IHRM policies are more often that not based upon characteristic of the home country.

As mentioned previously the global vs. local issue provides a strong contrast with many MNC's now focusing on what they can change in IHRM policy and procedure to reflect more local influences, the increasing use of nationals and third nationals in senior management roles for example. The pressures that MNC's are facing in today's global market are often forcing them to begin the decentralisation of the decision making processes and passing HRM issues to managers in their own national contexts.

Edwards and Kuruvilla (2005: 9) enhances upon the previously mentioned importance of culture, stating that differences in culture are the most widely cited feature for creating pressure leading towards decentralisation. From the sources available it is clear to see that in order to be successful MNC's must be sensitive, and react efficiently, to the effect the values and attitudes of the foreign host country have upon their IHRM policies, as well as the day to day business there.

This pressure has been previously looked at by leading researchers such as Hofstede (1980) and following on Bartlell and Ghoshal (1998) who refer to it as ' multi-culturalism'. Many of the models available by such authors highlight levels of differentiation in firm's approaches to IHRM which are caused by the cultural differences they face. Another source of pressure leading towards the decentralisation of decision making on HR issues is the requirement that MNC's adhere and abide by national-level regulations as well as institutions in the labour market.

Many MNC's are faced with the tough proposition of coming to grips quickly with sometimes entirely different legal regimes and labour market

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institutions from what they have, and are prepared and equipped to deal with in their home country. For example even Europe contains a vast multitude of differences therefore it can easily be imagined that MNC's face even tougher challenges outside of the EU and US. Once again these variations are causing more and more MNC's to devolve responsibility of these aspects to managers who are familiar with the particular national differences.

Edwards suggests that other factors also play a role as forces towards localised HRM, not only host-country institutions but factors such as varying levels of economic and political predictability and stability and differing types of infrastructure. As a alternative view it can be said there is an other option available to MNC's that lies between global and local and is a combination of both these pressures, to provide a way for MNC's to manage their international workforces and the development of these personnel.

Tyson (1997) suggests IHRM does not need to gather to a corporate HRM point of normality as many MNC's feel they have to, but instead can increase their diversity which in turn will make them more localised over time. From his research it can be seen that although global and local factors are very prominent the balance between the two can differ across different types of worker. For example managers are normally the target of the standardised HR policies rather than other non-managerial employees of the MNC.

These mixtures adopted by some MNC's are just the result of their attempt to transfer their home practices abroad and over time some middle grounds have been met to achieve the most efficiency while still maintaining some

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degree of control. A study by Ding et al (1997) that looked at MNC's in China discovered that even though there had been a definite move away from particular historical Chinese norms such as 'egalitarian pay' and life-time employment the MNC's still kept in place the limited difference in normal workers and managers pay.

This was said to be influenced by a term called 'Chinese socialist ideology'. This suggests that although national patterns and systems of business are highly influenced by MNC's and the overall effects of globalisation, some aspects may still survive in the future simply due to the need to respond by MNC's to several deeply embedded forces present in different nations.

This can be referred to as the 'hybridization' of global and local influences and pressures and is becoming a more prominent stance adopted by many MNC's across the globe. In a publication by Alan Price 'Human Resource Management in a Business Context' a study by Hetrick (2002) is detailed which gives a good insight into the different ways in which HRM concepts, policies and practices were established within MNC's subsidiaries in Poland between the years of 1996 and 1999.

The study reveals that HRM was thought of by the Polish as an 'imported Anglo-American concept' which had no similarities with the people management and personnel development systems that were in place and being practiced by Polish organisations. Hetrick shares the findings that MNC's are giving ever increasing importance to HRM viewing it as the necessary control mechanism by which to integrate employees across national boundaries.

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The Expatriate managers are seen to be very important in this process and the following reasons are described: ??? As Role Models who indicate the appropriate and desired company behavior, specific values and ways of getting things done; ??? As Fixers who can adapt the MNC's corporate values and their mission statements to the local circumstances in which they operate; ??? As Key Actors, who put into play the desired HRM practices; ??? As Networkers or Boundary Spinners, who can make the necessary connections and links between local managers and other parts of the business; ??? As Agents of the Owners who oversee and monitor the development of the new subsidiary company; ??? As Coaches or Mentors who can transfer their knowledge to local managers.

The research by Hetrick indicates some of the reasons why MNC's want to export their home values and keep a level of control in host countries, this shows that national patterns are likely to continue being disrupted as long as giant MNC's continue to dominate the global market by as stated previously a Hybrid style is likely to be the outcome as often the pressures faced can be too strong to completely overcome. The research goes on to indicate how Germany in contrast is fairly different in its approach to HRM than many other different countries in that it is less 'strategically integrated and proactive'. The German's it seems prefer to integrate their HRM with pre-existing local systems, and this can even be looked at as a strategic resource. In conclusion it can be seen from the research into globalisation and its effects that this recent magnitude of change is something that all companies, multinational and otherwise should be very aware of in the near future.

It is not so much the individual nations that control how their business systems will be run but the dominant MNC's who set standards and export their own ideals and practices abroad. The debate between global or local shows pro's and con's on both sides with the method of Hybridisation becoming the choice of many MNC's. In reference to national patterns it is fair to say that all individual countries styles across the globe will be subject to change, some more than others. From the research conducted it seems that although these patterns will be subject to pressure's both globally and locally individual nations are still very likely to retain some aspects of their personal and socio-cultural traits.

What needs to be further researched is the balance between global and local dimensions to HR policies, managers in MNC's have the option to find the sense from global policies and this can be done by looking at the level to which they better enable the securing of benefits through co-operation and integration. There are two main issues to be addressed which are the political nature of the global vs. local issue and the way this is molded by MNC's international involvement. Bibliography and References Shaun Tyson (1997) ' The practice of human resource strategy' John Storney (1992) ' Developments in the Management of Human Resources' Stuart Wall and Bronwen Rees (2004) (Second edition) ' International Business' Anthony Giddens (1990) ' The consequences of modernity'

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