



Contents lists available at ScienceDirect

Journal of International Management


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South African MNCs' HRM Systems and Practices at the Subsidiary Level: Insights From Subsidiaries in Ghana

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ARTICLE INFO

Article history:

Received 9 September 2015

Received in revised form 22 February 2016

Accepted 18 July 2016

Available online xxxx

Keywords:

HRM systems
 HRM practices
 Diffusion
 Hybridisation
 Localisation
 EMNCs
 South Africa
 Ghana

ABSTRACT

Despite the extensive literature on the human resource management (HRM) systems and practices of multinational companies (MNCs) from developed countries, there are serious gaps in our understanding of emerging countries multinationals HRM practices and systems at both home and host countries. This study empirically examines the similarities and differences of South African (SA) MNCs' HRM systems and practices at both the headquarters in SA and at the subsidiaries operating in Ghana. The study reveals that with the exception of compensation and industrial relation practices which are localised, EMNCs HR systems and practices are mainly transferred to subsidiaries with minimal adaptation to contextual realities. Further research and practical implications are discussed.

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1. Introduction

International management research has tended mainly to examine the transfer of managerial practices and for that matter human resource management practices from parent companies to subsidiaries and their adaptation to local contextual realities (Sorge, 2004; Yahiaoui, 2015). But in recent years, some burgeoning research has focused on the reverse transfer of subsidiary HRM practices to their headquarters (Geppert and Williams, 2006; Yamao et al., 2009). Others have recently concentrated on the duality approach by examining the hybridization of headquarters and local HRM practices and systems (Yahiaoui, 2015). Scores of studies in this area found evidence of diffusion, adaptation, and hybridisation of HRM practices in subsidiaries of multinational companies MNCs (Geppert and Williams, 2006; Horwitz, 2014; Yahiaoui, 2015). Diffusion, here, refers to the process of a MNC transferring practices to host subsidiaries while adaptation involves adjusting to local institutional systems and practices (Yahiaoui, 2015). Hybridization, on the other hand, refers to the transformation of HR practices through diffusion or adaptation, shaped by organizational and institutional contextual realities to something different from both home or host country HR practices (Yahiaoui, 2014).

Much of this international management literature has paid attention on the transfer of developed countries MNCs HR practices to other developed, transitional countries and some developing countries in the East (Al-Husan et al., 2009; Almond et al., 2005;

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Azulokwam and Perkins, 2009; Ellis et al., 2015; Gamble, 2010; Geppert and Williams, 2006; Nakhle, 2011; Shimoni, 2011; Yahiaoui, 2015). Despite the extensive literature on the HRM systems and practices of MNCs from developed countries (Brewster et al., 2008; Edwards and Ferner, 2002), there is a dearth of research on the diffusion, adaptation and hybridization of HR practices from emerging countries multinational companies (EMNCs) to their subsidiaries in host countries. This is notwithstanding the remarkable emergence and global competitiveness of EMNCs particularly those from the BRICS countries.

A search of the major journals such as *Human Resource Management Journal*, *Human Resource Management*, *Journal of International Management*, *Journal of World Business*, *Journal of International Business Studies*, *Journal of Management*, *Academy of Management Journal*, *Academy of Management Review*, *International Business Review*, *Management International Review*, etc., revealed no research on BRICs MNCs' HRM practices. The scarcity of research on the HR systems and practices of EMNCs from the BRICS is surprising considering the growing numbers of MNCs from these countries with considerable subsidiaries in many countries around the world. There are therefore serious gaps in our understanding of EMNCs HRM practices and systems at both home and host countries. We take a step towards filling this gap and in enhancing our understanding of this issue by empirically exploring the similarities and differences of South African (SA) MNCs' HRM systems and practices at both the headquarters in SA and at the subsidiaries operating in Ghana. By this we explore the HRM systems and practices of South African MNCs operating in Ghana.

The business environments in African countries are not homogenous but diverse in their institutions, regulatory, political, economic, social and cultural systems (Adeleye, 2011; Ellis et al., 2015; Osabutey et al., 2015). In the same way, considerable differences in some HR practices among different African countries have been observed (Jackson, 2004). Horwitz (2014) notes that the general assumption of homogeneity of countries in the region tends to obfuscate the realities of the diversities. Given this level of complexity and diversity in Africa, scholars have alluded to the significant potential of impactful comparative research on HR practices and systems between regions or countries in Africa (Horwitz, 2014). Evaluating African MNCs' HRM systems and practices in their subsidiaries in other African countries' context is very important. Hence, the focus of this study, i.e., the examination of HRM practices and systems of South African MNCs subsidiaries operating in Ghana. To our knowledge, this is the first study of its kind to do so.

We first briefly review the main trends in MNCs HR systems and practices in their subsidiaries. Thereafter, we explain the methodology adopted in collecting and analysing the data for this study. Next, we present and discuss the findings and highlight the implications of the findings. The limitations and discussion of potential future research areas conclude the paper.

2. Literature review

The increasing strategic nature of HRM has generated a great deal of research examining the extent to which MNCs deploy headquarters' HRM practices to subsidiaries in host-countries (Brewster et al., 2008; Jain et al., 1998). A review of the extant literature reveals four approaches to MNCs HR practices in their subsidiaries. These are: the global standardisation approach, the transfer of home country HR practices to subsidiaries; the adoption of host country HR practices; and the hybridization of HR practices (Brewster et al., 2008; Edwards and Ferner, 2002; Geppert and Williams, 2006; Jain et al., 1998).

The stream of scholarly work in this area is underpinned by the belief that globalisation and global standardisation fuelled by the increasing inter-connectedness of national economies; the persistence of differences in national business systems; and the 'dominant economy' argument are key driving forces of MNCs HR systems and practices (Edwards and Ferner, 2002; Geppert and Williams, 2006).

The globalisation and standardisation perspective reflects the convergence argument that business cultures and policies around the world are converging (Geppert and Williams, 2006). It is believed that globalisation of firms and industries drive the move towards standardisation of systems and practices as well as centrally planned and co-ordinated actions (Horwitz, 2014). This is supposedly because national identities are eroding and being replaced by a unified global mission underpinned by common practice. At another level, it is suggested that the emerging trend of uniformity in consumer tastes across countries in recent times is facilitating MNCs integration of their HR systems and practices across their international operations (Edwards and Ferner, 2002). Homogenous HRM systems and practices coupled with the development of global mind-sets are therefore predicted by scholars to replace home and host country national identities (Geppert and Williams, 2006; Gupta and Govindarajan, 2002). The potential for synergistic linkages between subsidiaries have similarly informed some MNCs to embrace integrated and internationally business-based HR systems and practices (Edwards and Ferner, 2002).

The worldwide 'best practice' perspective is usually presented within this debate of globalisation and 'convergence' of business practices. Accordingly, the world is becoming integrated, nationless and borderless such that MNCs tend to be committed to a single unified global mission, resulting in the convergence of their management techniques around shared notions of worldwide 'best practice' (Brewster et al., 2008; Geppert and Williams, 2006). It is further suggested that, the more global companies operations become, the forces of globalisation are likely to influence them to use similar worldwide best HRM systems and practices in order to enhance their competitiveness and achieve performance goals (Brewster et al., 2008). Such global best practices emerge through learning across borders and internationalisation.

A stream of the literature focusing on the 'dominant economy' argument also suggests that MNCs are effective in transferring knowledge across borders and tend to diffuse best practices from subsidiaries in 'dominant' economies across their international operations (Edwards and Ferner, 2002). Accordingly, strong economic performance in one country serves as a recipe for diffusing elements of their systems and practices to other contexts (Geppert and Williams, 2006; Pudelko and Harzing, 2007). MNCs in this sense are seen as bearers of dominance effect and their systems and practices are likely to reflect the dominance of a particular economy, which could be the country of origin or a host country (Mayrhofer and Brewster, 2005; Pudelko and Harzing, 2007).

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