

# Critically evaluate the means and methods by which multinational companies are able to disseminate HR and employment practices across their global activities

Xinning Zhao

Qingdao Technical College, Qingdao, Shandong 266555

**Abstract:** In recent years, a lot of academics have recognized that the force of globalization is sweeping across the world and national borders are disappearing. One major outcome of this change is that competition has intensified greatly, specified by Khatri (1999). He continues, as a consequence, they need to be supple and adaptable to meet the competitive challenge, especially for Multinational Enterprises (MNEs). Furthermore, one needs to bear in mind that people are one of the most important factors providing flexibility and adaptability that enables companies to face the competitive threats posed by globalization. Thus, this assignment is going to examine and compare different employment strategies and systems used by MNEs. Hopefully, this will provide useful insights to help international managers manage their expatriates successfully.

**Key words:** Globalization, multinational company; human resource management; change; cultures; performance appraisal; MNEs.

The structure of this assignment will be divided into two major parts. In part one, the general means and methods by which multinational companies are able to disseminate HR and employment practices across their global activities will be critically evaluated. This will be supported by examples from most recent research and personal position will be developed with evidence. In part two, one important aspect of HR practices - the performance appraisal systems will be used as an instrument to analyze how the constraints and cultural factors impact on national employment systems from a comparative perspective. Finally, the implications for managing international HRM will be discussed briefly to conclude this assignment.

## 1. Convergence versus divergence with theories and evidence

Spybey (1998:29) has recognized that recently the term 'globalization' crops up everywhere and the reason is clear: "it refers to the global flows of cultural influence which have become such a pervasive part of our lives". Driven by the trends of globalization, two approaches in managing international workforce have emerged: the convergence versus divergence debate, introduced by Harris, Brewster and Sparrow (2003).

Under convergence theory, Kidger (1991, cited in Harris et al., 2003) argues that the logic of technology and its increasing diffusion mean that eventually, in order to compete, everyone will have to move to adopt the most efficient management and HR practice. This argument is valid to certain extent. For example, from an institutional perspective, exemplified by Harris et al. (2003), the European Union is passing legislation for all the member states, including employment legislation, so that some companies now operate as if the EU was one country. Companies do benefit from this institution, especially economic benefits.

Another example is illustrated by Ritzer (1993) cited in Spybey (1998) as the 'McDonaldisation of society'. The underlying assumption here is that the predominant model will be the US universalist model. What does this mean for international HR practitioners in MNEs? As Harris et al. (2003) explain that aligning international assignments with organizational strategy can be thought of in respect to the dominant orientation of the international organization. There are four main dominant methods: ethnocentric, polycentric, regiocentric and geocentric. This means that managers in MNEs with dominant convergence view tend to adopt the ethnocentric approach in managing their employees – "expatriates are sent from the headquarters out to subsidiaries to assure control and implementation of central policy, and to facilitate communication from the center to the local subsidiary" (Harris et al., 2003:144). There are a lot of advantages associated with this approach. For instance, managers can keep direct control of foreign operations by diffusing central values, norms and beliefs throughout the organizations.

However, in practice, this universal ideology has received a lot of criticisms and caused numerous disasters. The most influential critique is that this approach ignores cultural differences. Harris et al. (2003:15) cites a case study – Individualism v accidents, which is a strong evidence that demonstrates how important to be aware of cultural differences. This case states that in December 1999 a Korean Air Boeing 747 cargo plane crashed just after taking off from Stansted Airport and all four crewmen were killed. A possible explanation put forward for this was the fact that highly individualistic pilots try to avert accidents by responding rapidly to perceived problems, whereas those from collectivist countries were more likely to confer with others before taking action, thus losing time to avoid accidents (Parker, 1998, cited in Harris et al., 2003). This case has significant implications for MNEs to design different employment systems, in particular training and development strategies to suit different cultural groups.

Well – known Management scholars such as Hofstede, Trompenaars and Lewis have shown that employees and managers around the world differ widely in their values regarding work practices, and in particular, cultural differences lead to strongly contrasting ideas about what constitutes good management (Harris et al., 2003). In addition, Spybey (1998) also points out that human beings develop patterns for social life, and recognizing the differences between them is the most fundamental aspect of living society; without such norms life would

be continually problematic. These views are commonly referred to as the divergent theory, which believes that there are still powerful differences between the work systems and employment practices across culture. This means that managers in MNEs with dominant divergent view tend to adopt the polycentric or regiocentric or geocentric approach in managing their employees.

There are numerous literatures that support the geocentric approach – “individual managers will require an ability to understand foreign cultures and formal systems of subsidiaries and headquarters in order to function well in the more intense interaction and co – operation in a geocentric system” (Harris et al., 2003:145). For example, as Perkins (2003:461) stresses that effective global HR strategies ultimately depend on “the ability to judge the extent to which an organization should implement similar practices across the world or adapt them to suit local conditions”. This also highlights the main principles of the most recent theory – the strategic human resource management (SHRM), which has emerged mainly in recognition of the fact that human resources need to be managed strategically for the firm to enjoy sustainable competitive advantage over international competition (Williams, 1994).

## 2. An investigation into the impact of national cultures on performance appraisal systems

### 2.1 Comparative HRM

Bratton and Gold (2003) indicate that recent studies have recognized the importance of linking the globalization of business with the growth of interest in comparative HRM. There are many definitions of comparative HRM but one of the most widely used is that suggested by Bean (1985)’s work cited by Bratton and Gold (2003:63) who view it as “a systematic method of investigation relating to two or more countries that has analytical rather than descriptive implications”. On this basis, Bratton and Gold (2003) specify that comparative HRM should involve activities that seek to explain the patterns and variations encountered in cross – cultural HRM rather than being simply a description of HRM institutions and HR practices in selected countries.

Like Albrecht (2001), a lot of previous researchers have examined the cultural impact on training and development programs across cultures. Another example is done by Dianne and Yolande (2003), in which they use a case study to explore the extent to which knowledge sharing is dependent on national culture. However, little research has been done in the area of performance appraisal system, which is an important technique to encourage and motivate employees to work effectively. Thus, this study attempts to investigate the impact of national cultures on performance appraisal systems using the comparative approach.

### 2.2 Key elements of cultures

When considering the importance of cultural influence on international business, it is essential to firstly clarify a definition of it. Rugman and Hodgetts (2003:126) define culture as “the acquired knowledge that people use to interpret experience and to generate social behavior”. There are several elements of culture, such as language, religion, values and attitudes, customs and manners, material good and technology, aesthetics, social organization, legal, economy, political, and education, indicated by Rugman and Hodgetts (2003).

### 2.3 Performance Appraisal Systems

When considering the benefits of performance appraisal to an organization and its employees, it is vital to firstly establish a definition of it. Foot and Hook (2002:237) define performance appraisal as “one of the techniques used to encourage, motivate and help employees improve their performance”. It is assumed that the cultural differences would impact on the considerations of different purposes and methods when conducting performance appraisal. Randell, Packard, Shaw and Slater (1984) suggest that there are three main uses for appraisal schemes: performance, potential and reward. This will be analyzed more specifically in the following sections.

Appraisal systems come in many forms, and there is no one system that is ‘right’, proposed by Moon (1997). He continues to explain that the system which is ‘right’ is the one which best fits the organization, its culture, and its people.

### 2.4 National cultures and performance appraisal

There are a vast body of literature exist. The work of cross – cultural researches such as Hofstede, Trompenaars, Laurent and Lewis all demonstrate the potential impact of culture on the design and acceptance of individual HR practice.

### 2.5 Hofstede’s research

As Harris et al. (2003) propose that one of the most influential pieces of research in relation to national cultures is the work of Hofstede (1980; 1991; 2001; 2002). Hofstede’s framework focuses more on values and attitudes, and is widely used by academic researchers and practitioners, especially in the field of intercultural management.

According to Hofstede’s survey, he determined that cultures differed along five work – related value dimensions. This is showed in Table 1 - Value Dimensions. (Hofstede et al., 2002:40)

**TABLE 1: VALUE DIMENSIONS**

Dimension	One Extreme	Other Extreme
Identity	Collectivism	Individualism
Hierarchy	Large Power Distance	Small Power Distance
Gender	Femininity	Masculinity
Truth	Strong Uncertainty Avoidance	Weak Uncertainty Avoidance
Virtue	Lone – Term Orientation	Short – Term Orientation

Two of Hofstede’s cultural dimensions are particularly relevant to performance appraisal systems: Individualism versus Collectivism and Power distance.

Firstly, Hofstede defines that individualism reflects the extent to which individuals are integrated into groups. In individualist societies, for example, USA and Britain, the emphasis for individuals within organizations is to gain self – respect and personal achievement. In collectivist societies, such as Japan and China, however, the focus is on fitting in harmoniously and face-saving.

In performance appraisal situations, as Snape, Thompson, Yan and Redman (1998) exemplified that in a highly individualist culture such as Britain, people tend to place a high value on individual achievement and self - actualization (Hofstede, 1984; Redding and Wong, 1986). In this context, job design, performance appraisal and rewards may be expected to focus on the individual employee, and individual performance and responsibility may dominate in performance appraisal (Kirkbride and Westwood, 1993).

In a more collectivist society such as Hong Kong, however, social orientation is very important and there is greater emphasis on maintaining good relationships within the work group and on saving face and avoiding shame (Hofstede, 1984; Redding and Wong, 1986). This means that managers tend to avoid openly criticizing their subordinates, and that loyalty and group orientation assume greater importance.

Secondly, Hofstede (1991) explains that Power distance relates to the extent to which societies accept that power in institutions and organizations is and should be distributed unequally. In organizational terms, specified by Harris et al. (2003), this relates to the centralization of authority and the degree of autocratic leadership. Based on Hofstede’s Power distance index (PDI) rankings, societies with ‘high power distance’ scores, such as Hong Kong, are reflected in hierarchical organizations where it is felt to be right that superior is seen to be more powerful than subordinates. In contrast, countries with ‘low power distance’ scores, for instance, Britain favors a more democratic style of management and flatter organizational structures.

In performance appraisal situations, explained by Snape et al. (1998), in Britain, there is low tolerance of status differences and people expect to have a say in the issues concerning them. Employees will be more satisfied with a participative management style, and a co-operative give and take exchange of views between boss and subordinate can be expected (Hofstede, 1980). Thus, a relatively participative appraisal interview may be feasible.

However, in Hong Kong, with higher power distance, there is greater tolerance for inequality and relationships are characterized by greater respect for authority (Snape et al., 1998). Centralization, authoritarianism and paternalism are more common and those of lower rank are not expected to challenge authority openly or to participate in decision - making (Kirkbride and Westwood, 1993; Redding and Wong, 1986). The implications for performance appraisal are clear: where formal appraisal is used, it would be expected to see a less participative and more top-down, judgmental process and performance standards will be more likely to be dictated by the superior (Kirkbride and Westwood, 1993).

In short, comparing the differences in appraisal practice between Hong Kong and Britain, it can be summarized as follow (Snape et al., 1998:844):

- (1) Formal performance appraisal systems will be more widespread in Britain than in Hong Kong.
- (2) British performance appraisal will tend to be more participative in nature.
- (3) British employees will show greater confidence in performance appraisal than will those in Hong Kong.
- (4) British employees will show a stronger preference for a participative approach to appraisal.
- (5) Hong Kong employees will show a stronger preference for group-based appraisal criteria compared to British employees.

Although Hofstede’s framework is useful in explaining some of the key ways in which societies (with a work context) might differ, it is important to note some of his limitations:

(1) Hofstede’s descriptions of cultural values are over-generalized and stereotyped in certain degree.

(2) Hofstede’s research neglects cultural diversity. It should be noted that a lot of countries may contain distinctive multiple cultures within their national borders (Harris et al., 2003)

(3) Hofstede’s research neglects change. His main analysis occurred in the 1960s and 1970s. Since then, globalization and the trend towards individualism have become more proactive.

#### 2.6 Trompenaars’ research

Another more recent cross – culture researcher Trompenaars (1993) and Hampden – Turner (2004) recommended two job evaluation methods: the 360 – degree feedback and the Hay system (assessing against job description), and they examined how do these two systems work and for what kinds of culture are such systems designed in turn.

The 360 – degree feedback method is generally only used for self – assessment. It consists of feedback form those above you, those below you, and those at the same level about what it is like to work with you. In addition, what this method measures are the number and the success of your relationships, which is what the company pays you to create and build upon. Going back to the cultural quadrants explained before, Trompenaars and Hampden – Turner suggest that 360 – degree feedback method is more suitable for the hierarchical cultures, such as China. They also warned against using this method in most of Southeast Asian countries, where appraisals are often given on paper without discussion.

Another method observed by T and HT (2004) is called ‘the Hay system’. It is a scheme that is based on the “point factor” approach, a common approach to job evaluation. This scheme evaluates an employee against the job description initially designed by management. Here, T and HT (2004) indicate that this job evaluation system is usually used for task-oriented cultures, such as UK and the USA. It is important to note that the task is put before the person. A “good performer” is the one whose work justifies and accords with the initial job description. Moreover, the supervisor and the supervisee together define the coming period’s aspirations, before comparing the last period’s aspiration

with actual attainment.

Performance appraisal provides a good example of an HR practice that enables cross – cultural managers to understand some of the ways in which culture might influence the successfulness of managing people. This is largely due to the fact that “appraisal requires individuals to assess the work performance of other individuals, and thus provides a unique opportunity to study a variety of interpersonal relationships and behaviors” (Vallance, 1999:93).

According to all the discussions above, there seems little doubt that performance appraisal systems oriented towards achievement seem work most effectively in an environment in which a high value is placed upon superior performance and individual effort, such as the UK. Whereas appraisal systems place a higher premium upon group success and harmonious environment seem more compatible with a collectivism society, such as China. Thus, one can agree that appraisal is shaped by certain distinctive cultural values and norms.

## Conclusion

Driven by the rapid process of globalisation, the majority of international HRM research has focused on issues associated with the cross – national transfer of people, such as how to select and manager expatriate managers in international job assignments (Bratton and Gold, 2003). International HRM has been defined as “HRM issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises” (Scullion 1995: 356). International HRM tends to emphasize the subordination of national culture and national employment practices to corporate culture and HRM practices (Boxall, 1995).

Organization like shell, cited by Harris et al. (2003), argue that global leadership in a mature multinational organization depends on creating face-to-face cross – cultural leadership at all levels (Steel, 1997). However, Graen and Hui (1999), coming from an industrial and organizational psychology perspective, argue that in order for cross – national differences to be managed effectively, organizations need to develop global leadership by enhancing the level of ‘transcultural skills’ and using these to help resolve the complexity of cross – cultural management.

To be specific, as Snape et al. (1998) indicate that such cultural and attitudinal differences have led many commentators to question the wisdom of transplanting Western management techniques into Eastern cultures (Hofstede, 1980; Redding and Wong, 1986). For example, the performance appraisal, which focuses on individual performance and accountability and on open confrontation, may be less appropriate in a collectivist society (Redding and Wong, 1986; Kirkbride and Westwood, 1993). This is one example of the underlined implications of this assignment for the international HRM.

## References:

- [1]Albrecht, M.H. (2001). *International HRM - Managing Diversity in the workplace*. Oxford, Blackwell Business.
- [2]Beardwell, I. and Holden, L. (2001). *Human Resource Management: a contemporary approach*. (3rd ed). Essex: Pearson Education.
- [3]Buckley, R. (1991). Foreword to *Managing Change through Training and Development*. (2nd ed), London: Kogan Page.
- [4]Bratton, J. and Gold, J., (2003). *Human Resource Management – theory and practice*. (3rd ed). Basingstoke: Palgrave Macmillan.
- [5]Chang, W.J.A. and Huang, T. C. (2005). Relationship between strategic human resource management and firm performance – A contingency perspective, *International Journal of Manpower*, 26(5), 26-31.
- [6]Dianne, P. F. and Yolande E. C. (2003). Knowledge Sharing in A Multi-cultural Setting: a case study, *Knowledge Management Research & Practice*, 1(1477-8238/03), 11-27.
- [7]Foot, M. and Hook, C. (2002). *Introducing Human Resource Management*, (3rd ed). Essex: Pearson Education.
- [8]Gao, Q.X. and Xu, L. (2001). *WTO International Business English – Chinese Series: Human Resource Management in International Business*. Shen Yang: Liao Ning Education.
- [9]Harris, H., Brewster, C. and Sparrow, P. (2003). *International Human Resource Management*. London:CIPD House.
- [10]Hofstede, G. (1980). *Culture’s Consequences: International differences in work – related values*. London: Sage Publications.

**About the author:** Xinning Zhao is a lecturer at Qingdao Technical College, majoring in Human Resource Management and English.