Failure of Structural Adjustment Programmes in Sub-Saharan Africa: Policy Design or Policy Implementation?

1 author:

Nana Yaw Oppong
University of Cape Coast

Dilemma Theory and Path to Cross-Cultural HRM Synergy within Multinational Firms

Nana Yaw Oppong
School of Business, University of Cape Coast, University Post Office, Cape Coast, Ghana
nyoppong@ymail.com

Abstract

Multinational companies (MNCs) have become the most significant players in world trade, with the world's 100 largest MNCs now controlling approximately 20 per cent of global foreign assets. However, MNCs as they grow out of their national borders into foreign countries face a problem managing people because they often find themselves in a dilemma as to how to find equilibrium with regard to parent company's HRM policies and practices and local environmental factors in the location of the subsidiary. In the face of the complexities and the problems associated with the dilemma, MNCs attempt to build synergy between the two extremes for an option beneficial to both subsidiary and parent company. The purpose of this paper is to assess how the central HRM problem is managed along the path to synergy building. The paper uses the dilemma theory as the main tool and predominantly popular and academic literature on MNCs HRM transfers for the assessment. Major contributions are the development of cycle of cross-border HRM dilemma; cross-border HRM transfer framework; and path to cross-border HRM synergy building. A key finding is that parent company has greater influence in the trade-off thereby advancing, to a greater extent, the global integration option of the dilemma.

Key Words: Cross-border HRM; Dilemma theory; Host country; HRM synergy; Multinational company

1. Introduction

Multinational companies (MNCs) have become the most significant players in world trade, with the world's 100 largest MNCs controlling approximately 20 per cent of global foreign assets (Collings 2003). Aamir, Rasheed, Ahmad, Haseebullah and Ahmad (2013) also indicate that 80 per cent of the world industrial productivity is generated by 1,000 major companies. However, MNCs doing businesses in subsidiaries abroad often face problems managing people because they often find themselves in a dilemma as to how to find equilibrium with regard to parent company's policies and practices in subsidiaries (Evans, Pucik and Barsoux 2002; Harzing & Ruysseveldt 2004). As revealed by Evans, et al. (2002), multinational firms face one central problem – of how to respond to variety of host country demands while maintaining a clear and consistent global business strategy, a situation dubbed *local responsiveness* and *global integration* (Lu & Bjorkman 1997; Anakwe 2002, Kidgar 2002; Bjorkman & Budhwar 2007; Brock & Siscovick 2007) which Ngo, Turban, Lau, and Lui (1998) describe as a central theoretical concern underlying the field of international human resource management (IHRM). This situation has been given various descriptions by different authors. For instance, it is referred to as a dilemma (Evans, et al. 2002); as competing dualisms (Roth & Kostova 2003); as competing forces (Carr & Pudelko 2006); as duelling identities (Zheng, Gorge & Chen 2006); as dual pressure (Brock & Siscovick 2007), and as HRM puzzle (Festing & Eidems 2007).

This central problem faced by MNCs is regarded by Lu and Bjorkman (1997) as two significant but usually contradictory pressures and argue that this is an active debate for scholars as regards the extent to which local subsidiaries adhere to the HRM practices of the MNC (global integration) or to adhere to those of the local firm (local responsiveness). From the findings of their study of MNCs in Singapore, Chew and Morwitz (2004) confirm that conflicting demands often arise as MNCs try to maximise their ability to respond to the needs of the host country (local responsiveness) while attempting to maintain their control over corporate structures worldwide (global integration). Relating this to human resource management (HRM), Ngo, et al. (1998) write that MNCs are faced with issues such as how to align HR policies and practices with the rest of the parent company (global integration) and how to, at the same time, adopt HRM practices to the local environment in which the subsidiary operates (local responsiveness). Termed as integration-differentiation puzzle, Kamoche (1996) writes that the ability to achieve a viable balance in this situation has been greeted as hallmark of the international firm.

Using predominantly work/research already done on HRM practices of MNCs and the dilemma theory, the aim of the paper is to assess how MNCs manage transfer of HRM practices along the path to striking the viable balance (Kamoche 1996) between parent company expectations and host country demands. The author speculates that applying the dilemma theory to transfer of HRM some of the conflicting but important sets of choices MNCs will have to make in managing their overseas subsidiaries could be revealed, and help trace the path towards building of cross-border HRM synergy. The paper contributes to the development of cross-border HRM dilemma cycle; cross-border HRM transfer framework; and path to cross-border HRM synergy building.

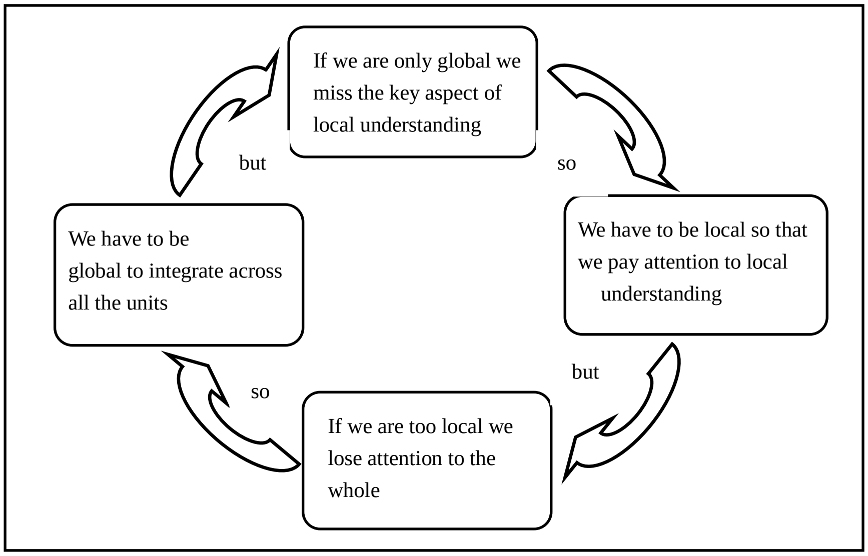
2. The Dilemma Theory

Hampden-Turner (1990) traces the origin of 'dilemma' which comes from the Greek word *di* meaning 'two' and *lemma* meaning 'proposition' as a situation in which difficult choice has to be made between two different things one can do. The dilemma theory presents a situation where one is unable to decide which of the two elements to choose because either could have bad result (Seet 2007). It becomes a dilemma not only because either could have bad result but, more significantly, it involves two opposing values which doing one without the other creates a disadvantage but both cannot be done together. Hampden-Turner (1990) explores the thinking processes surrounding the dilemma theory and discovers three thinking modes as "either or" thinking; "both/and" or "and-and" thinking; and "through-through" or "parallel" thinking. The "either or" thinking states that a variable cannot be itself and something else; while the second thinking, "both/and" or "and-and" sees one variable as true and the other contradictory but both are simultaneously true. The third thinking accepts that value creation is safeguarded in the capacity of acknowledging that dilemmas emerge from opposing claims and of synthesising both in a resolution that includes all values in contention.

Highlighting the dilemma effect on home country/host country relationship, Tayeb (1998) intimates that whereas companies might find it feasible to have company-wide policies they might find it unavoidable to be responsive to local conditions when it comes to HRM practices. Ngo, et al. (1998) note that two major influences on HRM practices of MNCs are local contextual factors (such as labour market conditions, legal and socio-political environment and unionisation) and the firm's home country culture. It is difficult to choose either local responsiveness or global integration and the thinking evolves into a cycle. This, I believe, is due to the overseas subsidiary having to obey local regulations, local culture, and other environmental conditions that influence people and organisational management, which becomes a challenge to MNCs who would want to manage people in host country based on home country HR policies and practices. Based on the dilemma theory and the alternative choices facing MNCs, I further believe that it becomes a complex situation when MNCs attempt to integrate all its units with little consideration for host country factors, and at the same time want to effectively manage these subsidiaries. The phenomenon becomes a puzzle and could be expressed as presented in Figure 1.

This central problem or dilemma (Evans, et al. 2002) or puzzle (Kamoche 1996, Festing and Eidems 2007) largely affects management of multinational firms as they operate in foreign countries, and this has influence on their success rate especially with regard to their people management. In the face of this complexity, the same HRM practices cannot be applied in subsidiaries of an MNC throughout the world. It is therefore "likely that most successful model is to allow considerable autonomy to the local operation while closely monitoring the practices internationally" (Templer, Hofmeyr & Rall 1997: 561). As noted by Aamir, et al. (2013), internationalisation of firms significantly changes, not only the operating boundaries but also the symbolic context. It therefore becomes less feasible to compare the corporate HRM practices in home country with those of host country.

Figure 1: Cycle of Cross-border HRM Dilemma



This highlights Brock and Siscovick's (2007) warning that the management practices that enabled the original national enterprise to grow out of its domestic market do not always suit subsidiaries across national borders. To ensure their survival therefore, organisations must comply with the home country as well as the host country expectations and adopt the expected structures and management practices (Geppert, Matten & Walgenbach 2006). This suggests that there should be close relationship between the various HR functions and in the case of MNCs, between and among headquarters and the various units. Tayeb (1998) agrees to this and reveals that some of the practices which the company had imported from parent country need to be modified to render them workable, given its local cultural and non-cultural contexts.

Proposition 1. *MNCs face a dilemma – how to respond to host country conditions and at the same time integrate subsidiaries worldwide.*

The dilemma, which of the two options are of greater concern purely depends on individual countries and their HRM philosophies. For instance, US companies have been found to be more centralised, specialised and formalised in their HRM and other employment related policies and practices (Ferner, et al. 2004) to establish order, exercise control and achieve efficiency in the workforce. The Japanese philosophy, however, is an increasing realisation that effective management must 'fit' the culture where it is practiced (Jain 1990). These reinforce the outcome of Templer, et al. (1997) from their comparative study of HRM of three countries that HRM practices are country specific and argue that national differences in personnel practices are still more significant than similarities. These differences are mostly rooted in the cultures of the countries (Kamoche 2002, Myloni, Harzing & Mirza 2004). As with most management practices, HRM practices are based on cultural beliefs (and social structures) that reflect the basic assumptions and the values of the national cultures in which organisations are embedded. As a result, "failure to adopt HRM practices to a host-country's culture can lead to negative consequences that inhibit a subsidiary's performance" (Myloni, et al. 2004: 520), because culture is a defining force in understanding work habits (Hofstede 1980). Anakwe (2002) from the results of her study of HRM in Nigeria reveals how the world of work of most developing economies (hosts of most MNC subsidiaries) are characterised by foreign or alien practices from MNCs that could conflict with the host country contextual and/or traditional ways of doing things. Such conflict has contributed to confusion and ambivalence for the employees of these countries and frustration and sometimes failure for the MNCs. This suggests the need for adaptation of HRM strategies to local contexts (Brock & Siscovick 2007).

Lu and Bjorkman (1997) further argue that the parent company's dominance depends on whether the organisation is a Greenfield (including complete takeover) or an international joint-venture (IJV). Here, the resolution of the dilemma about MNC global integration versus local responsiveness is contingent on the IJV's share of equity held by the MNC and the greater the distance (power) between the non-financial resources provided by the MNC and those provided by the local parent organisation of the IJV. Thus, the more power on the part of the MNC, the easier it is for the MNC to influence the HRM practices. With regard to Greenfield however, the whole power is in the hands of the parent company, who decides how much power to be defused. For example, Onishi (2006) observes that international Japanese companies in Thailand successfully apply domestic business approaches in new investments rather than adopting local conditions. The parent company could use its ownership or partial authority to force the IJV to accept certain HRM practices in line with its interest, and when parent company's HRM practices are rejected conflict may result.

Degree of global integration and local responsiveness employed by the firm has direct relationships with the extent of choice and implementation of headquarters HRM policies and practices in overseas subsidiaries. As multinational firms have good idea of their policies and practices as these are management practices that enabled them grow out of their domestic markets (Brock & Siscovick 2007), the significance of the integration of management activities in complex environments is now a familiar theme (Kamoche 1996). In this regard, I am of the opinion that it is rather the local responsiveness aspect of the dilemma that marks a shift towards flexibility and conformity and also, significantly, acknowledges the importance of how the host country factors manifest culturally, economically and legally.

Proposition 2. *The choices are not of equal importance - local responsiveness aspect of the dilemma theory is a major concern in overseas subsidiaries than the global integration option*

3. Cross-Cultural HRM Strategic Options

Various studies have established that in cross-cultural management, organisations do not rely solely on one human resource initiative or core focus (Chew & Mortwitz 2004) but most have "a coherent bundle or portfolio approach in selecting interdependent HR interventions directed at business objectives derived from an organisational strategy" (Chew & Mortwitz 2004: 52). Two sets of such strategies are ethnocentric, polycentric and global; and convergence and divergence strategies.

3.1. Ethnocentric, Polycentric and Global Strategies

Tayeb (1998) acknowledges MNC as powerful vehicle for transfer of managerial (and HR) functions across nations and the whole process is part of their overall strategy. Broadly speaking, multinational firms have these two HRM strategic options as ethnocentric and polycentric; and the third is not a distinct choice but a blend of the first two. This is a good reason for Kidger's (2002) reclassification into two strategies – multidomestic strategy and global strategy which, by implication, are the same as those identified by Tayeb (1998) and also fit the dilemma theory of two propositions (Hampden-Turner 1990).

MNCs applying ethnocentric strategy transfer the headquarters HRM practices to their foreign subsidiaries in order to maximise headquarters control and integrate subsidiaries. This strategy equips the MNC with a distinctive management style wherever it sets up a unit. Polycentric strategy, on its part, is the one that MNCs adapt totally to local situations so that HRM practices are virtually identical to those used by local firms. For instance, a UK subsidiary in Ghana may be organised and managed as the majority of indigenous Ghanaian companies, and the one in Germany follows German practices. Rozkwitalska (2012) believes that avoiding an ethnocentric attitude is crucial in building trustful interactions between employees.

Global strategy however blends the first two strategies and therefore balances both global integration and local responsiveness by having HRM practices dictated by corporate headquarters yet allowing others determined by the host country factors. Edwards, Colling and Ferner (2007) in their study of American MNCs in Scotland conclude that where MNCs adopt similar policies across its operations, these are often adapted to local cultural characteristics. Explaining the need for cultural consideration in MNCs, Aamir, et al. (2013) write that IHRM involves the same activities as domestic HRM but the different is the issue of culture present in international context. For example, NCR Dundee (an American subsidiary in Scotland), in some instances, had to modify certain imported HRM practices to make them workable in the company. Being midway between ethnocentric and polycentric, global strategy attempts to resolve the ethnocentric (global integration) and polycentric (local responsiveness) dilemma by blending headquarters and home country HRM practices. It is warned that, "in spite of ethnocentric pressures for cross-border diffusion and the power and influence of some multinational corporations, they may be prevented from importing their HRM practices by stringent local customs and employment regulations" (Adeleye 2011: 259).

3.2. Convergence and Divergence Strategies

The choice between ethnocentric and polycentric transfer strategic options is found to be too simplistic a model for understanding what actually goes on in a subsidiary and between it and its parent organisation (Tayeb 1998). The global dynamics worldwide have attracted attention from wide range of social science disciplines (Quintanilla & Ferner 2003) and two lines of this debate are well defined. These include convergence and divergence strategies. Geppert, et al. (2006) argue that country of origin of MNCs is not just an historical footnote or an administrative heritage of increasingly transnational activities, but a key issue in understanding social practices of internationally operating firms. According to Anakwe (2002), the interest in increased international business activity and emphasis on globalisation have rekindled the convergence/divergence thesis.

Advocates of convergence view hold that HRM practices, irrespective of culture will over time tend towards common HRM universals, and that these universals are present in all industrial and industrialising societies. This is supported by Quintanilla and Ferner (2003) that market, technology and managerial forces compel MNCs to adapt common strategies and practices, fostering employment homogenisation across borders as MNCs are seen as carriers of globalisation and thus spreading managerial knowledge and technologies internationally. Chew and Morwitz (2004) also recount globalisation, new technology, growth of MNCs, mobility of labour, capital and increased global competition as factors that have arguably increased convergence of managerial and HRM practices. Chew and Morwitz see this as “as is” behaviour of MNC thus transplanting intact HRM practices cross-culturally. This results in home country dominance as is in the case of ethnocentric strategy.

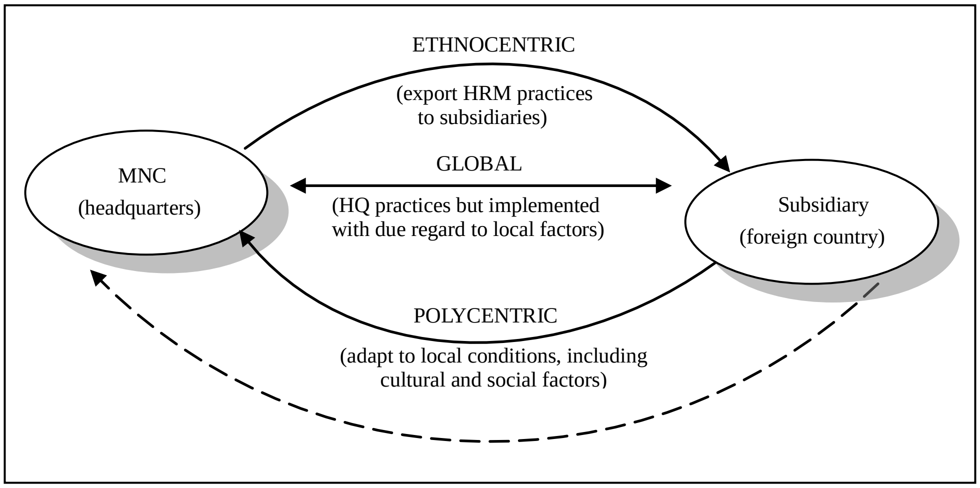
Supporting the divergence view, Royle (2004) says that there is no ‘one best way’ model in HRM and argues that HRM practices are shaped by local factors. Geppert, et al. (2006) also reject the idea that MNCs will converge on a transnational ‘best practice model’ and dispute the depiction of MNCs as being able to free themselves from any transnational dependency. The need for some adaptation based on local culture and local exigencies are recommended by Chew and Morwitz (2004) because, as revealed by Quintanilla and Ferner (2003), the massive institutional complexity that MNCs face as a result of operating in numerous host countries acts as a counterweight to pressure for convergence.

Carr and Pudelko (2006) are however of the view that HRM is the management area that is most closely related to the respective country-specific cultural environments, as cultural differences, unlike other factors, seem remarkably consistent over time and might inhibit any tendency to converge. Chew and Morwitz (2004), on their part write that the notion of convergence is tempted by opposing theoretical constructs of divergence relating to country’s local context such as cultural variables, regulatory environment, labour market attributes, skills supply and industry structure. These point to divergence view which recognises country and culture differences and therefore consistent with some cross-cultural theorists who emphasise that all management practices are culturally determined. This is the conclusion drawn from the study by Carr and Pudelko (2006) of how practices in strategy, finance and HRM differ in the USA, Japan and Germany. Strategy and Finance converge in spite of national, institutional and cultural factors but HRM does not. For instance, when Onishi (2006) assesses five characteristics of Japanese HRM practices to Thai subsidiaries, it becomes evident that only lifetime employment and concerted decision-making were accepted while seniority system, house unions and quality circles were rejected, and these reflect Thai culture. Citing their attitudes towards quality circles as an example, Onishi (2006) explains that Thais typically do not expect to work long hours and this justifies their objection to having to stay after normal hours to conduct quality circles. Drawing from these views, I propose that local cultures, social values and legal requirements of the various host countries are strong enough to allow subsidiaries adapt to these contextual factors than control of HRM practices from headquarters.

Proposition 3. *It is difficult for MNCs HRM policies and practices to converge due to differences in environmental factors in various overseas locations*

Based on ethnocentric/polycentric and convergence/divergence literature, I propose a cross-border HRM transfer framework (Figure 2). As shown in the diagramme, ethnocentric-oriented MNCs transfer HRM practices as prevail in headquarters across all subsidiaries regardless of the geographical location outside the home country. Polycentric-orientated MNC however manage individual subsidiaries in various countries according to local culture and HRM practices. Therefore, HRM practices in country A may differ from that applicable in country B, and countries A and B different from country C. These differences are mostly influenced by variations in national cultures (Hofstede 2002). Unlike the Ethnocentric arrow in the diagramme, the polycentirc arrow does not symbolise exportation to headquarters but acceptance of host country's local culture and HRM practices by MNCs. With global strategy, as shown by the double-arrowed line, both headquarters and foreign subsidiary practices are synergised to determine 'best fit' as headquarters dictates the practices but are implemented in line with local factors to defuse the dilemma. The broken line represents reverse fusion, which Chew and Mortwitz (2004) contend that could happen, a situation where host country practices may influence parent country HRM practices. The broken line represents weak relationship as Chew and Mortwitz themselves could not cite any instance to justify this.

Figure 2: Cross-border HRM Transfer Framework



Chew and Morwitz (2004) are worried that only the convergence/divergence framework have been given the closest attention without much attention to process dynamics in the design and implementation of strategic HRM. Given the more likely hybrid of HRM systems and practices, Royle (2004) calls for avoidance of a simple convergence versus divergence polarisation. Anakwe (2002) proposes a third angle or hybrid model as cross-vergence model. Geppert, et al. (2006) support the model and argue that the convergence/divergence extremes, being problem in MNCs operations across borders, cross-vergence is a necessary new addition. Anakwe (2002) goes further to explain cross-vengence as a model that "can be explored to explain the blend of practices that have become inevitable" (p.1047). Inevitable, because HRM practices copied from the foreign parent corporation may clash with local institutional norms, leading to criticisms of "corporate colonialism", and therefore resulting in negative reactions from current and potential employees (Bjorkman & Budhwar 2007). The 'clash' may not only be evident when MNCs operate in developing countries but also among developed countries. For instance, a study of Japanese HRM transplant in Britain (two developed countries) even revealed tensions between groups of Japanese expatriates and indigenous managers that impeded the transfer (Edwards, et al. 2007).

This means that the same HR practices cannot be applied in subsidiaries of an MNC throughout the world. As warned by Brock and Siscovick (2007), the management practices that enabled the original multinational enterprise to grow out of its domestic markets do not always suit subsidiaries across national borders. It is therefore "likely that most successful model is to allow considerable autonomy to the local operation while closely monitoring the best practices internationally" (Templer, et al. 1997: 561), because differences in headquarters and subsidiary lead to integration problems (Rozkwitalska 2012). The convergence/divergence framework have revealed two main options – total importation of headquarters HRM practices to overseas subsidiaries and consideration of local (subsidiary) factors in implementing headquarters practices in subsidiaries; with hybrid of the two for 'best fit'. This hybrid or trade-off between convergence versus divergence polarization, I propose, as a move towards defusing the dilemma.

Proposition 4. *MNCs attempt to achieve a trade-off between global integration and local responsiveness polarities to defuse the cross border HRM transfer dilemma*

4. Bridging the Gap between the Two Extremes of HRM Practices

Due to cultural influence in IHRM and conflicting choices facing MNCs in host country subsidiaries there is the need to develop HRM practices to suit domestic environment (Harvey 2002). Brock and Siscovick (2007) support the domestication of HRM practices because it is not advisable to import HRM policies and practices and advise that MNCs need to establish a baseline for developing HRM policies to serve as common grounds (Harvey 2002) since MNCs transferring their corporate cultures into foreign territories may not always be a wise strategy (Templer, et al. 1997). This suggests the need for balancing global integration and local adaptation for better results. The shift is very necessary considering the increasing presence of MNCs in overseas territories, especially in developing countries. For instance, Nigeria is home to over 200 MNCs (Anakwe 2002) and dynamics of management of these subsidiaries arise fundamentally from the interaction of these host countries with home countries powers and corporations (Jackson 2002). Doing their business therefore, several issues face expatriate managers in subsidiaries. For instance, the problem of knowledge gap occurs when HR managers manage while unaware of knowledge that would be useful in an African context thus increasing the level of managerial operational ignorance in Africa.

Researchers (such as Gardiner 1998, Anakwe 2002, Jackson 2002, Bjorkman & Budhwar 2007) observe that while MNCs policies and practices influence how the host country employee works, the employee's cultural values also impact on how he does his work, a situation that requires bridging of the gap between the ethnocentric and polycentric (convergence and divergence) polarisation. The host country worker is not only committed to the firm but is also committed to the wider community in which he lives and which is shaped by cultural practices and social values. Thus, the worker observes both the industrial culture and the (local) traditional culture.

As basis for workable HRM in MNCs in overseas location therefore, Harvey (2002) advises especially Western managers to address the extreme complexity and diversity found in these countries by providing an institutional foundation for modifying and adopting Western HRM policies/procedures and systems when implementing them in an host country context to defuse the IHRM tension (Kamoche 2001). According to Aamir, et al. (2013), a major question in the area of IHRM is the extent to which the subsidiaries adopt local practices that have semblance with their parent company. By this Aamir, et al. (2013) suggest that human resource practices should be adopted in such a way to fit both host country and home country environments. This is because trying to adopt global strategy across MNCs operations means doing everything the same way everywhere and this will require abandoning host country images and cultural values (Brock & Siscovick 2007), situation which may not work out well. Worried about researchers favouring the ethnocentric/convergence extreme, Adeleye (2011) warns that given the power and influence of MNCs it is easy and convenient for home country to dominate at the expense of host country, a pitfall researchers must avoid. Supporting the 'flexibility' and 'fit' perspectives of Aamir, et al. (2013), I propose that MNCs should concern themselves with flexibility by coping with local environmental factors, while they manage HR policies and practices to suit MNCs business strategies.

Proposition 5. *Effective people management in overseas subsidiaries requires global integration-local responsiveness synergy*

Even when the synergy is achieved, there are still concerns about the input into, and content of the synergy. Lu and Bjorkman (1997) explain that different HRM practices often have different levels of MNC standardisation and localisation. This means that the possibility of combining MNC and local subsidiary elements may vary among different HRM practices and reaffirms how MNC/subsidiary management is a dilemma (Evans, et al. 2002) or a puzzle (Festing and Eidems 2007). This is supported by Tayeb (2005) who concludes from his assessment of HRM practices of seven major economies that there is a wide range of HRM and management styles which highlights the diverse and complex world within which MNCs operate. Tayeb (2005) observed that even among the triad (USA, UK and Japan) that are homes to the vast majority of MNCs have differences in their HRM practices and these differences influence how HRM practices are transferred to their subsidiaries in foreign countries. Harzing and Sorge (2003) in their study of MNCs in Europe reveal that although European countries are becoming more integrated economically, this has not translated into similarity in management practices, not even the most industrialised ones. In the light of this, Lu and Bjorkman (1997) advise a need to describe and analyse each HRM practice separately rather than using an aggregate measure of HRM practices. This advice is based on their study of HRM practices (recruitment, training, compensation, performance management and promotion) in China-Western firms and their comparability.

Although agreed that both MNC elements and local subsidiary factors combine for best fit HRM practices, Ngo, et al. (1998) argue that the national origin of MNC is a major influence on the trade-off between global integration and local responsiveness. As argued by Adeleye (2011), MNCs with their huge financial and political capital may be able to transfer their home practices easily, even in the face of unfavourable host environments. The study of Talukder (2011) found significant positive relationship between parent company HR system implementation and practices in the subsidiaries. This is because while due to differences in cultural values MNCs of different countries of origins tend to have different degrees of adaptation to local conditions of different countries, a subsidiary has to adapt to the MNC conditions in one country only. Edwards, et al. (2007) add that MNCs are deeply embedded in the country where they originate so their strategies and practices are shaped by their corporate governance system and other factors predominating there. This view is shared by Festing and Eidems (2007) who contend that with respect to global standardisation, MNCs may wish to operate as if the world were a single market and decisions are therefore taken by headquarters and exported to subsidiaries all over the world in order to align the geographically fragmented workforce around common principles and objectives. Confirming the parent company dominance, Harzing and Sorge (2003) in their study of country-of-origin effect found that although MNCs are highly internationalised by definition, their organisational control practices at the international level are explained by their country of origin and that control mechanisms remain firmly and primarily influenced by the country of origin. Harzing and Sorge (2003) therefore suggest that it would be better to describe MNCs as national firms with international operations instead of subsidiaries, which implies adopting local practices. I therefore propose that even in the building of the cross-border HRM synergy, the home country, due to its strength as owner and controller, has more input than the subsidiary.

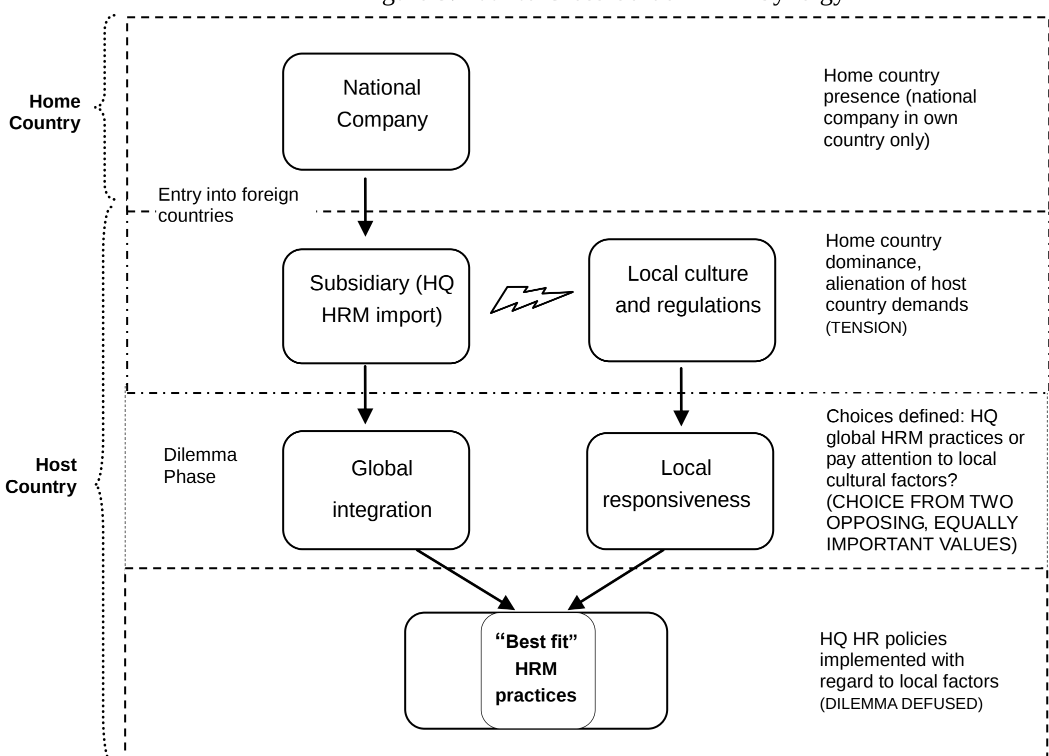
Proposition 6. *Country of origin has greater influence in the trade-off between the global integration versus local responsiveness dilemma*

5. The Synergy Building Process

The MNCs growing out of their national boundaries into foreign locations; facing the cross-border HRM dilemma; attempting to defuse the tension through building of the HRM synergy are presented in Figure 3, which traces the synergy building process. This path followed by MNCs in building the synergy between headquarters HRM practices and foreign subsidiary's local environmental demands is not a smooth one – it involves tough decisions making and sacrifices. The decisions/choices along the path to the cross-border HRM synergy can be traced as follows:

- MNCs as they grow out of their national boundaries into foreign territories try to keep to their headquarters HRM practices across all their units worldwide, but local cultural and legal factors also present themselves and demand consideration. MNCs therefore face a dilemma – how to choose between global integration (GI) and local responsiveness (LR) as they manage in overseas locations — Proposition 1
- However, between LR and GI, LR becomes a major concern as the local factors impact greatly on work behaviour of the people in the location of the subsidiary — Proposition 2
- LR dominance renders convergence of HRM (parent company's preference) difficult to achieve. As parent company would want to export its HRM practices 'as is' to all subsidiaries in an attempt not to detach these units from the parent company under whose umbrella these units operate, this stage become a great worry to the parent company — Proposition 3
- Therefore, MNCs are forced to seek a trade-off between GI and LR to defuse the tension and to strike a balance between the two options into manageable one. — Proposition 4
- The trade-off becomes important due to realisation at this stage that, effective people management of overseas subsidiaries depends on GI and LR synergy for 'best-fit' HRM practices that benefit both parent company and subsidiary. — Proposition 5
- However, headquarters HRM practices dominate the final synergy product. — Proposition 6

Figure 3: Path to Cross-border HRM Synergy



6. Conclusion and recommendation for Further Research

Despite all the sacrifices and difficult choices, the dilemma (the tension), the author speculates, is not completely defused as headquarters inputs far outweigh the local environmental factors in the attempt to build the synergy.

The synergy building therefore becomes 'a theory' that has the potential of good people management in multinational environment, when put into action. In practice however, because of the quest to protect its investments and greater power/control over subsidiaries, parent company dominates the resultant 'best-fit' HRM practices. In this regard, the MNCs are still able to advance, to a greater extent, their global integration option of the dilemma. The propositions generated in this paper need to be tested empirically, either in separate studies or in one study, especially as they travel towards synergy building. However, as has been revealed that building HRM synergy benefits both subsidiary and parent company, empirical study is especially recommended to establish the common HRM practices that input into the building of the synergy that 'best-fit' both parent company and subsidiary.

Nana Yaw Oppong joined the School of Business of the University of Cape Coast in January 2013. Nana holds Ph.D. in HRD (Leeds), 2012; MBA in International Business (London), 2005; BA (Hons) in Secretaryship & Diploma in Education (Cape Coast), 1994. Dr. Oppong's research interests include Talent Development; Africa HRM; and HR practices in multinational firms with publications covering these areas.

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