

The Corporate Culture Conundrum

Cross-Cultural Issues in International Human
Resource Management

by

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Human resource management is an integral part of organizational success. This is true of both domestic and international companies. (Stroh et al. 1). However, when dealing with the complexities of deep seated cultural biases and assumptions inherent within the management of international human resources, it is essential that organizational leadership grasp the depth of these issues and formulate an HR philosophy that allows cultural intricacies to exist within the overall global HR framework. This can be accomplished through the internationalization of headquarter based human resource staff; the training, development, and placement of local nationals in key leadership positions within the international affiliates; and through the adoption of HR policies that allow those leaders the freedom to account for local customs while remaining compliant with the global HR strategy.

The positive impact of effective strategic human resource management on organizational success has been studied extensively both qualitatively and quantitatively by researchers for many years and has been found to be true in organizations of assorted sizes and structures (Birdi and Collins). As organizations extend their global reach and increase the scope of overseas operations, the strategic management of human resources within the organization becomes increasingly difficult while remaining extremely important (Schuler et al. 718-719). Every culture fosters certain assumptions that directly influence the effectiveness of certain HR policies (Ngo et al. 633). While the internet, satellite communications, and cellular telephone technology have allowed businesses to efficiently expand global operations, these technologies have not dampened the complexities of the cultural context of international human resource management (HRM). These cross-cultural complexities must be accounted for in the development of HR strategy if an international HRM policy is to be successful.

There are three basic attitudes towards multinational human resource management: ethnocentric, polycentric, and geocentric. As the name implies, an ethnocentric human resource policy is influenced exclusively by the culture of the corporate headquarters. In this strategy, HR policy is dictated to international affiliates by the "home office" (Ngo et al. 634). In an ethnocentrically managed multinational it is common for "parent company nationals" to be placed in "key management positions at overseas operations." Conversely, in a polycentric minded organization, most key management positions are held by host country nationals (Kopp 582). This is due to the fact that the polycentric HR attitude takes the position that corporate headquarters should have a "hands-off" approach in terms of the management of human

resources. This HR policy type is identified by the complete control of HR decisions by the international affiliate on the local level. Finally, the geocentric approach attempts to bridge the gap between ethnocentricity and polycentricism by balancing the desire for corporate control with the need for localization of HR policies (Ngo et al. 634).

As a company expands globally, there may be a temptation to continue to utilize established human resource management policies and techniques. Sometimes this is rationalized as an attempt to instill a “corporate culture” that will override the prevailing national culture of the international subsidiaries thereby decreasing cultural clashes within the organization. However, while the strategy of employing one human resource management policy is logical and desirable, it is inevitable that the preexisting policies are inherently ethnocentric. It is, therefore, essential that any international strategic human resource management framework be built from the ground up and be flexible enough to allow for some deviation for cultural differences (Schuler et al. 718-719). Seminars and training sessions cannot override values instilled over the course of a lifetime. Memos cannot erase societal norms and mores established over centuries. When developing a global strategic human resource management strategy, organizational leadership must first understand the cultural differences which preclude the success of an ethnocentric HR policy and then build a strategic human resource management policy that does not attempt to override those differences but allows them to exist within the confines of the overall corporate culture.

Cross-Cultural Considerations

In a multinational organization (MNO), headquarters based human resource management professionals are often looked at as “Professors of HRM” in that they are expected to design a strategy that will prevent or solve all human resource issues that occur worldwide within the organization. Often, this leads to the development of an ethnocentric human resource policy (Laurent 92). In an article for *The International Journal of Human Resource Management*, Ngo et al. showed that human resource policies of multinational corporations operating within one country but with different countries of origin were acutely dissimilar thereby proving that country of origin has a definite effect on HR policy (Ngo et al. 646). These culturally linked HR biases within an MNO are most likely the result of assumptions that the designers of the HR policy didn’t know they had or believed to be universal. This is the root of the corporate culture conundrum. When HR policy is set by the headquarters of an MNO, which is generally a culturally comparable cadre of people, they are often completely unaware that the policies they set are not normal accepted beliefs worldwide.

The depth to which cultural assumptions permeate the human resource function is almost unfathomable. A survey of executives in development programs at The European Institute of Business Administration (INSEAD), forms a very clear picture of the importance of culture to views and assumptions about management. The results showed that nationality outweighed all other surveyed characteristics by threefold in terms of influence on those assumptions and views. The additional factors the survey polled included “age, education, function, [and] type of company” (Laurent 93). When analyzed by country of origin, the differentiations of assumptions are astounding. For example, in responding to the following statement:

It is important for a manager to have at hand precise answers to most of the questions that his subordinates may raise about their work

77% of respondents from Japan agreed with the statement compared to, 49% from Belgium, 30% from Great Britain and only 13% from the United States and Sweden. The same study showed that even the basic idea of “organization” was highly influenced by national differences. Whereas, Italian and French respondents “consistently perceived organizations as social systems of relationships monitored by power, authority, and hierarchy” their American counterparts viewed an “organization as a set of tasks to be achieved through a problem-solving hierarchy where positions are defined in terms of task and functions and where authority is functionally based” (Laurent 94). Ergo, the view point of the French and other likeminded nations is that power is vested more in the person than in their role within the company. A subsequent study concluded that these differences are not diluted by organization affiliation. Managers within one US based multinational corporation echoed the viewpoints their countrymen expressed in the INSEAD study. In fact, the results indicated “there was slightly more divergences between the national groups within this multinational company than originally found in the INSEAD multi-company study” (Laurent 95).

The fact is, these results only scratch the surface of the underlying attitudes which affect an employee’s expectations of HRM. In “National vs. Corporate Culture: Implications for Human Resource Management” published in *Human Resource Management*, Susan Schneider cites many examples of well-intentioned HR policies completely missing their intended mark due to cultural assumption incapability. One illustration she details is that of an MNO operating

in Africa which offered workers complimentary lunches to increase productivity. Rather than accept the gratuitous meal as a perk of employment, the staff “demanded that the cost of the meal be paid directly to the [them] so that they could feed their families” (Schneider238). In terms of international human resources, it must never be assumed that what is a normal, and often encouraged, practice within one country is an exportable idea. The common practices of “management by objectives” and “direct feedback” in US corporations, and desired by US employees, come across as “tactless” and are “viewed suspiciously as an exercise of arbitrary power and a manipulative ploy of management” when attempted in other cultures.” (Schneider 237-238). Another common pitfall of Western HR thinking is the assumption that “people want to be promoted.” It would probably never occur to a US human resource strategy designer that in some countries promotions are generally viewed as zero sum at best and negative at worst (Schneider 263). Even simply the idea of “long term human resource planning” is not without its cultural compatibility complications in societies where long term strategizing is considered to be an arrogant affront to the will of God or nature (Schneider 234). It should also be pointed out that each of these examples is just as meaningful when the roles are reversed. An employee of a US affiliate of an international MNO would most likely be just as unhappy with the lack of direct feedback and management by objectives as his counterpart in an international affiliate of a US multinational would be with their inclusion.

The findings of the aforementioned studies create a picture of an almost insurmountable problem for a human resource executive utilizing ethnocentrically based HRM theory. Rather than solving potential, perceived, or persistent human resource issues, an ethnocentric management policy is fraught with perilous problems of its own. Research as far

back as 1974 pointed the “inability to fully utilize the talents of non-home-country nationals, discontent among local national managers, high turnover rate of local national managers, and reentry problems for expatriates returning to the home country” as just a few examples of problems experienced by ethnocentrically minded MNOs. As Kopp summarizes “in general, the less ethnocentric a firm’s international policies and practices, the less likely it is to experience international human resource management problems” thereby implying that more ethnocentric policies breed more international HRM problems (Kopp 182). Based on the documented link between effective HRM and organizational success, it is of the utmost importance for a multinational organization to conquer this challenge.

Developing a Cross-Culture Human Resource Policy

Ultimately, the end game of human resource management is “to support, manage, and maintain high-commitment and high-performance employees” (Stroh et al. 2). The means to achieving this goal is to first understand the needs of the employee. This is not to say that an organization must understand the specific needs of each individual employee. However, it also does not suffice to say that “basic human needs are [consistent] throughout the world” regardless of cultural values (Lemak 26). One cannot extrapolate the universal need for food, water, and shelter into the sole criterion for the development of international human resource management policies because how one views those universal needs is specific to the individual culture. The first example from Schneider of the MNO in Africa providing free lunch to employees demonstrates this. Obviously, that policy satisfied the universal need for food. Yet,

in this case the pervasive culture of community living within a family prevented this policy from achieving its intended goal.

It was previously shown here that views, assumptions, and needs of employees and managers vary greatly based on cultural and geographical variance. It was also shown that ethnocentric, or “home office” dictated HRM policy is not only generally ineffective and inefficient; it can also lead to problems in its own right. Yet, the answer is not the complete and total delegation of the development, adoption, and enforcement of human resource policies to international affiliates. Schuler et al., citing Bartlett and Ghoshal (1991), elucidate that multinational organizations “need to be co-ordinated [*sic*] or integrated in some form and to some degree.” The logic behind this statement is self-evident when looked at from a broad perspective. A multinational organization without coordination is not an organization at all, but rather individual businesses linked by name alone (Schuler et al. 719). Ergo, it is clear that both the ethnocentric and polycentric HRM attitudes discussed previously must be dismissed due to their inability to satisfy the two basic necessities of global HRM, flexibility and coordination.

With coordination and integration being essential compatriots to the integral need to adapt HRM policy to the culture, mores, and morals of global affiliates host countries, it becomes apparent that any strategy adopted by in international organization must be appropriately flexible while remaining firmly cohesive (Ngo et al. 634 and Schuler et al.724). The elimination of ethno- and polycentrism based on their inability to fulfill this criteria leaves geocentrism as the only plausible alternative. The geocentric model bridges the chasm between ethnocentrism and polycentrism while allowing the organization the opportunity to

determine where in the space between utter inflexibility and complete autonomy their human resource management policy should reside (Schuler et al. 274). Just as HRM policy must fit the pervasive national culture; it must also fit the organization's corporate culture. Geocentrism allows for the flexibility to reach a compromise between country and company.

In the formulation, or reformulation, of an international HRM policy, one of the first steps an MNO should take is to "internationalize" headquarters HR itself. It was previously demonstrated that every culture fosters certain biases and assumptions within the realm of HR and that, even when the stated goal of an HR policy is to remain culturally neutral, these hidden biases may result in rendering the policy ineffective at best and completely impotent at worst (Schneider 238 and Ngo et al. 633). By hiring new international expatriates, or reassigning existing local staff from international affiliates to headquarters and allowing them to participate in the planning of the HR policy, the organization will gain an outsider's perspective and mitigate the possibility of cultural bias silently contaminating the new policy (Ngo et al.633).

After placing multinational expatriates in positions key to the development of the new policy, the MNO can begin the process of formulating the framework for their multinational HR philosophy. One area of focus should be realigning the goals of the headquarters HR staff from the actual micro management of human resources across the globe to hiring and developing host country nationals for host country HR management positions (Kopp 594). If the HR policy is to rely on foreign affiliates to implement and uphold the corporate HR philosophy, the training of international HR staff is an integral component of achieving success. The development of a worldwide leadership tracking system may be useful in this endeavor. The

purpose of this system would be to identify potential local leaders within international affiliates and then rotate them throughout the organization to enhance their multicultural perspective (Kopp 595). These leaders would then be prime candidates to inherit the HRM role within their home affiliate. Taking this step allows headquarters to retain the control over HR personnel necessary to have a consistent and manageable human resource policy worldwide while also providing the local affiliate with HRM staff that embodies the local culture but has international experience necessary to interact with headquarters and other foreign affiliates (Laurent 97). The redirection of micromanagement of HR from the “home office” to the local affiliate also frees the headquarters HRM staff from spending countless hours, days, or even years patching problems caused by an ethnocentric policy and allows them to perform more effective tasks such as further training and development of those identified as potential future global HR leaders (Schuler et al. 724).

The final step in the development of an internationally appropriate HR strategy is the formulation of individual policies. As demonstrated previously, the dictation of specific policies to foreign affiliates is inherently undesirable. However, an MNO can adopt policies that address areas such as compensation and performance evaluation which are viewed differently by individual cultures while remaining culturally neutral (Schuler et al.724). This is achieved by setting general guidelines which may then be applied by the local affiliate HR staff according to the cultural norms, morals, and mores of the local country. General statements, such as “performance will be rewarded,” allows for both a consistent company global HR policy but leaves the details of how that policy is applied to local management who are better positioned to understand local attitudes that would affect the application of that policy. The example,

“performance will be rewarded” creates a worldwide policy of encouraging performance through some type of compensation whilst allowing the local managers to determine the substance of the compensation and how that compensation is distributed (Schuler et al. 725). In countries where community is valued over the individual, the compensation may be in the form of a bonus distributed equally to the entire workforce if organizational goals are achieved. Conversely, in more individualistically minded cultures, the reward may be a bonus to the top performers individually. If a local affiliate is within an area where leisure time is highly valued, the incentive may be additional vacation time or a trip to a local recreation facility paid for by the firm. By adopting broad policies that represent the ideals of the global organization but allowing the leadership within the local affiliates to determine how those policies are implemented, the MNO can achieve both the coordination and differentiation necessary for an international strategic human resource policy to be successful.

Conclusion

Human resource management is an integral part of organizational success. This is true of both domestic and international companies. (Stroh et al. 1) However, when dealing with the complexities of deep seated cultural biases and assumptions inherent within the management of international human resources, it is essential that organizational leadership grasp the depth of these issues and formulate an HR philosophy that allows cultural intricacies to exist within the overall global HR framework. This can be accomplished through the internationalization of headquarter based human resource staff; the training, development, and placement of local nationals in key leadership positions within the international affiliates;

and through the adoption of HR policies that allow those leaders the freedom to account for local customs while remaining compliant with the global HR strategy.

Bibliography

Birdi, K., Clegg, C., Patterson, M., Robinson, A., Stride, C. B., Wall, T. D., & Wood, S. J. (2008). "The Impact of Human Resource and Operational Management Practices on Company Productivity: A Longitudinal Study". *Personnel Psychology*, 61(3), 467-501. doi:10.1111/j.1744-6570.2008.00120.

The purpose of this article is to a) determine the performance effect of the introduction of each of the human resource or operations practices separately; b) establish whether the synergies among the practices that are predicted by theory are demonstrated in practice; and c) where effects are established, examine how long before they emerge and for how long they persist. The methods used by the researcher were qualitative. The subjects of the research were 308 companies over 22 years, during which time they implemented some or all of the following practices: integrated manufacturing and lean production, place greater emphasis on operation initiatives such as total quality management, just-in-time, advanced manufacturing technology, and supply-chain partnering as determinants of organizational performance. The researchers concluded that there is partial support for both the strategic human resource management and the extended lean production perspectives, but no definitive confirmation of the full forms of either

Collins, C. J., & Smith, K. G. (2006). "Knowledge Exchange and Combination: The Role of Human Resource Practices in the Performance of High-Technology Firms". *Academy of Management Journal*, 49(3), 544-560. doi:10.5465/AMJ.2006.21794671

The purpose of this study is to examine how commitment based human resource practices influence the broader social context such as a firm's social climate. The methods used by the researcher were quantitative. The subjects of the research were 136 knowledge intensive firms in two regions of the United States characterized as high-technology hot spots. The researchers found that commitment based HR practices are significantly related to the social climates of trust, cooperation, and shared codes and language that facilitates exchange and combination among knowledge workers. "Importantly, the effects we discovered are also meaningful from a practical and financial stand-point. In particular, our results showed that a one standard-deviation increase in commitment based HR practices yields a 16.9 percent increase in sales."

Gröschl, S. "Diversity Management Strategies of Global Hotel Groups: A Corporate Web Site Based Exploration." *International Journal of Contemporary Hospitality Management* 23.2 (2011): 224-40. Print.

In this study, Stefan Groschl from the ESSEC Business School in Cergy-Pontoise, France explores the effectiveness of corporate diversity among international hotel groups. Using qualitative content analysis of corporate websites, the author concludes that “most of the selected hotel companies with diversity management strategies and policies need to communicate their diversity management activities and actions more extensively and clearly via their corporate web sites to help support employee recruitment efforts, attraction of talents with different educational and cultural backgrounds, development of multiple (minority) supplier relations and corporate social responsibility image, and accessibility into new markets.

Harvey, Michael, Cheri Speier, and Milorad M. Novecevic. "A Theory-Based Framework for Strategic Global Human Resource Staffing Policies and Practices." *International Journal of Human Resource Management* 12.6 (2001): 898-915. Print.

In this study from the *International Journal of Human Resource Management*, Michael Harvey, Cheri Speier, and Milorad Novecevic examine strategic global human resource staffing policies. Specifically, on the use of “expatriation as an effective method for managing the breadth of international human resource opportunities.” They conclude that there is evidence that “reliance on expatriation-based staffing will impede effective management of international human resources staffing.”

Johnson, James P., Tomasz Lenartowicz, and Salvador Apud. "Cross-Cultural Competence in International Business: Toward a Definition and a Model." *Journal of International Business Studies* 37.4 (2006): 525-43. Print.

The authors of this article from the *Journal of International Business Studies* claims that “many international business failures have been ascribed to a lack of cross-cultural competence” when in reality the issue is a lack of “an adequate conceptualization and definition of the term CC.

Kopp, R. "International Human Resource Policies and Practices in Japanese, European, and United States Multinationals." *Human Resource Management* 33.4 (1994): 581-99. Print.

Kopp examines “the use of expatriates over locals in overseas management, adoption of nonethnocentric policies, and incidence of international human resource management problems” within multinational corporations. Utilizing regression analysis, the authors determined that “ethnocentric staffing and policies are associated with higher incidence of international human resource management problems.”

Laurent, André. "The Cross-Cultural Puzzle of International Human Resource Management."

Human Resource Management 25.1 (1986): 91-102. Print.

The authors attempt to build a framework of international HRM as it applies to “the cultural diversity of management conceptions across nations.”

Lemak, David J., and Wiboon Arunthanes. "Global Business Strategy: A Contingency Approach." *Multinational Business Review* 5.1 (1997): 26-37. Print.

From the *Multinational Business Review*, this paper by David J. Lemak examines “the ongoing debate of standardization versus adaptation” and attempts to resolve the debate “by arguing that higher performance depends on firms choosing an appropriate global business strategy for their unique set of circumstances.”

Leung, Kwok, Rabi S. Bhagat, and Nancy R. Buchan. "Culture and International Business: Recent Advances and Their Implications for Future Research." *Journal of International Business Studies* 36.4 (2005): 357-78. Print.

In this paper, the authors review “several innovative advances in culture and international business” focusing on “the issues surrounding cultural convergences and divergence.”

Levy, O., et al. "What We Talk About When We Talk About ‘Global Mindset’: Managerial Cognition in Multinational Corporations." *Journal of International Business Studies* 38.2 (2007): 231-58. Print.

This literature review of studies on global mindset aims to “clarify some of the conceptual confusion surround the construct.” In addition, through the use of two constructs from the social sciences-cosmopolitanism and cognitive complexity-it aims to “develop an integrative theoretical framework of global mindset.”

Luo, Yadong, and Oded Shenkar. "The Multinational Corporation as a Multilingual Community: Language and Organization in a Global Context." *Journal of International Business Studies* 37.3 (2006): 321-39. Print.

In this paper from the international *Journal of Human Resource Management*, the authors “investigate the effects of country origins on HR practices of firms from the United States, Great Britain, Japan, and Hong Kong.” Eventually concluding that HR practices were related to various measures of firm performance.

Palich, Leslie E., and Peter W. Hom. "Managing in the International Context: Testing Cultural Generality of Sources of Commitment to Multinational Enterprises." *Journal of Management* 21.4 (1995): 671-90. Print.

This study explored the "international exportability of American management theory and practice" among European and Canadian affiliates of US multinational firms. They concluded that among these affiliates "job scope, role clarity, extrinsic rewards, and participative management" are factors which "bind European and Canadian managers to American global corporations." Furthermore, these findings mirror those of domestic surveys suggesting that American management theory and practices are, in fact, exportable to European and Canadian cultures.

Rosenzweig, P.M., and N. Nohria. "Influences on Human Resource Management Practices in Multinational Corporations." *Journal of International Business Studies* (1994): 229-51. Print.

A quantitative analysis of "249 US affiliates of foreign-based multinational corporations" concludes that affiliate human resource practices closely follow local practices." Additionally, they found stark differences between corporations of different national origins.

Schneider, Susan C. "National Vs. Corporate Culture: Implications for Human Resource Management." *Human Resource Management* 27.2 (1988): 231-46. Print.

This study examines the promotion of corporate culture as a means to improve control, coordination, and integration of their international subsidiaries. Specifically, it examines how subsidiaries "embedded in local national cultures" are effected by the national and corporate culture of the parent corporation.

Schuler, Randall S., Peter J. Dowling, and Helen De Cieri. "An Integrative Framework of Strategic International Human Resource Management." *International Journal of Human Resource Management* 4.4 (1993): 717-64. Print.

Schuler examines the "linkage of human resource management with strategy" which "offer an understanding of how single country our domestic human resource management can facilitate organizational understanding and effectiveness" and attempt to "extend this line of work into the international arena."

Shen, Jie, et al. "Managing Diversity through Human Resource Management: An International Perspective and Conceptual Framework." *International Journal of Human Resource*

Management 20.2 (2009): 235-51. Print.

This literature review on “managing diversity through human resource management” examines the “major issues and objectives of managing diversity and examine the state of human resource diversity management practices in organizations.”

Stroh, Linda K., and Paula M. Caligiuri. "Strategic Human Resources: A New Source for Competitive Advantage in the Global Arena." *International Journal of Human Resource Management* 9.1 (1998): 1-17. Print.

This study of HR executives from sixty large use multinational corporation, “first identifies ten...guiding principles that facilitate” effective global human resources management function. In addition, the authors surveyed managers of non-HR areas and analyzed “how the members of the various groups rated the effectiveness of the global HR function.” The conclusion of the study is that C level and HR managers rate the HRM effectiveness as extremely high while managers of other areas rate the effectiveness as low.

Tung, R.L. "The Cross-Cultural Research Imperative: The Need to Balance Cross-National and Intra-National Diversity." *Journal of International Business Studies* 39.1 (2007): 41-46. Print.

In this commentary, Rosalie L. Tung from the Business School at Simon Fraser University in Burnaby, Canada, highlights the “evolution of comparative management theories.” In particular she discusses some faults among commonly held international management beliefs. First, she describes the “fallacious assumption of cultural homogeneity with nations.” Secondly, she dispels the notion that cultures are stable over time. Finally, she “calls for the need to balance cross-national and intra-national diversity in order to truly understand the cross-cultural phenomena.”