Chapter 95

Challenges Faced by South African Human Resource Practitioners in Multinational Corporations

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ABSTRACT

This chapter focuses on the challenges faced by human resource (HR) practitioners in multinational corporations (MNCs) in different sectors operating in South Africa. The chapter briefly outlines the global and South African challenges experienced by HR practitioners. The institutional, resource-based and Hofstede's cultural values theories is used as the theoretical framework. The authors conducted interviews with HR practitioners in four different western MNCs with the objective of identifying the challenges faced by them in these organizations. The results of the investigation revealed that MNCs enforce HR practices for employees at executive managerial posts in order to maintain their competitive advantage. MNCs simultaneously integrate their HR practices with the institutional and cultural practices of the host country for employees at lower levels. These diverse HR practices create challenges for HR practitioners in these MNCs. Some recommendations are made regarding solutions to the problems identified.

INTRODUCTION

Multinational corporations (MNCs) worldwide are experiencing challenges in establishing global human resource management practices in their subsidiaries. As countries become integrated and MNCs face increasing complexity, there is less emphasis on structure and more on the convergence of HR policies and practices. This has resulted in MNCs seeking global best practices or HR strategies that can be ap-

plied across all cultures (Wöcke, Bendixen & Rijamampianina, 2007). While globalization promotes standardization of HR practices, institutional arrangements, local culture and labor practices resist such arrangements, thus rejecting the notion of one best way of doing things in all contexts (Farndale, Brewster & Poutsma, 2008). Since organizations are finding it difficult to duplicate HR practices among culturally and geographically dispersed subsidiaries, HR practitioners in subsidiaries have become strategic partners in MNC operations whose main purpose is to advice global HR managers on local HR institutional and cultural issues in order to achieve organizational objectives (Rowlands, 2010).

HR practitioners need to be aware of how MNCs perform in subsidiaries as these decisions have significant HR policy implications. However, many MNCs are established in host countries where a "best fit model" of HR is adopted without considering local conditions. In most cases the host country is unable to regulate the activities of powerful MNCs once they are operating in the subsidiary (Rowlands, 2010). For example, although local employment regulations were applicable to the McDonalds fast food chain in host countries, the MNC due to its powerful position implemented company-based employment systems which overrode those in the subsidiaries (Rowlands, 2010). MNCs may adapt some of their HR systems to local conditions, but when they have power they lack convergence to host country requirements, which translates into challenges for HR practitioners. It is the implementation of these HRM policies that influence the well-being of host-country nationals working in these organizations (Jain, Lawler & Morishima, 1998).

The issue of global standardization versus localization of HR practices within subsidiaries has been debated in research related to HRM in western MNCs for the past two decades (Brewster, Sparrow, Vernon & Houldsworth, 2007; Carr, 2006). This debate is also taking root in emerging markets such as Russia, China, India, Mexico and Brazil where MNC activity is increasing. MNC activities in emerging markets is propelled by objectives such as 'social dumping' by European MNCs and avoidance of high wages and unions by American MNCs (Jain et al., 1998). Emerging markets however have different business environments compared to what MNCs from Europe and the USA are accustomed to (Davis & Luiz, 2015). Emerging markets are usually economies in political, economic and social transition where institutional vacuums are prevalent and therefore the host and home country contexts differs significantly from each other (Davis & Luiz, 2015). Nonetheless, an increase in MNCs from western countries in emerging economies in Africa requires a focus on their experiences within this context, especially related to the challenges they pose in the HRM field.

Research related to MNCs and their HR practices have been conducted in some emerging country contexts. For example, Chung, Sparrow and Bozkurt (2014) probed the extent to which Korean MNCs applied international HRM practices in their firms. Davis and Luiz (2015) investigated how South African head-office managers devolve decision-making in their African subsidiaries. Tanure, Barcellos and Fleury (2009) examined the psychic distance and challenges of expatriation in Brazil. Zhu, Cooper, Fan and De Cieri's (2013) study looked at managers and employees' knowledge, experience and effectiveness of HRM practices in Chinese MNCs.

Previous research in Africa has focused on the diversity of HRM practices, the role of culture in various African countries and the inappropriateness of using western HRM systems in African organizations (Jackson, 2002; Kamoche, Chizema, Mellahi & Newenham-Kahindi, 2012). However, recent studies indicate that MNCs operating in Africa are hybridized. Azolukwam and Perkins (2009) for example found in their study that Nigerian HRM practitioners are challenged by universal convergence issues such as technology and globalization as well as locally divergent aspects related to bribery, nepotism and corruption. The concern from host country employees is that western HRM practices may replace local

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