Chapter 3 Review questions and answers

1. What is the difference between the universalistic and contextual approaches to HRM? Why is this difference significant for students trying to understand International HRM?

The Universalist approach directs its focus on the organization and suggests that there is ‘one best way’ to manage that organization. It follows, therefore, that once this way is identified it can be successfully applied universally anywhere in the world, including the company’s overseas subsidiaries. The Contextual approach, also referred to as the Comparative approach, considers the study of IHRM as extending beyond the boundaries of the firm. Hence, it regards contextual factors, such as national institutions and culture, as integral to our understanding of HRM and IHRM. A Comparative or Contextual analysis of the activities of MNEs, suggests that: a) the organization cannot be separated from the influences of its home country origins and b) the operation of an overseas organization must also be responsive to its local institutional and cultural environments.

2. What do you consider the main differences between Hard and Soft HRM? Which of these relates most to your own employment experiences and why?

Hard and Soft HRM represent contrasting ways of understanding the role of people in the employment relationship. Hard HRM adopts an approach described as ‘utilitarian instrumentalism’ whereas Soft HRM lays it emphasis upon ‘developmental humanism’. Thus, supporters of Hard HRM consider human resources primarily as costs. Soft HRM focuses on considering employees as assets and as a source of competitive advantage through their commitment, skills and performance. Employees are proactive inputs into the productive process and should be developed, trusted and allowed to collaborate and participate in the operations of the business.

3. Which model of IHRM most effectively incorporates strategy? Why is this model useful as a basis for understanding organizations?

The Michigan Matching Model of HRM was the first model to incorporate strategy as an integral element of HR strategy. Fombran, Tichy and Devanna (1984) developed the
'Michigan Matching Model of HRM', which introduces and underlines the significance of the link between business strategy and human resource strategy. Here people are seen as a resource to be utilised like any other resource of the firm, so that there has to be a tight fit between the HR and business strategies. It is clear, however, that it is the business strategy that determines the HR strategy, such as which staff are recruited, how they are deployed and rewarded, and how their performance should be evaluated. In line with this model, staff ‘are to be obtained cheaply, used sparingly and developed and exploited as fully as possible.’

It is a useful basis for understanding the organization, its objectives and the hard reality of HRM in this context, however it lacks the comprehensive nature of the Harvard Model which suggests human resource strategy should be bound up with business strategy and not be subservient to it. The Harvard Model includes many more stakeholders and environmental factors and provides a more comprehensive model of HRM, which also includes strategy. This model enables us to evaluate the organization and HR strategy within the wider context of which it is part.

4. Choose an international organization from a country with which you are familiar and explain its policies in terms of the concepts in the ‘EPRG model’.

Students can choose any organization and evaluate it using the key EPRG concepts, combined with considering its impact on Finance, Strategy, Marketing and Personnel.

5. Explain the ways that MNEs try to integrate their operations in a number of countries and suggest what problems these companies may face.

Companies may try to integrate their operations using a centralised or global approach. However, there are many obstacles to integration including different consumer demands, and institutional and legal differences between countries. A globalised industry might have low local differentiation, for example the products will be much the same whatever country they are made in, eg. consumer electronics. A transnational organization will integrate through a complex network of relationships and will also provide high local differentiation (different products for different markets). This integrated network organization is supposed to have intricate processes of coordination and cooperation in an environment of shared decision making. It is also expected to
manage large flows of components, products, resources, people, and information, among interdependent business units. However, its sheer complexity makes its achievement highly problematic.

6. How do expatriates contribute to their MNE’s aim to achieve global integration in their HRM policies and practices?

Expatriates help MNEs to achieve global integration through inculcating the corporate culture, including through socialization of new recruits, adopting a similar organizational structure, management and leadership style, and by controlling the implementation of common policies and practices.

7. In terms of HRM policies, why might differentiation be a more practical approach for companies operating in many countries?

A business strategy may result in differentiation because of the market, legislative and political demands of the countries within which the company operates. Cultural differences between nations, as well as the wide variety of business systems and models of capitalism, may make common policies difficult to implement. The company may prefer to adapt its product and HR processes to fit the prevailing culture and institutional requirements of the nation state. One reason might be a desire to gain advantage from those very differences.

8. Explain the concepts of convergence and divergence. Provide examples, particularly from your own country, of HR practices which a) are becoming similar across the world and b) remain distinctive.

The convergence - divergence debate looks at the extent to which management practices are becoming similar across the world and, in the case of HRM, the degree to which the same HR policies and practices are being adopted. a) Policies which are becoming similar to the rest of the world, in Malaysia, include the use of performance appraisals and the adoption of a minimum wage (now being discussed at government level). b) Equality and Diversity policies are not being adopted due to the lack of political will and the racial divisions of society which are based in the Constitution.
9. Do you think business leaders in your country work according to an American or European view of HRM? Justify your answer with examples of how some companies operate or by reference to their mission statements.

An American approach to HRM seems to be being adopted in Malaysia, in a harsh capitalist environment, where corporations are imitating or adopting the ways of their predominantly American MNE owners. However, there is a fair degree of government intervention, with consultation between the government and employers’ associations (eg facilitating the influx of cheap migrant workers), control over union activities and avoidance of confrontation, and demonstrations. The state is also a major employer particularly of the majority racial group.

10. In your opinion, which approach to HRM will be adopted in China? Do you think it will be a unique, hybrid, or Western approach?

In my opinion it will be a hybrid approach and will depend on investing organizations which will tend to bring in their ways of managing HRM, often with insufficient attention paid to the local cultural environment. However, HR activities will also be constrained in China by the local laws and institutional environment.