



CIHRM Opinion

What's the difference? Managing people across borders

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When doing business in Japan, make sure you accept business cards with both hands; in the Netherlands, do not introduce employee of the year awards into your firm; they will be ridiculed; in the UK, politeness in negotiation does not mean acceptance of your position. Sound familiar? These and many other observations have become the staple of the national culture industry, appearing everywhere from management textbooks, and business school seminars, to posters at airports. We smile at such differences and know them to be, by and large, true. But for international managers, this plethora of advice and potential pitfalls can be bewildering and anxiety-inducing. Beyond the superficialities, however, of knowing how low to bow and whether to shake hands, how much difference is there really?

Conventional wisdom would say: a great deal. Looking at the contexts of different countries reveals many obvious and observable variations that are important to the way in which organisations may be run. Employee legislation, governance structures, the centrality of the state, the nature of the workforce, the presence and strength of trades unions, even climate and temperature, may be significant. No one would doubt that such differences are highly important. In addition to these factors, however, are differences concerning national culture, a much less tangible but seemingly more significant issue. According to this wisdom, the value system of a country will determine the HR practices within the organizations of that country. For example, US individualism supports ideas of self-sufficiency, individual achievement and recognition and single status working. Confucian values in China support deference to age, a strong work ethic and collective endeavour. This is standard textbook fare, but how significant are these differences really for HR and HR practice?

A new study carried out by Judge Business School, University of Cambridge, in collaboration with Cornell, INSEAD and Erasmus and Tilburg Universities, looked at the HR practices within 30 multinational organizations (MNCs), including BT, EDF, IKEA, Procter & Gamble, IBM, Oracle, Siemens, Samsung, SANYO, TCL and Matsushita. We were interested in how HR practices were organized in international contexts (see side panel for details of the

study). What we found was that while national culture differences are not insignificant, their importance was less than we had imagined, and it was organizational cultures where the major influence on HR practice lay.

When looking at international contexts, there are three possible views one can entertain. First is the idea of convergence – the belief that all practices and processes in HR are moving towards a single approach across borders. This is tied up with the notion of 'best practice' in HR, and is supported by, among other things, globalization of markets, the spread of HR technologies, similarities of organizational structures, and global communications. ('Convergence' tended to mean, for many, convergence to US management practice, but MNCs are eclectic in their choice of practice; look, for example, at how many Japanese management techniques have become globally embedded). Second is divergence, which argues that national cultural differences are critical and that there are no HR best practices, only culture bound ones. The third is a mixture of the two, arguing that certain practices are pervasive but that the national culture influences them and makes a distinctive practice.

In our study, we looked at a highly select group of MNCs (so what we have to say should be set in this context), and we assumed the third way would be true. We looked both at a range of HR practices, and the operation of the HR function. What we found was a striking similarity. In talent management, the importance of aligning individuals to the values of the company is highlighted by the practice of values-based interviewing – where specific attention is paid to identifying whether the individual's attitudes will match the values of the organization. In some companies, scanning for talent occurs even in the absence of a specific vacancy. Talent inventories are used for both selection and succession purposes, and the continuous process of developing a 'talent pool' - recruiting the best people and assigning them roles rather than hiring specific individuals for specific positions - are best practice. Sophisticated employee on-boarding practices with on-line provision are in place in many firms to welcome and induct new members. Active feedback sessions are provided to understand where the new employee is in terms of their familiarity and development within the organization. Employee

referrals (the practice of existing staff recommending individuals to the organization) have become a common approach, reducing cost of recruitment and also helping to ensure cultural fit.

In performance management, one might expect a large divergence of view in areas such as pay for performance, or merit-based promotion, but we found little or no difference across the globe. We witnessed a concerted effort on the part of group HR to introduce and maintain global performance standards, supported by global competencies both at foundational, managerial, technical and leadership level, common evaluation processes, and common approaches to rewards. It was therefore difficult to find much in terms of distinctive local practices in the countries where our sample companies operated. Certainly where national regulatory systems varied, in particular with regard to union representation, there were differences of approach, both in terms of wage determination and also with regard to the managerial prerogative, the ability to flex the workforce in terms of performance, and specifically, underperformance. But these were driven precisely by regulatory criteria, rather than values-based issues..

In development, the prevalence of coaching initiatives aligned typically to transformational leadership initiatives are aimed at instilling leadership qualities throughout the firm. For high potentials, the provision of strategic projects of a short-term nature, often international in scope, to assess potential, are common.

Reinforcing this is the increasing centralization, particularly through the use of 'process excellence' the design and delivery of common processes from HQ. Areas of global focus for most of the companies include senior management development, high potential identification and development, and competency frameworks to ensure consistency of staffing approaches, and common performance management criteria. A key area is also the global brand and values of the company, and how these drive the HR philosophy and delivery. Ensuring fit to the global values demands similarity of values across the firm and with it a common set of approaches to manage this. Differences in

national culture have become marginal at the expense of the needs of the organization's culture.

In Japan, a country where we thought there would be large differences, we saw evidence of convergence. In SANYO, we took part in the early morning exercises with staff before work and went to karaoke with executives in the evening, which for us was a very different way of operating, but in the workplace, we saw the introduction of global standards into performance and with it the reduction of such staples as tenure-based pay, egalitarian pay structures, guaranteed lifetime employment, and cradle-to-grave benefits.

In the HR function itself, particularly, we saw uniformity of structure and approach, with organizations having global HR, Regional HR, Country/Territory HR and Shared Service Centres. The companies in our sample have adopted similar forms of administrative HR provision, enabled by significant advances in administrative processes and information-capture technology. In knowledge management the HR function, there are recognized meetings, for example, annual conferences of senior managers, and regular (quarterly in some cases) gatherings face-to-face of global HR personnel to facilitate knowledge sharing. Cross functional working and decision-making structures were common. People exchange within corporate HQ and businesses is also used. The development of networks outside the organization, through membership of industry clubs, consortia, interlocking directorships, and integration of suppliers and customers into the design and production processes added depth to the knowledge-base.

This is not to say that local adaptation is absent. IBM alter their recruitment and their management development activities in emerging market economies. But the reasons are largely to do with relativities in economic development, rather than national cultural sensitivities. In Rolls-Royce, there is recognition that in Asian countries, a traditional western style performance appraisal can be problematic, and so too forms of upward feedback for development purposes. Other western-based MNCs are careful about issues of recognizing individuals in cultures where collective values are the norm. But even here

we saw that the companies, in many cases, pursue a 'non-negotiable' approach to their global practices and standards and the variations allowed are very minor.

Should we be surprised by any of this? In one way, not really. Our companies are multinationals, and it is clear from other research on MNCs that there is an institutional effect on HR practices: that is, companies imitate practices of other successful firms in order to gain legitimacy, a process aided by the spread of ideas through elite consultancies, the business press and business schools. Second, there is the war for talent, the search for smart and ambitious individuals which is becoming increasingly international in scope as talent pools shrink. But in another respect, it is surprising that the strength of national culture does not seem to have such a significant hold over organizations as one is led to believe from the textbooks. A further clue as to why this may be in the reinterpretation of the original research conducted by Hofstede. A recent study reanalyzed the Hofstede data and found that, contrary to the standard interpretations of the research, in fact the effect of the country explains only a small share (2 to 4 per cent) of the variance in respondents' values and that organization differences account for more variance in cultural values than do country differences. This is not to dismiss Hofstede's work nor the valuable research and ideas which have emerged in this tradition, but simply to argue that at the individual level (that is, for employees) national cultural values explain only a small amount about how they behave within an organization. What this means for HR is that since individuals' behaviour within organizations is influenced only to a limited degree by national cultural values, it is likely that common HR practices across borders may be appropriate. Is this a cause for regret? Rather like walking down a High Street and seeing the same shops as in every other town, one might love to see a little diversity. But organizations seek what works and for HR in MNCs, the range of options is limited to a few common practices that are believed to secure high performance.

To sum up, it is obvious that national cultures differ and that such differences cannot be ignored. A key issue however is: what does this mean for HR practice? From our research on

multinational companies, the answer seems to be: not very much. There is a great deal of similarity in how these companies approach and manage their human resources. Bigger differences exist, and are more salient, in terms of their organizational cultures. Of course we saw local variation and adaptation of global standards to country level operation, but this was often to do with regulatory practices, labour market issues and stage of economic development, rather than national cultural values. To think there is one best way in managing human resources is simplistic and wrong, but the variation and the contextualization of HR, for our companies at least, owes little to national culture.

The research examined 19 companies in-depth, using interviews with multiple members at different levels to tap into the ways that employees understand their context and experience of HR and how they communicate that understanding among themselves and to others. Interviews took place at corporate level, regional level and country level. HR members were interviewed, and also a sample of senior managers and line managers. Approximately 15-20 interviews per case were conducted. The companies were selected on the basis of their international scope. A second stage of research was a web-based survey. The total number of companies taking part in this phase was 20 multinationals, with 263 participants responding in total from three major geographic regions (Americas, Asia-Pacific, and EMEA – Europe, Middle-East and Africa). The survey contained items on six key HR practice areas (staffing, training and development, appraisal, rewards, employee relations and leadership and succession), the HR delivery mechanisms (including the use and effectiveness of outsourcing, shared services, web-based HR, off-shoring and on-shoring), local leadership and knowledge management.