

**SUSTAINABLE ENTREPRENEURSHIP PROJECT**

# Cross-Cultural Human Resources Management Research

**SUSTAINABLE ENTREPRENEURSHIP PROJECT  
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## **Cross-Cultural Human Resources Management Research**

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## §1 Introduction

Globalization, combined with growing diversity within domestic workforces, has driven companies toward seeking a better understanding of the influence of societal culture on workplace activities. As a result, there has been a consistently expanding interest in cross-cultural studies of human resources management (“HRM”) as a tool for providing managers with insights into how cultural factors should be considered in developing and implementing HRM strategies and practices. Cultural understanding is important for selecting, managing and motivating employees in foreign business units, improving communications between employees working in different countries, and establishing and managing global teams formed to take advantage of competencies that are widely disbursed across regions and time zones. Comparative and cross-cultural studies of HRM focus on national-institutional differences in human resources practices, strategies and systems using a variety of dimensions of societal culture that may be relevant to understanding workplace dynamics including attitudes regarding verbal and non-verbal communication; concepts of time and physical space; group dependence; accepted cultural norms regarding hierarchy, authority and decision-making processes; and tolerance for risk and change.<sup>1</sup> In addition, however, managing employees in different countries requires an understanding of relevant historical, political and industrial factors.

Extensive attention is paid in this Research Paper to the debate between the proponents of the culture-specific and culture-free approaches to comparative HRM: those on the side of culture specificity argue that country-specific approaches to HRM, also referred to as “contextual” approaches, are the most effective and will allow firms to become and remain more competitive while the culture-free HRM position is based on the belief that the steady, and seemingly permanent, march toward a global marketplace dictates that firms must be prepared to embrace “global” HRM practices and gradually minimize the influence of local differences. Other topics covered in this Research Paper include the development and evolution of human resources management outside of the US, labor relations and trade unionism around the world, and comparisons of human resources practices and policies in different countries.

## §2 Culture-specific/culture-free debate

As with other topics falling within the general scope of comparative management, there is a robust debate among the advocates of both culture-specific and culture-free approaches to HRM. In general, those on the side of culture specificity argue that country-specific approaches to HRM, also referred to as “contextual” approaches, are the most effective and will allow firms to become and remain more competitive.<sup>2</sup> On the other hand, the culture-free HRM position is based on the belief that the steady, and seemingly permanent, march toward a global marketplace dictates that firms must be prepared to embrace “global” HRM practices and gradually minimize the influence of local

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<sup>1</sup> R. Henson, “Culture and the workforce”, in K. Beaman, (Ed.), *Boundaryless HR: Human capital management in the global economy* (Austin, TX: Rector Duncan & Associates, Inc., 2002), 121-141.

<sup>2</sup> See, e.g., P. Sparrow C. Brester and H. Harris, *Globalizing Human Resource Management* (London: Routledge, 2004).

differences.<sup>3</sup> The culture-free position is based on the premise of “convergence” in HRM practices worldwide and proponents offer up evidence that firms everywhere have begun to adopt certain HRM practices and policies that are argued to be necessary for pursuing and achieving competitive advantage and which include “higher employee empowerment and the promotion of a diverse and egalitarian culture, decentralization of responsibility, a trend towards higher customer orientation which can provoke a great sharing of risks and rewards (e.g., by performance-related remuneration schemes), flexibility with regard to job assignments and decisions, and a greater involvement of employees by ameliorated communication structures and sharing of the company’s goals with all employees”.<sup>4</sup>

The middle ground has been staked out by various “contingency” theories that assume that there are “contingency factors” (i.e., size of firm, ownership of firm, organizational structure and type/scope of business activities) that must be taken into account when developing HR practices and that organizational effectiveness hinges on the ability of managers to achieve alignment between such practices and the relevant organizational characteristics.<sup>5</sup> Contingency theorists believe that “[c]ertain bundles of HR practices are suitable for certain types of companies, regardless of their country of origin”<sup>6</sup>, essentially an argument for limited universality. Still another way of looking at the debate is the argument that different HRM practices come with varying degrees of cross-cultural transferability. For example, Rosenzweig and Nohria have argued that it is logical to expect that technical HR activities such as recruitment or training would be less culture-specific but that certain other activities, such as performance appraisal and reward systems, would be more strongly influenced by socio-cultural factors and thus would need to be designed and carried in a manner that is more sensitive to local attitudes.<sup>7</sup>

<sup>3</sup> See, e.g., W. Braun and M. Warner, “The culture-free versus culture-specific management debate” in M. Warner and P. Joynt (Eds.), *Managing Across Cultures: Issues and Perspectives* (2<sup>nd</sup> Ed.) (London: Cengage Learning, 2002), 13-25.

<sup>4</sup> C. Scholz, H. Bohm and T. Bollandorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 17 (citing P. Sparrow, R. Schuler and S. Jackson, “Convergence or divergence: human resource practices and policies for competitive advantage worldwide” in M. Mendenhall and G. Oddou (Eds.), *Readings and Cases in International Human Resource Management* (Scarborough: Routledge, 2000), 42-203, 64-65). Scholz et al. cautioned, however, that even if these practices are spreading globally research still needs to be done to understand how they are being “conceived”, or implemented, in specific countries and how they are being understood and received by organizational leaders and employees in each country. Id.

<sup>5</sup> See, e.g., I. Nikandrou, R. Campos e Cunha and N. Papalexandris, “HRM and organizational performance: universal and contextual evidence” in H. Larsen and W. Mayrhofer (Eds.), *Managing Human Resources in Europe* (London: Routledge, 2006), 177-198.

<sup>6</sup> C. Scholz, H. Bohm and T. Bollandorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 14.

<sup>7</sup> P. Rosenzweig and N. Nohria, “Influences on human resource development practices in multinational corporations”, *Journal of International Business Studies*, 25(2) (1994), 229-251.

Scholz et al. argued that, “[i]n fact, the convergence or divergence debate seems to be dissolved by the distinction between a macro-level of HRM and a micro-level of HRM”.<sup>8</sup> They cited the findings of Child for the proposition that research shows that “a convergence of cultures repeatedly is mainly based on macro-level factors”,<sup>9</sup> which include issues relating to organizational structure and technology, and that the research supporting cultural divergence tends to be based on findings associated with analysis and comparison of micro-level variables that are closely related to the behavior of people and thus more likely to be influenced by local values and beliefs. Assuming this is an accurate assessment, the bottom line on the culture-specific/culture-free debate in the HRM field appears to be as follows: “. . . convergence and divergence are parallel processes in organizations that do not exclude each other. Organisations in different countries may become similar in terms of organizational structures and systems, but people in these organizations continue to behave differently within them.”<sup>10</sup>

Budhwar and Debrah laid out their own description of the culture-specific/culture-free debate, which they considered to be one of the key research questions in the field of comparative cross-national HRM. They also noted that scholars have come out on both sides of the debate and both “culture-free” factors, such as age, size and nature of the organization, and “culture-bound” factors, such as societal culture and national institutions, play an important part and concluded that “[i]t is now accepted that management practices including HRM are not universal but are ‘socially constructed’ in each society”.<sup>11</sup> Interestingly, they emphasized that since HRM was “context-specific” it was necessary and useful to identify both the degree and direction of influence of both “culture-bound” and “culture-free” factors in each country since the influences vary from country to country. For example, they suggested that when analyzing the HRM context in India it was particularly important to take into account the influence of unions and other pressure groups; however, unions and other pressure groups would be less important in a country such as the UK where competitive pressures, including the need to downsize, are more relevant to managers of the HR function in that country. Another thing to consider is that the role of a particular institution that exists in a number of countries can vary from country-to-country depending on local circumstances. Returning again to trade unions, Budhwar and Debrah noted different reactions of trade unions in various countries to common environmental trends such as introduction of new production technologies, large-scale restructuring and increasing work flexibility: in the UK, France

<sup>8</sup> C. Scholz, H. Bohm and T. Bollendorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 14.

<sup>9</sup> Id. (citing J. Child, “Culture, contingency and capitalism in the cross-national study of organisations” in B. Staw and L. Cummings (Eds.), *Research in Organisational Behaviour* (Volume 3) (Greenwich, UK: Elsevier, 1981)).

<sup>10</sup> Id. at 15 (also citing P. Sparrow and J-M. Hiltrop, *European Human Resources Management in Transition* (New York, London: Prentice Hall, 1994)). See also S. McGaughey and H. De Cieri, “Reassessment of Convergence and Divergence Dynamics: Implications for International HRM”, *The International Journal of Human Resource Management*, 10(2) (1999), 235-250 (convergence occurring in terms of macro-level variables and culture-based divergence in terms of micro-level variables).

<sup>11</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 2 (citing P. Boxall, “Building the Theory of Comparative HRM”, *Human Resource Management Journal*, 5 (1995), 5-17).

and US union membership and influence declined significantly; however, in countries such as Canada and Germany the place of unions as institutional factors in the HRM system remained fairly stable.<sup>12</sup>

### §3 Research activities relating to international comparative HRM

According to Peltonen and Vaara “[c]omparative HRM as a field of study focuses on national-institutional differences in human resources practices, strategies and systems” and the focus on comparison has been instrumental in “[demonstrating] the limits of the HRM theories and models derived from the institutional realities of the North American context”.<sup>13</sup> Others have argued that the distinctive research paradigm of comparative HRM sets it apart from the mainstream approach used by HRM scholars in the US who, it has been claimed, “tend to view HRM from a universalist perspective, treating HRM as a general phenomenon that exists irrespective of the institutional environment where it is practiced”.<sup>14</sup> Once again quoting Peltonen and Vaara: “Comparative HRM, instead, insists that human resource management practices are best understood as societal phenomena, shaped by the institutional, cultural and political contexts of their occurrence.”<sup>15</sup>

Relying on, and taking, an approach to HRM that concentrates on institutions operating with their own unique and specific context has a number of consequences for the output and utility of comparative HRM. First and foremost, it takes into account real and striking differences in the HR environments and approaches to employment relations and people management that can be readily observed around the world. In the US, for example, trade unions are relatively weak and free markets play a large and, at least in

<sup>12</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 3.

<sup>13</sup> T. Peltonen and E. Vaara, “Critical Approaches to Comparative HRM” in C. Brewster and W. Meyrhofer (Eds.), *Handbook of Research in Comparative Human Resource Management* (Cheltenham, UK: Edward Elgar, 2011), 69-89, 69-70. For further discussion of comparative HRM, see C. Brewster, “Strategic human resource management: the value of different paradigms” in R. Schuler and S. Jackson (Eds.), *Strategic Human Resource Management: A Reader* (Oxford: Blackwell, 1999); C. Brewster and A. Hegewisch, *Policy and Practice in European Human Resource Management: The Price Waterhouse Cranfield Survey* (London: Routledge, 1994); C. Brewster, W. Mayrhofer and M. Morley (Eds.), *Human Resource Management in Europe: Evidence of Convergence?* (Oxford: Elsevier/Butterworth-Heinemann, 2004); T. Clark and D. Pugh, “Similarities and differences in European conceptions of human resource management”, *International Studies in Management and Organization*, 29(4) (2000), 84-100; M. Dickmann C. Brewster and P. Sparrow, *International Human Resource Management: A European Perspective* (London: Routledge, 2008).

<sup>14</sup> T. Peltonen and E. Vaara, “Critical Approaches to Comparative HRM” in C. Brewster and W. Meyrhofer (Eds.), *Handbook of Research in Comparative Human Resource Management* (Cheltenham, UK: Edward Elgar, 2011), 69-89, 70. Budhwar and Debrah traced the development of research activity both HRM and in international comparative HRM and observed that the initial work focused primarily on advanced industrial societies in the West either in the form of single country studies or analysis of common issues across countries in North America or Western Europe. P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 1.

<sup>15</sup> T. Peltonen and E. Vaara, “Critical Approaches to Comparative HRM” in C. Brewster and W. Meyrhofer (Eds.), *Handbook of Research in Comparative Human Resource Management* (Cheltenham, UK: Edward Elgar, 2011), 69-89, 70.

recent years, uncertain role in labor relations and defining the boundaries of work for individuals. In contrast to this model stands the “corporatist model” generally associated with Continental Europe that has long included strong trade union membership and a tradition of collective bargaining. In the words of Peltonen and Vaara: “The European system, with its more regulative and representative character, has put more weight on the societal level agreements and on the active role of the government.”<sup>16</sup> Finally, generally ignored until recently in research circles has been the HR situation confronting workers, managers and regulators in the developing world, one which often lacks basic elements of an HRM institutional framework.<sup>17</sup> For example, “. . . trade unions are banned completely in some Asian countries . . . [and] in Africa one can find societies where the informal or grey job market dominates the whole economy”.<sup>18</sup>

A second byproduct of comparative HRM, which follows from the above-described recognition of strikingly different institutional approaches to employment relations around the world, is that the frequent attempts to transfer North American HRM approaches as the “best practices” into the rest of the world are quite problematic and, it would appear, likely to fail unless and until there is full recognition of the need to customize and localize. American management practices have been the subject of substantial criticism, both abroad and domestically, as unethical behavior has been uncovered and workers struggle to cope with churning economic conditions that have displaced millions of them and overturned decades of expectations about how careers will progress from school years to retirement. This criticism, coupled with the rise of the “contextualist paradigm in comparative HRM”<sup>19</sup>, has led to what Peltonen and Vaara described as “a more critical stance towards the ‘goodness’ of the North American conception of HRM”.<sup>20</sup> In fact, scholars have attacked the underlying assumptions in many authoritative HRM texts originating in the developed countries as tainted by a lingering sense of “colonialism” that has led to a practice of representing the “non-West” as “underdeveloped, dangerous, exotic or mystical” while the West is described as “developed, modern, rational and normal”.<sup>21</sup>

<sup>16</sup> Id. at 69.

<sup>17</sup> T. Jackson, “HRM in developing countries” in A.-W. Harzing and J. Ruysseveldt (Eds.), *International Human Resource Management* (London: Sage Publications, 2004).

<sup>18</sup> T. Peltonen and E. Vaara, “Critical Approaches to Comparative HRM” in C. Brewster and W. Meyrhofer (Eds.), *Handbook of Research in Comparative Human Resource Management* (Cheltenham, UK: Edward Elgar, 2011), 69-89, 69.

<sup>19</sup> C. Brewster, “Comparative HRM: European views and perspectives”, *International Journal of Human Resource Management*, 18(5) (2007), 769–787.

<sup>20</sup> T. Peltonen and E. Vaara, “Critical Approaches to Comparative HRM” in C. Brewster and W. Meyrhofer (Eds.), *Handbook of Research in Comparative Human Resource Management* (Cheltenham, UK: Edward Elgar, 2011), 69-89, 71 (citing R. Dore, *Stock Market Capitalism: Welfare Capitalism: Japan and Germany Versus the Anglo-Saxons* (Oxford: Oxford University Press, 2000); S. Ghoshal, “Bad management theories are destroying good management practices”, *Academy of Management Learning & Education*, 14(1) (2005), 75–91; H. Mintzberg, *Managers not MBAs* (San Francisco, CA: Barrett-Koehler, 2004); and J. Pfeffer and C. Fong, “The business school ‘business’: some lessons from the US experience”, *Journal of Management Studies*, 41(8) (2005): 1501–1520).

<sup>21</sup> T. Peltonen and E. Vaara, “Critical Approaches to Comparative HRM” in C. Brewster and W. Meyrhofer (Eds.), *Handbook of Research in Comparative Human Resource Management* (Cheltenham, UK: Edward Elgar, 2011), 69-89, 83 (citing R. Westwood, “International business and management studies as an

The discussion above provides support for the argument that a useful and complete global framework for analyzing HRM cannot be limited to the well-publicized practices found in the US, influential as they may be, but must be extended to include “[t]he different realities of contexts such as the European welfare states as well as the Asian and African developing countries”.<sup>22</sup> Comparative HRM research and analysis has been generally carried out using a new and different form of methodology which focuses on “understand[ing] individual national contexts and the way in which HRM is organized in each particular country”.<sup>23</sup> The refreshing aspect of comparative HRM is that it is less interested in discovering general laws and causal relationships in the HR area and more concerned with understanding “local contingencies” that provide the foundation for the particular forms and approaches used by HR professionals in each country. Peltonen and Vaara also pointed out that by providing a broader conception of HRM the emerging field of comparative HRM allows interesting new perspectives to be considered such as feminist organizational and management studies that require consideration of an array of additional workplace issues such civil rights, well-being, equal opportunities, work-life balance, family and sexuality.<sup>24</sup>

One example of a comprehensive project is the extensive array of materials, including research data and related commentary, relating to international HRM that is available through the Cranfield Network on International Human Resource Management (“Cranet”).<sup>25</sup> Cranet is organized and managed as a collaborative project among over 40 universities and business schools which has carried out a regular international comparative survey of organizational policies and practices in comparative HRM across the world since 1989; provided benchmarks for comparing the European Union with developments elsewhere in the world; and provided data that facilitates system comparative analysis of HRM trends within employing organizations. Cranet surveys have focused on important HRM areas such as recruitment and staffing, training and development, compensation and benefits and employee relations and communication. Cranet was originally focused on testing propositions relating to convergence or divergence of HRM practices, particularly within the European Union; however, as time has gone by Cranet has expanded its focus to include assessment of the relationships

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orientalist discourse: a postcolonial critique”, *Critical Perspectives on International Business*, 2(2) (2006), 91–113).

<sup>22</sup> *Id.* at 71.

<sup>23</sup> *Id.* at 69-71.

<sup>24</sup> *Id.* at 84. Peltonen and Vaara noted, however, that there is more than one form of “feminism” and that some of the key assumptions of Western feminism, including constructs of women in the Third World, are problematic and misrepresent the situation and aspirations of Third World women. *Id.* at 85 (citing C. Mohanty, “Women workers and capitalist scripts: ideologies of domination, common interests, and the politics of solidarity” in J. Alexander and C. Mohanty (Eds.), *Feminist Genealogies, Colonial Legacies, Democratic Futures* (New York: Routledge, 1997), 3-29; and C. Mohanty, *Feminism Without Borders* (Durham & London: Duke University Press, 2004).

<sup>25</sup> The website information for Cranet is <http://www.cranet.org/home/Pages/Default.aspx>.

between HRM practices and performance and the impact that societal culture may have on training and development initiatives.<sup>26</sup>

Budhwar and Debrah commented that relatively little had been written about HRM in developing countries apart from a few journal articles dealing with single countries and explained that this situation could likely be attributed to the perception that there were a relatively few number of researchable topics due to the fact that many developing countries, at least several decades ago, often were small economies with small companies and small wage employment sectors; however, they noted a surge of interest in management practices in developing countries in general could be expected from the rapid growth in number of persons employed by multinational companies in developing countries.<sup>27</sup> Obviously, more research on developing countries should lead to improvements in identifying effective ways to transfer management systems and practices to those countries; however, a focus on developing countries would also permit illumination of new ideas for HRM that go beyond the traditional portfolio based primarily on research on practices in North America and the European Union.

Until recently, topics of interest, and methodologies used, in comparative HRM research have often overlapped with the study of international human resource management (“IHRM”), which has typically focused on the strategies, systems, and practices that companies apply to leverage their employees' potential worldwide.<sup>28</sup> The cross-cultural topics that have interested IHRM researchers include global staffing practices in multinational enterprises<sup>29</sup>, social policy practices and employee participation across countries<sup>30</sup>, the cultural dependence of vocational training<sup>31</sup>, foreign subsidiary autonomy

<sup>26</sup> H. Steinmetz, C. Schwens, M. Wehner and R. Kabst, “Conceptual and methodological issues in comparative HRM research: The Cranet Project”, *Human Resource Management Review*, 21(1) (2011), 16-26, 16 (including citations to specific studies of the listed topics based on Cranet data).

<sup>27</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 4. They also noted that interest in developing countries would increase not only because a majority of the world’s population lives in those countries but also because developing countries perform the following functions: significant buyers; important suppliers of different resources (both natural and human) to industrialized countries; competitors to developed countries with lower labor costs; strategic regional centers for expansion of multinational companies (“MNCs”); production sites for MNCs; and capital users (i.e., from private creditors such as international banks, foreign direct investment and foreign official government assistance). *Id.* at 4 and 5.

<sup>28</sup> H. Steinmetz, C. Schwens, M. Wehner and R. Kabst, “Conceptual and methodological issues in comparative HRM research: The Cranet Project”, *Human Resource Management Review*, 21(1) (2011), 16-26, 17 (for reviews see, e.g., M. Lazarova, M. Morley and S. Tyson, “International comparative studies in HRM and performance - The Cranet data”, *International Journal of Human Resource Management*, 19(11) (2008), 1995-2003; and R. Schuler, P. Budhwar and G. Florkowski, “International human resource management: Review and critique”, *International Journal of Management Review*, 4(1) (2002), 41-70).

<sup>29</sup> D. Collings, M. Morley and P. Gunnigle, “Composing the top management team in the international subsidiary: Qualitative evidence on international staffing in US MNCs in the republic of Ireland”, *Journal of World Business*, 43(2) (2008), 197-212; and D. Collings, H. Scullion and M. Morley, “Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives”, *Journal of World Business*, 42(2) (2007), 198-213.

<sup>30</sup> J. Brandl, W. Mayrhofer and A. Reichel, “The influence of social policy practices and gender egalitarianism on strategic integration of female HR directors”, *International Journal of Human Resource Management*, 19(11) (2008), 2113-2131; and E. Poutsma, P. Kalmi and A. Pendleton, “The relationship

in setting HRM practices<sup>32</sup> and HRM consequences of different employment systems<sup>33</sup>. However, a number of scholars have recommended that more attention be paid to comparative cross-national HRM studies, often citing the continuous trend toward globalization and internationalization that places a premium on managers knowing more about human resources practices and issues in other parts of the world. According to Budhwar and Debrah, it has now become imperative that “we . . . highlight the major factors that impact on HRM policies and practices in different contexts as such an evaluation will contribute to the development of HRM theories and relevant policies and practices”.<sup>34</sup> With respect to comparative HRM, they suggested that key research questions would include<sup>35</sup>:

- How is HRM structured in individual countries?
- What HRM strategies are developed by organizations?
- Do organizations implement such HRM strategies?
- What are the similarities and differences in “HRM systems” in different countries?
- What are the reasons for such similarities and differences?
- What is the influence of national factors such as culture, government policy and education systems on national patterns of HRM?
- Is HRM converging or diverging at the cross-national level?
- To what extent are HRM models established in Western nations applicable to other parts of the world?

#### §4 Approaches to researching comparative HRM

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between financial participation and other forms of employee participation: New survey evidence from Europe”, *Economic and Industrial Democracy*, 27(2) (2006), 637-668.

<sup>31</sup> N. Beck, R. Kabst and P. Walgenbach, “The cultural dependence of vocational training”, *Journal of International Business Studies*, 40 (2009), 1374-1395.

<sup>32</sup> M. Fenton-O’Creevy, P. Gooderham and O. Nordhaug, Human resource management in US subsidiaries in Europe and Australia: Centralisation or autonomy?, *Journal of International Business Studies*, 39(1) (2008), 151-166.

<sup>33</sup> P. Gunnigle, D. Collings and M. Morley, “Employment relations in subsidiaries of U.S. based multinationals: Ireland as a host country”, *Perspectives on Work*, 11(1) (2007), 10-13; and N. Heraty, M. Morley and J. Cleveland, “Complexities and challenges in the work-family interface”, *Journal of Managerial Psychology*, 23(3) (2008), 209-214.

<sup>34</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 2 (including citations to works of researchers who have called for more comparative cross-national HRM studies such as, for example, C. Brewster, O. Tregaskis, A. Hegewisch and L. Mayne, “Comparative Research in Human Resource Management: A Review and an Example”, *The International Journal of Human Resource Management*, (7) (1996), 586-604; P. Budhwar and Y. Debrah, “Rethinking Comparative and Cross-National Human Resource Management Research”, *The International Journal of Human Resource Management*, 12(3) (2001), 497-515; and P. Budhwar and P. Sparrow, “An Integrative Framework For Determining Cross-National Human Resource Management Practices”, *Human Resource Management Review*, 12(3) (2002), 377-403).

<sup>35</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 2. For discussion of methodological challenges of comparative research in the context of international human resource management, see H. Steinmetz, C. Schwens, M. Wehner and R. Kabst, “Conceptual and methodological issues in comparative HRM research: The Cranet Project”, *Human Resource Management Review*, 21(1) (2011), 16-26.

A variety of methods have been used to study comparative HRM. For example, authors have attempted to analyze specific HRM issues from perspectives that attempt to integrate and generalize across large swaths of countries, such as a “European perspective” or a “Latin American perspective”. The results may be described in isolation or, as is often the case, as part of an attempt to make comparisons to other groups of countries with different socio-cultural traditions, legislative frameworks and institutions. For example, Sparrow and Hiltrop attempted to identify and describe differences between HRM in Europe and in the US, noting: “If European management exists, it is in terms of greater cautiousness, sophistication of methods, and pursuance of elitist reward and career systems.”<sup>36</sup> They continued by emphasizing several areas where they perceived that there were qualitative or quantitative differences between European HRM and HRM in the US: European HR departments are more restricted in their autonomy; European HRM has traditionally been less exposed to market processes; European approaches to HRM focus more on groups than on individuals; European social partners, such as trade unions or employee representatives, are more influential than their US counterparts; and in Europe, labor market policies are more regulated, meaning that the influence of governments on the management of businesses is greater in Europe than in the US. While these observations highlighted factors that likely contribute to differences between Europe and the US, it does not necessarily mean that there is a distinct “European approach” to HRM and, in fact, Sparrow and Hiltrop concluded that countries in Europe do take different approaches to their HRM practices and there is no single pattern of HRM in Europe.<sup>37</sup>

In fact, Europe has been the focus of a variety of attempts to develop better methods for comparing HRM approaches and practices. For example, researchers have looked at country-specific practices and context variables, reviewed country-specific approaches to specific HRM topics and conducted studies of international companies operating in Europe and their special problems of recruiting and integrating personnel from various countries and cultures as a means for identifying and analyzing differences among countries.<sup>38</sup> Attempts to achieve a “middle ground” between a general, and perhaps worthless, description of European HRM practices on the one hand and dozens of country-specific profiles on the other hand have led to the development and testing of “clusters” of European countries thought to have similar approaches to HRM due to common socio-cultural traditions. In one instance, researchers argued that European countries could be usefully segregated into north-west and south-east clusters for

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<sup>36</sup> P. Sparrow and J-M. Hiltrop, “Redefining the field of European human resource management: A battle between national mindsets and forces of business transition?”, *Human Resource Management*, 36(2) (1997), 201-219, 201.

<sup>37</sup> Id. Scholz et al. reached a similar conclusion, noting that “[a]ll in all, approaches to HRM are quite heterogeneous within Europe . . . [and] . . . [a] consistent view of what European HRM means does not exist in literature.” C. Scholz, H. Bohm and T. Bollendorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 3.

<sup>38</sup> Id. at 2.

purposes of identifying distinguishable HRM practices that cross national borders.<sup>39</sup> Another, more complex, multi-level typology of European countries developed by Communal and Brewster began by distinguishing the UK from the rest of Europe; then dividing the rest of Europe into three main clusters of countries with similar approaches to HRM—the South, the North and the East; and then, finally, recognizing differences within clusters through sub-clustering (e.g., in the North, Scandinavian countries formed one sub-cluster; Germanic countries—Germany, Austria and German-speaking Switzerland)—formed another sub-cluster; and smaller countries—Belgium, the Netherlands and Luxembourg—formed a final sub-cluster.<sup>40</sup>

A more productive approach to comparative research on HRM practices has been the creation and use of theoretical frameworks and models. Scholz et al. described a theoretical framework suggested by Handry and Pettigrew that included the following five kinds of variables<sup>41</sup>:

- An organization’s “outer context”, which would include socio-economic, technological, political-legal and competitive factors;
- An organization’s “inner context”, which would include organizational culture, organizational structure, internal politics and leadership, task technology and business outputs;
- An organization’s “HRM context”, which is based on the roles and definition of HRM within the organization, the organization of the HRM function itself and the outputs of the HRM function;
- The “HRM content”, which refers to HR flows, work systems, reward systems and employee relations; and
- The “business strategy content”, which includes the business objectives of the organization and the strategies and tactics that have been adopted for use in pursuing those business objectives.

Another framework for examining cross-national HRM has been proposed Budhwar, Debrah and Sparrow and includes three levels of factors and variables which they believe are known to influence HRM policies and practices and suitable for cross-national examination.<sup>42</sup> The first level includes “national factors” such as national culture,

<sup>39</sup> I. Nikandrou, E. Apospori and N. Papalexandris, “Changes in HRM in Europe: a longitudinal comparative study among 18 European countries”, *Journal of European Industrial Training*, 29(7) (2005), 541-560.

<sup>40</sup> C. Communal and C. Brewster, “HRM in Europe” in A-W. Harzing and J. van Ruyseveldt (Eds.), *International Human Resource Management* (2<sup>nd</sup> Ed.) (London: Sage Publications, 2004), 167-194.

<sup>41</sup> C. Scholz, H. Bohm and T. Bollendorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 17 (citing C. Hendry and A. Pettigrew, “Human resource management: An agenda for the 1990s”, *International Journal of Human Resource Management*, 1(1) (1990), 17-43).

<sup>42</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 6 (citing P. Budhwar and Y. Debrah, “Rethinking Comparative and Cross-National Human Resource Management Research”, *The International Journal of Human Resource Management*, 12(3) (2001), 497-515; P. Budhwar and P. Sparrow, “National Factors Determining Indian and British HRM Practices: An Empirical Study”, *Management International Review*, 38(2) (1998), 105-121; and P. Budhwar and P. Sparrow, “An Integrative Framework For

national institutions, business or industrial sectors and dynamic business environment. The second level includes “contingent variables” at the organizational level (e.g., age, size, nature of activities, ownership and life cycle stage, level of technology, presence of formal HR department, presence and influence of trade unions and HR strategies and the interests of different stakeholders). The third level includes specific organizational strategies and policies related to primary activities of the HR function and internal labor markets. While noting that each of these levels is important, they conceded that when attempting to include developing countries, where HRM is relatively new, in a cross-national comparison of HRM the time and effort that needs to be invested in analysis is best focused on the influence and impact of the “national factors”, which they described as having the following sub-components<sup>43</sup>:

- *National culture*: Socialization processes; common values, norms of behavior and customs; influence of pressure groups; assumption that shape managers’ perceptions, insights and mindsets; management style; meaning of work and values; personal dispositions, attitudes and manners; approaches to cultural diversity; and match to organizational culture
- *Institutions*: National labor laws<sup>44</sup>; trade unions; politics; educational and vocational training set up; labor market; professional bodies; international institutions; industry by itself; employers federation; consulting organizations; placement organizations; trade bodies; government institutions; local authorities; and voluntary bodies
- *Business/Industrial sector*: Common strategies, business logic and goals; regulations and standards; sector-specific knowledge; informal and formal benchmarking; cross-sector cooperation; common developments in business operations; labor or skill requirements; merger activity; workforce mobility; and capital mobility<sup>45</sup>

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Determining Cross-National Human Resource Management Practices”, *Human Resource Management Review*, 12(3) (2002), 377-403).

<sup>43</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 7-8. The authors also include extensive citations to the work of other researchers who have studied the relationship between one or more of the four “national factors” and HRM.

<sup>44</sup> In the US, for example, various federal and state laws and regulations apply to a business’ employment practices, from the recruiting and hiring through discipline and possible termination. In addition, working conditions are regulated by workplace safety regulations and workers’ compensation laws. Finally, aspects of the employment relationship may be impacted by common law rules regarding formation of the employment relationship and wrongful termination; laws regulating labor-management relations; laws regulating family and medical leaves; federal immigration laws; common law rules and statutes regarding ownership and use of inventions and trade secrets and non-competition and non-solicitation agreements; and statutes governing administration of retirement and pension plans and continuation of health insurance benefits. For further discussion, see “Legal and Regulatory Considerations” in “Human Resources: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>45</sup> The focus of this factor is on industrial sectors that are “well connected to similar sectors in other competing countries and markets around the world” and thus have their own unique and important set of social networks, ownership control relationships and vertical logistical links that ultimately lead to sector-specific HRM practices, such as regulations and benchmarks that are applied across borders. To the extent that a country has one or more sectors that are large in relation to its overall business system, the sector-specific HRM practices have a similarly large influence on the overall HRM profile for the country. Examples provided by the authors included the Finnish forest sector, the Danish milk products sector and

- *Dynamic business environment:* Competition; business alliances; changing composition of workforce; restructuring; focus on total customer satisfaction; facility of information; technological change; and globalization of business

Other researchers have highlighted additional factors that might well be integrated into a comprehensive theoretical framework or model or provided their own endorsement of some of the factors mentioned above. For example, Murray and Dimick argued that a company's HRM strategy must take into account economic conditions, pressures from powerful outsiders and the advocacy of positive interest groups.<sup>46</sup> De Cieri and Dowling noted that inter-organizational networks within countries are an important exogenous factors influencing HRM and that the structure and strategy of multinational companies impacts the HRM practices used in each of the countries where the company operates.<sup>47</sup>

Socio-economic factors commonly appear in suggestions for the variables to be used in theoretical frameworks and models and researchers such as Edwards and Kuruvilla have cautioned against using societal culture as a "catch-all" for differences between countries.<sup>48</sup> They, and others, have argued that the better window into national influences on HRM is the concept of a "national business system" that includes both country-specific institutional factors and elements of a country's "business structure" as well as levels of economic and political predictability and stability and differing types of infrastructure. Scholz et al., borrowing from Sparrow and Hiltrop, provided the following lists of national institutional factors and determinants of the national business structure: "Institutional factors comprise the level of organizational autonomy, trade unions and representative arrangements, the level of provision of social security and welfare, the recency and scope of labour codification, the employer/employee bias in legislation, and corporate responsibilities and penalties for redundancy. The business structure is determined by the degree of state ownership, organizational performance criteria, the size of organizations, the organization life expectancy and the length of employee tenure, as well as the level of single family stakeholders and the fragmentation of industrial sectors."<sup>49</sup> As noted elsewhere, however, the same institution can have a

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the Japanese car sector. P. Budhwar and Y. Debrah, "Introduction" in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 7.

<sup>46</sup> V. Murray and D. Dimick, "Contextual influences on personnel policies and programs: an explanatory model", *Academy of Management Review*, 3(4) (1978), 750-761.

<sup>47</sup> H. De Cieri and P. Dowling, "Strategic human resource management in multinational enterprises: Theoretical and empirical developments" in P. Wright, L. Dyer, J. Boudreau and G. Milkovich (Eds.), *Research in Personnel and Human Resources Management: Strategic Human Resources Management in the Twenty-first Century*, Supplement 4 (Stamford: Emerald Group Publishing Limited, 1999), 305-327.

<sup>48</sup> T. Edwards and S. Kuruvilla, "International HRM: National business systems, organizational politics and the international division of labour in MNCs", *International Journal of Human Resource Management*, 16(1) (2005), 1-21. For discussion of the various frameworks and models of the dimensions of societal culture and their influence on management practices, see "Globalization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>49</sup> C. Scholz, H. Bohm and T. Bollendorf, "Introduction" in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 11 (citing P. Sparrow and J-M. Hiltrop, "Redefining the field of European human resource management: A battle between national mindsets and forces of business transition?", *Human Resource Management*, 36(2) (1997), 201-219, 203).

different configuration in each country and thus there will be differences between how countries construct their HR practices to cope with universal environmental pressures due to varying roles, activities and priorities of institutions. In other words, institutions such as “trade unions” may exist in a number of countries but the degree and direction of their influence varies substantially.<sup>50</sup>

As to the inclusion of political factors in the “outer context”, a strong example is the policy framework developed in the European Union (“EU”) with respect to a variety of aspects of workplace relations, enhancement of human capital and movement of labor across national boundaries within the EU. According to Scholz et al., for example, moves by EU policymakers and legislators to develop, adopt and enforce EU-wide legal regimes in areas such as pensions, people mobility and corporate governance have certainly influenced HRM strategies and agendas within firms throughout the EU, regardless of country-specific differences. In addition, policy activities in other areas—employment, education, competition and the economy—have an indirect, yet important impact, on HRM in the EU. Scholz et al. did note, however, that many of the EU-level initiatives that result in mandates for national legislation are intended to “even out legal differences between member states” and establish common benchmarks and that countries can be expected to continue to take their own unique approaches to the details of sensitive issues such as reducing unemployment, managing aging workforces and managing diversity.<sup>51</sup>

While theoretical frameworks and models are useful for comparative purposes, the importance of specific variables appears to differ depending on the specific area or practice that is being investigated. For example, Weber et al. looked at seven different types of HR policies and determined that found variations in the relative influence of organizational- and country-specific variables: training and development were almost entirely determined by organizational-specific factors; country-specific factors were relevant, albeit quite small in their influence, with respect to pay and benefits, employee communication, people management philosophy and “high-fliers”; country-specific factors were a little more important with respect to recruitment and selection; and, finally, country-specific factors played their largest role with respect to policies and practices focusing on equal opportunities and diversity.<sup>52</sup>

## §5 Societal culture and HRM

<sup>50</sup> P. Budhwar and Y. Debrah, “Introduction” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 1-15, 3 (citing R. Locke and K. Thelen, “Apples and Oranges Revisited: Contextualized Comparisons and the Study of Comparative Labor Politics”, *Politics and Society*, 23 (1995), 337-367).

<sup>51</sup> The discussion of the framework developed by Scholz et al. in this section is adapted from C. Scholz, H. Bohm and T. Bollendorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 11-12. See also L. Sforza, “EU developments and their impact on HR issues”, *Pensions*, 40(4) (2005), 336-342.

<sup>52</sup> W. Weber, R. Kabst and C. Gramley, “Human resource policies in European organisations: an analysis of country and company-specific antecedents” in C. Brewster, W. Mayrhofer and M. Morley (Eds.), *New Challenges for European Human Resource Management* (London: Palgrave Macmillan, 2000), 247-266.

From the discussion above regarding the “culture-specific versus “culture-free” debate we can conclude that, at some level, societal culture does influence HRM. For example, Scholtz et al. noted that Sparrow and Hiltrop had identified a variety of areas as to which culture was relevant to some aspect of HRM including the definition of an effective manager, feedback mechanisms, patterns of communication, negotiation and participation, internal career dynamics and mobility, reward systems, the manager-subordinate relationship and the mindsets regarding decisions about organizational structures.<sup>53</sup> Scholtz et al. also reported on the results of research by Raghuram et al. that provided support for the proposition that differences in societal culture might explain inter-country variations with respect to acceptance and type of “flexible employment practices”: part time work was related to power distance and individualism; contract work was related to uncertainty avoidance and individualism; shift work was related to uncertainty avoidance, power distance and individualism; telework was related to femininity; and, in general, telework, part time work and temporary work were less popular in societal cultures that could be classified as being high in uncertainty avoidance.<sup>54</sup> In addition, many of the well-known comparative studies of societal culture have produced results that could be related to workplace values and practices.<sup>55</sup>

## §6 --Individualism/collectivism and HR practices

The placement of societies on the individualist-collectivist continuum has been found to be predictive of the most often used and effective HR practices in those societies. Triandis summarized some of the major results of the research as follows<sup>56</sup>:

- In individualist societies, people were selected on the basis of individual attributes, while in collectivist cultures they were selected on the basis of their group memberships.
- In general, more training occurs in collectivist societies than in individualist societies because employees in collectivist societies are more loyal to the organizations for which they work and thus have higher levels of organizational commitment which make it less likely that they will leave the organization causing the organization to lose the benefits of its investment in training.

<sup>53</sup> C. Scholz, H. Bohm and T. Bollendorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 16 (citing P. Sparrow and J-M. Hiltrop, “Redefining the field of European human resource management: A battle between national mindsets and forces of business transition?”, *Human Resource Management*, 36(2) (1997), 201-219).

<sup>54</sup> C. Scholz, H. Bohm and T. Bollendorf, “Introduction” in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative analysis and contextual understanding* (London: Routledge, 2008), 1-30, 16 (citing S. Raghuram, M. London and H. Larsen, “Flexible employment practices in Europe: country versus culture”, *International Journal of Human Resource Management*, 12(5) (2001), 738-753).

<sup>55</sup> For detailed discussion of various studies on cultural differentiation based on employee work attitudes, including studies conducted by Haire et al., Sirota and Greenwood, Hofstede, Redding, Ronen and Kraut, Griffeth et al. and Badawy, see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>56</sup> H. Triandis, “The many dimensions of culture”, *Academy of Management Executive*, 18(1) (2004), 88-93, 91.

- Collectivist societies are more likely than individualist societies to embrace paternalistic leaders and leaders in collectivist societies tend to be much more involved in the lives of their followers, know more about their followers and engage in activities to help their followers.
- Managers in individualistic societies are more concerned about performance than managers in collectivist societies; however, when it comes to interpersonal relationships managers in collectivist societies pay much greater attention than their counterparts in individualistic societies.

## §7 --Gender differentiation

The influence of gender, and particularly gender inequality, in the workplace is a universal issue. Alas and Kaarelson explained: “Women and men represent two major social groups that differ from each other in terms of living conditions, experience, needs and interests. In every society there is historically and culturally established gender inequality, expressed by different status of women and men, and difference in various rights, obligations, liabilities and opportunities. Thus entire social structure represents different expectations with regard to social roles, division of tasks, emotionality, ways of communication, self-realization and behavior of women and men. These qualities are not inherent, but instead shaped by social environment, which, at the same time, reproduces inequality.”<sup>57</sup> Equalizing opportunities for men and women in the workplace has been a stated priority of the United Nations and similar multinational organizations for many years; however, reports of gender inequality continue to appear with regularity in both industrialized and developing countries.

Researchers have identified evidence of societal differences with respect to the level of gender differentiation and the degree to which gender role differences are emphasized (i.e., societies can be classified as “gender egalitarian” or “gender differentiated”). As a general matter, gender egalitarian societies seek to minimize gender role differences while gender differentiated societies seek to maximize differences in gender roles. The stereotypes of women in gender egalitarian societies are most positive and women have attained higher levels of equality in those societies in the workforce and in politics. Gender egalitarian societies also have clear preferences for charismatic and participative leader attributes such as foresight, enthusiasm, self-sacrifice, egalitarianism, delegation and collective orientation.<sup>58</sup> In addition, researchers have found a strong positive correlation between high gender egalitarianism and life expectancy, happiness, life satisfaction and standards of living and that the members of a gender egalitarian society are likely to be more accepting of change and thus better able to cope with turbulent global economic conditions that call for changes in HRM strategies and practices.<sup>59</sup>

<sup>57</sup> R. Alas and T. Kaarelson, “Gender equality in post-socialist country: case of Estonia”, *Problems and Perspectives in Management*, 6(2) (2008), 13-20, 13.

<sup>58</sup> Description of findings derived from M. Dickson, D. Den Hartog and J. Mitchelson, “Research on leadership in a cross-cultural context: Making progress, and raising new questions”, *The Leadership Quarterly* 14 (2003) 729-768, 746.

<sup>59</sup> C. Emrich, F. Denmark and D. Den Hartog, “Cross-cultural differences in gender egalitarianism: Implications for societies, organizations and leaders” in R. House, P. Hanges, M. Javidan, P. Dorfman and

However, in spite of the apparent “advantages” of gender egalitarianism, interest in equal treatment of men and women remains a low priority in many countries and attitudes and outcomes have been difficult to change, even in those instances where formal laws and regulations have been implemented.

## §8 --Latin America

A useful and practice introduction to the entire subject of the influence of societal culture on HRM in Latin America has been provided by Davila and Elvira.<sup>60</sup> They began by referencing the framework of measuring dimensions of societal culture developed by Hofstede as a means for identifying work-related cultural values in Latin America. They reported that Hofstede has found that Latin American countries tended, in general, to be characterized by high power distance, high in collectivism and low on individualism, somewhat dispersed with respect to masculinity versus femininity and high on uncertainty avoidance.<sup>61</sup> Hofstede himself had summarized his finding regarding Latin American countries as showing a preference for large power distance/strong uncertainty avoidance, large power distance/collectivism and strong uncertainty avoidance/masculine.<sup>62</sup> It is worth noting that in their analysis of the societal clusters in their Latin America cluster the researchers from the Global Leadership and Organizational Behavior Effectiveness project, common referred to as “GLOBE” project, found that societies in the Latin America were high in in-group collectivism and low on performance orientation, future orientation, institutional collectivism and uncertainty avoidance. Loyalty and devotion to family and other in-groups were clearly important priorities in these societies and there was far less interest in organizational and societal groups as a whole.<sup>63</sup>

Davila and Elvira argued that out of all of the characteristics of Latin American societal culture described above power distance and collectivism were most important in understanding work values in Latin America and that, in particular, it was essential to

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V. Gupta (Eds.), *Culture, Leadership, and Organizations, The GLOBE Study of 62 Societies* (Thousand Oaks, CA: Sage Publications, 2004), 343-394, 368, 370.

<sup>60</sup> A. Davila and M. Elvira, “Culture and human resource management in Latin America” in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24.

<sup>61</sup> Id. at 4-6 (citing G. Hofstede, *Culture’s consequences: International differences in work-related values* (Newbury Park, CA: Sage, 1982); and G. Hofstede, *Cultures and organizations: Software of the mind* (London: McGraw-Hill, 1991)). For detailed discussion of each of the cultural dimensions in the Hofstede framework, see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>62</sup> G. Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad,” *Organization Dynamics*, 9 (1980), 42-63, 51-54.

<sup>63</sup> P. Northouse, *Leadership: Theory and Practice* (4<sup>th</sup> Ed) (Thousand Oaks, CA: Sage, 2006), 312. For further information on this cluster, see J. Jesuino, “Latin Europe cluster: From South to North,” *Journal of World Business*, 37(1) (2002), 81-89. For detailed discussion of the GLOBE project, see “Globalization: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

appreciate the strong influence of “respect for authority” and “social relationships”.<sup>64</sup> With respect to respect for authority, Davila and Elvira observed that this characteristic appeared in the Latin American workplace in the form of “benevolent paternalism” meaning, for example, that Latin American supervisors had a personal obligation to protect his or her subordinates and safeguard the personal needs of workers and their families. Researchers have found evidence that “Latin Americans prefer to depend on somebody else at work . . . [and] accept authority from and over other employees, if it is conferred on people in a systematized hierarchy”.<sup>65</sup> Conflict or confrontation with superiors in public is severely frowned upon as being offensive to the superior and to other colleagues. Respect for authority also involves indicators of social status and distance between superiors and subordinates, such as titles, fringe benefits and similar status symbols. Finally, Davila and Elvira noted that “Latin American societies and organizations have a positive perspective on paternalistic leadership and rarely consider individuals’ autonomy”.<sup>66</sup>

Davila and Elvira also explained that the collectivism found among Latin American societal cultures had specific manifestations with regard to social relationships in the Latin American workplace. For example, they observed that “[p]ersonal communication is extremely important in Latin America” and that “personal relationships develop the structure whereupon organizations work”. The personal relationships that are created and maintained in the workplace “carry high emotional content . . . [and] Latin Americans expected and prefer cordial and affective interactions at work”, which is consistent with aversion to conflict or confrontation mentioned above. In addition, loyalty to the in-group is very important and there is generally a high sense of unity that characterizes membership in Latin American work organizations. Davila and Elvira commented that “[s]ocial relationships are also maintained in popular celebrations”, particularly in celebrations relating to religious traditions that have always been important in Latin American workplaces.

## §9 --Confucian Asia

Societal cultures in the Confucian Asia cluster analyzed by the GLOBE researchers included China, Hong Kong, Japan, Singapore, South Korea and Taiwan. Societies in the Confucian Asia cluster were high in performance orientation, institutional collectivism and in-group collectivism. Like societies in the Anglo cluster and other clusters that scored high in performance orientation societies in this cluster were result-oriented; however, they pursued their goals through group collaboration as opposed to individualistic drive and also had higher levels of devotion and loyalties to family and members of their other in-groups.<sup>67</sup> Hofstede found that many Asian countries (e.g., China, Hong Kong, Indonesia, the Philippines and Singapore) were grouped together in

<sup>64</sup> A. Davila and M. Elvira, “Culture and human resource management in Latin America” in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 6.

<sup>65</sup> Id. at 7 (citing T. Lenartowicz and J. Johnson, “Comparing managerial values in twelve Latin American countries: An exploratory study”, *Management International Review*, 42(3) (2002), 279-307).

<sup>66</sup> Id. at 8.

<sup>67</sup> P. Northouse, *Leadership: Theory and Practice* (4<sup>th</sup> Ed) (Thousand Oaks, CA: Sage, 2006), 310.

the following three quadrants: large power distance/weak uncertainty avoidance, large power distance/collectivist and weak uncertainty avoidance/masculine.<sup>68</sup> Chinese majority countries such as China, Hong Kong and Singapore, as well as Taiwan, were quite strongly collectivist and Hofstede noted the disdain for individualism in the writings of influential Chinese leaders such as Mao Tse-tung.<sup>69</sup> Hofstede also observed that long-term orientation was very strong in many Asian countries.<sup>70</sup> Evidence of the influence of the characteristics of societal culture on organizational structure and culture was uncovered by researchers such as Park who found, for example, that “traditional” characteristics of Korean companies included hierarchical and vertical organizational structures, closed and hierarchical corporate cultures and unilateral internal communication practices.<sup>71</sup>

## §10 Labor relations and trade unionism

Trade unionism has played a significant role in labor relations in many countries around the world and trade unions remain one of the most important institutional factors in the development and implementation of HRM strategies, although the extent of influence varies a good deal from country-to-country and firm-to-firm. Lesch attempted to provide a simple answer to the basic question: “Why do employees join unions?”<sup>72</sup> The simple answer would seem to be that unions can provide desirable benefits to their members in the form of higher wages, shorter working time and better working conditions; however, these advantages erode if employers do not distinguish between union and non-union employees when making decisions on these elements of the employment relationship and many employees may decide to save themselves the union membership fee and simply “free ride” on the concessions earned by union negotiators. In order to overcome the “free-rider problem”, “closed shops”, which are firms that require union membership for employment may be created, or union membership may be promoted through the offer of selective incentives that are only available to union members (i.e., insurance or seniority rights). It has also been suggested that employees will join unions, even in the absence of selective incentives, if doing so provides them with “reputation gains”; in other words,

<sup>68</sup> G. Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad”, *Organization Dynamics*, 9 (1980), 42-63, 51-54. Korea could not be included within this group based on its relatively strong uncertainty avoidance; however, it also shared the cultural values of large power distance and strong collectivism. The rankings of the various countries with respect to masculinity and femininity varied substantially such that no general rule regarding placement on that dimension could be formulated. While most of the Asian countries scored higher than the average with respect to long-term orientation differences among them could be identified—China was by far the most extreme with respect to that dimension while Singapore scored just above the average and the Philippines actually scored lower than the US on that dimension and could be categorized as one of the strongest short-term orientation societies in the world.

<sup>69</sup> G. Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad”, *Organization Dynamics*, 9 (1980), 42-63, 62.

<sup>70</sup> These results appear to be sufficient to create an inference of strong correlations among large power distance/collectivist/long-term orientation, all of which are found in many Asian countries, and among small power distance/individualist/short-term orientation, all of which are found in the US and other countries in the Anglo-American group.

<sup>71</sup> W-W. Park, “Human resource management in South Korea” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 34-55, 53.

<sup>72</sup> H. Lesch, “Trade Union Density in International Comparison”, *CESifo Forum*, April 2004, 12-18, 14.

when there are benefits to being part of a union and not being an outsider.<sup>73</sup> Lesch summarized the situation by noting: “Overall, trade unions are successful if workers assign them a collective protection function and if union access to the workplace supports member recruitment by union representatives or works councils. To recruit new members, trade union membership must be accompanied by a selective benefit or a gain in reputation.”<sup>74</sup>

In recent years, trade unions have come under an increasing amount of pressure due to various factors—globalization, structural change, a trend toward “individualism”, new information and communications technologies and demographic changes—and the result has been a significant decline in union membership in many of the industrialized countries in North America and Europe.<sup>75</sup> Calculating “net union density” rates for the countries in the Organisation for Economic Co-Operation and Development as of 2002, Lesch found that trade union membership remained quite strong in three Scandinavian countries (Sweden, Denmark and Finland), each of which had a net union density rate in excess of 70%, and in Belgium and Norway, each of which had net union density rates slightly over 50%; however, the net union density rate in nine countries (Austria, Italy, UK, Canada, the Netherlands, Germany, Australia, Japan and Switzerland) was between 20.2% and 35.6% and the net union density rates in the US and France were just 13.3% and 10%, respectively.<sup>76</sup> Lesch traced the development of net union density rates between 1961 and 2000 among the countries analyzed and found that while union membership increased in the “Ghent countries” (i.e., Belgium, Denmark, Finland and Sweden), net union density dropped off significantly in the other countries over the four decades surveyed.<sup>77</sup>

Lesch discussed several of the reasons for fluctuations in union membership in general and the declines in union membership in some countries in particular. While the reasons are complex they generally can be summarized as follows<sup>78</sup>:

<sup>73</sup> J. Visser, “Why Fewer Workers Join Unions in Europe: A Social Custom Explanation of Membership Trends”, *British Journal of Industrial Relations*, 40(3) (2002), 403-430.

<sup>74</sup> H. Lesch, “Trade Union Density in International Comparison”, CESifo Forum, April 2004, 12-18, 18.

<sup>75</sup> H. Lesch, “Trade Union Density in International Comparison”, CESifo Forum, April 2004, 12-18.

<sup>76</sup> *Id.* at 12-13. Lesch explained that international comparisons of labor union power typically focus on the share that unions have of the total labor force in a particular country. Economists calculate this share using either “gross union density”, which Lesch defined as “total union membership including the unemployed, students and retired workers as a share either of all wage and salary earners in employment or of the civilian labor force, which includes the unemployed”; or “net union density”, which Lesch described as being calculated “by dividing net union membership (total membership less unemployed and retired) by the number of active wage and salary earners”. Lesch explained that “net union density” is generally used so as to avoid distortion in the density rate that may be caused by high numbers of union retirees. *Id.* at 12.

<sup>77</sup> *Id.* at 13-14. In Finland, for example, net union density during the 1960s averaged 40%; however, by the 1990s that average had risen to 79.6%. Lesch noted that the progression in the countries that showed a decline in membership was both unsteady and steady. In the UK, for example, net union density averaged 40.4% in the 1960s, increased to almost 50% in the 1970s, but fell to 29% as of 2002. In contrast, net union density fell steadily and significantly during the period for Australia (45.6% to 23.1%) and the US (26.9% to 13.3%).

<sup>78</sup> H. Lesch, “Trade Union Density in International Comparison”, CESifo Forum, April 2004, 12-18, 14-16. Lesch also noted that it could reasonably be assumed that there is a relationship between the number of

- Union membership is tied to changes in the business cycle, particularly the rates of inflation and unemployment. As inflation goes up, and consumer prices rise, employees grow concerned about their standard of living and join unions in order to secure protection of their real wage rates. On the other hand, a rise in unemployment can undermine union membership rates since employers have greater bargaining power; however, union membership levels may remain stable, and even rise, during high unemployment periods if union-affiliated institutions administer unemployment benefits, which is the case in the Ghent countries.
- Changes in the national employment structure also appear to influence the level of union membership. Lesch observed that “white-collar workers and women are not so easily unionized as blue-collar workers and men . . . [and] [p]art-timers are often viewed as ‘atypical’ employees and are not recruited by the unions”.<sup>79</sup> Assuming this to be true, one would expect that union membership would decline as service sector employment becomes more important in relation to industry employment and the number of women and/or part-time employees increases.
- Various institutional factors influence union membership including the organization of unemployment insurance (i.e., the extent to which unions are involved in the administration of a country’s unemployment insurance system); union access to the workplace; practices of enforced membership (i.e., “closed shops”); the scope of worker protections included in the country’s legislative framework (e.g., implementation and enforcement of dismissal protection laws presumably reduce the need for union-based protections); and wage indexation or mandatory extension of collective agreements to non-unionized employers and workers.<sup>80</sup>

In a paper prepared for, and presented to, the International Industrial Relations Association (now the International Labour and Employment Relations Association) in 2004, Jensen presented and compared various key characteristics of trade unionism in Europe, the US and Asia.<sup>81</sup> With respect to Europe, Jensen cautioned that there were significant differences among the countries; however, the following points were relevant:

- Despite the diversity among industrial relations systems in Europe, the system in each of countries could fairly be characterized as generally orientated toward integration of labor representatives, either by law or by collective bargaining agreement.

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labor disputes and unionization and that union membership would decline if unions fail to use their full power to enforce claims.

<sup>79</sup> H. Lesch, “Trade Union Density in International Comparison”, CESifo Forum, April 2004, 12-18, 15.

<sup>80</sup> It should be noted that a country’s decision to mandate extension of collective agreements to non-unionized employers and workers extends the influence of organized labor in that country even if actual union membership is low. This is the situation in France, where actual union membership is no more than 10%.

<sup>81</sup> C. Jensen, Trade Unionism: Differences and Similarities—A Comparative View on Europe, USA and Asia (Paper presented at IIRA Congress, June 2004, Seoul, Korea). In addition to providing an overview of recent trends in trade unionism in the three regions the paper includes short summaries of specific countries besides the US including Germany, France, the UK and Denmark in Europe and Japan, Korea and Taiwan in Asia.

- In general, formation and structuring of trade unions in Europe was very much related to class society, which has meant that European trade unions have often advocated beyond better pay and working conditions to take on broader political and social issues related to the social welfare of workers.
- Acknowledging that European trade unions were formed on the basis of the class structure in an industrial society and a workforce dominated by men, it is not surprising the net union density has decreased as the structure of the labor force has become more stratified (i.e., more women, white-collar workers, part-time employment etc.) and the traditional member base for unions has eroded; however, union membership levels have held steady in those countries where unions have done a better job of recognizing, and coping with, stratification of the labor force.
- While employers in Europe have generally been negotiating for more flexible collective bargaining agreements since the 1990s they are not, with the possible exception of UK employers, looking to marginalize unions and continue to view them as important business partners rather than obstacles to be overcome.
- Some European countries, such as France and Germany, extend the benefits of collective bargaining agreements to every employee in a given sector even those who are not union members, a situation which reduces the incentives for employees to pay union membership dues and formally join a union.
- In general, company-based trade unions are uncommon in Europe and European workers are typically organized either in relation to the sectors they work in (i.e., industry unions) or in relation to a particular skill or education level, a situation that leads to strong horizontal and vertical ties between organized employees at different work places and in different companies.

As for trade unionism in the US, Jensen characterized it as “market-based”, meaning that trade unions in the US have tended to be oriented toward securing the relatively narrow interests of their members as opposed to taking on a more general role as an advocate of broader social interests of the American “working class”. Employer opposition toward trade unions and organized labor in the US has continued to grow and in sharp contrast to other regions of the world labor representatives are rarely viewed as strategic partners in the management of enterprises. Jensen pointed out that while US trade unions are not class-based in the same way as European trade unions they share the same historical roots of European unions in a traditional industrial society and have had difficulties in adapting to the structural changes that have accompanied the transition to the post-industrial “service oriented” workforce seen in the US today. These structural changes have been cited as a key explanation for the substantial decline in net union density rate in the US over the last several decades noted above.

Finally, Jensen made the following points with respect to trade unionism in Asia:

- In general, Asian trade unions are “decentralized” and typically formed and managed on a company level, a situation that has long been in place in countries such as Japan and Korea; however, although decentralized, trade unions have often acted in concert in the political arena to promote democratization.

- Trade unions have been under pressure over the last two decades as employees seek more flexibility to cope with increased global competition and employers have been moving away from the traditional concepts of lifetime employment and mutual loyalty between employers and employees toward talent- and performance-based systems for recruiting, promotion and rewards.
- The relatively weak influence of trade unions in Asia, as opposed to Europe, has been attributed to various cultural factors such as the desire among Confucian societies to avoid conflict and the willingness in those societies to accept authoritarian management, each of which is consistent with a low demand for collective representation.
- In many Asian countries trade unions were originally established as part of a government-managed effort to promote “nation building” and the purpose of those unions was to reduce conflicts between employers and employees to advance national progress as opposed to representing employees in the pursuit of their specific interests.

Of course, trade unions can also be found in other parts of the world. In Israel, for example, the labor relations system is “based on the European corporatist model”, which Harpaz and Meshoulam explained as being characterized by “regulating the labor market, as well as wider social aspects, based on tri-partite collective bargaining among employers, employees, and the state.”<sup>82</sup> For decades the Histadrut federation of labor was a dominant force with respect to economic and social policies in Israel in two very different, yet overlapping ways—it used its influence to negotiate collective bargaining arrangements for Israeli workers that covered most of the employers in Israel while, at the same time, its position as the second largest employer in Israel, next to the State, caused it to temper the demands of workers with respect to pay and benefits due to the impact on the bottom line of the enterprises it controlled. The end result was a relatively stable Israeli labor market in which the State exercised a substantial degree of control as long as the Labor Party remained unquestionably in power. However, the political landscape in Israel changed dramatically in 1977 when the Likud bloc broke the stranglehold that the Labor Party had on control of the State and, while the Labor Party remains a force in Israel, the last thirty years have seen what Harpaz and Meshoulam called “a new era in Israeli employment relations”.<sup>83</sup> The Histadrut remained a major force in wage and employment issues, predominantly in the public sector; however, the relationship between Histadrut and the employers’ associations has decreased substantially and collective bargaining in general has shifted toward decentralization and negotiations and agreements that are specific to industry sectors, occupational groups and local plants.<sup>84</sup>

## §11 Influence of culture and context on HR practices and policies

<sup>82</sup> I. Harpaz and J. Meshoulam, “The meaning of work, employment relations, and strategic human resources management in Israel”, *Human Resource Management Review*, 20(3) (2010), 212-223, 216-217.

<sup>83</sup> *Id.* at 216.

<sup>84</sup> *Id.* at 217.

The following sections describe certain core HR practices and policies that are presumed to be of interest to companies all around the world, regardless of their size or the activities in which they are engaged. There has often been an assumption within the HR research community that HR practices and policies created, implemented and perfected in the US and other industrialized countries are the “preferred approach”; however, it is now widely accepted that “context matters” and that HR professionals, as well as organizational leaders outside of the HR function, must select those practices and policies that are most appropriate for their location in light of factors such as societal culture, history, level of technology and the structure and influence of institutions (e.g., trade unions). As explained by Davila and Elmira as they commented on the failed attempts by managers of foreign multinationals in Latin America to implement HR practices imported without adjustment from industrialized countries: “the human relations theory developed in industrialized countries assumes a culturally mature worker who seeks individual achievement in the workplace . . . [a] description [that] does not fit the average Latin American worker”.<sup>85</sup>

## §12 --Motivation

Arguably the most important, and difficult, challenge in the HR area is “motivation”.<sup>86</sup> Managers seeking to motivate their employees are faced with the challenge of creating and implementing strategies that induce individuals, or groups of individuals each with their own distinctive needs and personalities, to focus their energies and talents on achieving the goals and objectives of the organization as they simultaneously strive to achieve their own personal goals and objectives. In order to be successful, managers must first gain a better understanding of the basic individual needs of employees, which vary depending on the circumstances and change continuously as time goes by and employees go through different stages of their careers, and then must create and implement programs that align the needs of employees with the strategic goals and objectives of the company.

There are a number of well-known theories that have been developed to identify and explain the needs of individuals in the workplace. Many of these theories, however, such as Maslow’s “hierarchy of needs”, McClelland’s “achievement motivated needs” theory, Herzberg’s “motivation-hygiene” theory and the Expectancy theory developed by Vroom, have their roots in the US and other industrialized countries and may be of limited applicability in large parts of the world. Hofstede, for example, argued that Maslow’s hierarchy of human needs would be need to be rearranged for countries other than the US to take into account their specific needs and cultural values: security needs would be a higher priority in strong uncertainty/masculine countries; social needs would

<sup>85</sup> A. Davila and M. Elvira, “Culture and human resource management in Latin America” in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 11.

<sup>86</sup> For full discussion of “motivation” in the workplace including various theories regarding identification and satisfaction of employee needs and guidelines for motivating employees that might be applicable and effective in the US, see “Motivation and Performance Evaluation” in “Human Resources: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

rank at the top of the hierarchy in weak uncertainty/feminine countries; and both social and security needs would be most important in strong uncertainty avoidance/feminine countries.<sup>87</sup> At the same time, managers and employees in other Anglo-American countries, such as the UK, would be working and interacting in a societal culture similar to that found in the US (i.e., weak “uncertainty avoidance” and strong “masculinity”) and it would be expected that managers and employees in those countries would likely place greater importance on the “esteem needs” in Maslow’s hierarchy of human needs (i.e., self-esteem, confidence, performance, achievement and respect from others).<sup>88</sup> In fact, Kanungo and Wright found that British managers tended to place greater emphasis on individual achievement as opposed to fringe benefits, security and working conditions.<sup>89</sup>

As for management and HR practices based on McClelland’s “achievement motive”, Hofstede predicted that they would only be viable in a cultural context where persons were willing to accept at least a moderate level of risk and were also concerned about performance (i.e., weak uncertainty avoidance/masculine societies) and would almost certainly not be effective in strong uncertainty/feminine countries in which people were more concerned with security and competition and striving for greater levels of wealth and fame is looked upon with disapproval.<sup>90</sup> Finally, Hofstede felt that Herzberg’s calls for job enrichment and the formation of autonomous work groups (“teams”) would be effective only in a limited range of societal culture contexts: job enrichment was best suited to more masculine countries such as the US since individual performance was more important in those societies and teams were a better fit for feminine societies where humanization was realized through creating more opportunities for wholesome interpersonal relationships while downplaying competition among individuals in the workplace.<sup>91</sup>

Adler also examined the various theories of motivation mentioned above<sup>92</sup> and followed Hofstede in arguing that security was more important than self-actualization as a motivating factor in countries like China and Japan that have a higher level of uncertainty

<sup>87</sup> Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad,” *Organization Dynamics*, 9:1980, 42-63, 55-56. For full discussion of Hofstede’s comments and arguments regarding the applicability of US theories of motivation in other societal cultures, see “Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>88</sup> G. Hofstede, *Motivation, Leadership and Organization: Do American Theories Apply Abroad*, *Organization Dynamics*, 9 (1980), 42, 55-56. Under Maslow’s famous hierarchy of human needs persons behave in a rational fashion to satisfy five levels of needs running from “basic” to “higher” in the following successive fashion—psychological needs; safety or security needs; social needs; esteem needs; and self-actualization needs. A higher need will not be an active concern for a person until he or she has sufficiently satisfied each of the lower needs. See A. Maslow, “A Theory of Human Motivation”, *Psychological Review*, 50 (1943), 370. See also A. Maslow, *Motivation and Personality* (1943) and A. Maslow, *Maslow on Management* (1998).

<sup>89</sup> R. Kanungo and R. Wright, “A Cross-Cultural Comparative Study of Managerial Job Attitudes”, *Journal of International Business Studies*, 13(2) (1983), 115.

<sup>90</sup> G. Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad,” *Organization Dynamics*, 9:1980, 42-63, 55.

<sup>91</sup> *Id.* at 56.

<sup>92</sup> N. Adler, *International Dimensions of Organizational Behavior* (2<sup>nd</sup> Ed) (Boston: PWS-Kent Publishing Co., 1991), 14-178, 16.

avoidance. On the other hand, in countries where there is a high need for achievement or that have a higher score on the masculinity dimension people are more likely to be driven to produce and comfortable with taking on more risk as opposed to worrying about avoiding uncertainty. Adler pointed out that while there is a certain logical validity to the Expectancy Theory, as a practical matter, cultural factors will play an important part in determining whether a specific type of reward system will have the desired motivational effect. In addition, Adler observed that there are differences between cultures with regard to the amount of control that persons believe that they have over their environment and these differences should also be taken into account when designing a reward system. For example, managers and employees in the US tend to have a stronger belief that they can control the rewards they receive from their work through the amount of effort that they spend on their jobs. In that situation a reward system based on productivity may be appropriate and effective. In contrast, however, a productivity-based reward system may not have the desired impact with managers and employees from Hong Kong who tend to see the likelihood of their success in work activities as a combination of their own efforts and luck (“joss”). Adler noted that Japan offered still another dimension with respect to motivation given that harmony with and among work colleagues is so important to employees that they may be uninterested in participating in a reward system that might result in him or her gaining an advantage (e.g., a promotion) that causes separation from those colleagues.

There has been a dramatic increase in the amount of research that has been conducted regarding motivation of employees working in developing countries. The process of motivating employees begins with a careful analysis of their activities, particularly the ways in which employees interact with customers of the firm. Among other things, managers in developing countries must create and implement procedures for monitoring the quality of customer service. This not only includes complaints from customers, but also procedures that allow employees to notify management of problems they may experience in dealing with customers due to the lack of resources from the company. Once this information has been collected and reviewed, action plans can be developed to both improve customer service and raise the level of employee satisfaction. The plans should be constantly evaluated and modifications should be made regularly to take into account new information.

N'dongko, writing about managerial leadership in Africa, advised managers in developing countries to start slowly and carefully in the development of strategies for motivating their workers to improve performance.<sup>93</sup> One of the first steps should be to attempt to build efficient and effective work groups and teams dedicated to achievement of common goals and objectives. This allows managers to capitalize on the desire of workers for belonging and respect and create opportunities for workers to be mutually supportive and loyal to one another, the team, and the firm. In addition, job expectations should be carefully defined so that the worker can understand what is required and can create linkages between activities and his or her motivational needs. Any ambiguity or uncertainty in job requirements can lead to confusion and problems with morale. As time

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<sup>93</sup> T. N'dongko, "Management leadership in Africa" in M. Waiguchu et al. (Eds.), *Management of Organisations in Africa: A Handbook of Reference* (Westport, CT: Quorum Books, 1999).

goes by job assignments and activities should be continuously evaluated and redesigned in order to provide workers with new challenges on a regular basis. This process can include the use of special assignments and also provides opportunities for managers to begin to delegate certain of their tasks to subordinates to enrich their job experience and enlarge their scope of skills and responsibilities.

In addition to clarifying the performance requirements for each job, management must also provide employees with concrete and relevant rewards. The various theories that have been developed regarding motivational needs play an important role at this stage, since presumably the reward must actually be valued by the employee in order to serve as a motivating factor. For example, if an employee is most concerned about recognition within the workplace for his or her efforts, it is unlikely that financial rewards alone will have the desired motivational effect. On the other hand, other employees may prefer financial incentives as opposed to non-material rewards. Attention to the personal goals and objectives of employees, and recognition of the factors that come into play with motivating them, is often a new and somewhat foreign concept for companies in developing countries. In general, employees in many developing countries believe that their employers have little or no concern about the overall well-being and development of their employees, a situation that can undermine morale and diminish the impact of many of the changes suggested above. Managers should counter these feelings with programs that show respect for the quality of life of their employees, both within the workplace and in their lives outside of work. For example, providing employees with regular vacations and sabbaticals, as well as vocational training to improve their skills, can improve morale and the overall level of commitment of the workforce to the organizational goals and objectives of the company. In addition, since many companies in developing countries have a dominant presence in their local communities, opportunities exist to create goodwill by establishing programs by which they can become involved in a positive fashion in improving general living conditions in those communities.

### **§13 --Recruitment, selection and promotion**

One of the most important activities in the HR area is recruiting and hiring and the strategic role of HR managers is ensuring that the staffing requirements associated with the company's overall strategic plans are understood and satisfied and that the right people are selected for all of the assignments that need to be completed in order for the company to achieve its goals and objectives. The HR function must work to create the proper conditions for recruitment activities to be completed smoothly and successfully. While this obviously involves establishing appropriate procedures for complying with applicable laws and regulations pertaining to issues such as discrimination and collection/use of information regarding applicants, the HR function should also work with the CEO and the other members of the executive team to strike the proper cultural tone within the company. For example, studies have shown that the recruiting goals are more likely to be attained when a positive climate exists among employees; emphasis is placed on quality and work standards are set and followed; roles are clearer, and more

specialized, and the work is more predictable; and seniority is rewarded among non-management personnel.<sup>94</sup>

With respect to staffing and promotion practices in Latin America, the tradition of benevolent paternalism leads to maintenance of the popular practice of hiring a worker's family members or close friends; avoidance of conflict and confrontation leads to a focus on hiring and promoting people who are able to contribute to a good labor climate; large social distance causes a "glass ceiling" based on physical appearance and social contacts; and a preference for personal contact provides support for the creation and perpetuation of nuclear and primary "in-groups".<sup>95</sup> Davila and Elmira noted that "[s]taffing policies for personnel recruiting and selection in Latin America are heavily studied and, perhaps, the most culturally specific of HR practices . . . [and are] . . . generally based on personality traits and personal characteristics", particularly a willingness to cooperate with authority.<sup>96</sup> Family not only played an important role in hiring it also heavily influenced decisions regarding promotion.

In contrast, recruitment and selection in Korea during the 1960s and 1970s was based primarily on personal connections and academic background; however, as time went by personal connections became less important and greater focus was placed on both academic background and on ability-oriented selection used a diversified range of selection methods. While companies had typically recruited new graduates a shift could be seen toward recruiting on the basis of vacancies and searching for experienced applicants with the proven skills to fill specific needs.<sup>97</sup> Practices with respect to promotion among Korean companies generally tracked the evolution of pay systems and began with strict seniority-based systems in the 1960s and 1970s and slowly evolved to the point where "ability" began to be considered in the 1990s and selective promotion systems were implemented. These changes corresponded to the movement described above toward filling vacancies from a pool of experienced applicants identified outside of the company.<sup>98</sup>

#### **§14 --Compensation and benefits**

One of the most important activities of the HR function is its involvement with establishing and administering the company's policies and programs relating to compensation and benefits. In the US, for example, it is common for the HR executive, with input from executives and managers in other departments, to establish salary levels for each of positions within the company's organizational structure and also determine whether or not performance-based compensation systems—stock options, commission-

<sup>94</sup> L. Hendrickson and J. Psarouthakis, *Dynamic Management of Growing Firms: A Strategic Approach* (Second Edition) (Ann Arbor, MI: University of Michigan Press (1998).

<sup>95</sup> A. Davila and M. Elvira, "Culture and human resource management in Latin America" in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 12-14.

<sup>96</sup> *Id.* at 12.

<sup>97</sup> W-W. Park, "Human resource management in South Korea" in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 34-55, 51-53.

<sup>98</sup> *Id.* at 51-53.

based compensation, and bonuses based on attainment of productivity targets and/or profits—would be appropriate. Compensation policies serve a number of different purposes including acting as an investment mechanism, a recruiting tool designed to ensure that the company will be able to attract and retain an appropriate pool of human resources, a management tool designed to direct the performance and activities of both managers and employees within the company, a reward system that defines and reinforces certain company values and attitudes which are perceived as important to the success of the business and designs rewards in a manner that encourages the attainment of those values, and a nurturing tool that can provide various intrinsic rewards.<sup>99</sup>

Employee compensation in developing countries will be influenced by historical factors and many of the reward systems used in the US and other industrialized countries may not yet be appropriate for firms in developing countries. For example, during colonial times, labor conditions in many developing countries were marked by excess supplies of unskilled labor and a scarcity of skilled labor resources. In addition, the population was growing rapidly, further flooding the labor market, and the skill requirements of the largely agrarian economies in these countries were minimal. In large part because of these conditions, employers rarely negotiated wages. While the breakdown of the colonial system eventually led to the creation of labor unions and local-owned companies, the bargaining position of employees in many developing countries has still not improved substantially.

While Korea did not have the same sort of colonial history found in many other countries classified as “developing” during the 1950s and 1960s, it does illustrate how policies and practices regarding pay, incentives and benefits can be expected to evolve as countries begin to achieve some commercial successes and employee aspirations begin to change. Park reported that during the 1960s and 1970s Korean companies generally used a pure seniority-based pay system, offered paternalistic benefits and rarely established incentive structures.<sup>100</sup> As time went by, Korean companies slowly evolved in all three areas and by the 1990s had begun to adopt, on a partial basis, ability-based pay systems and introduced incentive systems such as profit sharing. Companies also made greater efforts to use benefits to improve the quality of work life for their employees. When creating and administering reward systems Korean companies had traditionally been quite concerned about “internal equity” and had chosen rewards with a fixed-cost characteristic and based on short-term performance factors. Park suggests that in the future Korean companies will pay more attention to market factors and total compensation package management that will include both current salary and incentives and rewards that encourage mid- to long-term commitment and performance.

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<sup>99</sup> For full discussion of the roles of compensation policy, compensation philosophies and some of the methods used for allocating compensation in the context of a US-based company, see “Compensation” in “Human Resources: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>100</sup> W-W. Park, “Human resource management in South Korea” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 34-55, 51-53.

With respect to rewards and recognition in Latin American countries, the dominant societal culture characteristics of benevolent paternalism leads to family protection and welfare; avoidance of conflict and confrontation explains the rejection of performance appraisals; large social distance leads to acceptance of symbols of status for top executives<sup>101</sup>; a preference for personal contact undermines attempts to create reward systems based on individual recognition; and group loyalty explains the strong sense of community, and group and seniority recognition, within organizations.<sup>102</sup> Davilla and Elvira emphasized that it was important to understand that workers in Latin America were not necessarily motivated by rewards and recognition but more often saw their workplaces as a means for providing a good quality of life for their family and fulfilling their social needs.

Fixed salaries are certainly a staple of compensation systems in developing countries. An interesting question is whether or not some of the performance-based compensation systems that are commonly used in industrialized countries—stock options, commission-based compensation, and bonuses based on attainment of productivity targets and/or profits—would be appropriate in developing countries. Equity based programs can be significant motivation tools in situations where a market exists for disposal of equity interests, such as a stock market or a formalized redemption program offered by the issuer. Unfortunately, stock markets have been slow to develop outside of the industrialized countries, and those emerging stock markets that do exist are often poorly regulated and highly volatile. Commission-based systems used with salespeople can raise problems with respect to controlling the employee's use of time and resources. In those cases where compensation is based wholly on commissions, the employee will generally be unwilling to perform any other non-sales related task, even when the requested activity is extremely important to the future of the company. It also difficult to reassign sales persons to another territory after they have invested the time required in order to build their client base. Another issue that needs to be considered is the need to provide some financial support to new salespeople as they learn general sales skills and the specific attributes of the products and services of the company.

### **§15 --Employee stock ownership plans**

One study concluded that the attractiveness and effectiveness of employee stock ownership plans ("ESOPs") and the accompanying formal opportunities for employees to participate directly in organizational decision making processes in a society were negatively correlated to the strength of the power distance dimension in that society—

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<sup>101</sup> Another study concluded that the relationship between job title/status and job satisfaction in a society was positively correlated to the strength of power distance in that society—in lower power distance societies such as the US workers often derived job satisfaction from factors other than their job level while in larger power distance countries job level, and the associated title, was a much more important factor in a worker's perception of his or her job experience. See C. Robie, A. Ryan, R. Schnieder, L. Parra and P. Smith, "The relation between job level and job satisfaction," *Group and Organization Management*, 23 (1998), 470-495.

<sup>102</sup> A. Davila and M. Elvira, "Culture and human resource management in Latin America" in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 15-16.

ESOPs were more popular and effectiveness in low power distance countries such as the US and disfavored in larger power distance countries where employees preferred and expected that directions would be developed and communicated from recognized leaders at the top of a hierarchical structure.<sup>103</sup> These findings were consistent with survey results obtained by Smith et al. that indicated that managers in large power distance countries were less inclined to seek input from subordinates before making decisions and tended to rely heavily on their own instincts and experiences when seeking solutions to operational issues.<sup>104</sup>

Silicon Fen was one of the first areas in the UK to experiment with aligning the company's human resources and the overall goals and objectives of the company's business through the use of ESOPs and Silicon Fen leaders have long been active in promotion reductions to the country's capital gains taxes to increase the value of the benefits available to employees holding stock in their own companies.<sup>105</sup> Koepp suggested that the social stratification that has long been a part of British culture might have an influence on the introduction and administration of the meritocratic incentives and rewards that are typically thought to be important in motivating managers and rank-and-file employees in technology-focused enterprises.<sup>106</sup>

## **§16 --Use of group and team incentives**

A substantial amount of research has been conducted regarding the impact of individualism and collectivism on the efficacy and performance of groups and team within organizations. In general, studies have confirmed that group efficacy and group performance are positively related in those instances where collectivism is strong and are not related in situations where collectivism is weak.<sup>107</sup> With regard to selection of incentives to perform specified work activities research confirms that team-based rewards are more readily embraced in strongly collectivist societies and that teams in those societies evidence much higher levels of cooperation thus supporting the efficacy of team-based performance measures and rewards.<sup>108</sup> By way of contrast, other studies have

<sup>103</sup> R. Schuler and N. Rogovsky, "Understanding compensation practice variations across firms: The impact of national culture", *Journal of International Business Studies*, 1998:29, 159-177.

<sup>104</sup> P. Smith, M. Peterson, S. Schwarz, A. Ahmad, D. Akande, J. Andersen, et al., "Cultural values, sources of guidance, and their relevance to managerial behavior—A 47-nation study," *Journal of Cross-Cultural Psychology*, 33(2) (2002), 188-208; P. Smith, M. Peterson and J. Misumi, "Event management and work team effectiveness in Japan, Britain and the USA," *Journal of Occupational and Organizational Psychology*, (67) (1994), 33-43.

<sup>105</sup> Forward Thinking, *Personnel Today* (April 11, 2000).

<sup>106</sup> R. Koepp, Book Excerpt: *Clusters of Creativity*, *The Milken Institute Review* (First Quarter 2003), 65, 82 (excerpting from R. Koepp, *Clusters of Creativity: Enduring Lessons on Innovation and Entrepreneurship from Silicon Valley and Europe's Silicon Fen* (2002)).

<sup>107</sup> C. Gibson, "Do they do what they believe they can? Group efficacy and group effectiveness across tasks and cultures," *Academy of Management Journal*, 42 (1999), 138-152.

<sup>108</sup> B. Kirkman and D. Shapiro, "Understanding why team members won't share: An examination of factors related to employee receptivity to team-based rewards," *Small Group Research*, 2000:31(2), 175-209. See also L. Eby and G. Dobbins, "Collectivistic orientation in teams: An individual and group-level analysis," *Journal of Organizational Behavior*, 1997:18(3), 275-295.

confirmed that individualists are most concerned about themselves and more interested in individual initiative and achievement and more motivated by individual rewards.<sup>109</sup>

With respect to work systems, Latin America presents an interesting and challenging situation given the tension the delicate balance to be struck between collectivism and paternalism. On the one hand, the collectivist nature of Latin American culture would appear to create a favorable environment for successful implementation of work teams, particularly since workers are predisposed toward strong and respectful social relationships based on personal communication, empathy and avoidance of conflict and confrontation; however, uneasiness regarding decentralization and/or sharing of authority, due to large social distance and a long tradition of benevolent paternalism, often create barriers to implementation of work teams. Workers are also uneasy about participating in work teams due to their unfamiliarity with assuming responsibility for decision making, a role that they have traditionally been given to superiors. A preference for personal contact increases the importance of face-to-face relationships and group loyalty causes managers to be more committed to the group and reject outsourcing.<sup>110</sup>

### **§17 --Performance evaluation**

One of the most sensitive HR topics for any company is performance evaluation. The main functions of a performance evaluation program should include measuring how employees are currently fulfilling their job duties and responsibilities; establishing strategies for improving the performance of employees in the future; identifying any present or future problems relating to the employee's performance; and determining whether the employee, his or her manager and the company are benefiting from the activities performed by the employee. The procedures used for conducting a performance evaluation, sometimes referred to as an "appraisal," will vary depending upon the functional activities of the workers being evaluated, the educational and technical background of the workers, the industry in which the company is operating and, of course, the sophistication of the appraisal tools that are available to the HR professionals involved in the process.

The challenges that arise in creating a performance evaluation program increase significantly for managers of companies in developing countries that have little or no history in regular and formalized dialogue between managers and employees regarding employee performance. Managers in developing countries need to be trained in the proper methods for delivering performance appraisals and it is important for them to understand the need for mutual respect between the manager and the employees and for them to be able to deliver constructive criticism while still providing appropriate recognition and encouragement to the employee to maintain morale and motivation. Appraisals will be perceived as having more legitimacy if they are delivered by managers

<sup>109</sup> D. Jung and B. Avolio, "Effects of leadership style and followers' cultural orientation on performance in group and individual task conditions," *Academy of Management Journal*, 1999:42(2), 208-218.

<sup>110</sup> A. Davila and M. Elvira, "Culture and human resource management in Latin America" in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 18.

with demonstrable and accepted competence in the areas covered by the appraisal. In turn, employees must be able to accept legitimate criticism and feedback on their performance and recognize that these communications provide them with opportunities to improve and enhance their work experience.

Park provided insights on the evolution of performance appraisal processes in Korea since the early 1960s.<sup>111</sup> He noted that in the take-off and restoration stages during the 1960s through the 1980s performance appraisal in Korea was tightly regulated and varied from a “selective top-down” approach to a control-oriented approach. It was not until the 1990s that companies began to introduce ability- and performance-based factors into their performance appraisal methods and Park described the key elements of Korean performance appraisal as of that time as “internal competition oriented, for promotion and compensation, top-down goal setting, short-term performance oriented and direct superior”. Park suggested, however, that Korean companies would shift their focus from internal to market competition, concentrate more on mid-to long-term performance and expand the scope of participation in the appraisal process beyond just direct superiors to include colleagues, subordinates and committees.

### **§18 --Communications strategies in the workplace**

Researchers have evaluated the power distance and uncertainty avoidance in the Hofstede framework in relation to how managers communicate with, and exercise control over, their subordinates and found that managers in lower power distance countries relied more on their interpersonal skills for communication and were seen as more approachable and that managers in high uncertainty avoidance countries were seen as less approachable and more likely to influence their subordinates through controlling and directive strategies.<sup>112</sup> If one looks at “approachability” as a key measure of leader-subordinate relationships then the combination of high power distance and high uncertainty avoidance would be one extreme (i.e., leaders are not approachable when that combination of dimensions is dominant) and the combination of low power distance and low uncertainty avoidance would be the other extreme (i.e., leaders are approachable when that combination of dimensions is dominant).<sup>113</sup>

<sup>111</sup> W-W. Park, “Human resource management in South Korea” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 34-55, 51-53.

<sup>112</sup> L. Offermann and P. Hellmann, “Culture’s consequences for leadership behavior: National values in action,” *Journal of Cross-Cultural Psychology*, 28(3) (1997), 342-351.

<sup>113</sup> Large power distance/strong uncertainty avoidance is prevalent among Latin and South American countries) while small power distance/weak uncertainty avoidance is found in the US and other Anglo countries and in the Scandinavian countries. Researchers have found that managers in large power distance countries are more likely than their colleagues in small power distance countries to use formal rules and procedures established at the top of the organizational hierarchy to direct subordinates. P. Smith, M. Peterson, S. Schwarz, A. Ahmad, D. Akande, J. Andersen, et al., “Cultural values, sources of guidance, and their relevance to managerial behavior—A 47-nation study,” *Journal of Cross-Cultural Psychology*, 2002:33(2), 188-208; P. Smith, M. Peterson and J. Misumi, “Event management and work team effectiveness in Japan, Britain and the USA,” *Journal of Occupational and Organizational Psychology*, (67) (1994), 33-43.

Conversational directness is also part of a larger question of the chosen techniques for communication between leaders and subordinates. Conversational directedness is associated with assertiveness and is an important consideration in the communication techniques practiced by leaders. Leaders need to be mindful that attitudes differ among societies regarding the degree to which attributes such as “indirect”, “evasive” and “intuitive” are considered to be important to outstanding leadership skills.<sup>114</sup> For example, while directness is valued and indirectness is perceived as socially undesirable in the US, societies such as Korea tend to be more indirect.<sup>115</sup> Societies also differ in their feelings about what is appropriate with respect to showing and expressing emotions. In “affective” societies people show their emotions and appreciate outwardly enthusiastic leaders who communicate using vivid and temporal expressions of emotion. In contrast, people tended to hide or manage their emotions in more “neutral” societies and present themselves in a manner that was more composed and subdued.<sup>116</sup>

With respect to organizational communication in Latin America, benevolent paternalism explains the preference for vertical and hierarchical communication paths (i.e., information flows from top to bottom); avoidance of conflict and confrontation explains the desire to avoid confrontations with respect to ideas and actions relating to the workplace; large social distance leads to centralization of information; the sense of egalitarianism is expressed through concern for the work and personal problems of employees; a preference for personal contact explains the establishment of strong emotional ties; and popular religiosity explains common public expression of religious faith.<sup>117</sup> Davila and Elvira noted that “emotional proximity prevents subordinates from confronting their superiors regarding their ideas or actions, and explains why hierarchical communication is perceived as deficient”.<sup>118</sup>

## §19 --Conflict resolution styles and techniques

<sup>114</sup> D. Den Hartog, R. House, P. Hanges, S. Ruiz-Quintanilla, P. Dorfman and Globe Associates, “Culture specific and cross-culturally generalizable implicit leadership theories: Are attributes of charismatic/transformational leadership universally endorsed?” *Leadership Quarterly* (Special issue: Charismatic and Transformational Leadership: Taking Stock of the Present and Future (Part I), 10(2) (1999), 219-256.

<sup>115</sup> T. Holtgraves, “Styles of language use: Individual and cultural variability in conversational indirectness,” *Journal of Personality and Social Psychology*, 73 (1997), 624-637. It has been suggested that indirectness in communication can be linked to “face management”. See P. Brown and S. Levinson, *Politeness: some universals in language usage* (Cambridge, UK: Cambridge University Press, 1987).

<sup>116</sup> D. Den Hartog, R. House, P. Hanges, S. Ruiz-Quintanilla, P. Dorfman and Globe Associates, “Culture specific and cross-culturally generalizable implicit leadership theories: Are attributes of charismatic/transformational leadership universally endorsed?” *Leadership Quarterly* (Special issue: Charismatic and Transformational Leadership: Taking Stock of the Present and Future (Part I), 10(2) (1999), 219-256. See also F. Trompenaars and C. Hampden-Turner, *Riding the waves of culture: understanding cultural diversity in business* (2<sup>nd</sup> ed.) (London: Nicholas Breale, 1997) (describing researching confirming that displays of emotion may be interpreted as a lack of control or weakness).

<sup>117</sup> A. Davila and M. Elvira, “Culture and human resource management in Latin America” in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 19.

<sup>118</sup> Id. (citing S. Lindsley, “Communication and ‘the Mexican way’: Stability and trust as core symbols in maquiladoras”, *Western Journal of Communication*, 63(1) (1999), 1-31).

Morris et al. studied the impact that cultural background might have on the preferences of managers from four countries—China, India, the Philippines and the US—with respect to conflict resolution styles and techniques.<sup>119</sup> The survey and accompanying analysis led to the conclusion that US managers relied more heavily on a competing style of conflict resolution while Chinese managers were likely to choose and follow an avoiding conflict style. It has been suggested that this result can be linked to the finding that US managers have higher achievement values than their managerial colleagues in China and that Chinese managers place a higher value on social conservatism (i.e., conformity and adherence to tradition) than US managers.<sup>120</sup>

With respect to labor relationships and conflict resolution in Latin America, benevolent paternalism explains the immediate rejection of any kind of abuse by a superior toward a subordinate; avoidance of conflict and confrontation explains the preoccupation with courtesy and polite treatment during the course of labor relations; a preference for personal contact leads to personal commitment and friendship; and group loyalty is accompanied by a strong concern for others.<sup>121</sup> Davila and Elvira emphasized that various values embedded in Latin American societal culture have a strong influence on negotiations and conflict management styles in Latin America include the desire for social interaction and friendship, the respect for courtesy and diplomacy and the preference for a mediating style between persons in conflict.<sup>122</sup> Davila and Elvira also pointed out that unionism in Latin American has been a long-standing social and political phenomenon with extensive ramifications.

## §20 --Training and development

Training includes a wide range of organized activities designed to change and improve the employment-related skills, knowledge, or attitudes of workers in order to achieve the goals and objectives of the company. In order for training and development to be an effective management tool and strategy, companies must be prepared to make a full commitment of necessary funds and other resources and allocate the necessary time for managers and employees to actively participate in training programs. Training programs can serve a number of different objectives and each program should include a specific statement of the goals that the corporation is looking to achieve. For example, training can focus on improving the ability of an employee to perform the job that he or she is presently doing or is being to do. Alternatively, training can be used to prepare selected

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<sup>119</sup> M. Morris, K. Williams, K. Leung, R. Larrick, M. Mendoza, D. Bhatnager, et al., “Conflict management style: Accounting for cross-national differences,” *Journal of International Business Studies*, 29(4) (1998), 729-747.

<sup>120</sup> China and the Philippines scored higher than India and the US with respect to social conservatism and US managers had higher achievement values than their managerial colleagues in China, India and the Philippines. The scores of the countries with respect to the weight and respect given to conformity and tradition correlated with the finding that the value of power was rated much more highly by managers in China, India and the Philippines than by managers in the US.

<sup>121</sup> A. Davila and M. Elvira, “Culture and human resource management in Latin America” in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 19-20.

<sup>122</sup> *Id.* at 19.

employees to assume other duties and responsibilities at higher levels in the organizational structure of the company. Other byproducts of successful training programs, such as improvements in attitudes and work habits are harder to define; however, they should certainly be among the goals for the program.<sup>123</sup>

The design and content of training and development programs outside the US must take into account the specific cultural environment, a hard lesson that many US companies have learned during unsuccessful efforts to import their own ideas regarding skill development into their foreign branches and subsidiaries. Davila and Elmira commented that with respect to training and development in Latin American countries, avoidance of conflict and confrontation generally causes rejection or modification of modern practices such as self-managed teams that would require workers to openly express and attempt to advance their opinions regarding workplace issues. One of the problems for the workforce in many parts of Latin America is the lack of technical knowledge, formal education and analytical and communication skills and training and development departments operated by MNCs have been attempting to offer programs that remedy these deficiencies, a development that may have a “powerful motivational appeal as a mechanism for social mobility” that may begin to close the gap created by the wide social distance found within Latin American societal culture.<sup>124</sup>

Park reported that training and development of some type has long been in place among Korean companies; however, the focus has changed over the years. In the 1960s and 1970s, for example, training and development was intended to cultivate employees. In the 1980s, however, training and development focused on creating “well-rounded” employees. By the 1990s training and development had shifted toward providing employees with better “professional” skills and companies began offering specialist training and management education programs.<sup>125</sup> Kim also noted that Korean HRM practices after the Asian Financial Crisis in the late 1990s took on many aspects of US practices and procedures and specifically observed that training and education programs began to focus more on technical knowledge and skills than on loyalty and commitment to the company.<sup>126</sup>

Korea provides an interest example of how the government of a developing country can play an active role in the development of the skills of the country’s workers. According to Ra and Shim, Korea adopted a government-led skills development system as a means

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<sup>123</sup> For full discussion of training and development activities, including the design and implementation of training programs, in the context of a US-based company, see “Training and Development” in “Human Resources: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>124</sup> A. Davila and M. Elvira, “Culture and human resource management in Latin America” in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (London and New York: Routledge, 2005), 3-24, 14.

<sup>125</sup> W-W. Park, “Human resource management in South Korea” in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (London: Routledge, 2001), 34-55, 51-53.

<sup>126</sup> D. Kim, *A Two-Dimensional Typology of Human Resource Management Systems in Korea*, Asian Institute of Corporate Governance: AICG Working Paper 2003-11, December 2002, <http://www.aicg.org/data/dongwonkim4.pdf>.

for assuring Korean industries that they would have access to a supply of skilled workers and to protect the vulnerable groups of population. Ra and Shim argued that Korea's skills development policies, first put into place in the 1960s, contributed to economic development and poverty reduction and provided the following lessons for governments in other countries considering similar strategies<sup>127</sup>:

- Government intervention in the training market should be demand-driven to overcome failures in the market to generate a sufficient level of skilled human resources and thus should be adjusted over time as the country moves through different stages of economic development and its human resources skills requirements change.
- The respective roles of the government and the private sector must be determined in the context of the development stage of each individual country and the public and private sectors each can have a useful division of labor in planning/financing/regulation on the one hand and provision and delivery of training services on the other hand.
- There should be complementarities between formal pre-employment vocational education and non-formal targeted vocational training programs and in those countries with a weak educational development and industrial base, more emphasis should be placed on basic education rather than vocational education and training (VET) since VET is more effective in countries with a broad attainment of basic education and growing industrial sectors.
- Training sectors must constantly be adjusted to meet new industrial needs. This can be accomplished by having public training institutes manage training for commonly demanded occupations and then creating enterprise-based institutes to handle training for specific occupations and/or those requiring expensive facilities.
- Different types of financing mechanisms should be created and made available to a range of skills development activities. In Korea, for example, a direct training subsidy system was in effect during the 1960s; however, it was replaced by a compulsory training obligation in 1974 and then followed by a training levy-rebate incentive scheme. Loan programs to finance establishment of public training institutes were another important part of the overall financing system.
- Countries should adopt a national qualifications scheme together with the vocational training policy in order to mandate and standardize vocational training evaluations.
- Once a country reaches a certain level of development, administration of skills development should be moved from direct government management to decentralized, independent vocational training management organizations to allow for increased flexibility in the creation and operation of training programs, particularly implementation of programs to fulfill demand for highly skilled trainees and technicians.
- Countries should not neglect the need for specific skills development programs focusing on reduction in poverty and inequality. Such programs should target the

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<sup>127</sup> Y-S Ra and K. Shim, The Korean Case Study: Past Experience and New Trends in Training Policies (Social Protection Unit of the World Bank and Korean Ministry of Labor on Skills Development, SP Discussion Paper No. 0931, December 2009), 70-74.

disadvantaged, such as the unemployed, employees of SMEs, the aged, non-regular employees, and poor female workers.

- Development and implementation of skills development policies should be continuously supported by labor market surveys, training programs evaluation and research and development to ensure that changes in the labor market are identified and that appropriate modifications can be made in the content and focus of training programs.

One important topic for training activities in developing countries is communication skills, not only for managers but also for others throughout the organization. Companies in developing countries have often struggled with communications issues and implementation of programs that will provide employees with sufficient information to become valued and appreciated participants in operational planning. Training with respect to communications should cover a variety of skills, including listening, writing, conducting meetings, public speaking, and negotiating. In addition, meetings should be scheduled on a regular basis to provide employees with opportunities to ask questions and discuss directives and ideas. Finally, the company should make sure that regular and timely reports of performance and other information are generally and consistently available to all employees.

## **§21 --Managerial training and career development**

While the discussion above focused on employee training and development, HR professionals are often asked to design and administer training and career development programs for both prospective and senior managers. There is evidence that the level of uncertainty avoidance impacts the strategies used by societies to train future managers and chart their preferred career development paths. For example, researchers compared the career management activities of younger managers in one high uncertainty avoidance country—Germany—and one low uncertainty avoidance country—the United Kingdom—and found that the German managers tended toward greater career stability by staying in one job for longer periods of time and focused on attaining specialized expertise while their counterparts from the United Kingdom were typically “generalists” who embraced more job mobility and taking on different roles and responsibilities.<sup>128</sup>

## **§22 --Termination of the employment relationship**

Hofstede argued power distance and individualism/collectivism within societal cultures should be taken into account when formulating and implementing organizational policies relating to hiring, discipline and termination of the employment relationship in those societies. He noted that in highly individualistic countries such as the US the relationship between firms and their employees is “essentially calculative, being based on enlightened self-interest” and that this is consistent with the preference in those countries for a capitalist system that is also based on self-interest and driven by the vagaries of the market that can lead firms to make drastic and sudden decisions that often displace

<sup>128</sup> R. Stewart, J. Barsoux, A. Kieser, H. Ganter and P. Walgenbach, *Managing in Britain and Germany* (London: St. Martin’s Press/MacMillan Press, 1994).

individual workers. Hofstede then pointed out the contrasting situation in more collectivist countries where he suggested that “the link between individuals and their traditional organizations was not calculative, but moral: It is based not on self-interest, but on the individual’s loyalty toward the clan, organization, or society—which is supposedly the best guarantee of that individual’s ultimate interest”. Hofstede cautioned that US firms and their managers must be careful when entering and operating in collectivist countries not to ignore the needs and expectations of local workers for mutual loyalty between them and their firms and thus avoid so-called “hire and fire” policies that are widely criticized in those countries and have become the basis for serious distrust of inbound US investment.<sup>129</sup>

### **§23 --Organization and management of the HR function**

In order to effectively conduct the required activities in each of the areas described above, the HR function must be efficiently organized and managed and there has been a steady shift over the last several decades in the role of the HR function and the training requirements imposed on HR professionals. For example, according to Harpaz and Meshoulam there has been a substantial and dramatic transformation of the HR profession and activities in Israel over the last several decades that has been driven by a variety of forces and events including “growing immigration, exposure to the global market, introduction of new, sophisticated, high technology products and changes in the political climate”.<sup>130</sup> These forces and events, coupled with increased interest in investment in research and development by foreign companies accompanied by a push to replace traditional personnel management philosophy with principles associated with HRM, have changed the required skills and expected contributions of Israeli HR managers. According to Harpaz and Meshoulam, HR managers have needed to learn how to cope with, and thrive in, the new environment of global competition, which meant focusing on the strategies that would enable them to recruit well from a highly educated and innovative workforce and retain those workers by providing them with challenging work, autonomy and competitive compensation schemes tied to performance. In addition, Israel HR professionals have been pushed to find ways to “enrich the boy of knowledge”, particular in fields most relevant to international activities such as leadership development; staffing, particularly recruitment, selection and management of employees who will be working in foreign subsidiaries; and management of so-called “technical issues”, such as compensation and benefits, labor relations and foreign labor laws. Interestingly, Harpaz and Meshoulam suggested that Israel needed to develop

<sup>129</sup> G. Hofstede, “Motivation, Leadership and Organization: Do American Theories Apply Abroad,” *Organization Dynamics*, (9) (1980), 42-63, 61-62. Not surprisingly, the word “collectivism” is viewed with suspicion in the US while the writings of Mao Tse-tung, strongly based in the collectivist cultural tradition found in the Chinese regions of Asia, took a similar, if not stronger, view of the word “individualism”.

<sup>130</sup> I. Harpaz and J. Meshoulam, “The meaning of work, employment relations, and strategic human resources management in Israel”, *Human Resource Management Review*, 20(3) (2010), 212-223, 217-218. See also A. Sagie and J. Weisberg, “The Transformation in Human Resource Management in Israel”, *International Journal of Manpower*, 22(2) (2001), 226-234 (emergence of high technology industries in Israel beginning in the early 1980s forced HR managers in Israel to assume new roles, adopt different work values and apply appropriate strategies).

strong professional associations for human resources specialists and an accreditation process to set qualifications and standards.

## §24 Human resources management in developing countries

There would seem to be little doubt that even though HR practices differ around the world it is universally true that in order for companies to successfully achieve their strategic goals and objectives they must strive to attract, motivate and retain those employees who are best qualified to carry out the necessary activities of the company.<sup>131</sup> The traditional role of HR was perceived as being largely administrative—recruiting and interviewing prospective employees, administering benefit plans and writing policies—and, in fact, HR managers in developing countries still spend most of their time on these activities as overseers of the personnel departments of their companies. However, forward thinking companies, primarily based in developed countries, have tapped the HR function for inclusion in their strategic planning activities and have embraced the concepts of HRM and “strategic” HRM.<sup>132</sup> As this movement has taken hold HR resources professionals have seen their mandates expand to include the attraction of qualified and talented job applicants (“personnel marketing”); the placement of the right people in vacant positions (“personnel selection”); the knowledge update, education and training of employees (“personnel development”); the creation of incentive systems (“motivation and encourage of employees”); and, finally, the determination of the employee’s monetary value for the company (“human capital management”).<sup>133</sup>

Much has been written regarding the development and evolution of the administration and management of the HR function, although most of the research that has occurred has been carried out in the US and in other developed countries. Development and evolution is typically explained as a transition from “personnel administration” to strategic HRM; however, they are actually a number of different viewpoints such as the evolution of HRM as a professional and scientific discipline, as an aid to management, as a political and economic conflict between management and employees and as a growing movement of employee involvement which has been influenced by developments in industrial/organizational and social psychology.<sup>134</sup> Not surprisingly, the development

<sup>131</sup> There has been a virtual avalanche of research on the relationship between HRM and organizational competitiveness and while the empirical data is sometimes difficult to analyze and use as a basis for definitive conclusions the general feeling is that “people” are among the most important determinants of success for companies. See, e.g., C. Scholz, H. Bohm and T. Bollendorf, “Introduction”, in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative Analysis and Contextual Understanding* (2008), 1, 4 (“the most important success factors in global competition are the people: their competencies, their motivation to learn and to perform, leadership and cooperation, corporate values and culture”).

<sup>132</sup> For a discussion of the elements of HRM strategy as practiced in an industrialized economy such as the US, see the Part on “Introduction to Human Resources Management” in “Human Resources: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>133</sup> C. Scholz, H. Bohm and T. Bollendorf, “Introduction”, in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative Analysis and Contextual Understanding* (2008), 1, 4-5.

<sup>134</sup> M. Thite and M. Kavanagh, “Evolution of Human Resource Management and Human Resource Information Systems: The Role of Information Technology”, in M. Kavanagh, M. Thite and R. Johnson

and evolution of HRM in a specific region or country will be influenced by historical, political, industrial and cultural factors. For example, while Asian economies such as Korea has enjoyed rapid economic development accompanied, and often supported, by Western-style HRM practices<sup>135</sup> the transition has not always been easy since many of the imported HRM practices (e.g., performance-based rewards and differences in salaries and bonuses among colleagues in the same field with the same grade) have caused great discomfort in societies where collectivism is so deeply entrenched. In India the cost of needed international aid was a dramatic shift away from an extensively regulated regime to a “free market” approach that suddenly challenged Indian firms and their HR managers to deal with a range of issues including the need to train workers to understand and use more sophisticated technologies; the need to modify organizational structures and management styles, which had typically followed the bureaucratic model; and the need to cope with intense competition from foreign investors that forced domestic companies to switch from labor-intensive to more capital-intensive methods of production and cope with the resulting removal of surplus labor and corresponding need to retrain employees and find new jobs for them in a rapidly transitioning economy.

Actual and potential human capital in developing countries is one of the most significant resources available in the world today. Researchers have reported that around 80% of the approximately three billion employees around the world were employed in developing and emerging markets as of the early 2010s and most developing countries are young and can expect significant growth in the size of their working-age populations over the next several decades.<sup>136</sup> All of this means that developing countries will need to prioritize their efforts to find managers who are able to harness the energy and potential of their workforces. In addition, multinational companies will need to pay greater attention to HRM in developing countries since those countries will be offering a greater and greater proportion of the worldwide labor pool. Other issues will complicate the tasks confronting companies and policymakers with respect to HRM in developing countries. For example, as developing countries seek to enter increasingly sophisticated markets and business sectors they will encounter significant shortages in technically skilled workers due to shortcomings in education and training and, in fact, the poor quality of general education in many developing countries threatens the overall employability of all workers in developing countries when measured against international standards. Multinational companies will need to consciously adapt their HR policies and practices to take into account the influence of local societal cultures in the developing countries where they are operating and this will require sensitivity in core areas such as compensation and performance appraisal. Multinational companies will also need to be attentive to

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(Eds.), *Human Resource Information Systems: Basics, Applications and Future Directions* (Second Edition) (2011), 3.

<sup>135</sup> Park noted that in the late 1980s and early 1990s Korea began to adopt what he referred to as the “New HRM”, which included “results-based performance appraisal systems, ability- and performance-based payment and incentive systems, team-basis slim organizations, recruiting and promotion irrespective of the academic background, and strengthening the specialist training and management education programs”. See W-W. Park, “Human Resource Management in South Korea”, in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (2001), 34, 50.

<sup>136</sup> The discussion in this paragraph is adapted from Roland Berger Strategy Consultants, *Human Resources: How the Emerging Markets are Changing the Global HR Agenda* (February 2012).

“employer branding strategies” to build a good reputation among members of the labor pool in developing countries that will allow those companies to attract and retain the best employees.

## **§25 --Research on HRM in developing countries**

In spite of the sheer volume of workers in developing countries, commentators have observed that little attention has been given to HRM in those countries.<sup>137</sup> Budhwar and Debrah suggested that the apparent lack of interest in HRM in developing countries could likely be attributed to the perception that there were a relatively few number of researchable topics due to the fact that many developing countries, at least several decades ago, often were small economies with small companies and small wage employment sectors; however, they noted a surge of interest in management practices in developing countries in general could be expected from the rapid growth in number of persons employed by multinational companies (“MNCs”) in developing countries. They also noted that interest in developing countries would increase not only because a majority of the world’s population lives in those countries but also because developing countries perform the following functions: significant buyers; important suppliers of different resources (both natural and human) to industrialized countries; competitors to developed countries with lower labor costs; strategic regional centers for expansion of MNCs; production sites for MNCs; and capital users (i.e., from private creditors such as international banks, foreign direct investment and foreign official government assistance).<sup>138</sup> Obviously, more research on developing countries should lead to improvements in identifying effective ways to transfer HRM systems and practices to those countries; however, a focus on developing countries would also permit illumination of new ideas for HRM that go beyond the traditional portfolio based primarily on research on practices in North America and the European Union.

Future research in the area of HRM will need to take into account the unique issues and problems that arise in developing countries.<sup>139</sup> For example, globalization has forced companies from all around the world to establish a presence in multiple markets, including developing countries with untapped resources and large potential customer bases, and those companies must grapple with how to effectively manage HR on a worldwide basis while understanding and accommodating local nuances. In that vein, additional work and study is needed in order to understand the impact of societal culture on various aspects of HRM and companies engaged in globalization need to acknowledge “diversity” among managers and employees from developing countries and establish strategies for overcoming culturally-based impediments to equal opportunities for women and others with racial and ethnic backgrounds that have experienced difficulties due to

<sup>137</sup> L. Bennington and A. Habir, “Human Resource Management in Indonesia”, *Human Resource Management Review*, 13(2003), 373 (citing W. Arthur Jr., D. Woehr, A. Akande and M. Strong, “Human Resource Management in West Africa”, *International Journal of Human Resource Management*, 6(2) (1995), 347.

<sup>138</sup> P. Budhwar and Y. Debrah, “Introduction”, in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (2001), 1, 4 and 5.

<sup>139</sup> R. Cesyniene, “The Most Recent Trends and Emerging Values in Human Resource Management: Comparative Analysis”, *Engineering Economics* 4(44) (2005), 50.

traditional discrimination in their countries. Interestingly, many developing countries have provide significant opportunities for women to gain access to educational opportunities; however, female graduate often encounter difficulties in applying their knowledge and skills in managerial positions due to culturally-based discrimination and/or stereotypes about the appropriate role for women in society and the family.

Researchers will also need to track the erosion of traditional employment practices in emerging markets countries around the world including the movement of economic activities from state-owned enterprises to privately-owned and managed firms and the transition from “hard HRM”, which emphasized control over employees and neglect of their personal needs, to more enlightened approaches to the employment relationship. Finally, the influence of regulation on HR practices is an increasingly important topic throughout the world and there is much to be learned from the experiences of developing countries that are starting to build a framework of employment laws and regulations where little or nothing may have existed in the past.

## **§26 --Factors impacting human capital in developing countries**

HRM policies in developing countries should enhance the value of human capital in those countries. As such, it is important to understand some of the most relevant factors impacting human capital in the developing world. The best place to begin is with demographic factors, including population growth, age structure, health factors and migratory trends, all of which influence the pool of available labor in a country and the quality of the workforce. Studies have uncovered very clear relationships between demographic factors and the overall level of economic development. For example, population growth rates tend to decrease substantially as a country develops and lesser-developed countries will generally have a younger population and a shorter life expectancy. Migration to urban areas increases along with industrialization and highly developed countries tend to have a greater proportion of their populations in urban areas. Increased urbanization can cause a number of problems for government planners in developing countries since those countries generally lack the financial, human, and institutional resources to build the infrastructure required to support a metropolitan area. As a result, it is common to find that larger cities in developing countries are overwhelmed with poor housing and sanitation, traffic congestion, power shortages, and a lack of basic police and health services. These infrastructure problems can increase the cost of doing business for foreign firms looking to locate in urban areas.

As a general matter, there has traditionally been a scarcity of skilled labor in developing countries due to the lack of formal education and technical training. As a result, educated workers often left their countries due to a lack of suitable career opportunities, thereby further inhibiting economic development. In some cases, countries actually were forced to import workers from other countries to fill gaps in particular skills. Circumstances are, however, changing as developing countries begin to make greater strides with respect to education. Education refers to the formal systems established by a country to provide schooling for its citizens and provide them with the basic social skills necessary to be productive members of society. Countries almost universally establish elementary and

secondary schools; however, significant differences can still be found with respect to ensuring that all citizens are able to take advantage of these opportunities. As countries develop, some minimum period of education is a compulsory requirement. Unfortunately, the resources available at each school are not always uniform. In addition, access to higher education, and the opportunities that may follow from degrees in disciplines of interest to foreign investors and local entrepreneurs, is still often very limited in many parts of the world. All in all, however, literacy rates have increased steadily around the world over the last decades and the skills of foreign students in mathematics and science often equal or exceed those of their counterparts in the US. Formal education is also an important factor in transforming the way that citizens of the country define and view the foundations of their values and the role of the state. For example, it has been noted that reform of the education system is an essential strategy to nurture the ideas of liberty, democracy, and constitutionalism in nation states that are emerging from recent periods of socialist and communist domination.

Prospective foreign investors will certainly be interested in evaluating the level of education in a foreign market to determine whether it is adequate to support interest in the products that they are looking to manufacture and/or distribute locally. For example, countries with a highly-skilled workforce in a particular area of technology or science, such as software engineering, will be good candidates for outsourcing of complex product development activities. The education system can also be an indicator of the actual and potential managerial and entrepreneurial skills in the foreign market. For example, local schools can take steps to disseminate information and knowledge about business ownership and management, including general skills in key functional areas such as marketing, finance, product development, manufacturing, law and accounting. Schools may also offer more specific training in areas such as business plan preparation and presentation. In addition to coursework, colleges and universities may, often at the behest of the government, participate in outreach programs that provide information and support to entrepreneurs and build alliances with industry partners.

The combination of the demographic and educational factors has a significant impact on all aspects of conducting business in a new foreign market. From the perspective of the available workforce, it means that most of the surplus labor will be young and inexperienced; however, there is the possibility that younger workers will be more flexible, attentive and motivated than their elders will. However, poor health conditions increase the likelihood that workers will be ill and may mean that the turnover rates in the workforce will be quite high. This will lead to higher production costs due to the need to constantly train new workers and fill gaps in the manufacturing process because of the unavailability of sick employees. It is possible that foreign companies can forge a relative competitive advantage by offering health care to its employees although the cost of such services may be prohibitive given the lack of medical personnel and facilities in many developing countries.

## **§27 --Regulation of the employment relationship in developing countries**

Developing countries have been slowly but steadily adopting labor codes and regulations that touch upon a wide range of issues relating to the relationship between employers and employees and conditions in the workplace. Among other things, labor codes in foreign countries will establish norms for such things as collective bargaining agreements, minimum wage and pay equality, working time and vacations, leaves of absence, union representation, pensions, insurance and redundancies. More countries are, to some extent, deregulating the workplace by codifying minimum standards in many areas and leaving other issues to negotiating between employers and employees. While laws banning discrimination have long been in place in the US, many countries are just beginning to develop and actively enforce rules and regulations that prohibit unfair and discriminatory treatment of employees based on race, nationality, sex age and sexual orientation. One important influence on regulation of the employment relationship in developing countries is the growing acceptance of international guidelines with respect to labor standards, such as those promulgated by the Organisation for Economic Co-Operation and Development. These guidelines have driven foreign investors in developing countries toward adoption of more enlightened HR policies and practices with respect to employees of their subsidiaries in those countries and governments have supported those efforts in their legislative initiatives.

### **§28 --Influence of societal culture on HRM in developing countries**

The influence of societal culture on selection, implementation and effectiveness of HRM practices in developing countries will certainly be an important topic for researchers as more attention is paid to management and motivation of employees in those countries. While there is a robust debate among the advocates of both culture-specific and culture-free approaches to HRM, it is generally acknowledged that, at some level, societal culture does influence HRM.<sup>140</sup> Triandis argued that the placement of societies on the individualist-collectivist continuum was predictive of the most often used and effective HR practices in those societies.<sup>141</sup> In addition, it is clear that the influence of gender, and particularly gender inequality, in the workplace is a universal issue and it can be expected that the gender-related practices of companies will be impacted by societal differences identified by researchers with respect to the level of gender differentiation and the degree to which gender role differences are emphasized (i.e., societies can be classified as “gender egalitarian” or “gender differentiated”). Power distance and collectivism at the societal level have been cited as important drivers of the strong influence of “respect for authority” and “social relationships” embedded in Latin American work values.<sup>142</sup> Notice has also been taken that elements of societal culture in Asian countries are often reflected in “traditional” characteristics of companies in those countries that include hierarchical and vertical organizational structures, closed and hierarchical corporate

<sup>140</sup> See the literature review in Aminu Mamman & Bolanle Adeoye, *Performance Management in Multinational Companies in Africa: Implications for Transferability of Human Resource Management Innovation to Developing Countries* (May 2007).

<sup>141</sup> H. Triandis, “The Many Dimensions of Culture”, *Academy of Management Executive*, 18(1) (2004) 88, 91.

<sup>142</sup> A. Davila and M. Elvira, “Culture and Human Resource Management in Latin America”, in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (2005), 3, 6.

cultures and unilateral internal communication practices.<sup>143</sup> Finally, researchers have examined the influence of societal culture on specific aspects of HRM and have found, for example, that culture was likely relevant to how an “effective manager” was defined, feedback mechanisms and patterns of communication, negotiation and participation, internal career dynamics and mobility, reward systems, the manager-subordinate relationship and the acceptance and type of “flexible work arrangements”.<sup>144</sup>

The failure to recognize and accept that “context matters” has often led to failure in attempts by managers of foreign multinationals to implement HR practices in developing countries that were inappropriate for those countries in light of their societal culture, history, level of technology and the structure and influence of their local institutions (e.g., trade unions).<sup>145</sup> In response, scholars have offered extensive guidance on designing specific types of HR practices for, and introducing them in, developing countries:

- Efforts to motivate employees must take into account local societal cultural norms and values. For example, security is more important than self-actualization as a motivating factor in countries like China that have a higher level of uncertainty avoidance<sup>146</sup> and strategies to improve performance among workers in Africa are likely to be more successful if they incorporate opportunities for workers to be mutually supportive and loyal to one another (e.g., establishing work groups and teams dedicated to achievement of common goals and objectives).<sup>147</sup>
- When establishing staffing and promotion practices notice must be taken of the lingering influence of habits and norms arising out of the local societal culture such as the desire to create and perpetuate nuclear and primary “in-groups” in the workplace through nepotism and the emphasis on avoidance of conflict and confrontation that often leads to a focus on hiring and promoting people who are able to contribute to a good labor climate.<sup>148</sup> Experience in certain countries, such as Korea, that have developed rapidly in recent years indicates that with time recruitment and selection

<sup>143</sup> W-W. Park, “Human Resource Management in South Korea”, in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (2001), 34, 53.

<sup>144</sup> C. Scholz, H. Bohm and T. Bollendorf, “Introduction”, in C. Scholz and H. Bohm, *Human Resource Management in Europe: Comparative Analysis and Contextual Understanding* (2008) 1, 16 (citing P. Sparrow and J-M. Hiltrop, “Redefining the Field of European Human Resource Management: A Battle Between National Mindsets and Forces of Business Transition?”, *Human Resource Management*, 36(2) (1997), 201; and S. Raghuram, M. London and H. Larsen, “Flexible Employment Practices in Europe: Country versus Culture”, *International Journal of Human Resource Management*, 12(5) (2001), 738).

<sup>145</sup> As explained by Davila and Elmira as they commented on the failed attempts by managers of foreign multinationals in Latin America to implement HR practices imported without adjustment from industrialized countries: “the human relations theory developed in industrialized countries assumes a culturally mature worker who seeks individual achievement in the workplace . . . [a] description [that] does not fit the average Latin American worker”. See A. Davila and M. Elvira, “Culture and Human Resource Management in Latin America”, in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (2005) 3, 11.

<sup>146</sup> N. Adler, *International Dimensions of Organizational Behavior* (2<sup>nd</sup> Ed) (1991) 14, 16.

<sup>147</sup> T. N'dongko, “Management Leadership in Africa”, in M. Waiguchu et al. (Eds.), *Management of Organisations in Africa: A Handbook of Reference* (1999).

<sup>148</sup> A. Davila and M. Elvira, “Culture and Human Resource Management in Latin America”, in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (2005), 3, 12-14.

based primarily on personal connections and academic background can give way to practices that place a greater emphasis on ability-oriented selection using a diversified range of selection methods.

- Rewards and recognition, as embodied in compensation and benefits systems, are extremely sensitive to influences from societal culture. In Latin American countries, for example, the dominant societal culture characteristics of benevolent paternalism leads to family protection and welfare; avoidance of conflict and confrontation explains the rejection of performance appraisals; a preference for personal contact undermines attempts to create reward systems based on individual recognition; and group loyalty explains the strong sense of community, and group and seniority recognition, within organizations.<sup>149</sup> In Asia, Korean companies generally used a pure seniority-based pay system and rarely established incentive structures during the 1960s and 1970s; however, as time went by Korean companies slowly evolved and by the 1990s had begun to adopt, on a partial basis, ability-based pay systems and introduced incentive systems such as profit sharing.<sup>150</sup>
- In general, studies have confirmed that the efficacy and performance of groups and teams within organizations are positively related in those instances where collectivism is strong.<sup>151</sup> As a result, implementation of work teams has been repeatedly prescribed for collectivist cultures such as those in Latin America where workers are predisposed toward strong and respectful social relationships based on personal communication, empathy and avoidance of conflict and confrontation. However, other cultural characteristics may undermine implementation of work teams in those societies including uneasiness regarding decentralization and/or sharing of authority due to large social distance and a long traditional of benevolent paternalism.<sup>152</sup>
- Performance evaluation program are difficult to implement in developing countries where managers and employees have little or no history in regular and formalized two-way dialogue regarding employee performance and care must be taken to train managers in those countries in the proper methods for delivering performance appraisals. In particular, those managers need to develop mutual respect between them and their employees that will enable them to deliver constructive criticism while still providing appropriate recognition and encouragement to maintain morale and motivation.
- Selection of effective conflict resolution styles and techniques for the workplace requires attention to norms and values relating to interpersonal communications in the broader society. For example, while managers and employees from individualistic societies such as the US are more comfortable to competing styles of conflict resolution Chinese managers will generally choose and follow an avoiding conflict

<sup>149</sup> Id. at 15-16.

<sup>150</sup> W-W. Park, "Human Resource Management in South Korea", in P. Budhwar and Y. Debrah, *Human Resource Management in Developing Countries* (2001), 34, 51-53.

<sup>151</sup> C. Gibson, "Do they do what they believe they can? Group efficacy and group effectiveness across tasks and cultures", *Academy of Management Journal*, 42 (1999), 138.

<sup>152</sup> A. Davila and M. Elvira, "Culture and Human Resource Management in Latin America", in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (2005), 3, 18.

style.<sup>153</sup> Davila and Elvira emphasized that various values embedded in Latin American societal culture have a strong influence on negotiations and conflict management styles in Latin America include the desire for social interaction and friendship, the respect for courtesy and diplomacy and the preference for a mediating style between persons in conflict.<sup>154</sup>

Nnadozie provided guidance on how an understanding of the hierarchical and collectivist nature of African society can be advantageous in developing a focused and disciplined team of workers and how the respect that Africans show for authority can be used to enhance the enforcement of rules and regulations.<sup>155</sup> In that environment it is important for organizational hierarchies to be identified and understood, particularly the persons with final responsibility for making decisions; however, managers must be mindful that societal culture in Africa is not likely to be conducive to individualistic innovation and entrepreneurship. Respect for titles and age, as well as the desire to avoid needlessly causing someone to lose face, are also important elements of effective HRM in Africa and managers should embrace African reverence for tradition and honor as the foundation for developing higher ideals for the organization and the quality of its products and services. Finally, the importance of personal relationships means that African managers should invest substantial time and attention in building relationships with workers at all levels in the organization and making sure that all parties clearly understand the goals and objectives of the organization as a whole and the particular activities carried out by each worker. While the work ethic among African workers is generally positive, motivation and leadership are tremendously important in coaxing optimal performance and productivity. In many cases, workers may require basic training before beginning their tasks. However, specific tasks assigned to each person should be carefully defined and follow up is important since firm deadlines are likely to be ignored given the lax attitude toward time among Africans.

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<sup>153</sup> M. Morris, K. Williams, K. Leung, R. Larrick, M. Mendoza, D. Bhatnager, et al., "Conflict Management Style: Accounting for Cross-National Differences", *Journal of International Business Studies*, 29(4) (1998), 729.

<sup>154</sup> A. Davila and M. Elvira, "Culture and Human Resource Management in Latin America", in M. Elvira and A. Davila (Eds.), *Managing Human Resources in Latin America: An Agenda for International Leaders* (2005), 3, 19.

<sup>155</sup> The discussion in this paragraph is adapted from E. Nnadozie, "Managing African Business Culture", in F. Edoho, *Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives* (2000), 51, 58-59 and 61.