



The influence of environmental, organizational, and HRM factors on employee behaviors in subsidiaries: a Mexican case study of organizational learning

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Abstract

This article presents a case study of a Mexican subsidiary of a U.S. multinational corporation (MNC) that has successfully adopted characteristics of a learning organization. The case is of particular interest because much of the cross-cultural evidence would indicate that employee involvement, work teams, and other management practices associated with a learning strategy, might be incompatible with the Mexican culture. Therefore, the case is used to unravel diverse factors—within the environment and organization—that affect the implementation of different management strategies in foreign subsidiaries. In addition, the case points to the importance of the human resource management practices as a mechanism that facilitates the implementation of management strategies in subsidiaries. Interestingly, while some of the HR practices adopted were standard practices that would be implemented regardless of the country, others were culture-specific and yet other practices were translations of U.S. HR practices to be sensitive to the values of the country. A model is presented and the role of HR within a global context is discussed.

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In an effort to remain competitive, many organizations are increasingly moving towards management approaches that promote organizational learning. Studies show that an organizational learning approach has resulted in improved customer satisfaction and increased performance (Hult, 1998). Moreover, research on multinational corporations (MNCs) increasingly points to the importance of a global learning focus that offers more competitiveness and flexibility in organizational capabilities to deal with the increasing complexity of the international environment (Bartlett & Ghoshal, 1989). As MNCs implement learning strategies in specific subsidiaries, it will

become critical for managers to understand the factors that affect the implementation of different management practices that facilitate learning.

One factor that affects the implementation of management practices that has received significant attention is culture. Culture can be defined at different levels that range from the group to the organization to the national level (Erez & Earley, 1994). Culture comprises values and norms that guide individuals' behavior. Many view organizational practices and theories as culturally bound (Adler, 1997; Hofstede, 1980) which would mean that the values of a country should be compatible with a management practice for it to result in employee motivation. For example, in assessing the compatibility between the Polish culture and the underlying values of total quality management (TQM),

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Roney (1997) found some major incompatibilities. One such major incongruence exists between the deterministic TQM philosophy and the fatalistic Polish culture that may hinder the empowerment of employees.

Erez and Earley (1994) have noted the innate congruence between participatory management techniques such as quality circles and the collectivistic orientation of the Japanese culture by which the company's goals are given priority. In contrast, Lawrence and Yeh (1994) found major differences between the Mexican and Japanese cultures that would appear to make implementation of Japanese manufacturing techniques more difficult in Mexico. At first glance, the Mexican and Japanese cultures appear similar on several cultural dimensions such as collectivism (i.e., both cultures are more focused on the group rather than the individual) and power distance (i.e., both cultures are hierarchical). Nevertheless, while Japanese employees are collectivists in their work relations, in Mexico an individual's loyalty is directed toward the family and extended family (relatives and close friends). The work group may be seen as a competing collective that may take away from the loyalty towards the family. Similarly, within their hierarchy, the Japanese are rigid about status and communication but not about authority and responsibility. The ringi system of group consensus decision-making, by which a decision is signed off by each individual involved in the decision-making process, distributes authority and allows opinions to be voiced. In contrast, decisions in Mexico are made at the top and truly reflect individual decision-making. Hence, management practices that are innately congruent with the Japanese culture may not be congruent with the Mexican culture.

Several comparative management researchers (Farmer & Richman, 1965; Negandhi & Prasad, 1971) have discussed other factors and their influence on management practices. For example, Negandhi and Prasad note that management practices are affected by environmental factors such as socioeconomic, educational, political, and legal factors. Recent models have similarly proposed that institutional differences (i.e., the regulatory, cognitive, and normative institutions) between countries should have an effect on the implementation of organizational practices in foreign affiliates (Kostova, 1999).

Organizational factors have also been proposed to affect management practices. In Negandhi and

Prasad's model, management's philosophy is noted to influence management practices. Empirically, Rosenzweig and Nohria (1994) found that organizational factors influence the human resource (HR) practices of subsidiaries. Specifically they found that the method of founding of the subsidiary, the presence of expatriates, and the extent of communication with the parent significantly affected the degree of similarity to local HR practices. Kostova's (1999) recent work also includes the organizational context (a subsidiary's favorability for learning and compatibility with practice), and the relational context (a subsidiary's commitment, identity, and trust as well as dependence on the parent company) as important factors that affect the implementation of organizational practices in foreign subsidiaries.

Finally, managers can work with certain variables to facilitate the transferability of management practices across cultural boundaries. International human resource management (IHRM) seeks to develop practices that provide fit between the management style and the overall business strategy while effectively dealing with cultural differences (Butler & Teagarden, 1993). For example, strong reward systems have been noted to illicit behaviors that are desired by the organization (Kerr & Slocum, 1987). More generally speaking, the organizational culture literature notes that the recruitment, socialization and turnover of an organization (Harrison & Carroll, 1991) affect the transmission and subsequent stability of the organizational culture. Thus HR practices and strategies have the ability to affect employee behavior and instill certain values that build an internal culture and can therefore be used as a control mechanism in the MNC (Jaeger, 1983).

As a MNC transfers learning processes to their subsidiaries, managers will need to understand the degree to which diverse factors including but not limited to national cultural values affect the transferability of different management practices. Managers must understand what factors might facilitate the implementation of management practices that are at first glance *incompatible* with a culture. One method to gaining insight into the different factors that may affect management in different countries is by studying specific cases that defy the common wisdom. This article studies one such case: a subsidiary of a U.S. MNC in Mexico that has adopted a learning approach

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