



International HRM in South African multinational companies



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ABSTRACT

With the paucity of published research on human resource management (HRM) policy and practice in the BRICS countries (Brazil, Russia, India, China and South Africa), the rationale for this article is to evaluate the nature of HRM practices, their development, application and diffusion in South African MNCs. It provides an exploratory analysis in a systematic literature review referring to qualitative case study research and research survey literature to better understand HRM strategies and practices developed and diffused by growing emerging market MNCs from South Africa.

The findings underline significant challenges of human resource development and controversies regarding host country issues alongside a degree of 'sophistication' in the HRM practices of firms analysed. An aim of the article is to identify areas for further research on business and HRM models of Emerging Market MNCs (EMMNCs) in the African context and develop a set of seven research propositions.

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1. Introduction

1.1. Growth of South African emerging market MNCs

The main aim of this article is to address a gap in international HRM literature about HRM practice, strategies and host country controversies regarding EMMNCs from South Africa. For economic development and growth to be sustainable in the long term, there are significant human resource and infrastructural development challenges in most emerging markets. Their internationalisation has also not been without certain controversies in their host countries in Africa with a Pan-African business development strategies, aggressive purchasing strategies and standardization of employment practices Wood (2015).

An empirical question is whether the African continent is beginning to experience a sustainable renaissance and to identify what HR challenges need to be addressed, particularly by its own rapidly growing EMMNCs. Research on business models and strategies of Emerging Market Multinational Companies (EMMNCs) though embryonic, increasingly includes both theory development and empirical analyses (Demirbag and Yaprak, 2015, Madhok and Marques (2013), Wilkinson et al. (2014); examination of human resource management (HRM) policies and practices (Horwitz and Budhwar, 2016) and investigations of HRM in BRICS countries such as South Africa (Horwitz and Mellahi, 2009; Horwitz, 2012 and Horwitz and Budhwar, 2016). Much of this work reflects two theoretical perspectives; that of institutional theory (Wood and Horwitz, 2016, Wilkinson et al. (2014) and secondly for cultural and cross-cultural frameworks (Jackson, 2014, 2002, 2016).

Emerging markets account for more than 50% of global economic output and emerging market MNCs from South Africa, such as the Anglo American Group, SABMiller, Naspers-Tencent, Nandos, Sasol, Sappi and MTN, have become global players (Horwitz and Budhwar, 2016). Notwithstanding their volatility, Van Agtmael (2007:10–11) predicts that 'in about 25 years the combined gross national product (GNP) of emergent markets will overtake that of currently mature economies causing a major shift in

the centre of gravity of the global economy away from the developed to emerging economies'. He posits (Van Agtmael, 2007: p. 12) that by the middle of this century, emerging markets in aggregate will be nearly twice as large as the current developed economies. Some 18 South African MNCs were amongst the top 200 emergent market companies (Morgan Stanley Capital International Inc., 2003), and more recently in the African context some 38 out of the top 50 African companies in terms of turnover are South African EMMNCs (Smith, 2011).

South Africa is a member of the BRICS group of leading emerging market countries (Brazil, Russia, India China and South Africa) as a geo-political grouping of large economies from five regions, sometimes referred to as 'transitional economies' given their relatively recent political economy transformation; this especially being the case for South Africa. Whilst HRM research concentrates on the West and the East, initially on comparative Japanese studies and more recently on international HRM (IHRM) issues in China and India, the debate on HRM in Africa has languished somewhere between these two geographical spaces (Kamoche et al., 2004; Horwitz, 2015 and Horwitz and Budhwar, 2016). These are however complex, often socio-economically and politically volatile transitional societies with diverse demographic and ethnicity mixes and difficult challenges of human development, social stratification and inequality (Peilin et al., 2013; Horwitz and Mellahi, 2009). From this complexity and diversity emanate firms experienced in working with these issues. This arguably provides a measure of resilience and deployment of competitive capabilities which may position them adroitly in international markets, though not without criticism by host African countries for insufficient local capacity development and advancement and local product souring (Wood, 2015).

The article is structured in the following way: firstly exploring theoretical perspectives and HRM models in EMMNCs with a focus on Southern African firms, secondly providing an analysis of EMMNC HRM and associated labour market factors from an institutional theory perspective, thirdly considering the socio-cultural context for HRM practices. A key aim of this work is an assessment through a systematic literature review of HRM practice research and diffusion in South African EMMNCs using case study and empirical research evidence. The article discusses issues of hybridity and contingency approaches and finally provides a set of seven research propositions and conclusions aimed at advancing a research agenda.

2. Emergent Market Multinational Companies (EMMNCs) – theoretical perspectives, business and HRM models

Luo and Tung (2007:4) and Luo and Zhang (2016:334) define EMMNCs as 'international companies that originated from emerging markets and are engaged in outward foreign direct investment where they exercise control and undertake value-adding activities in one or more foreign countries'. Thite (2016) identifies common features of EMMNCs as including a high degree of adaptability in overcoming uncertainties in the external environment; ability to overcome 'institutional voids' turning adversity into an opportunity (Khanna and Palepu, 2005); pursuing a 'springboard strategy' of simultaneous entry into developed and developing country markets (Luo and Tung, 2007); entry via global alliances and acquisitions (Sun et al., 2012); often deploying lower cost advantages (Madhok and Keyhani (2012) relevant in the African EMMNC context, and building political connections using social networks and government support (Wood, 2015; Gammeltoft et al., 2010). Though grand theory seeking is illusive, there is potential for developing models and conceptual frameworks that recognize and incorporate indigenous or Southern African HR systems in studying EMMNCs (Thite, 2016, Jackson, 2014, Horwitz, 2012, Cooke and Lin (2012).

This theme is taken further through a literature review leading to a set of research propositions. According to Wilkinson et al. (2014), the recent surge of FDI by EMMNCs and their aggressive market-entry strategies has triggered a new debate around the rigour of existing theories of internationalisation (2014: 838). Madhok and Marques (2013) postulate that business models adopted or developed by EMMNCs are characterised by agility, risk taking, willingness to experiment and responsiveness to change is relevant to South African EMMNCs' strategies as discussed in this article. The relative lack of sophisticated institutions in other emerging markets is not unfamiliar to EMMNCs, thus enabling quick entry and adaptation to similar institutional conditions and a local socio-cultural context.

Thite (2016) identifies a number of HR challenges for EMMNCs. Pertinent to Southern African EMMNCs, these include developing global HR competencies, developing innovation-centric mind-sets and global leadership pipelines rather than an over-reliance on home-grown talent moved abroad as expatriates, developing and managing talent in economies outside of the home-country base, increasing workforce capabilities and managing expectations of employees in foreign operations. Matthews (2006) posits a framework of linkage, leveraging and learning (LLL) in this regard. There is an emergent managerial belief in South African EMMNCs, that there is much to be learned from Indian, Chinese and Japanese managerial practices, particularly as these might have a higher likelihood of adoption in the African cultural context (Horwitz, 2012). This may, however, be a somewhat normative belief because there are fundamental differences between them (Horwitz, 2012). Thite (2016) argues in this regard the need to move away from static distinctions of convergence and divergence between HR practices and move towards cross-vergence models and from descriptive cross-cultural adoption to within cultural variables (Horwitz, 2012; Jackson, 2001; Chatterjee and Pearson, 2001). For example, the literature on HRM in EMMNCs seems to support the Afro-Asian nexus proposed by Horwitz (2012) and Indian MNCs (Cappelli et al., 2010a and 2010b). As Zheng (2013) argues existing IHRM models are inadequate in their application to EMMNCs given that motives for internationalisation and different institutional contexts are dynamic rather than static.

3. Institutional analysis – human resource and labour market critique

The context of HRM in EMMNCs in South Africa is important. Relations including employment relations often reflect the centrality of a social contract with EMMNCs, that is more of a socio-economic pact than an overtly politically motivated or driven

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