Strategy, Structure And HRM Practices In Multinational Subsidiaries: European Mncs In A Developing Country Context

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The paper aims to investigate influence of some important aspects of multinationals (MNCs), i.e., corporate strategies, structures and international policy orientations on subsidiaries HRM practices, specifically on recruitment and selection practices. Four European multinational subsidiaries operating in Bangladesh were selected for the study. In-depth case studies on those MNCs revealed that HRM practices are guided by the changing nature of strategies, structures and HQ's policy orientation towards the subsidiaries. However, it contradicts the 'born global' hypothesis and revealed that standardization of subsidiaries are not solely dependent on parent companies, changing capabilities and importance of subsidiaries determine the subsidiary-HQ relationship and subsequently the standardization of HRM practices at the subsidiary level.

Keyword: HRM practices, multinational corporations, standardization of HRM practices, Bangladesh.

1. Introduction

Globalization and economic openness/free market economy continuously opening up new market opportunities and multinational corporations (MNCs) are continuously expanding businesses everywhere in the world. As markets in most of the developed countries are already saturated, MNCs are now looking for developing and emerging economies. Triple bottom line thesis further reiterated market opportunities in developing countries. With expansion of MNCs in every corner of the world, far away from home countries, research on subsidiary-headquarter (HQ) relationship also gaining importance and momentum increasingly. To identify HQ influence on subsidiary management, most of the researchers used mainly four streams or perspectives, i.e., strategy-structure, headquarter-subsidiary relationship, subsidiary roles, and subsidiary development (Birkinshaw & Hood, 1998; Paterson & Brook, 2002). In consistent with previous studies, present study tried to focus only on three main influencing factors that could have significant impact on subsidiaries HRM practices. Previous research also revealed influence of those dimensions on subsidiaries HRM practices. However, our study focuses more on changing position of the subsidiaries and their relationship with changes in HRM practices. Further, though MNCs are focusing on developing and emerging economies, research on those countries still appeared to very little. This research will give some insights about MNCs gradual development in a developing

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country context and subsequent policy shifts of HRM practices to cope with changing need of the subsidiaries. Findings from this study could be used by academicians and HRM practitioners to initiate further research and policy initiative in other developing and emerging economies context.

2. Literature Review

2.1. Corporate Structural Configuration and Standardization of HRM

Multinationals have several choices in structuring their international operations, i.e., multi-domestic, global, international and transnational organisational models (Adler and Ghadar; 1990; Bartlett and Ghoshal, 1986; 1992; 1995; 2000; Harzing, 1999; 2004; Hedlund; 1986; Hedlund and Aman, 1984; Phatak, 1992) and these structural orientations of MNCs indicate control and co-ordination mechanism between the HQs and the subsidiaries. Almost all studies on HRM practices of MNCs either implicitly or explicitly revealed relevance of those structural configurations (Harzing, 2004; Edward et. al., 1999; Bary and Lansbury, 2000; Edwards, 2000; Hannon et al., 1995) and probable effect of structural attributes on subsidiaries HRM practices (Bartlett and Ghoshal, 1989, 1991; Edward et al., 1996; Harzing, 1999). Hamill’s (1984) pioneer study on MNCs in Scotland observed close associations between organisational structures and decentralisation of employment relations, and indicated considerable variations of corporate involvement on different functional areas of subsidiaries’ HRM practices.

A global structure appeared to have a strongly influence on existence of a world-wide personnel policy committee, regular scheduled international meetings of subsidiary HR managers, and movement of senior managers between sites with long-term international assignments (Bartlett and Ghoshal, 1989; Bechler and Taylor, 1994; Hamill, 1992; Marginson et al., 1995; Prahalad and Doz, 1987). Study of Japanese multinationals (Bechler and Yang, 1994; Dedousis, 1991; Pudelko & Harzing, 2008) revealed that companies with a global structure have greater parent company control of their HRM activities and the parent companies are more likely to implement Japanese-style HRM practices in those subsidiaries. Harzing’s (1999) study on 208 MNC subsidiaries from 22 countries revealed a higher level of interdependence between the subsidiaries of both global and transnational companies compared to subsidiaries of multi-domestic companies. However, although a global structure seems to have standardisation effects on subsidiaries HRM practices, it may be constrained by strategic actions of individual firms, and researchers urged not to be too much deterministic with such ‘apriori sense’ at all the time (Bartlett and Ghoshal, 2000; Edwards and Ferner, 2002; Kogut, 1985). Sometimes global structure and related standardisation policies appear conflicted with local policies and practices (Shenkar, 1990; Teagarden and Von Glinow, 1990), and multinationals followed localisation policies in response to the national differences (Dedousis, 1991; Prahalad and Doz, 1987) and blend global integration with local responsiveness (Hannon, et. al. 1995; Taylor and Bechler, 1993). In the face of globalisation, Bartlett and Ghoshal (1989) argued that the success of multinationals lies in their balance between global efficiency, local responsiveness and worldwide learning. But globalisation raises new strains in employment practices for multi-domestic multinationals.
as cross-border integration poses questions for local autonomy in the wake of greater integration of production activities (Schuler et al., 1993; Taylor, et al., 1996). MNCs, whose subsidiaries previously operated in a semi-autonomous manner, now become more integrated. The changes in MNCs operational direction may require changes in organizational structures and different modes of control and co-ordination from the HQs. Most of the research on HRM practices on MNCs was done by survey on real time data and overlooked the changing process. This study through longitudinal case studies looked for retrospective information and closely investigated the changed over time, subsequent control and coordination from HQ, and development of HRM practices in the subsidiaries.

2.2. Products and Market Integration, and HRM Practices

Research studies on subsidiary HR policies and practices revealed that the parent company influences are positively related to the resource inter-dependencies of the foreign subsidiaries (Bjorkman and Ehrnrooth, 1999; Hannon et al., 1995; Lu and Bjorkman, 1997; Martinez and Ricks, 1989), and this inter-dependency determines control and co-ordination mechanisms of parent-subsidiary relationship (Edwards, 2000; Gupta and Govindaranjan, 1991; Harzing, 1999). Subsidiaries part of integrated production systems have more interdependence than independent production units (Bartlett and Ghoshal, 1989), and in such cases, within a single MNC, there exist different levels of interdependence between the parent and its various overseas subsidiaries (Gupta and Govindarajan, 1991).

Role of subsidiaries as export platforms or part of international production networks make them integral parts of global operations, and HQs instruct subsidiaries to follow globally consistent HRM practices. Internationally co-ordinated production systems facilitate diffusion of inter-subsidiary innovations by identifying ‘best practices’ in one part of the corporation and promoting those in other parts of the world (Ferner and Edwards, 1995:246). A study of 150 Mexican affiliates of US multinationals (Martinez and Ricks, 1989) showed a positive correlation between parent company influences and subsidiaries’ resource inter-dependencies for specific HR decisions, especially recruitment and selection process of higher level managers. The interviews indicated that the greater the dependency, the greater the influence exerted by the parent company and the greater its involvement in human resource decisions, especially decisions concerning selection, compensation and benefits of key affiliate managers (Martinez and Ricks, 1989). Board’s (1994) case study of a Japanese MNC subsidiary in Wales explained how the British managers’ expertise in the local market helped them to convince the HQ of their ability to run the business profitably, and they have developed their own HR policies. Sometimes, there might exists a reverse relationship when the parent company relies on the subsidiary to supply necessary resources (Edwards, 1998), and in that case, the parent company also needs to control the behaviour of the subsidiary, and consequently, develop subsidiary HR policies that do not create any problem for control and co-ordination mechanisms (Beechler and Yang, 1994; Coller, 1996). Such vertically integrated production systems provide headquarters with the opportunities to follow common systems of work organisation and employment practices in different plants, and
to implement standardised HRM practices across the subsidiaries (Edwards et al., 1999; Edwards, 2000; Schuler, Dowling and DeCieri, 1993; Schuler, Fulkerson and Dowling, 1991).

2.3. IHRM Policy Orientations and Standardization Of HRM Practices

International policy orientation of HQs, i.e., ethnocentric, polycentric and geocentric orientations (Perlmutter, 1969) have a significant influence on configuration of subsidiaries’ HRM practices. MNCs with ethnocentric policy orientation usually follow ‘exportive’ HRM approach, where as polycentric and geocentric orientation follow ‘adaptive’, and ‘integrative or best practice’ approach respectively (Kopp, 1994; Pudelko and Harzing, 2008; Taylor et al., 1996). Research on Japanese MNCs exhibited a consistent pattern of ethnocentric orientation and related consequential HRM practices i.e. use of higher number of expatriates and export of home country practices in overseas subsidiaries and implemented parent company prescribed practices related to recruitment, compensation, performance appraisal and management development (Banai, 1992; Perlmutter, 1969; Phatak, 1992; Negandhi, 1980; Negandhi and Baliga, 1979; Shibuya, 1990). However, MNCs with an ethnocentric orientation tried to introduce home country HR practices in host countries and were considered as innovators of HRM practices.

Conversely, a polycentric orientation received greater autonomy from HQs and subsidiaries are likely to be adaptors of host country HR practices (Marginson, 1994; Porter, 1986). Geocentric corporations adopt a more complex approach although they basically remain ethnocentric-innovative (Quintanilla, 1998). They try to identify global best practices regardless of their nationality or country of operations. Therefore, corporate HRM policy orientations have a direct influence on the behaviour of the subsidiaries. Although the headquarters HRM policy orientation provided useful guidelines to assess the transfer vs. adaptation process in the subsidiaries, hardly any multinationals can be found that provide a perfect fit with those orientations in the subsidiaries. The headquarters influences depend on the restrictiveness of employment regulations in the host country, the level of cultural and institutional differences between home and host country, and the role and function of individual subsidiaries (Harzing, 1995; Myloni et al, 2002; Rosenzweig and Nohria, 1994). Multinationals may change their HR policy orientations with their stages of internationalisation (Adler and Ghadar, 1990; Banai, 1992). Monks et al., (2001) in their study revealed that Irish multinationals developed more formal and pro-active HR policies, and appointed a higher number of expatriates in the overseas subsidiaries with their increased international operations.

3. Methodology

The research objective, i.e., to investigate the influence of corporate strategy, structure, and HQ policy orientation on subsidiaries on HRM practices (Teagarden, et al., 1995) and their gradual changes over time guided us towards a qualitative research strategy. Researchers argued that while a quantitative study may identify incidence of different HRM practices on real time information of the subsidiaries, but it would be less useful to
understand and explain development process and changing nature of HRM practices with retrospective historical and longitudinal information ((Sinkovics, Penz and Ghauri, 2008; Whitfield & Strauss, 2000). This could be due to limited ability of quantitative approaches to investigate the context as a whole (Miles & Huberman, 1994). Qualitative methods are suitable in IB where multiple actors and multiple environment impact are involved (Sinkovics, Penz and Ghauri, 2008). Martin and Beaumont (1999) viewed qualitative research methods as relatively weaker in providing rich and valid descriptions of HRM development processes, and argued for in-depth qualitative case studies to flesh out the insights of HRM development processes in MNCS. The case study method help to understand behaviour of decision makers and unearth the historical processes involve a more complicated process where standalone opinion or simple information cannot provide or explain the whole process. Case studies provide opportunity to follow sequential questions until researchers get the required/desired interpretations (Sinkovics et al., 2008).

Four multinational subsidiaries i.e., A Pharma, G Pharma, N Pharma and B Chem) were selected for the study. At data collection stage, we considered equivalence of research methods, research methods and equivalence of research administration to rightfully contrast findings as suggested by other renowned researchers (Sinkovics, Penz and Ghauri, 2008:694). Retrospective and real-time data were collected on different occasions to capture process dynamics of gradual evolution and subsidiary-HQ relationship (Piekkari, Nell and Ghauri, 2010). Review of historical materials and records helped us to understand the links between macro-environmental factors, HQ-subsidiary relations and behaviour of subsidiary managers about HRM practices (Ghauri and Firth, 2009). All interviews were tape recorded on-site. Also written notes were taken on discussion. After returning from interview sites, recorded conversation were transcribed and translated immediately. All interview transcripts were shown to the interviewees for verification. Guided by our theoretical assumptions (Piekkari et al., 2010; Teagarden, et al., 1995), we grouped our data on broad categories such as related to structural issues, production integration issues, IHRM policy orientation issues, and interdependency issues.

We transcribed all interview data in narrative stories. Using the ‘meaning reduction approach’ (Kvale, 1996), we identified useful codes to isolate themes relevant to the research questions. After decoding all the interviews, we reviewed the narratives and compared and contrasted the facts of all four cases. We searched for patterns and connections in individual cases and, finally, explained them with interconnected evidence within and across the cases. Data from multiple-case studies helped us develop a general explanation of cause-effect relationship of HRM practices in each individual case. Prior conceptualization of societal institutions helped us explain the causal link between them and the organizational factors that contributed to the adoption of specific HRM practices. While explaining the prevalence of social phenomena—or causal relationships among the organizational practices and societal institutions—we tried to use relevant codes to rearrange the evidence into categories that would facilitate the comparison of evidence within and between cases. We developed a number of summary tables to display the similarities and contrasts among the cases as a
companion to explanation building from the findings. Table 1 lists the important interviews in different organisations.

<table>
<thead>
<tr>
<th>Organisations</th>
<th>Interviews with HRM managers</th>
<th>Interviews with other line managers</th>
<th>Interviews with managerial employees</th>
<th>Interviews with non-managerial employees</th>
<th>Interviews with Trade union leaders</th>
<th>Total interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Pharma</td>
<td>4</td>
<td>3</td>
<td>1 key informant, 5 others</td>
<td>1 key informant, 4 others</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>G Pharma</td>
<td>3</td>
<td>3</td>
<td>1 key informant, 6 others</td>
<td>1 key informant, 4 others</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>N Pharma</td>
<td>2</td>
<td>2</td>
<td>1 key informant, 3 others</td>
<td>1 key informant, 4 others</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>B Chem</td>
<td>3</td>
<td>4</td>
<td>2 key informant, 4 others</td>
<td>1 key informant, 4 others</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Others</td>
<td>3 government officials, 3 HR consultants, 3 retired employees, 4 academicians, 5 national trade union federation leaders</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>97</td>
<td></td>
</tr>
</tbody>
</table>

4. Findings and discussions: HQ’s influences on Subsidiaries’ Recruitment and Selection Practices

As literature review indicated, MNCs parent company influence on subsidiaries’ HR practices varied with corporate strategies, HQs structural configurations, subsidiaries’ production integration with international operations, and HQs attitudes towards IHRM practices. The parent company influences on different aspects on recruitment and selection practices in our case study subsidiaries are shown in Table 2.
Table 2: Headquarters’ influences on different aspects of recruitment and selection activities

<table>
<thead>
<tr>
<th>Recruitment and selection issues</th>
<th>N Pharma</th>
<th>A Pharma</th>
<th>G Pharma</th>
<th>B Chem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job descriptions</td>
<td>Need to follow HQ provided HR manuals</td>
<td>HQ provided guidelines, specialised subsidiaries provided detailed manuals</td>
<td>Locally determined</td>
<td>Uniform Hay Method, so HQ influence vital</td>
</tr>
<tr>
<td>Job specifications</td>
<td>HQ provided manuals, but can only bring changes in educational qualifications</td>
<td>Specialised subsidiaries provided manuals, but local subsidiary can bring changes in educational qualifications</td>
<td>Locally determined</td>
<td>Technical employees HQs specified, others locally determined</td>
</tr>
<tr>
<td>Selection criteria</td>
<td>HQ instructions and prescribed selection procedure</td>
<td>HQ instructions, can bring change within regional offices recommendations</td>
<td>Locally determined</td>
<td>HQs specified priority criteria and competencies are judges</td>
</tr>
<tr>
<td>Test Materials</td>
<td>UK developed materials supplied by the HQ</td>
<td>Regional office developed within the HQs broad guidelines</td>
<td>Locally developed</td>
<td>Use HQs supplied uniform test materials</td>
</tr>
</tbody>
</table>


In the initial stage, all our case study MNCs subsidiaries in Bangladesh focused on local market and followed multi-domestic structures with minimum control of HQs on HRM practices. Respective regional offices maintained contacts with the subsidiaries and HQs did not show any concern about recruitment and selection activities. But with changes in local operations and subsequent parent-subsidiary relationships, parent companies changed control and co-ordination mechanisms of the subsidiaries’ operations in Bangladesh, and started to influence on recruitment and selection practices. N Pharma started its business in Bangladesh as a trading office of N Pharma Inc., in 1963, and used to maintained contacts with HQ through regional office in Singapore. The parent company usually appointed an expatriate chief executive officer to oversee only the financial matters and instructed to report those financial issues to the regional office. HQ or regional office never inquired about subsidiaries HRM practices.

But now with changed circumstances as they became global outsourcing centre for a few core products, different functional departments of HQ directly contacts with subsidiary, and particularly, corporate HRM department inquires about different aspects of subsidiaries HRM practices. HQ instructed subsidiary HR Director to harmonise work roles and responsibilities of managerial employees, and maintain consistency with other subsidiaries to ensure global standard of skills and competencies among the employees. Now, the HR director always follows HQ-provided HR manuals to standardize job descriptions and job specifications of all managerial employees. The HR Director justified rationale of those directives and narrated that N Pharma Inc. use same
machines and technologies around the world, and therefore, HQ became interested in standardising production process and relevant work organisation in the subsidiary. Direct control and co-ordination of HQ explicitly played a coercive role in the standardisation of recruitment and selection activities in the subsidiary. It has also acted as a means of controlling or maintaining employees’ quality standards, i.e., competencies required to perform standardised jobs in different capacities. The QA Officer maintained:

“In our company, sometimes management receive applications through informal channels, but we are not in a position to honour such requests of friends and relatives. The subsidiary management cannot create any post and cannot develop any job description or job specification without the consent of the HQs. Management also shows extreme cautions in the selection process as employees need to perform specific duties (job descriptions) determined by the HQs.”

However, these standardisation efforts vary among different categories of employees and depend on the nature and levels of the jobs. The HR Director indicated that technical jobs are more homogenous among the subsidiaries and it is easier to follow HQs prescriptions in determining the job descriptions and job specifications for those jobs. HQ can standardise technical jobs more easily and exert direct control on the recruitment and selection practices. However, subsidiary management can modify some local market sensitive jobs such as employees working in the marketing department, but they need to send an explanation of those changes to headquarter. In A Pharma, after moving towards a more transnational model compared to earlier decentralised multi-domestic or regional structure, HQ influences on recruitment and selection practices have increased substantially. Following the mergers of F Pharma and H pharma (emergence of new corporate A Pharma), parent company moved towards a more transnational structure and HQ influence increased with these structural changes. Specialised subsidiaries in different countries now become power centre for particular products and try to influence recruitment and selection practices by providing detailed job descriptions for different categories of employees and by supplying various test materials, especially psychometric test materials for the managerial employees. As the HR manager in A Pharma explained:

"After the merger, headquarters and the specialised subsidiaries are showing more interest in our HR activities and increased direct contacts with the HR department. We now follow the similar job descriptions and selection techniques prescribed by the HQs. It provides us important guidelines for newly created departments."

In G Pharma, the HR Director denied any influence of HQ in designing or determining job descriptions and job specifications. The subsidiary has no scope to liaise with HQ to consult on HRM issues, because the multi-domestic structure of the G Pharma plc persuaded the subsidiaries to develop their own HR policies related to idiosyncratic circumstances, and we found no evidence of the transfer of HR practices from the HQ
to the subsidiary, or vice versa. The Ex-GM Human Resources of G Pharma revisited his own experience and explained the differences between G Pharma and his latest workplace in another American multinational regarding the parent company influences on HR activities. He further explained:

“The parent company of the G Pharma was never interested to develop any consistent HRM practices or employees’ long-term career advancement in the group. They always asked for profit maximisation with short-term objectives. The employee turnover in G Pharma is much higher than any other multinational subsidiary in Bangladesh. They never asked about our HRM activities in Bangladesh.”

In B Chem, whilst the subsidiary followed standardised HRM practices for a long time, recent changes in the corporate structure have increased the parent company influences in all the subsidiaries’ recruitment and selection practices. Now the B Chem subsidiary follows the uniform ‘Hay Method’ in developing job descriptions and job specifications for the managerial employees. The corporate HQ and specialised subsidiary in Australia make direct contacts with the subsidiary to monitor its recruitment and selection practices, and ask the subsidiary to submit a personnel inventory of managerial employees that covers different aspects of their qualifications and competencies. This direct contact of the corporate HQ and specialised subsidiary has compelled the Bangladeshi subsidiary to follow strict guidelines in its recruitment and selection activities.

In a few cases, particularly for the Hi-Flyer ‘Fast-Track’ employees, the presence of foreign experts in the selection process has obliged the subsidiary to follow the standardised job descriptions and job specifications in recruiting the desired managerial employees. It is observed that the pressure to standardise job descriptions, job specifications, and other recruitment and selection activities is linked with the control and co-ordination process of the multinational headquarters. When the subsidiaries were managed with a multi-domestic orientation, the HQ had little scope to influence the subsidiaries’ activities. The adoption of a multi-domestic structure, however, had a link with the institutional arrangement of the host and home country, and changes in global economy and other external factors also drove the parent company to change its earlier control and co-ordination mechanisms, and move towards more direct contacts with the subsidiaries. A longitudinal analysis of structural orientations of the subsidiaries reveals their changed influences on recruitment and selection practices and supports our argument to include external factors in explaining the organisational HRM practices in the changing world economic context.

4.2. Production Integration and Increased Influence Of The Parent Companies On Subsidiaries Recruitment And Selection Activities

The increased production integration of the multinational subsidiaries has changed their role in the international production network, and increased the parent company influences on different aspects of recruitment and selection activities. The degree of
multinationality, i.e., the extent of exports to foreign markets increases the importance of the subsidiaries to the parent companies and the parent companies become more concerned about the subsidiaries’ HRM practices. The A Pharma subsidiary once served only the local market, but now exports in different foreign subsidiaries and also co-ordinates the whole Vietnam market from Bangladesh. The parent company approved a massive expansion programme in Bangladesh and the subsidiary's management hopes to become a supply source for the Asia-Pacific region in coming years. Integration into the international production network increased the parent company’s attention towards the subsidiary’s HRM practices to ensure the smooth supply of the quality products from Bangladesh. The HR Director of A Pharma explained the changed role of the subsidiary and subsequent parent company influence on HRM practices.

“Earlier the parent company showed less concern about our HRM practices in Bangladesh. Our market expansion in foreign countries has changed the parent company attitudes and we now receive more attention from the corporate head quarters than before. Group HR Director is visiting Bangladesh on a regular basis and we are also attending regional and group HR meetings. The parent company wants to see efficient management in the subsidiary and smooth supply of exports to other subsidiaries.”

Earlier, the B Chem subsidiary in Bangladesh concentrated on the local market and required little help or guidance from the HQ or other subsidiaries, but after the substantial investment in electrodes production and exports of those electrodes to the Pacific markets, the subsidiary became highly integrated with other B Chem subsidiaries. Now the parent company and the subsidiaries in the Pacific region have become more aware of the HRM practices in Bangladesh because they want to ensure the quality of the production in Bangladesh, and for this reason, they influence the selection process to guarantee recruitment of competent employees in the production department. The Training Manager at B Chem quoted:

“The parent company asked us to use the ‘Hay Method’ to identify the appropriate job skills of different positions. The ‘Hay Method’ helps us to identify the key job skills and their relative weights in the job analysis. Once these skills have been identified, we can adopt the proper recruitment and selection process to ensure that applicants with requisite competencies are successfully attracted, assessed and placed in the appropriate jobs or positions. HR experts from the HQs and other subsidiaries frequently visit us to oversee our recruitment and selection activities.”

The parent company influences on recruitment and selection activities in Novartis have also increased in recent years, and the subsidiary now receives more attention than its counterpart of Indian and Pakistani subsidiaries. The establishment of a generic product plant in Bangladesh increased the visits of foreign HR experts, and management became more cautious about the quality of employee skills and competencies. Managerial employees in N Pharma reveal that recent expansion of the company in
Bangladesh has attracted more attention from the HQ, and they now face more strict controls by the parent company in HRM issues. It seems that the changing role acted as a turning point for influencing the recruitment of particular employee groups i.e. employees directly related to the production and quality control process. The HR Director describes the increased importance of the quality control process and the need for specific technical expertise among the production officers, to ensure product quality for overseas markets. The HR Director explained the importance of quality recruitment practices as follows:

“Quality is the prime concern for overseas markets. The HQs and other subsidiaries became highly concerned about the employee competencies in Bangladesh and directly inquired about employee qualifications and relevant competencies. Foreign experts now provide training to our managerial employees and we need to make sure that employees have the capabilities to receive that training. We feel more pressure to follow group guidelines to select appropriate quality employees.”

Compared to the production integration of N Pharma, A Pharma, and B Chem subsidiaries, neither the parent company nor the subsidiary of G Pharma has initiated any drive to expand the market opportunities in foreign countries. This isolated production process and exclusive local market orientation of G Pharma subsidiary seem discourage the parent company from influencing the subsidiary's HRM practices. After losing market share, the parent company of G Pharma became more reticent towards the business in Bangladesh and has made no substantial investment in recent years. Instead of exploring new markets in foreign countries, the subsidiary was asked to concentrate on the local market and compete with the domestic organisations. The subsidiary has arranged sub-contracting with local manufacturers to produce new pharma products for the local market, and supervised the quality control process by seconding a few employees to the local sub-contracting organisations. The parent company seems to be indifferent about the products quality in Bangladesh and shows no interest in ensuring any standardisation of employee competencies or skills. It was observed that the changing market conditions and increased production integration with the global network have influenced some multinationals in Bangladesh to bring about more consistency in their recruitment and selection activities. The parent companies have increased the pressures on the subsidiaries’ management to comply with standardised job descriptions and job specifications, and provided detailed selection test materials to ensure consistencies in employee competencies and skill requirements. But the extent of standardisation of recruitment and selection activities depended not only on the production integration of the subsidiaries, but also on the IHRM policy of the parent company and the HQs’ attitudes towards the subsidiaries.

4.3. IHRM Policy Orientation and Parent Company Influences

The parent company influences, and the standardisation of different recruitment and selection activities, depended on the headquarters’ attitude towards subsidiaries’ HRM practices as well as on the scope of employees’ mobility among different subsidiaries.
From the very beginning, B Chem headquarters followed geocentric HRM policies across the world and tried to standardise most HRM practices in Bangladesh. The recent successful operation of the electrode production as well as exports in foreign countries further increased the confidence of the parent company and it now counts the subsidiary as a resource to recruit managerial employees for the entire group. Headquarters’ attitudes towards the subsidiary as a resource centre and a base for recruiting the ‘Hi-Flyer’ employees further encouraged the subsidiary management to follow standardised recruitment and selection activities. The parent company requested periodic review meetings with the HR Directors of other subsidiaries to assess the selection process in Bangladesh. The Training Manager of B Chem voiced similar attitudes as he described:

“We are recruiting two types of managerial employees, some for working in Bangladesh and the others for working in the group on international assignments. The HQs provided Job descriptions and specifications are strictly followed for the international group and they can perform their duties anywhere in the world.”

For the routine or general employees working in practical positions, applicants with work-related hands-on experienced are preferred. The IT manager and Training Manager at B Chem stated that in the selection of an IT officer position, they identified an Australian graduate as overqualified for the routine IT duties, and saying:

“The overqualified foreign degree holder candidate will feel bored within a few months. We can not provide him with a career within the limited prescribed job scope of the company in Bangladesh. But we are selecting same competent candidates in our ambitious ‘management trainee’ positions those have every possibility to develop an international career in the group.” - Training manager, B Chem.

Furthermore, when multinationals use employee mobility among the subsidiaries to develop the managerial cadre, it helps them to train those with high potential in various locations including the HQ. Employee mobility among the subsidiaries, either short-term placements or long-term assignments, was considered an important factor in recruiting managerial employees and the HR director of N Pharma was conscious of this when recruiting the managerial employees in Bangladesh. He said:

“Our employees frequently receive overseas assignments. We need to be careful in selecting those employees in Bangladesh. Headquarters supplied us the HR manuals providing details of employee tasks and responsibilities. Quality control officers in Bangladesh are doing the same job as their counterpart of Indian and Pakistani subsidiaries. Our nominees are working with a very good reputation in different foreign subsidiaries. We never receive any complaints about the working capabilities of our employees in overseas assignments.”
Now the A Pharma subsidiary strictly maintains the HQ's prescribed job description for the ‘Fast-Track’ employees whom they select after the successful probation period in Bangladesh and nominate for further career development in different foreign subsidiaries and HQ. Recruitment of ‘Fast-Track’ employees from the Bangladesh subsidiary influences the selection criteria, i.e., job specifications of the managerial employees. The subsidiary management now places more emphasis on the HQ's or specialised subsidiaries’ job descriptions and relevant job specifications in the recruitment and selection process. It needs to identify standardised competencies for the ‘Fast-Track’ employees since they are required to perform overseas duties. Contrary to this, exclusion of the subsidiary from IHRM programme in G Pharma discouraged the local management from searching for unified or consistent HRM practices among the subsidiaries of the parent company. They have virtually no employee mobility among the subsidiaries although previously there was some downward mobility, such as employees from other subsidiaries being posted in Bangladesh to control the business activities. Compared to A Pharma, N Pharma, and B Chem, G Pharma showed less rigidity in recruiting fresh graduates and even sometimes valued experience of applicants in other local companies since this gave them details of the management techniques of other local organisations. The HR General Service Manager maintained:

“The headquarters has no interest in our HRM activities. We are not looking at our foreign subsidiaries. We face competition from the local companies and we need to know the happenings in those local companies. In the marketing department, it proved to be quite useful to recruit employees from other local companies and we have changed our strategies with those recommendations.”

It seems that inclusion of the subsidiary in the IHRM programme and the headquarters’ attitudes towards career development of the subsidiary employees have a significant influence on the standardisation of the recruitment and selection activities of the multinational subsidiaries. But this standardisation is modified or sometimes redefined according to the institutional context of the host countries. With the differentiated institutional contexts, varying types of social institutions emerged to shape nationally distinctive HRM practices. Although in the Bangladeshi context, it is hard to find any distinctive HRM model, social institutions may still play some role in the process of adoption of recruitment and selection practices in multinational subsidiaries.

5. Tensions Between The Parent Company Influences And The Host Country Effects: Multinationals As Role Models In The Bangladeshi Context

It was observed in the study that multinational subsidiaries face alternatives either to follow local chaotic or disorganised practices, or to adopt the parent company prescribed standardised practices in the Bangladeshi context. The pressures or tensions among the alternatives vary among the multinational subsidiaries, depending on the parent-subsidiary relationship and other features relevant to parent company
operations, as well as on the relative strength of host country societal institutions. Compared to local organisations, where HRM practices are still hardly at any systematic form, most of the multinational subsidiaries consider it useful to adopt the parent company prescribed standardised recruitment and selection practices. In N Pharma, the question of quality standards dominates in the production process and thus the local subsidiary, to some extent, enthusiastically accept the HQs prescriptions to safeguard their responsibility by avoiding uncomfortable situations raised in the production process. The overt parent company influences actually help them to overcome the problems arising from the ‘ineffective’ host country model. The managerial employees of N Pharma pointed out that standardised job description helps the local subsidiary to reject the incompetent employees at the initial stage. Recently the top management fired the IT manager and Project manager after failing to perform the HQ specified duties. Sometimes it appeared that the HQ provided job descriptions and job specifications that are not fully appropriate for all categories of employees since the nature and the duties of the jobs varied among the subsidiaries in different locations. The HR Director explained the duties of sales personnel and justified their attempt at modification to meet the local needs.

“The Marketing Department in Bangladesh is working in totally different ways than its Australian counterpart. Our customers are individual patients and the sales force has to persuade the medical practitioners to engage in sales promotion. In Australia and European countries, institutional buyers like health authorities and health insurance companies are the main customers. So employees in the marketing department are doing different jobs.”

But not all the multinationals responded in the same way when someone modified or even avoided the instructions in order to adjust to their own circumstances because in some cases, the adoption of less standardised job descriptions still may be related to an intention to manipulate the recruitment criteria, as subsidiaries need to recruit applicants with different educational backgrounds to maintain the social networks in the Bangladeshi context. The recruitment of a marine science graduate in the quality control department in Aventis, and a biology graduate in the production department at G Pharma may be treated as the outcome of less control on their recruitment practices. Managerial employees in Novartis revealed that they applied to the company after being given information by the friends and relatives. The informal *tadbir* (lobbying) factor was implicit, but easy to understand from the conversation regarding the whole selection process. The Logistics officer in B Chem also praised the ex-Managing Director who appointed him as Business Process Re-engineering Officer. This proved his prior link with the Boss, even after gaining an MBA degree from a British university. In G Pharma, due to social networks and informal channels, applicants from a particular university dominated the other university graduates in the production department, and in the A Pharma production plant, employees from a particular region were much more visible than from elsewhere.
The absence of specific job descriptions and job specifications allowed private sector organisations to consider applications from relatives and friends. In the multinational subsidiaries, although some employees are recruited through informal channels, they are still quite aware of the employee competencies, the QC officer of N Pharma observed. Periodic competency tests, as prescribed by the N Pharma parent company, helped the subsidiary to find incompetent or disqualified employees and those employees were requested to improve their skills within a stipulated time period. In A Pharma, under-performing employees are placed on probation for one year and if the employees fail to develop the required skills, they are dismissed within the legal framework of the country. The parent company provides guidelines aimed at helping the subsidiaries to find those employees with high ambitions and the right qualifications. Respondents also indicate the presence of expatriates as a control mechanism to check the rampant nepotism and personal biases, as well as to ensure the development of systematic HRM practices in the subsidiaries. Changes in corporate structures and IHRM policy orientations helped the multinationals to maintain direct contacts and control the subsidiary activities with their own specifications.

“The expatriates are doing mainly two things. First, they try to introduce some systematic management practices in Bangladesh. You can see that most of the multinational subsidiaries in Bangladesh were initially run by the expatriate chief executives. You can observe some distinctive management practices in different companies initiated by the pioneer expatriates. Their ideas and philosophies are reflected in company management practices. Secondly, they are in-charge of developing local management leadership. Headquarters always instructed to develop local expertise as soon as possible.” Ex-Deputy Managing Director, BAT.

The case studies revealed that the contents of selection test materials used by the multinationals vary from those of the local organisations, as the private sector still considers testing unnecessary, and the public sector uses simple numerical reasoning and general knowledge related questions. In the selection process, N Pharma use specific psychometric test materials which are developed by a UK consulting firm for the group. Aventis also conducts psychometric tests and uses the test kits developed in the Malaysian subsidiary for the Asian region. In B Chem, they also use test materials developed in the UK and recruit the ‘Hi-Flyer’ managerial employees for the group and send the selection test scores to the regional office and HQ. It seems that multinational parent companies have tried to control the indigenous favouritism by providing test materials and collecting psychometric test scores for further references. The ex-Deputy Managing Director of BAT revealed that multinationals previously used these behavioural tests to avoid the bias and undue pressures in Bangladesh, and also assigned the expatriates at an earlier stage to institutionalise the systematic HRM practices.
6. Conclusions

The findings of study indicate that it is not only the internationalization process of parent companies, but also the internationalisation of subsidiaries contributed/influenced the development of standardised HRM practices in the subsidiaries. Subsidiaries internationalization process is somehow sequential and involve a series of stages, HRM standardization processes are related with those stages (Monk et al., 2001), the study revealed. The degree of internationalization of parent companies, subsidiaries, and internationalization of markets guided the HRM policies and practices of the subsidiaries. Our study supported the findings that MNCs following multi-domestic, global or transnational should have distinctive IHRM policies and practices (Schuler et al., 1993; Scullion and Starkey, 2000). So MNCs need to identify fit or match between corporate strategy, structure and IHRM policies and practices. It seems that in these cases, the ‘born global’ hypothesis was not working. Rather sometimes, subsidiaries earned the mandate/attention from HQ with their own capabilities or HQ entrusted more responsibilities with the restructuring in the HQ.

In implementing the standardized IHRM policies and practices, MNCs in Bangladesh faced very little resistance from societal context. HRM practices of MNCs are treated as an innovation, or a new model due to their pioneer role in the private sector management development. Their influential power of MNCs in the host country context overruled the societal factors, and the parent company’s prescribed practices have dominated over the national institutional arrangements. In a developing country context like Bangladesh, where the unemployment rate is very high and the ability to find a job is a matter of life or death in most cases, multinationals can implement their recruitment and selection practices as they wish, but the case studies also revealed that the development of such practices does not solely depend on the subsidiaries themselves, because external factors such as parent company control and co-ordination mechanisms, international integration and IHRM policy orientations, all have substantial influence on them. It is, therefore, appropriate to consider the factors external to the micro-organisational levels and distinctive national context in the study of multinational organisations. This study may contradicts with the ‘Born Global’ hypothesis on international business literature, as the changes in corporate strategy, corporate structure and even the changing role of subsidiaries appeared to influence the shaping of HRM practices in MNCs Bangladesh.

Reference


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