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# HUMAN RESOURCE MANAGEMENT

## A STUDY OF MULTINATIONAL CORPORATIONS IN POLAND 1996 TO 1999

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## ACKNOWLEDGEMENTS

This thesis was undertaken during a period of great change and transition in Poland. As such I was privileged to be able to witness not only areas of transformation but also to investigate how this process was unfolding. In the words of the famous Polish Poet, Wislawa Szymborska, *'Nic dwa razy'* or 'nothing can ever happen twice'. As such this research is unique because of its place and time, although its findings may help us to make sense of the future.

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# GLOBALISATION, CONVERGENCE & HUMAN RESOURCE MANAGEMENT

## A STUDY OF MNC'S IN POLAND 1996 TO 1999

### ABSTRACT

This study explores the role and function of HRM in MNC subsidiaries in a post command economy, Poland, between 1996 to 1999. The study contributes to the globalisation and convergence debate. Two key control mechanisms: expatriate managers, and HRM practices and processes are explored. Their use by MNC's, to transfer parent company culture, as a means to promote and enforce a global corporate culture is analysed.

The research was conducted in two distinct parts. A longitudinal study compared the processes, policies and practices of HRM in seven MNC subsidiary units from 1996 to 1999 through semi-structured interviews, observation and documentary evidence. The second part explored a further two MNC companies, representing ethnocentric and geocentric examples, using the case study method.

*Firstly*, the evidence shows that in Poland, HRM is an 'imported' concept. Within MNC subsidiary companies in Poland, it is seen as 'Anglo-Saxon', and quite unlike that existing within Polish firms.

*Secondly,* there was much evidence of forward diffusion by the MNC parent companies in transferring HRM activities and practises. It was found that MNC's are increasingly aware of how HRM, both as a function and as a practise, is one of the key control mechanisms shaping and integrating employees across cultures.

*Thirdly,* expatriate managers acted as a key control mechanism in a number of ways: as '*role models*', displaying the appropriate company behaviours, values and way of doing things; as *'fixers'*, adapting corporate values and mission statements; as '*key actors*', enacting the HRM practices; as *'networkers'* or *'boundary spanners'* connecting local managers with other parts of the company; as *'agents of the owners'*, ensuring that the new subsidiary company could be trusted; and, as *'coaches' or 'mentors'* transferring knowledge to local managers. Their role is of more value in the globalisation process, than the literature on transnational management acknowledges.

*Fourthly,* other factors such as the company's business strategy: greenfield or acquistion, were found to impede or promote the transfer of parent company culture.

*Finally,* the extent, geocentric companies exist is questionable.

# ABBREVIATIONS

| | |
|---|---|
| FDI | Foreign Direct Investment |
| HCN | Host Country National |
| HRM | Human Resource Management |
| IHRM | International Human Resource Management |
| MNC | Multinational Corporation |
| PAIZ | Polish Agency for Foreign Investment |
| PCN | Parent Company National |
| PHRA | Polish Human Resources Association |
| SOE | State Owned Enterprise |
| TCN | Third Country National |

# 1. INTRODUCTION

## 1.1  RESEARCH OUTLINE

Research in the field of international human resource management is relatively new, complex and incomplete. At its heart the question as to whether HRM has universal properties or is itself culturally bound, has become central to the debate. Much of this hinges on the increasing globalisation of the world economy and the importance attached to the role of the MNC. Put simply, proponents argue that for an international company to be successful it should have the capacity to create and co-ordinate its employees to achieve the same goals through one global culture, as well as having the ability to be responsive to local customs and markets. (Bartlett and Ghoshal, 1989; Hamel and Prahalad, 1994). Sometimes described as a transnational or geocentric company, the dual demands centred on the MNC represent something of a paradox.

Two issues emerge from this debate. Firstly the extent to which the policies, practices and processes of HRM can be used to propagate and enforce a global culture. Secondly, the extent to which HRM can be compared cross-culturally. Researchers have become more concerned with how and whether MNC's can create global cultures through their HRM policies and processes; to what degree can such policies and processes be transferred across national boundaries; and, how an MNC balances its need for co-ordination and control with increasing pressures for sensitivity and flexibility at a subsidiary level. (Kamoche, 1996; Sparrow *et al*, 1994; Rosenzweig and Nohria, 1993). Researchers asking these questions have explored the HRM practices in Chinese-Western joint ventures (Lu and Bjorkman, 1997); or the practice of US affiliates in Europe (Rosenzweig and Nohria, 1993); in Scotland (Tayeb, 1998); in Japanese affiliates operating in the US (Bird *et al*, 1998, Beechler and Yang, 1994); in Singapore (Gill and Wong, 1998); in Hong Kong (Wong, 1998); and in Britain (Tayeb, 1994).

Yet there has been relatively little research exploring these questions in Eastern and Central Europe. The rapid rise in levels of foreign direct investment in Poland, the Czech Republic and Hungary, coupled with the fact that these countries were, until 1989, 'closed' command economies and not subject to the influences of Western management thinking and practice until recently, present an interesting laboratory for research. Much of the debate to date has focused mainly on macro level questions concerning industrial relations on a national and union level (Thirkell, Scase and Vickerstaff, 1994; Martin, 1999). Research at a company level has concentrated on former State-owned enterprises in the Czech Republic (Soulsby and Clark, 1998) and in

Poland (Redmond and Keithley, 1998) and has focused on the changing role of HRM and employment restructuring. Other research has tended to use survey methods in one country (Koubek and Brewster, 1995; Hegeswich *et al*, 1996) or as part of a comparative country study in combination with qualitative research methods. (Tung and Havlovic, 1996)

To date, no research study has explored the questions of integration and responsiveness by company, contrasting the HRM policies and practices of MNC subsidiary units operating in a newly emerged market economy. This study explores the HRM practices and policies of MNC's operating in Poland. The research was conducted in two distinct parts. The first part consisted of a longitudinal study comparing the processes, policies and practices of HRM in a handful of MNC subsidiary units[1] from 1996 to 1999 through semi-structured interviews with key actors (HRM managers and their managing directors)[2], observation and documentary evidence. Due to the closed nature of the Polish economy until 1989, there is little empirical evidence surrounding the meaning of HRM in Poland. The aim of this part of the study was to understand the meaning, role and purpose of HRM in MNC's in Poland. In addition HRM's priorities and activities were explored by company, which captured the rapid amount of change and development in HRM within the Polish economy over this period.

The second part of the research study explored an additional two MNC companies in greater depth, SoapCo and FoodCo.[3] Access to both organisations explored the meaning and practice of HRM in two MNC's using the case study method. Key agents were identified and interviewed; observation and documentary material was also collected. In total around 44 managers were interviewed, which included local managers, expatriate managers and managers from the respective parent companies.[4] Interviews were also conducted with other key actors such as the President of the Polish Human Resources Association.

The two companies, SoapCo and FoodCo, represent contrasting global strategies: ethnocentric and geocentric; as well as contrasting business strategies: brownfield and greenfield. These have significant implications for the transfer of HRM policies and practices as demonstrated in the findings. In these case studies, interviews

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1    There were seven MNC subsidiary units who participated in 1996-7, with five of these participating in 1999.

2    In total around 12 interviews lasting between 60 to 150 minutes were undertaken

3    For reasons of confidentiality, pseudonyms are used.

4    The interviews lasted between 60 to 90 minutes each. Some of the respondents were interviewed on more than one occasion Some of the managers were interviewed on more than one occasion

were undertaken with the HRM directors over a period of two to three years. Interviews with representative samples of expatriates and local managers in each company were undertaken to gain insight into the role, philosophy, practices and processes of HRM. Additional questions explored corporate culture in relation to the local Polish culture. As such, this study is set within the debate of integration/responsiveness and charts experiences of how MNC subsidiary units are operating in Poland. This study is important because the existing literature assumes that MNC companies are able to select a particular strategy in transferring its HRM policies and practices to its subsidiary units. For the most part the literature has failed to appreciate and capture the complex web of influences, particularly a company's corporate culture, which shape MNC subsidiaries' HRM policies and practices.

## 1.2    GAPS IN THE LITERATURE

There appear to be several limitations in the literature to date. The most serious limitation is the dearth of empirical research undertaken in human resource management in an international context. In a recent survey of articles published in leading journals from 1977 to 1997, researchers found that a little under two per cent of the articles focused on the management of human resources in a comparative and international perspective (Clark, Gospel and Montgomery, 1999). Of that most of the comparative work has been survey based and small scale with a more recent trend towards qualitative research through semi-structured interviews.

Ferner's (1997) literature review identifies four areas that need to be addressed in subsequent research. According to Ferner (1997) the first to be addressed is to undertake more qualitative research studies, which will provide greater depth to the plethora of surveys. The aim of qualitative research strategies should be 'to follow through complex linkages, explore processes, and uncover how decisions are really made. For example, surveys show that Japanese firms typically make greater use of expatriates, but there is relatively little detailed work giving a feel for the precise mechanisms whereby expatriate managers act as 'agents' of central control, nor for the types of interventions they make in the subsidiary'. (Ferner, 1997: 31)

Secondly, Ferner argues that a research strategy should include the criterion of 'cultural distance' when selecting host countries. Thus he argues, it is necessary to: *'examine MNC's in those countries that are sufficiently different to allow the country-of-origin effect to come through.'* (1997: 32). Ferner argues that any research strategy should focus on the different levels within the organisation, in the parent company and in the host country. This would enable practice to be explored more deeply and expose similarities and areas of difference.

Thirdly, the literature tends to be US and Japanese dominated. Most research studies have tended to explore Japanese subsidiaries in the US., Hong Kong, or the UK. There is little information or research on Central or Eastern European countries with the notable exceptions of Tung and Havlovic (1996), Garavan *et al.* (1998). These researchers, however, have tended to explore existing or former State-owned companies (SOE). No research study has been made to date on MNC's operating in Poland or in other former Communist countries. Also, as Ferner notes, European companies tend to be lumped together, such as Bartlett and Ghoshal's (1989) study of three MNC's, one Dutch, one Anglo-Dutch, one Swedish. Ferner (1997) argues that greater distinction needs to be made between European countries and companies to enhance understanding.

Finally, much of the research to date has explored MNC behaviour in host countries in more general management processes such as co-ordination, formalisation, and decentralisation or in the narrow areas of HRM such as expatriation. McGaughey and De Cieri (1999) argue that HRM consists of micro-level and macro-level variables, known as 'meso-processes', which have significant implications for the debate on convergence and divergence. Studying the wide remit of human resource policies and practices within an organisation is important in understanding the complexity of the business environment, and the influence of corporate and national culture.

This research study attempts to incorporate Ferner's recommendations in the following ways. Firstly the study is in two parts and utilises a qualitative methodology. The first part, a longitudinal study in MNC subsidiary companies operating in Poland from 1996 to 1999 presents the context and changing role of HRM throughout this period. The second part explores the meaning and practice of HRM in two of these companies more deeply. For example the role and purpose of expatriate managers as 'agents of control' (Ferner, 1997) are explored within the two companies through the perspectives of local, expatriate and parent company managers.

Secondly, Poland can be regarded as sufficiently different in terms of culture, particularly due to its history and past 30 odd years of Soviet domination. Western management techniques, such as marketing, were practically unknown prior to 1989. The East-West divide or the Cold War, from the end of World War Two to 1989, meant that Poland was effectively isolated from the West. Consequently it is argued that exploring the transfer of HRM policies and practices from mainly UK and US owned MNC's to their Polish subsidiary operations should allow *the country-of-origin effect to come through.*' (Ferner, 1997: 32), as it should contrast to 'Polish' HRM.

Thirdly this research study concentrates on MNC subsidiary operations in Poland to address the dearth of literature on HRM in Eastern Europe. Finally HRM's meaning, role and practice is explored through the perceptions of local, expatriate, head-office and HRM managers; rather than to focus on one narrow area of HRM practice such as expatriation. Whilst this is a more ambitious goal, the results provide a more complete picture of HRM in MNC's subsidiaries operating in Poland.

## 1.3    WHY STUDY MNC'S?

> By the 1990's, multinational enterprises have become ubiquitous providing the principal channels by which goods, services and technology cross international borders
>
> (Vernon, 1993: 12)

According to Yeung (1998) more than half of the world trade occurs within and among these corporate entities. Some of the worlds largest MNC's (Royal Dutch Shell and General Motors) hold total assets and generate income comparable to the wealth of a number of national economies. Over the course of a few decades some MNC's such as McDonalds, the Mars Corporation, Colgate Palmolive have evolved to highly sophisticated networks transcending national boundaries and becoming household names in virtually every corner of the global economy (Bartlett and Ghoshal, 1994).

Dunning (1993) reckons that MNC's account for 25 to 30 per cent of combined DP in all market economies, 75 per cent of international commodity trade and 80 per cent of international exchanges of technology and managerial skills. Estimates suggest that there are 53,000 multinational companies, controlling about 450,000 subsidiaries and selling goods and services worth an estimated $9.5 trillion (Edwards, Rees and Coller, 1999).

Ferner and Hyman (1992) argue that European economies in particular are becoming increasingly integrated into a global economy and dominated by large transnational organisations, which have become significant in terms of employment. MNC's now employ one fifth of the world's workers outside the agricultural sector in the industrialised countries. The total number of workers employed by MNC's across the globe is estimated at around 70 million with some 29 million working for foreign subsidiaries (Royle, 1997). MNC's are continuing to grow and dominate in an ever-widening number of countries. They are without doubt one of the most important driving forces in the internationalisation of economic activity.

The dominance of MNC's in the world economy has led to debate about how MNC's manage employees across differing countries whilst seeking global integration

for employees. In other words how do MNC's ensure co-ordination of its resources towards a common global goal? This debate is explored within the Polish context.

## 1.4    WHY POLAND?

Poland represents an interesting case for the following reasons. Firstly it is generally argued that along with the Czech Republic and Hungary, it is one of the fastest growing countries within the region and has made a significant transition from a command to a market economy. Secondly, its history over the past 1000 years raises pertinent questions as to what is 'national culture'. Far too frequently researchers have confused countries' borders with culture. In Poland's case, the borders have changed dramatically, most noticeably during the partition era from 1795 to 1918 when Poland disappeared as a sovereign country from the European map. Yet its culture has continued in the forms of art, literature and language. Thus, Poland represents an interesting case in understanding the concepts of culture. Thirdly, human resource management is regarded as a new discipline within each of the former Communist economies. Personnel management during the Communist era was administrative, bureaucratic, concerned with procedures and collecting statistics on individual absence or lateness. Its role was equated with the Communist Party in terms of carrying out their aims and policies, such as who should be recruited or promoted. Thus MNC's locating in Poland, face a significantly different philosophy towards HRM and this provides an interesting test bed to explore the transfer of MNC's HRM strategies, processes and practices. Jankowicz (1998: 171) remarks:

> If Western practitioners... have recognised the centrality of the HRM/HRD function to the strategic direction of a firm, it is sensible and thought provoking to regard the changing post-Command economy as a proving ground for the concepts and practices involved. It may be a more extreme test bed, bereft of the support structures enjoyed in the West, but it constitutes a fertile ground for comparison.

Furthermore, MNC's have contributed substantially to Polish economic reconstruction. Foreign direct investment, initially low in the early 1990's, has increased substantially to make Poland one of the few transitional economies to witness such high levels of FDI. They have been regarded as the main repositories of capital, technology, management skills and market access (Radice, 1993). As well as introducing new managerial roles, differing levels of responsibility and thinking in transforming former command economies (Crow, 1998). Thus this research is important for academics and practitioners in exploring the role, function, policies and practices of HRM in a post command economy.

Finally Poland, along with Hungary, the Czech Republic and Estonia, will be among the first wave of applicant countries wishing to become part of the European Union. This political and economic desire is already having substantial impact on the legislature and government institutions. A key factor influencing MNC subsidiaries' HRM policies and practices.

## 1.5    STRUCTURE OF THE THESIS

In view of the complexity of this research thesis, every effort has been made to convey its main structure. Figure 1 visualises this structure. Chapter One, outlines the area for research. Chapters 2 to 4 comprise a review of the literature. In one sense they can be read as building blocks (Harzing, 1999), in that they form the foundation for Chapter 5: the conceptual framework. Chapter 2 explores the meaning of HRM, by charting its origins and summarising its central themes. In order to understand HRM in a differing context and country, it is argued, the researcher's own meaning and understanding of HRM should be stated. Chapter 3 reviews the literature concerning global strategies of MNC's. Theories expounded by Perlmutter (1969;1979), Bartlett and Ghoshal (1989) are analysed in respect of their implications for HRM strategies, policies and practices. Chapter 4 identifies the major influences affecting the transferability of HRM policies and practices from an MNC's parent company to their local subsidiary unit which is drawn from the literature review. These include, *inter alia*, the influence of national culture, the role of expatriate managers, as well as an MNC's corporate culture.

A conceptual framework is then presented in Chapter 5 whereby factors influencing the transfer of HRM concepts, policies and practices by the MNC's parent company, in an attempt to transfer its corporate culture, are identified and conceptualised. These include the corporate business strategy: greenfield or acquisition; the socio-political, cultural and economic context, the role of expatriate managers, and the corporate culture. Six research questions are formulated from the literature review.

Chapter 6 describes the methodology for this research study. It recounts the methodological issues encountered in undertaking this study, how the data was collected and its academic underpinning. It also explores the rationale for the interpretative approach undertaken in this study in Poland. Each of the factors influencing the transfer of HRM policies and practices to an MNC subsidiary is tackled by the methodology.

**Figure 1: Structure Of Thesis**

*Literature Review*

Chapter 1: Outline of Research Issues

Chapter 2:
The Concept
of HRM

Chapter 3:
Control and Co-ordination
in MNC's

Chapter 4: Factors
influencing transferability
of HRM Policies and
Practices in the MNC

*Theoretical Framework*

Chapter 5: Conceptual Framework

Chapter 6:
Methodology

*Key Factors*

Socio-Political
Cultural, Economic
Context

HRM Concepts
and Policies in a
MNC Subsidiary

Role of Expatriate Manager
Business Strategy
Corporate Culture

*Findings:
Primary
&
Secondary
Sources*

Chapter 7:
A Contextual Analysis
of HRM in Poland

Chapter 8:HRM in MNC
Subsidiaries in Poland
1996 to 1999

Chapter 9:
Case Studies:
SoapCo & FoodCo

*Analysis
&
Conclusions*

Chapter 10: Discussion and Conclusions

•HRM as an Imported Concept
•The Transferability of HRM
•Expatriate Managers as a Key Control Mechanism
•The Implications of an MNC's 'Entry Mode' Strategy
•The Implications of Corporate Culture
•Limitations of this Study and Recommendations for Future Research

Chapter 7 explores the meaning of HRM within Central and Eastern Europe. The recent economic and social changes are described following the revolutionary political changes of 1989. This is undertaken by taking a macro and micro approach to review the key actors prior, and subsequent to 1989. The section then reviews the current literature on HRM policies and practices in Central and Eastern Europe, the Communist legacy, and HRM's changing role and function since 1989. This chapter is linked to the 'socio-political, cultural, economic context' factor identified in the conceptual framework, Chapter 5. Primary and secondary sources of data are utilised.

The examination of HRM policies and practices in an MNC subsidiary form the central thesis in the conceptual framework. Chapter 8 records the findings from the longitudinal study, exploring HRM policies and practices in a sample of MNC subsidiary companies in Poland. Over the course of three years, there was significant and rapid change in the form, practice and activities of HRM in MNC subsidiary companies in Poland. HRM moved from one of start-up and recruitment to consolidation and closer convergence with the respective parent company headquarters.

Other factors revealed in the literature review, which influence transferability, include the role of expatriate managers, the corporate culture, and the corporate business strategy: greenfield or acquisition. Chapter 9 presents the findings from two case study companies: SoapCo and FoodCo. In-depth interviews, observation and documentary evidence were collected from the respective parent company headquarters and the subsidiary site(s). By using the case study method a wealth of information was uncovered revealing the multi-faceted role expatriate managers play in transferring corporate culture to subsidiary units.

The findings suggest that MNC's utilise two control mechanisms to transfer parent company culture and integrate employees across cultures. These are expatriate managers, and the function and practice of HRM. The evidence shows how MNC's seek to channel human efforts towards the attainment of global organisational objectives (Leksell, 1981). In addition the study reveals that expatriate managers operate at a variety of levels in transferring culture and HRM practices and processes. It is argued that their role has become even more important and of value in the globalisation process, than the literature on transnational management acknowledges. Conclusions are drawn in Chapter 10. Limitations of this research study are explored and recommendations for future areas of research proposed.

## 2. THE CONCEPT OF HRM

### 2.1    INTRODUCTION

Clark (1996) argues that to understand HRM in differing cultures, researchers need to begin by asking what is meant by HRM. To do so, one first needs to identify the factors which led to its emergence and explore whether there are common unifying themes of HRM.

HRM is often defined as the management of the employment relationship. Yet considerable controversy exists about its characteristics, its philosophy, its constituent parts and its meaning. HRM has been viewed as a fusion of industrial relations and personnel management; as little more than a statement of personnel management; as focused on developing the potential of individual employees; or as a strategic phenomenon capable of being transferred across cultures (Legge, 1995; Guest, 1989). The multiplicity of meanings for HRM as a concept raises fundamental issues in exploring how it is, if at all, transferred across cultures.

HRM emerged in the early 1980's in the USA. Beaumont (1992) identified the following factors as critical to the development of HRM: the increasingly competitive, integrated characteristics of the product market environment; the increasing influence of Japanese management methods; decline of workforce unionisation and the increasing numbers of service sector, white-collar workers; the increasing level of interest attached to HRM issues by senior managers including the managers' prerogative right to manage; and the relatively limited status and power of the personnel function due to its inability to demonstrate its contribution to organisational performance. Indeed the key difference between Personnel and HRM was the latter's claim of 'making full use of its human resources to gain competitive advantage' (Guest, 1990: 378). HRM became identified during this period, as an important variable in contributing to the competitive advantage of a company.

Clark and Mallory (1996) identify the development of HRM as a concept from two seminal papers: the Matching (Fombrun *et al*, 1984) model and the Harvard (Beer *et al*, 1985) model. Fombrun *et al* (1984) developed a model of HRM which is based on the notions of 'tight fit' or integration between HRM strategies and organisational strategies.

> It posits that competitive advantage will accrue to those organisations best able to exploit environmental opportunities and avoid or survive threats; and that the strategic management of human resources will assist organisations in this by encouraging appropriate sorts of behaviours, attitudes and competencies from employees. Hence the efforts of the HR

function are directed at developing coherent, planned and monitored policies on all aspects of the organisation which influence or structure employee behaviour such that these generate behaviours which support the achievement of organisational strategies.

<div align="right">(Clark and Mallory, 1996: 6-7)</div>

The second model, the Harvard model (Beer *et al*, 1985) explores the 'HRM territory' more deeply. By exploring the external influences in more detail it suggests that managers' actions and HRM policy choices are constrained and influenced by 'stakeholder interests' i.e. government, trade unions; and situational factors: labour market conditions; laws, management philosophy. These affect the HRM policy choices which affect the HRM outcomes and long-term consequences on the individual and the organisation.

## 2.2    THE QUESTION OF TRANSFERABILITY

The main criticism made concerning the above models of HRM is firstly, whether HRM is an American concept which may not readily transfer to European countries; as these models encapsulate their own cultural assumptions (Hofstede, 1980; Laurent, 1983). Guest (1990) argues that the values underpinning HRM represent aspects of the American Dream. For example: a belief in the potential of human growth; a desire to improve the opportunities for people at work, and the enforcement of strong leadership. Using the Hofstede (1980) dimensions, Clark and Mallory (1996) argue that the philosophy behind HRM is located in the US culture. They explore four central values of HRM that they argue characterises US culture:

- a willingness to delegate responsibility for HRM policies and a belief that employees should be encouraged to take responsibility for their own development and performance (low power distance)

- a recognition that there are risks attached to delegating responsibility for certain HRM issues and empowering individuals (low uncertainty avoidance)

- an emphasis on the individual resulting from i) a desire to nurture and release employee potential rather than stifle it; and ii) the reinforcement of strong leadership (high individualism)

- a recognition that the way in which employees are managed, such as through the development of a strong corporate culture, makes a critical difference to the overall effectiveness and performance of organisations (high masculinity)

Consequently some academics have questioned whether HRM as a concept is culturally bound (Easterby-Smith *et al*, 1995) and suggest that the notion of HRM would

transfer more readily to nations or cultures which are characterised by similar dimensions as the US namely the UK, Australia, Canada and New Zealand.[5] Many researchers note that there are widespread and fundamental cultural differences in Europe, and as such the meaning and practice of HRM may well be different (see Brewster, 1991).

The central tenet of HRM as a source of competitive advantage, sometimes expressed as the notion of channelling employees to a common goal, may be culturally relative. One study, Garavan *et al* (1998), found limited evidence that Polish firms viewed human resources as a source of competitive advantage; that there was no explicit link between the characteristics of HRM and the overall and continued success of the organisation. The researchers found that the HRM function was highly centralised with little attempt to devolve HRM responsibility to line managers. The focus of HRM activities tended to be on administration and welfare issues with only limited attempts at HRMplanning.

Likewise further studies suggest that HRM is itself, 'culture sensitive', (Easterby Smith *et al*, 1995) in that certain policies and practices are capable of being transferred, others need to be adapted whilst other practices cannot be transferred. Tayeb (1998) found that practices were more prone to cultural influences than policy. In her research on a US subsidiary based in Scotland she found that in areas such as recruitment, training, pay, benefits and pension the subsidiary had adopted the parent company's overall policies but utilised locally acceptable practices. However she found that certain company values were rejected.

> One of the pictures which came through the account of NCR Dundee's HRM is that certain imported foreign practices, whether from the American parent company or companies elsewhere, have been modified to make them workable in the company. A second picture is that such modifications have affected the imported practices rather more than policies. The third picture is that the company's HRM is influenced and indeed to a large extent determined by major factors inside and outside it.

Generally it appears that certain aspects of HRM are culturally specific which makes transferring certain practices impossible. For example Gill and Wong (1998) in their study of Japanese HRM practices in 32 organisations in Singapore, selected five HRM practices. They found that house unions, consensual decision making and quality circles are transferable to Singapore. But that lifetime employment and seniority systems are problematic for cultural reasons with Singaporean culture emphasising

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5    Peiper argues that there is only one of Hofstede's dimensions which will have a major difference on the notion of HRM: collectivism and individualism. Management practices in highly individualistic cultures support individual initiative and personal achievement and HRM practices on appraisal and individual performance related pay would support this. Whereas in collective cultures greater emphasis is based on consensus and decision making through teamwork.

meritocracy over needs for security and equity. Similarly Tayeb (1994) in her study of Japanese management practices in a Japanese subsidiary in the UK, found some management practices to be incompatible with British society and as a consequence Japanese expatriate managers did not adopt them.

Thus the national context comprising the economy, culture and legislation appears an important factor affecting transferability of HRM policies and practices. In a survey of a sample of Japanese owned firms operating in the US, Yang (1992) found that the legal, social and economic environment in the US had influenced and modified the content of 'Japanese HRM'. Yang reports that typical Japanese HRM policies such as lifetime employment, seniority-based compensation policies and enterprise unions were absent from the majority of Japanese firms in the US. By contrast, many firms had written clauses of Alternative Action plans in their HRM policies, and had tried to substitute unionisation by designing sophisticated HRM policies in their US plants. At the same time they had adhered to such Japanese HRM practices as tight screening of job candidates, job security, job training, job rotation, teamwork, flexible work rules, large job classification systems and co-operative employee-management relations. In other words certain HRM practices could be successfully transferred to the US, others could not (Tayeb, 1992).

In addition a grey area exists, whereby practice operates within a broad policy spectrum. Research has found differences in the degree of interpretation and implementation of HRM practices such as performance appraisal. Snape *et al* (1998) explored the differences in the form and substance of performance appraisal in a questionnaire survey to 276 Hong Kong and British managers. They found that performance appraisal was more widespread in Hong Kong than in the UK. The British appraisal was more participative, with greater emphasis on development. Whereas, the Hong Kong appraisal was more directive, with participants preferring its use as a means for reward and punishment rather than for long-term career development.

## 2.3    THE MEANING OF HRM

The debate surrounding the 'culturally sensitive' nature of HRM, raises difficult methodological and theoretical issues on how to conduct and compare HRM across cultures. Or more precisely in the case of this research, what does HRM mean for a company operating across national boundaries?

Taking into account the criticism made of the two earlier HRM models, 'Matching' and 'Harvard', Brewster (1995) developed a contextual model of HRM which identifies three sources of environmental influence on organisational strategies and their HRMstrategy and practice. These environmental influences are identified as the

international context: supranational structure and institutions of the EU; the national context: culture, political, legislative, economic institutions; and the national HRM context: education, training, labour markets etc.

While the influence of these factors is not disputed, the limitations of this model are its 'imported' notion of HRM and the assumption made that HRM strategy is linked to corporate strategy. Mallory and Clark (1996) argue that Brewster's methodology is convergent and ethnocentric. They argue that researchers like Brewster have generally failed to adequately specify the nature of national culture and its relevance to the phenomena under investigation.

> Essentially the researcher conducts a single country study in two or more nations. The main methodological goal of this research approach is standardisation. As far as possible all aspects of research design and its implementation [with the exception of language] are kept identical across cultures. However the basic purpose of company phenomena, such as HRM , across nations is to contribute to an understanding of how and why employee management practices are similar and different. This necessitates making comparisons between national settings which in turn requires an understanding of culture........This approach to cross national comparison regards culture as the basic explanatory variable. While it looks for differences across nations and seeks to attribute these to national culture, no direct linkage is made between the observed phenomenon and the specific features of the national setting which accounts for the noted variability between nations....This approach is naive, in the sense of being untutored or uninformed [by theory] .... Culture is used as a residual rather than explanatory variable whose precise nature remains obscure and is, all too often left to the imagination of the reader. (1996: 23-24)

Clark and Mallory (1996) propose their own model for understanding HRM and identify three factors which will affect the nature and type of HRM concepts and practices: international institutional context; national culture; and national institutional context. HRM is purposely left unspecified and undefined. Rather the authors pose the question 'What do people in different nations understand as HRM?' This has implications for this research study. It means that the definition and meaning of HRM should be defined by the local managers, expatriate managers and practitioners to fully understand its philosophy and practice in Poland, and within the MNC.

## 2.4    CENTRAL TENETS OF HRM

Additionally the meaning of HRM from the Researcher's perspective should also be summarised:

- the achievement of appropriate and integrated human resource strategies as critical to the achievement of corporate effectiveness. The degree of integration of HRM with business strategy (Brewster and Larsen, 1992)

- devolution of responsibility for HRM issues to line managers (Brewster and Larsen;1992)

- development of a strong corporate culture in order to support employee commitment and ensure that patterns of behaviour are consistent with the values and philosophies of the senior management. This enables senior management to reduce the risks associated with devolving responsibility by promoting employee commitment and to an overarching structure of behaviour, thought and feeling. Sparrow and Hiltrop (1995) specify that one common feature of most HRM theories is the need to create behavioural consistency and coherence through differing HRM practices such as appraisal and performance related pay. This is then enforced through HRM processes operating at differing levels. (Schuler, 1992)

- focus on the individual supported by appraisal, training and development, performance related pay and so on (Legge, 1995).

## 2.5    ORGANISATIONAL LIFE CYCLE AND HRM

According to Milliman, Von Glinow and Nathan (1991) who explore the concept of organisational life cycle related to international human resource management practices within an MNC. They argue that there are optimal practices according to the specific life stage of the MNC:

> Creating effective strategic human resource practices requires the management of two fits simultaneously, external and internal. The external fit involves the fit between HRM activities and the organisational context .....the internal fit concerns the relationship between the various human resource functions e.g. selection, training, performance appraisal and compensation (1991: 320).

The researchers identify four stages in an organisation's life cycle: organisation initiation; functional growth; controlled growth and strategic integration (Baird and Meshoulam, 1988).

### Stage One: Organisation Initiation

The new organisation initiation is 'characterised by start-up, entrepreneurship, management by informality and limited products and markets' (Baird and Meshoulam, 1988: 118). At this stage the line managers handle most personnel practices, with the main emphasis on recruitment and selection. The HRM function at the parent company's head office may be available for advice and consultation.

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## Stage Two : Functional Growth

This stage is characterised by 'technical specialisation, dynamic growth expanded product lines and markets and added formality in structure' (Baird and Meshoulam, 1998: 118). At this stage the emphasis for HRM is on greater formality of department and practices. The MNC is concerned with short term cost savings over long term career development.

## Stage Three : Controlled Growth

This stage is defined as MNC's requiring greater measurement and control, characterised by 'professional management, scarce resources, new acquisitions and diversified product lines....focus on productivity and cost effectiveness...newly proposed programs and added specialisation must be justified' (Bird and Meshoulam, 1988: 119). The emphasis for the parent company concerns achieving greater integration and control of its overseas operations. At this stage it is implied by Milliman *et al* (1991) that the organisation may be adapting its model of HRM to include some limited career development for its employees demonstrating high potential.

## Stage Four : Strategic Integration

This is defined as management's focus on flexibility, adaptability and integration across business function. The stage is characterised by 'team action, full integration of functional areas, strategic management, highly developed monitoring capabilities and an ability to adjust to the environment' (Baird and Meshoulam, 1988: 121)

Whilst there are some criticisms regarding the Milliman *et al* (1991) model, such as it depicts a linear, deterministic model that matches HRM policy with the external environment. The arguments suggest that an organisation's life cycle needs further consideration. In addition the rapidly changing economic environment in Poland may also contribute to the type and level of sophistication of HRM at an organisational level.

The next chapter reviews the literature concerning MNC global strategies and HRM. Discussion of the major influences affecting the transferability of HRM policies and practices from an MNC's parent company to its local subsidiary unit are then explored in depth. If the meaning of HRM is different in differing countries, to what extent does this affect the MNC's ability to transfer its HRM policies and practices to its subsidiary operations?

# 3. CONTROL AND CO-ORDINATION IN MULTINATIONAL FIRMS

This study examines definitions of control and co-ordination applied by MNC's. It then discusses international staffing policies. These indicate a company's preference for parent company nationals (PCN's), host country nationals (HCN's), or third country nationals (TCN's). The literature review indicates that the type of international staffing policy utilised within an MNC, demonstrates their level of globalisation. Consequently theories of how MNC's utilise their employees to inculcate parent company culture are described. Finally the 'ideal' state of the geocentric firm is explored.

## 3.1    CONTROL AND CO-ORDINATION

In understanding how companies seek to attain a global common culture and their use of control mechanisms, we need firstly to define control and co-ordination:

> All formal organisations are concerned with how to channel human efforts towards the attainment of organisational objectives. The organisation employs a set of instruments and processes designed to influence the behaviour and performance of organisational members, groups, subunits and/or the organisation as a whole towards goal congruence and global achievement. The sets of instruments and processes are designated herein as either control systems or control instruments.
>
> (Leksell, 1989: 76)

> Control within organisations is a process whereby management and other groups are able to initiate and regulate the conduct of activities so that their results accord with the goals and expectations held by those groups.
>
> (Child, 1984: 136)

Aligned to definitions of control, co-ordination is defined as the integration, harmonisation or linking of different parts in an organisation towards a common goal.

> A mechanism of co-ordination is any administrative tool for achieving integration among different units within an organisation.
>
> (Martinez and Jarillo, 1989: 490)

Harzing (1999) notes that there are two important elements in the definition of control. 'First management can use it as a means to direct behaviour. Second, there is an element of power in this relationship'. (1999: 8) Harzing notes that the power element is much more implicit in definitions of co-ordination, in contrast to definitions of control. She argues that 'control is a means to achieve an end called co-ordination, which in turn leads towards the achievement of common organisational goals'. (Harzing, 1999: 9). From the literature review control can be categorised as bureaucratic formalised control, written rules and regulations; control by socialisation and networks, through company values, coaching and mentoring; and output control,

use of competencies and performance management to evaluate and reward appropriate behaviour. However one of the most important mechanisms, it is argued, for control and co-ordination is through MNC international staffing policies and the role and status of expatriate and local managers within the MNC.

## 3.2    INTERNATIONAL STAFFING POLICIES

In defining how a company operates overseas, little has changed from Perlmutter's (1969) and Heenan and Perlmutter's (1979) classification of MNC's management strategies (Martinez and Jarillo, 1989; Caliguiri and Stroh, 1995). For example the terminology used by Bartlett and Ghoshal (1989) to define an MNC is based on corporate structure: MNC, Global, International, and Transnational. The definitions themselves serve to categorise MNC's by their level of integration and flexibility within the market place. However Martinez and Jarillo (1989) note the similarity of concepts by Perlmutter (1969) about polycentric, ethnocentric and geocentric orientations of headquarters towards subsidiaries, fit with concepts of 'multi-domestic', 'global' and 'transnational' respectively. For the purposes of this research study the term MNC is used throughout and defined as 'an enterprise that engages in foreign direct investment (FDI) and organises the production of goods and services in more than one country' (Dunning, 1993: 6)

Perlmutter's (1969) typologies are used to describe how an MNC operates on a global basis (see Table 1). The definitions relate to the staffing policies of the MNC's, the level of decision-making authority held in the subsidiary units, the perceived role of HRM and the corporate culture as a means to engender corporate goals and objectives. For example, the ethnocentric company would be described as where head office dominates the subsidiaries through its organisational structure, hierarchy and decision making. Such a strategy would depend on the parent company managers (PCN's) to manage the subsidiaries. This strategy is in stark contrast to the regio- and polycentric firms who place much greater levels of decision making powers and authority in the hands of local managers who run the subsidiary units, i.e. host country managers (HCN's). This strategy would allow for much greater flexibility and market responsiveness than the ethnocentric.

The geocentric strategy is held up as the ideal model because it attempts to combine and balance the theoretical ideals of central integration and local responsiveness (see Perlmutter, 1969; Perlmutter and Heenan, 1979; Bartlett and Ghoshal, 1989). This 'ideal model' perception can be derived from earlier work by Lawrence and Lorsch (1967). They argued that for a company to perform effectively in many differing environments, there is a need to be globally integrated to some degree

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in working towards a common goal as well as being able to be sufficiently flexible to local market needs.

**TABLE 1: Three Types of Headquarters Orientation Toward**

**Subsidiaries in an International Enterprise**

| Organisation Design | Ethnocentric | Polycentric/Regiocentric | Geocentric |
|---|---|---|---|
| Complexity of organisation | Complex in home country, simple in subsidiaries | Varied and independent | Increasingly complex and interdependent |
| Authority; decision making | High in headquarters | Relatively low in headquarters | Aim for a collaborative approach between headquarters and subsidiaries. |
| Evaluation and control | Home standards applied for persons and performance | Determined locally | Find standards which are universal and local |
| Rewards and punishments: incentives | High in headquarters, low in subsidiaries | Wide variation can be high or low rewards for subsidiary performance | International and local executives rewarded for reaching local and world-wide objectives |
| Communication: information flow | High volume to subsidiaries orders, commands, advice | Little to and from headquarters Little between subsidiaries | Both ways and between subsidiaries. Heads of subsidiaries part of management team |
| Identification | Nationality of owner | Nationality of host country | Truly international company but identifying with national interests |
| Perpetuation (recruiting, staffing, development) | Recruit and develop people of home country for key positions everywhere in the world | Develop people of local nationality for key positions in their own country | Develop best employees everywhere in the world for key positions everywhere in the world |

Source: Perlmutter, 1969

## 3.3 ETHNOCENTRIC HRM PRACTICES

The ethnocentric company is centred within the home country or parent company at its headquarters, and its staffing policy focuses on utilising PCN managers as expatriates in key positions in their foreign subsidiaries. Ethnocentric companies will ensure that expatriate managers drawn from their parent company manage their foreign subsidiaries. This elite group of expatriate managers would be the central focus for international HRM activities that would concentrate on the recruitment, selection, reward performance and succession planning for the group.

The ethnocentric or 'colonialist' approach is often found in start-up ventures when more technical skills or managerial experience are needed and are not found in the local labour force. The head office would remain a source of knowledge and advice as well as holding alternate levels of decision-making authority.

Ethnocentric companies would expect their expatriate managers to transfer the headquarters' cultures and philosophy by working with host nationals (Edstrom and Galbraith, 1977). The literature suggests that they would choose to implement similar HRM policies and practices in its foreign subsidiaries as those customary in the home country (Tayeb, 1998). Yet it is unclear from the research to date precisely how expatriate managers working within an ethnocentric company would be expected to co-ordinate and implement the parent company's HRM policies and practices in the foreign subsidiary.

The notion of expatriate managers transferring the corporate culture has been subject to controversy. Lee and Larwood (1983) showed that expatriate managers who were sent to socialise the host country employees to their parent company culture, were themselves socialised by the host country. Their research showed that subsidiaries had corporate cultures more consistent with their own countries' cultures than with that of the parent company (Caliguiri and Stroh, 1995). However, other researchers have suggested that the HRM processes used for expatriate managers are themselves a means of control and co-ordination. Janssens (1994) found that performance appraisal systems were structural mechanisms, which guaranteed that international managers implement the objectives and policies of the MNC. As such expatriate managers were typically used by MNC's as *'boundary spanners'* (Janssens, 1994) in terms of carrying and implementing the parent company culture.

In addition the literature suggests that expatriate managers have a high turnover rate and that their success depends on possessing a special set of skills and abilities above those necessary in the home country (Tung, 1984). However it is

unclear whether this high turnover actually exists. Expatriate failure rates of between 16 to 40 per cent have been quoted in the literature with the contention that these failure rates have been due to inadequate support to the manager or their partner in settling into a new country, or the pressure derived from the increased pressure of managing in a different culture. Yet Harzing (1995) argues that there is 'almost no empirical foundation for the existence of high failure rates when measured as premature re-entry .. [and] .. the high levels of expatriate failure rates are a myth and based on a massive misquotation of three articles' (1995: 457). Similarly Hamill (1989) found the expatriate failure rate to be no more than five per cent in British owned MNC's.

For ethnocentric companies the heavy reliance on expatriate managers would, it is suggested, engender a high level of HRM support relating to their management, repatriation and compensation. The literature also suggests that ethnocentric companies will place PCN's in all key positions in the subsidiary and thus, would have more PCN's compared to regio/polycentric and geocentric companies, in accordance with their desire to maintain control of the local subsidiary (Dowling, Welch and Schuler, 1990). Furthermore the role of PCN's in an ethnocentric company is one of teacher and exporter of knowledge, who are seen to reflect the parent company culture.

Perlmutter (1969) argues that there are costs and benefits to the ethnocentric strategy. The benefits are short term, organisation is simpler, there is a higher rate of communication of know-how from headquarters to new markets, and more control over appointments to senior posts and subsidiaries. The costs are described as ineffective planning due to lack of good feedback, the departure of the best people to the subsidiaries, fewer innovations and the inability to build a high calibre local organisation. One would also expect to witness a less flexible response to local conditions with head office dominating key decisions.

## 3.4    POLYCENTRIC AND REGIOCENTRIC HRM PRACTICES

The essential difference between the polycentric/regiocentric MNC and the ethnocentric MNC is its staffing policy. In polycentric/regiocentric MNC's, host nationals would manage the subsidiary units. It is argued that there are advantages in this strategy, namely local managers are usually cheaper to employ than expatriate managers, and have no language and cultural barriers. One might expect some co-ordination from headquarters on how the subsidiary should operate (Caliguiri and Stroh, 1995) but generally this strategy would treat its foreign subsidiaries as essentially autonomous units.

In terms of HRM, there would be fewer expatriate managers and thus the HRM function would not devote as much resource to the selection, reward, compensation and repatriation of its expatriate managers. Rather the foreign subsidiaries would be free to develop and design their own HRM policies and practices to reflect the local market circumstances and the labour market legislation.

Specifically a polycentric company would recruit host nationals (HCN's) to manage the subsidiary units. Whereas a regiocentric strategy is similar, and tends to apply to its geographical coverage, it would include nationals from other countries, or third country nationals (TCN's) to manage the subsidiaries (Caliguiri and Stroh, 1995).

It is suggested in the literature that such companies are little concerned with parent company culture. Parent company employees have limited contact and influence in the subsidiaries. Host nationals or third country nationals may also have limited contact with the parent company and their own concerns may be confined to the region or unit where they are managing (Heenan and Perlmutter, 1979).

> Corporate culture, to the extent that it exists tends to be loose and informal. There are few guidelines, policies are typically quite vague and there is little specification of desired practice - all of these tasks are left to the subsidiary or business unit general manager and his or her personnel staff. The role of the headquarters staff is limited to tasks such as executive recruitment and advice on key appointments, and exchanging lessons of experience.
>
> (Evans and Lorange, 1989: 152).

Yet such a strategy may reflect the life cycle of the company. A company moving from an ethnocentric to a poly/regiocentric approach might consider the choice between using expatriate staff to manage their operations or to use host nationals. One might witness a company moving from an ethnocentric, expatriate dominated approach focused on teaching local managers, to one where the HCN's assume greater responsibility and authority. However the literature assumes that at this stage, autonomy rests with the subsidiary unit with the parent company exerting little influence. It is unclear from the literature what effect this might have on the organisational culture both globally and locally.

The costs and benefits of the polycentric approach, are according to Perlmutter: waste due to duplication; too localised or specialised products; too excessively rigid for local traditions and local growth at the expense of global growth (Perlmutter, 1969: 16). The main advantages are intensive exploitation of local markets, better sales related to the local nature of sales staff, more host government support and good local management.

## 3.5    GEOCENTRIC HRM PRACTICES

The geocentric strategy is regarded in the literature as the ideal state: 'When MNC's desire an integration of all their foreign subsidiaries and the melding of a world-wide corporate culture, they adopt a geocentric management strategy.' (Caliguiri and Stroh, 1995). The geocentric strategy is often positioned as the ideal as it attempts to balance both global integration and local responsiveness. Polycentric and regiocentric strategies tend to satisfy local responsiveness at the expense of global integration whereas ethnocentric strategies may not satisfy either local responsiveness or global integration.

To balance global integration and local responsiveness, the company aims for a collaborative approach between headquarters and subsidiaries (Perlmutter, 1969). In terms of staffing policy, the aim is to develop the best people globally for key positions on a world-wide basis regardless of nationality. It is argued that the geocentric organisation has the most complex organisation requiring a high level of communication across national boundaries (Perlmutter 1969, Edstrom and Galbraith 1977). The geocentric strategy closely resembles the transnational strategy described by Bartlett and Ghoshal (1989). The elements considered essential for a company's strategy to be termed transnational rest on the following: facilitating learning, developing flexibility and building an interdependent and integrated network. Companies seeking to develop a transnational company are advised to pay great attention to their company culture as a means to achieve global integration. This is facilitated by human resource programmes 'in which the individual manager's perceptions, capabilities and relationships would become the basic building block for an integrated yet flexible world-wide organisation' (Bartlett and Ghoshal, 1989: 182).

It is the company's values and culture that are used as a way of integrating all employees across countries, sometimes described as a common language or 'corporate glue'. HRM policy tends to be specific and influential with numerous guidelines, procedures, and guiding corporate values. It is argued that employees in foreign subsidiaries learn and internalise the values, behaviours and norms of the global company. The intent is to de-emphasise national culture and replace it with the company's culture (Edstrom and Galbraith, 1977: 256).

> Examples of such HR procedures are world-wide policies regarding recruitment and promotion criteria; 'single status' policies, a uniform stance towards unions; standardised procedures for performance evaluation; global compensation policies; uniform monitoring of human resource management through opinion surveys; a code of corporate values guiding the indoctrination of newly hired recruits. It goes without

saying that corporate and divisional personnel officers typically have powerful roles in global enterprises.

(Evans and Lorange, 1989: 152).

Thus the geocentric company uses an integrated framework of HRM policies and practices as a basis for adaptation to local regional or global circumstances. The strategy is a conscious attempt to mix local approaches with global policies. For example a competency framework might be used as a framework with performance management processes using this as a basis with certain rating scales to ensure a global standard, although the actual practice of the appraisal interview, may differ from country to country.

Bartlett and Ghoshal (1989) consider that a transnational company has a portfolio of co-ordinating mechanisms, which include centralisation (substantive decision-making by senior management), formalisation (institutionalisation of systems and procedures to guide choices), and socialisation (building a context of common purpose, values and perspectives among managers to influence their judgements). Other research by Martinez and Jarillo (1989) found that MNC's used a variety of formal and informal controlling mechanisms. These ranged from behaviour controls implemented through performance management processes, to the role of expatriate managers. Other processes, such as communities of practice, may also contribute to the socialisation, and transfer of learning found in geocentric firms (Wenger and Snyder, 2000). Hendry (1996) defines communities of practice as the 'relationships people strike up to solve problems'. He argues that 'communities of practice like formally constituted groups, perform the function of forming and transmitting culture, practice and ideas'. (1997: 628-9). Similarly, Ferner and Varul (2000) identified the mechanism of formalised networks of functional managers, for example international HRM committees which bring together personnel managers from the centre and from different subsidiaries.

Diffusion of employment practices by MNC's has been explored as ways to transfer learning or best practice from subsidiaries to the parent company, known as reverse diffusion. Ferner and Varul (2000) argue that companies require greater access to new and innovative practices to sustain competitive advantage. Edwards (1998) argues that there may be greater levels of reverse diffusion from acquired subsidiaries than from greenfield sites. However one would expect to see evidence of 'networks' of learning and shared experiences, or communities of practice in a geocentric company.

It is generally agreed in the literature that HRM within an MNC has a significant role in transferring parent company culture. The question remains, however, as to how

this happens in practice (Adler and Ghadar, 1990; Doz and Prahalad, 1981). It is argued that one explicit mechanism of transferring corporate culture is through sophisticated tools such as competency frameworks. Competency or competence has become an all-encompassing concept that seeks to identify, define, develop and measure 'effective' management and organisational behaviour. Some organisations have developed and designed their HRM policies and systems around sets of managerial competencies (Boam and Sparrow, 1992; Dale and Iles, 1992; Fletcher, 1992; Iles, 1992; Salaman, 1991). They have attempted to define the behaviour of employees in the context of a broad view of management effectiveness and used such definitions of effective performance as the basis for recruitment, appraisal, performance management and career development policies and practices. Its attractiveness to companies operating overseas is that it links the organisational culture and the company's own ideas about who or what is an effective manager, with the global HRM policies and processes such as performance management or training.

In addition the desire to establish a common language or vocabulary between organisational expectations and individual needs has been a key factor and has provided a clearer agenda (Antonacopoulou and Fitzgerald, 1996). This move towards a common vocabulary reflects the move towards using competency frameworks to initiate cultural change and instilling the company culture. Research by IRS Competency Journal (Annual Report 1996) found that the majority of organisations have sought

> to define systems that focus heavily on core [or cultural] competencies instead of those confined to specific job families or a given employee cadre, such as senior managers. For these organisations, competencies are being used as the organisational glue to bond individual roles to corporate values and objectives: typical general competencies include customer focus, flexibility, quality focus and positive attitude (1996: 5).

Lastly, competency frameworks have been seen to provide the platform for more coherent human resource strategies (Schuler and Jackson, 1987; Burgoyne, 1993). Competency frameworks, it is argued, represent organisational visions of managerial effectiveness.[6] Thus one would expect to observe MNC's aiming to achieve the 'transnational vision' by defining and developing competency frameworks.

The transnational or geocentric MNC may, however be an elusive goal (Edwards, Ferner and Sisson, 1996). Leong and Tan's (1993) research into 131 MNC's found that the transnational form was the least evident of the four delineated in Bartlett

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6    For the purposes of this research study, the behavioural model represents the organisation's own perception of managerial effectiveness and its desired way of doing things. It is argued that who is defined as an effective manager and the qualities and skills they are said to possess, will illustrate the culture of any given company.

and Ghoshal's typology. ABB, the Swiss-Swedish MNC is oft-cited as a prime example of a company that behaves like a transnational by Bartlett and Ghoshal (1989), whilst further research has shown that its HQ has a more controlling role than Bartlett and Ghoshal imply. Edwards *et al* (1996) argue that the diffusion of authority and control within MNC's is not common: 'as [Bartlett and Ghoshal] admit and as is widely noted, rather few firms have attained the transnational goal' (Edwards *et al* 1996: 2). In addition Edwards *et al* (1996) argue that whilst the model of the transnational suggests devolved authority and control, in practice, they found that central control was much greater than expected. They conclude that the transnational solution may be attainable only in certain types of firm and may prove unstable.

Critics of the 'transnational' model have argued that most firms are rooted in a particular national base on which they depend for their basic operating style, and national financial regimes prevent the rise of the truly stateless corporation. (Hu, 1992). Thus researchers have more recently argued (Edwards *et al*, 1996) that firms can adopt a global perspective but without necessarily becoming a multi-centred, networked, power sharing 'transnational'.

## 3.6    OTHER PERSPECTIVES

Researchers have also attempted to categorise the HRM strategies of MNC's by the life cycle of the international company (Adler and Ghadar, 1990) and by corporate structure and organisational capabilities (Bartlett and Ghoshal 1981, Hamel and Prahalad 1994). Hendry (1994) explores the range and evolution in defining an 'international company' and reviews human resource strategies for internationalisation against relevant theoretical perspectives of its process. However, it is worth noting that internationalisation comes in many forms.

> The sheer variety of transnational activity, however, suggests the search for an all-embracing explanation may be illusory. Certainly there is no single, universally accepted, theoretical explanation of the TNC [transnational corporation]. Rather there is variety of competing explanations which operate at different scales of explanation and which derive from different ideological perspectives.
>
> (Dicken, 1992: 120)

Acknowledging this fact, the conceptual framework is based on Perlmutter's typologies and utilised to explore the differing HRM strategies, policies and processes. Whilst other researchers have explored other dimensions to develop new models or typologies, the four categories remain dominant in the literature. For example Bird, Taylor and Beechler (1998) sought to define and categorise IHRM systems using three key dimensions: firstly the degree to which the affiliate's HRM system reflects the parent company's system i.e. to what extent has the parent company's HRM system been

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imprinted on to the subsidiary. Secondly, the source to which the affiliates attribute problems when the system fails, and, thirdly, the degree to which the MNC shares HRM innovations developed at the affiliate unit with other affiliates and/or with the parent firm. From their research they found that some companies did imprint their policies and practices on the subsidiary unit and one US subsidiary that has adopted the parent company's appraisal system even using the same English language forms. From their results, they categorised four types of models of IHRM: exportive, adaptive, closed hybrid, open hybrid. The exportive model closely resembles the ethnocentric model, the adaptive and closed hybrid resembles polycentric and regiocentric approaches; and the open hybrid, resembles the geocentric. The researchers suggest that each of the four approaches will have an impact on the company's competitiveness related to four factors. Firstly, the ability of the organisation to learn; secondly, the ability of the organisation to respond quickly to environmental changes; thirdly, the ability of the organisation to co-ordinate and integrate across borders; fourthly, the ability of the organisation to minimise costs relative to competitors. They suggest that it is the open hybrid approach or geocentric, which is able to secure advantages of flexibility, organisational learning and high levels of co-ordination and integration.

## 3.7    LIMITATIONS OF THE 'IDEAL MODEL'

Underlying these typologies is the assumption that companies have the ability to make rational choices and that there is a linear progression from one strategy to the next; Kamoche (1996) argues that a firm's approach to the degree of integration it adopts derives from the strategic choices made in respect of each of the firm's core HRM activities.

**Figure 2: Kamoche's (1996) Model of Integration/Differentiation**



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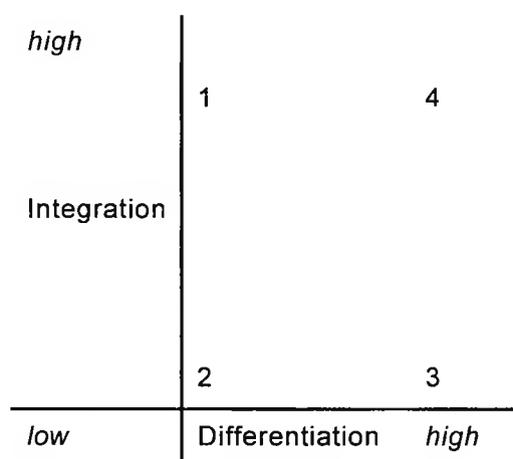
Taking Perlmutter's (1969) typologies, Kamoche (1996) utilises a model to explain the range of integration and differentiation scenarios. The vertical scale denotes the uniformity with which the firm's HRM strategy is applied across the firm to achieve cohesiveness, uniformity and a sense of purpose. At the 'high' end the company applies or imposes universalistic practices. The degree of integration refers to the extent to which these activities reflect the needs of conformity, uniformity and control defined by the centre such as selection or appraisal criteria (Kamoche, 1996). The horizontal scale illustrates the company's efforts to recognise national and unit level diversity. It is assumed that the company is able to choose and select its strategy reflecting its 'own desired degree of sensitivity to local circumstances'. For example adjusting management training programmes to account for local ways of doing things.

Each of the four scenarios denotes the range of strategic choices available to the firm in respect of IHRM decisions (Kamoche, 1996). For example, scenario 1 is concerned mainly with serving the needs of the centre, strict and rigid guidelines are drawn up and implemented concerning decisions on the selection, development, and appraisal of its managers. At the other end of the spectrum, scenario 4 reflects a geocentric approach to managing employees on a world-wide basis. Kamoche depicts the strategic choices as a scheme of IHRM strategic and operational choices. Some researchers have been able to define corporate strategies using the above typologies, all based around Perlmutter's classification. For example, some companies like GEC, Nestle and AMEX are said to be polycentric and differentiated whereas companies like IBM, Unilever and Proctor & Gamble are described as global and integrated (see Evans and Lorange, 1989; Nohria and Ghoshal, 1994; Kamoche, 1996).

Yet the assumption that a company can select and rationalise its strategy may be too simplistic. Perlmutter argues that the typologies themselves represent a linear progression or stage evolution of the MNC. For example, he describes the polycentric MNC as a *'landmark on a highway'* (1969: 13). Some researchers have inferred that the labels themselves are misleading, and that the degree of differentiation and integration may be due to other factors such as historical circumstances, managerial styles and market circumstances (Kamoche, 1996). Instead, it is questionable as to whether the labels are mutually exclusive as some researchers have faced difficulties when operationalising and categorising the typologies (see Caliguiri and Stroh, 1995).

A further criticism of labelling strategies is the assumption that strategy is static. Rather, some researchers have argued that the notion that a company can select its strategy and fit this with the appropriate HRM processes and practices, has been described as more rhetoric than reality (Ferner, 1994; Legge, 1995). Strategy it is argued is emergent, dependant on difficulty, tensions, ambiguities and the power

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battles taking place (Mintzberg, 1973; Legge, 1995). However the difficulties posed by these arguments suggest that the classifications may themselves represent a philosophy concerned with organisational capability rather than readily describe their practice. Despite these limitations the classifications are utilised within the hypotheses as a means of testing the assumptions implied within the literature.

### 3.8 SUMMARY

MNC's utilise one of the broadly defined global strategies: ethnocentric, regio/polycentric and geocentric. These strategies incorporate a range of dimensions that relate to the staffing policy of subsidiary units; decision-making powers; information flow, methods of evaluation and control. However these strategies are reductionist and belie the complexity of influences concerning transferability of HRM policies and practices. As Edwards, Ferner and Sisson note (1996: 24) the 'problems with the typologies include their static nature and their reduction of the complexities of organisational behaviour to one or two dimensions'. Whilst Edwards *et al* (1996) argue that there is no standard model for parent-subsidiary relations, the typologies are used as a framework for the research findings and to explore their relevance to the transfer of HRM from MNC parent companies to local subsidiary units.

The contradictions inherent within the globalisation process also denote the isolation of differing academic disciplines in informing our understanding of the MNC (Yeung, 1999). This can be seen in the theoretical perspectives drawn from business scholars to corporate culture scholars. HRM as a process presents an interesting paradigm in that it can be perceived as both a global and a local process. The interplay between how MNC's utilise HRM as a process to transfer parent company culture and the extent of its own transferability informs this research.

In conclusion, this chapter reviewed definitions of control and co-ordination. It then explored the differing types of international staffing policies, the role of expatriate managers and the impact on HRM practices. It reviewed the limitations of the 'ideal model' of the geocentric company. The next chapter explores the influences impacting on an MNC and its ability to transfer parent company culture through two key control mechanisms: expatriate managers, and HRM practices and processes.

# 4. FACTORS INFLUENCING TRANSFERABILITY OF HRM POLICIES AND PRACTICES IN THE MNC

Researchers have more recently argued that the choice between ethnocentric, polycentric and geocentric models of IHRM is too simplistic and belies a complex web of influences (Tayeb, 1998; Garavan *et al*, 1998; Tung & Havlovic, 1996). This chapter reviews the literature, and identifies a number of factors influencing convergence.

## 4.1 FACTORS INFLUENCING TRANSFERABILITY

One of the most significant factors influencing MNC co-ordination is national culture. MNC's, it is argued, seek greater convergence across cultures and countries to achieve a single global culture. Companies such as McDonalds transfer their corporate culture to a range of countries, whilst at the same time, de-emphasising national culture differences (Royle, 1997). The influences impacting on the ability of an MNC transferring their corporate culture through control mechanisms of HRM processes and practices, and expatriate managers can be depicted thus:

**Figure 3 : Force Field Analysis for the Transfer of HRM Policies and Practices**



| Convergence | Divergence |
|---|---|
| • Corporate Culture | • National Culture |
| • Global HRM Policies | • Local HRM Practices |
| • Role of Expatriate Managers (PCN's and TCN's) | • Host Country Managers (HCN's) |
| • Supranational Institutions e.g. EU | • Host Country - Institutional/Legal |
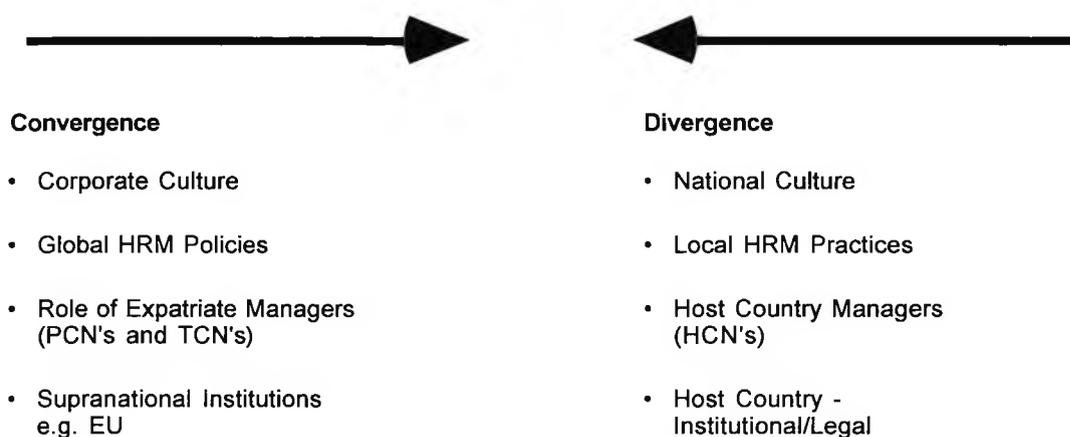
A review of the literature highlights a number of factors that help or hinder the transferability of HRM across MNC subsidiaries (Table 2). Firstly the national culture in the host and home country appears to be a key influencing factor. This encompasses the role of national institutions, the legal framework, and economic environment. Secondly the role of expatriate managers. Thirdly the relationship of the parent and subsidiary company. Finally the philosophy of HRM within the company and its use as a means to shape and control behaviour.

## 4.2    CONVERGENCE VS. DIVERGENCE

The debate surrounding the transferability of HRM policy and practice and integration/differentiation is grounded in two dichotomous theories: convergence and divergence. Proponents of the former argue that business operates largely independently of national culture and that as such organisations are becoming more alike in terms of technology, HRM policies and practices. Brewster and Tyson (1991) epitomise this view:

> There are universal truths about the management of human resources which can be applied in the same way as truths in other areas of management. Effective manpower planning, recruiting, training and development, work allocation, motivation and control of the workforce are requirements for any successful organisation and while they will of course need to be adapted, for example to local labour markets, the basic principles hold true in any country.

The divergence thesis argues that the whole globalisation process brings with it a whole new set of factors, which not only affects corporate culture, but also requires an understanding of the diverse values and environmental influences. This thesis centres on the need to recognise and capture cultural diversity (Laurent, 1986) and to use this diversity to enhance organisational effectiveness (Trompenaars, 1993). For instance, Laurent's research argues that cultural differences within an international company are maximised rather than minimised, and argues that if companies are to be effective locally, they need to adapt their policies and practices to the specific cultural requirements of different societies. 'While the global nature of the business may be calling for increased consistency the variety of cultural environments may be calling for differentiation.' (Laurent, 1986: 97).

Child (1981) suggests that the two theses are not mutually exclusive but reflect differences of methodological approach. The majority of convergence studies focus on macro-level variables (e.g. structure and technology used by organisations across cultures) and the majority of divergence studies focus on micro-level variables (for example, the behaviour and values of employees within organisations). Child (1981) concludes that whilst organisations are becoming more alike, individual behaviour is maintaining its cultural specificity.

**TABLE 2: Review of literature concerning influencing factors and transfer of HRM policies and practices within MNC's**

| Authors | Study | Findings |
|---|---|---|
| Muller (1998) | Interviews with line managers, HRM managers and company reps. Examines how HRM and IR practices in 9 US and 4 UK subsidiaries are shaped by German labour and IR institutions. | Small and medium institutions can avoid pressure exerted by German labour and IR institutions and transfer home country practices. Large companies have some flexibility and can transfer practices from parent. Institutional environment prevents large companies from following a unitarist HRM and IR approach. British MNC's allowed greater local autonomy and were not HRM innovators. All heads of personnel were German nationals. |
| Janssens (1994) | Questionnaire to 162 international managers in 4 Belgian and 1 British parent company. | International managers evaluated according to parent company standards. |
| Tayeb (1998) | Semi-structured interviews of US subsidiary in UK. | Found difference between policy and practices. Some practices able to be transferred, others more culture specific. Practices more prone to cultural influences than policy. |
| Hiltrop (1991) | 117 large companies in Belgium to examine relationship between corporate ownership and personnel practices. | Found that personnel policies and practices vary as a function of ownership and nationality. Industry sector and the management philosophy also affected HRM policies and practices. |
| Easterby-Smith *et al* (1995) | Aim of study to explore the extent HRM models and practices are capable of being transferred from one country to another. | Found more surprising similarities in HRM practices between Chinese and UK companies than between all UK companies. Suggest that some HRM practices not affected by cultural differences. But says HRM is dependant on the cultural assumptions underpinning them. |
| Gill and Wong (1998) | Japanese HRM practices in 32 organisations in Singapore 5 HRM practices selected, questionnaire used to rate attitudes. | Found that house unions, consensual direct marketing and quality circles are transferable to Singapore. But employment and seniority systems are problematic for cultural reasons with Singapore; emphasis on meritocracy over needs for security and equity. |

| Authors | Study | Findings |
|---|---|---|
| Tayeb (1994) | Japanese managerial practices in Japanese subsidiary in UK Case study. | Argues that some managerial practices are incompatible with British society and therefore Japanese managers do not adopt them. British personnel manager, all other directors Japanese. |
| Beechler and Yang (1994) | Qualitative data from 10 Japanese subsidiaries in the US (5 service, 5 manufacturing). | Present contingency model that depicts key influences on transferring HRM practices across countries. - parent firms admin. Heritage constraints { - subsidiary characteristics { on { - host country economic, social and cultural transfer { conditions - cultural distance between home and host country environments. |
| Bae, Chen and Lawler (1998) | HRM strategy in MNC's companies operating in Taiwan and Korea. MNC's country of origin varied (US, Japan, Europe, Korea or Taiwan). Questionnaire survey. | Found that it was the US firms not Japanese firms seen as trend-setters in innovative HRM/progressive HRM study such as welfare, training and organisational effectiveness. |
| Ngo, Turban, Lau, and Lui (1998) | HRM practices of MNC subsidiaries (US, UK, Japan and Hong Kong) operating in Hong Kong. | Some support for hypothesis that country of origin moderates relationships between HRM practices and firm performance. |
| Martin and Beaumont (1998) | Case Study on ABB subsidiary in Scotland. Qualitative interviews with key 'informers' and access to company records and explored HRM best practice 'benchmarking'. | Argues that i) cult-divergence literature overplays national culture card but any form of diffusion has to take account of a) the local cultural and institutional context and b) the ability and incentive of local managers to implement best practice. |
| Edwards (1998) | Explores 'reverse diffusion' from subsidiary to parent HQ in British MNC. Interviews at a variety of levels. | Role of HQ critical to reverse and forward diffusion. Exerts influence by relying on mechanisms of unobtrusive control that shape and constrain decision-making at plant level. |

### 4.3 THE INFLUENCE OF NATIONAL CULTURE

From the literature review, a major factor influencing transferability of control mechanisms such as HRM practices is the influence of national culture. Within this debate, researchers have found that companies, whilst finding it feasible to have company-wide policies, find it unavoidable to be responsive in local conditions when it comes to practice. Furthermore, it would appear that some HRM practices can be transferred without change, others must be adapted, whilst others are simply non-transferable (Hofstede, 1983, 1987;Tayeb, 1998).

The factor of national culture appears from the literature to influence at three levels: from the home/parent country; within the host/subsidiary country; and at an individual level based on values and attitudes.

### 4.4 NATIONALITY OF OWNERSHIP

The literature has recently questioned and explored the ways in which MNC's transfer their HRM practices and policies, and whether there are systematic differences in the ways in which MNC's of different nationalities or differing countries of origin manage their human resources. Ferner (1997) argues that studies to date provide substantial support for the notion that nationality of ownership is a significant determinant of MNC behaviour. For example, US MNC's have been found to be relatively centralised and formalised in the management of HR; their headquarters set and influence policy or wage systems, collective bargaining, welfare and training policies (see Bartlett and Ghoshal, 1989; Hamill, 1984; Young *et al,* 1985)

Further research indicates that US MNC's have been consistent innovators in IR, introducing productivity bargaining into Britain in the 1960's and so on. US styles have been contrasted to Japanese and 'European' styles. For example Japanese MNC's tend to rely on a high proportion of expatriate managers to manage and enforce their organisational culture or way of doing things. Ferner (1997) describes this as 'ethnocentricity' in which MNC's from differing countries of origin export their HRM policies and practices, some of which are adapted to suit local conditions. 'Nationality manifests itself more in relation to some issues than others, and that for all countries "rank and file" IR issues ... [are more likely to] resemble the practices of the local environment' (Ferner, 1997: 22). Thus issues relating to wage determination, hours of work, redundancy payments, pensions are highly subject to local institutional arrangements and are therefore less likely to be stamped with the influence of the parent company.

Rosenzweig and Nohria (1993) found in their research of 249 US subsidiaries of foreign based MNC's that generally HRM practices closely follow local practices. They found sharp differences among the affiliates of Canadian, Japanese and European MNC's suggesting strong country of origin effects. Bournois and Torchy (1992) also found that HRM practices were country dependant. Similarly, Hiltrop (1991) found that personnel policies of ownership and nationality and practices vary as a function.

Beechler and Yang (1994) present conflicting evidence on country of origin effects. They concluded in their study of ten Japanese subsidiaries in the US, that there was no single model of Japanese HRM abroad.

> internal environment of the firm, in terms of corporate culture, administrative heritage, organisational structure, and employee characteristics, [along with the influence from the] external environment .... all constrain Japanese firms in developing Japanese-style HRM policies and practices in their overseas affiliates. (1994: 487-8)

Beechler and Yang (1994) conclude that not all the subsidiaries of an MNC will behave in the same way. They found that HRM practices not only vary across firms within a given host country, but that the HRM practices vary from subsidiary to subsidiary. Clearly the influence of the external environment impacts on the company. Whilst the Bartlett and Ghoshal (1989) thesis purports that the transnational solution with its emphasis on team working, transferring knowledge, levering learning, sharing, and decentralisation, is of a globally uniform nature. Beechler and Yang's research suggests that this prescription may be too simplistic.

Secondly, Beechler and Yang (1994) found that important differences existed between the ten companies that could not be explained by local environmental differences, or MNC strategy. They concluded that *'not all Japanese companies are alike even within a single industry, as many writers have inferred'* (1994: 486). Two criteria emerge from their study of the transfer of HRM overseas - firstly whether a company 'wants' to transfer its practices and, secondly, whether it 'can'.

## 4.5   HOST COUNTRY ENVIRONMENT

The effect of the host country environment on the HRM processes and practices within an MNC subsidiary raises further questions. To what degree do the socio-economic and cultural conditions of the host country shape the form, substance and degree of implementation of HRM policies and practices? This factor has been viewed by some researchers as an independent variable influencing the dependant variable of HRM policies, practices and its characteristics (Saha 1993, Tung and Havlovic 1996; Garavan *et al,* 1998). Saha (1993) and Tung and Havlovic (1996) concluded that

macro-environmental variables have a major impact on the development of HRM policies and practices.

**Figure 4: HRM in Eastern Europe: Garavan *et al*'s (1998) Conceptual Model**

**Organisational Characteristics**

- Size of Organisation
- Nature of Ownership
- Union Representation
- Structure and Technology

**Macro Environment Characteristics**

- Political/Economic Context
- Cultural Context
- Labour Market Characteristics
- Legal Regulation of Work Practices

**Personnel/HRM Characteristics**

- Orientation of Personnel/HRM
- Structure of Personnel/HRM
- Personnel/HRM Philosophies
- Objectives of Personnel/HRM Policies
- Personnel/HRM Activities

Yet there has been a tendency in the literature to generalise about the influence this factor exerts and to view it as a top down, linear process. For example, Garavan *et al*, (1998) presents a model which depicts the macro-environment characteristics to be the major influencing factor on a subsidiary's HRM policies and practices (see figure 3). Such linear models make no acknowledgement of the possibilities of reverse diffusion (Edwards, 1998). Indeed the structure of these models may blind the researcher to exploring other influences such as organisational culture, the company's business strategy, location, industry sector and the relationship between subsidiary and parent company. The nature of these models suggests that the 'national environment' as a variable has much greater influence than the organisational characteristics.

Furthermore there is evidence that the effects of national culture on individual values and attitudes lead to wide variation of values and attitudes by country. Cultural differences exist between managerial and leadership styles, values, decision making processes and ways of doing things; all of which raise a fundamental question as to the ability of transferring policies and practices from one country to another (Bass *et al*, 1979; Hofstede, 1980,1990; Smith, 1992; Trompenaars, 1993).

Perceptions of what makes a manager effective appear to be culturally bound. Easterby-Smith *et al* (1995) found in their study on HRM in the UK and China, that there was greater emphasis on business results. Whereas in China there was more concern with the 'means rather than ends'. Such marked differences were found in the appraisal procedures in the UK and China and these differences were more marked between nations than between the participating organisations from each country. For an MNC, this finding presents considerable difficulties in their attempts to develop a common corporate culture across all sites.

The question as to whether there is one generic management style which is effective in all companies and by extension, across countries, has been subject to intense debate (Antonacopoulou, 1994: Hofstede 1980, 1991; Bass *et al*, 1979). Some researchers have sought to identify the skills and qualities associated with effective managers regardless of the organisation or the specific management job (Boyatzis, 1982). Other researchers argue that this is a myth whereby 'professional managers' switch from one company to another. Kotter's (1982) study found that effective managers are the ones who had an in-depth specific knowledge and a set of behavioural characteristics that fitted them for the job and their company. 'The supposition that all effective managers use essentially the same "style" is simply not supported by the data in this study ... a great deal of effective management behaviour is situation-specific.' (Kotter, 1982). Kotter's finding of low transferability of successful managers from one company to another, strongly supports the argument that competencies are organisationally specific. It suggests that they are contingent and constructed from external social and political factors that shape internal values and aims. (Antonacopoulou and Fitzgerald, 1996).

Difficult constraints emerge for the MNC in its desire to integrate its employees within a common culture, if significant differences exist between the employees from different countries, in relation to selection and promotion criteria, performance management, and evaluation. For example how can a company begin to operate a global succession planning process, if substantive differences exist on the concept and practice of an effective or successful manager. The literature suggests that companies trying to develop a transnational or geocentric strategy, the desire for a global unifying corporate culture that defines behavioural consistency as a means for integration could prove problematic. Thus these three elements of national culture: parent company and host country, and individual values, raise significant implications for the transfer of HRM policies and practices to MNC subsidiaries.

## 4.6    OTHER INFLUENCING FACTORS

Further research suggests that there are other key influences on transferring HRM practices across countries. These include the parent company's administrative heritage, the subsidiary's characteristics, the cultural distance between the home and host country environments (Beechler and Yang, 1994), as well as the 'values and perceptions of top management with regard to the HRM function, and the relative significance of people as a source of competitive advantage in the organisation' (Bae, Chen and Lawler, 1998: 667-8).

Moreover the role of institutions in both the host and home countries is considered by some researchers as an important influencing factor (Ferner, 1997). Muller (1998) in his study on HRM and IR practices US and UK MNC subsidiaries explored the extent to which they are shaped by German labour and IR institutions. He found that size of operation was relevant to studying the degree of flexibility subsidiaries had in transferring practices. Small and medium sized institutions could avert the pressure by German labour and IR institutions and transfer home country practices; whereas the institutional environment prevents large companies from following a unitarist HRM/IR approach. Likewise the relative size of public and private sector, the concentration of ownership and the average size of organisation, all influence the nature of HRM. For instance, it is argued that in countries like Greece the small size of most organisations limits the ability of HRM to be little more than an administrative function. (Ball, 1992)

This chapter reviewed the debate of convergence and divergence. It then reviewed the key influencing factors affecting the transfer of HRM across cultures. The major influencing factor, national culture, was described in terms of how it affects meaning and practice of HRM, as well as management behaviours. In conclusion a range of factors appear to influence the HRM policies and practices within an MNC subsidiary which limits its effectiveness as a control mechanism. These factors are now explored in greater depth in the next chapter, and a conceptual framework is presented.

# 5. CONCEPTUAL FRAMEWORK

Based on the literature review a conceptual framework is now presented which highlights the major influences on the transfer of an MNC's HRM policies and practices to a subsidiary, and thus by implication its ability to transfer its parent company culture. Four influences are defined. Firstly the institutional context and national culture. This is subdivided as: the international institutional context, which includes supranational institutions; the institutional context in the MNC's country of origin and the host country for the subsidiary(ies); and the local national culture. socio-political, cultural and economic context, national culture and the role of supranational and national institutions, which shape HRM meaning and practice. Secondly the role of expatriate managers in transferring knowledge and practice. Thirdly, the company culture, which, it is argued, underpins the role and status of the HRM function within the organisation. Fourthly the company business strategy in seeking to acquire companies or set up and operate from greenfield sites. All impact on the globalisation process of the MNC, the transfer of its HRM policies and practices to the subsidiary company and, by default, its parent company culture.

A number of factors emerge from the literature which impact on the ability of an MNC to transfer its HRM policies and practices to its subsidiary, in order to create a 'transnational' company. The first issue concerns the contextual factors such as the host country's institutional framework, its economy, its labour market and the national culture. The second issue incorporates the company culture, its business strategy, the relationship between the parent company and its subsidiary and the role of expatriate managers. Thirdly, the relationship between the parent company and the subsidiary, and finally the role of expatriate managers in transferring this culture.

This section discusses each of the factors identified in the conceptual framework:

- Socio-political, Cultural and Economic Context: national culture; international and national institutional contexts

- Corporate Culture

- Role of Expatriate Managers

- Business Strategy:  Acquisition, Joint Venture or Greenfield

**Figure 5: Conceptual Framework for Exploring the HRM Concepts, Policies and Practices in MNC Subsidiaries**

**International Institutional Context**
•European Union (EU)
•International Labour Office (ILO)
•etc.

**National Institutional Context:**
**MNC Country of Origin**
•economic system
•educational system
•finance
•legal system
•political system
•etc.

**National Institutional Context:**
**Host Country of Subsidiary**
•economic system
•educational system
•finance
•legal system
•political system
•etc.

**National Culture**
attitudes
values
management styles

**Corporate Culture**
•History and extent of globalisation
•Type:power,role, task and people
•Beliefs and Values
•Role, function and status of HRM

**HRM**
**Concepts, Policies and Practices**
**in an**
**MNC Subsidiary**

**Business Strategy**
•greenfield or acquisition
•Type of business sector
•Parent/subsidiary
relationship

**Expatriate Managers**
Role and Purpose
Level in subsidiary
Status
Origin i.e. PCN's, TCN's

**5.1     SOCIO-POLITICAL, CULTURAL AND ECONOMIC CONTEXT**

The debate surrounding national culture and the wider socio-economic, legislative framework within which MNC's operate underpins the debate concerning the desire for corporate parent company integration and the subsidiary's needs for local flexibility, responsiveness and adaptability. Cultural differences have implications for HRM policies and practices for multinational companies. For example attempts by an MNC to have a global succession planning process will fail, if managers from differing companies have varying concepts of managerial effectiveness. As Sparrow and Hiltrop note,

> it is apparent that identical personnel policies and practices may have different effects both across countries and for different subgroups of employees within countries due primarily to basic assumptions held by managers which are a product of education, language, religion or national culture. (1994: 60)

Similarly an MNC may find that its policies on recruitment or discipline require local adaptation to meet the host country legislation. The debate within the literature centres on the extent the factors of national culture, business structure, organisation demography, national competitive advantage, and institutional, have on shaping an MNC's HRM policies and practices. (Sparrow and Hiltrop, 1994)

**5.1.1   The Effect of National Culture**

For the purposes of this research, the influence of national culture is explored first, due to the fact that many researchers including Hofstede (1980) would argue that national institutions are products of national culture.

Two dominant perspectives emerge from the literature. The first perspective, the institutionalist approach, emphasises the relationship between the organisation and its institutional environment and the way in which this relationship shapes the organisation's internal structure. The second perspective, ideational or culturalist perspective, explores values, ideas and beliefs shared by people in society. Ideationalists tend to view culture as systems of shared meanings or ideas or as collective programming (e.g. Hofstede, 1980). Members of a society learn these values through a socialisation process, usually in childhood, which is formative in assimilating the basic assumptions of a given culture. It is these basic assumptions and values

which, ideationalists argue, shape national institutions which in turn reinforce and perpetuate dominant value systems.[7]

The ideationalist perspective tends to adopt a micro-level methodological approach by studying individual values and attitudes usually by large scale surveys such as Trompenaars (1993), Hofstede (1980), and Laurent (1983). Cultures are interpreted through dimensions such as uncertainty avoidance, masculinity versus femininity, collectivism versus individualism. In contrast macro-level analysis assumes much greater significance for political, social and economic institutions, which have a bearing on how managers and organisations operate.

> Culture consists of patterns, explicit and implicit of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts: the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand be considered as products of action, on the other as conditioning elements of future action.
>
> (Kroeber and Kluckhorn, 1952)

This all-encompassing definition belies the ambiguity, complexity and methodological issues encountered in conducting research into national culture. Research studies by Hofstede (1980), Laurent (1986) and Trompenaars (1993) reveal a wide variety of values and beliefs related to nationality. Consequently it is argued that this leads to differing perceptions of management (Laurent, 1991), managerial effectiveness; leadership styles (Smith *et al*, 1989) and concepts and application of HRM (Brewster and Larsen, 1992). For example, Laurent (1986) conducted a survey on senior to middle managers and asked: *to what extent is it important for a manager to have at hand precise answers to most of the questions that his subordinates may raise about their work*. This question, by focusing on managerial styles, revealed differing expectations according to nationality. In France, Italy and Japan, managers would be expected to have the answers, which is contrary to expectations in Sweden, Netherlands and the USA.

Hofstede's study (1980) defines culture as the collective programming of the mind which distinguishes one group of people from another. His survey of over 116,000 employees in IBM from 48 countries was conducted between 1967-1973. He argued that nationality does affect many cultural assumptions and business practices. These in turn affect appropriate managerial conduct, managerial styles, behaviours and assessments of managerial effectiveness and the ability to transfer managerial

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[7] Hofstede and Bond (1988:10) assert 'it is not only our daily practices (the way we live, the way we are brought up, the way we manage, and the way we are managed); it also affects the theories we are able to develop to explain our practices. Culture's grip on us is complete.'

processes such as MBO processes. As a result of the survey data he concluded that there were four dimensions of national culture, with a fifth dimension concerned with the concept of time added subsequently.

For an MNC, this research implies that the distinctiveness of national culture undermines attempts for global integration through corporate culture and HRM policies and practices. Adler (1986) argues that our national culture is so deeply ingrained in us that by the time we reach adulthood it cannot be erased by any external force. Laurent's (1981) survey in one MNC with subsidiaries in ten countries assumed that employees working for one organisation would be more alike compared to managers employed by differing companies in differing countries. He found that cultural differences were more pronounced among foreign employees working for the same organisation and concluded that individuals maintain and enhance their culturally specific ways of working when placed within a MNC. Similarly Hofstede deduced that corporate culture appeared to enhance national differences. This leads some researchers to the conclusion that the 'idea of the transnational organisation that is beyond nationality in terms of employees' attitudes and values remains, in reality, a myth.' (Sparrow and Hiltrop, 1994: 77)

However, this ideationalist perspective has been criticised as having serious methodological weaknesses leading to meaningless generalisations. Firstly, culture, as a concept at country/societal level, has tended to be employed as a synonym for 'nation' without any further conceptual grounding (Child and Tayeb, 1983; Bhagat and McQuaid, 1982). Differences between national samples are ascribed to nationality in a circular and vacuous manner (Child and Tayeb, 1983). The history of Poland, itself, depicts tension between culture and country. For more than a century Poland disappeared from the map in the nineteenth century, when it was annexed by the Prussian, Austro-Hungarian and Russian Empires. The country itself has moved both eastwards and westwards. At the present time the country closely resembles its founding state in the 10th century (Davies, 1981).

The dominant approach to studying national culture has been to quote nations with cultures and to study management by comparing samples of managers from different countries, and ascribing differences to culture (Smith, 1992). Whilst there has been research based upon surveys of work attitudes conducted in a variety of countries (Haire et al, 1966; Ronen, 1986) and the results clustered according to country, it is difficult to ascertain precisely what causes the data to cluster, although historical, religious and political factors are alluded to as important causes (Smith, 1992).

It can be argued that some opinions or values may reflect enduring trends but others may reflect more immediate social and economic pressures, and thus these may not be as permanent as the ideationalists suggest. Hofstede's study (1980) reveals that sub groups can strongly influence the survey results. Power distance, for example, is heavily influenced by occupational grouping and not just culture. It is therefore too simplistic to equate country with culture without deeper inspection of other influences from other sub-groups.

Secondly research findings need to be explored within the context of their time. Hofstede's study (1980) is based on data collection taken in 1968 and 1972 which reveals a different world with different values and attitudes. For example, the masculinity-femininity dimension, is based on the argument that the predominant socialisation pattern for men is to be more assertive and for women to be more nurturing and, consequently, that this can be transferred to a societal level reinforced through institutions and other processes. In organisations, argues Hofstede, 'there is a relationship between the perceived goals of the organisation and the career possibilities for men and women: Business organisations have "masculine" goals and tend to promote men; hospitals have more "feminine" goals and, at least on the nursing side, tend to promote women.' (1980: 261). The findings support this view with men scoring advancement and earnings as the most important work goals, with women ranking interpersonal aspects, rendering services and the physical environment as more important work goals.

Yet, one can argue and demonstrate that, due to the timing of the study - approximately thirty years ago - there is evidence of occupational segregation resulting in data which has little comparability to the work environment of the present age. One of the limitations in conducting a large-scale survey is the inability to ascertain the reasons behind the responses. It is not fully explored, for example in Hofstede's study (1980) why certain work goals should be more important for men than women. Rather it appears that Hofstede is subject to the assumptions of his generation and consequently does not question these further.

This is particularly evident in Hofstede's remarks on countries within the former Soviet Union and the East European countries such as Poland. Hofstede assumes that these countries, i.e. China, Japan, Eastern European countries and the Soviet bloc, are collectivist societies, which would probably result in a low individualism score. Hofstede argues that 'Collectivism does not mean a negation of the individual's well being or interest; it is implicitly assumed that maintaining the group's well-being is the best guarantee for the individual'. (1980: 216). The main weakness with this argument is its assumption that political systems are mirrors of the national culture. It does not

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acknowledge the domination of Poland's economic and political system by the Soviet Union from the Second World War to 1989, nor explain the recent and massive transformational changes in the former Soviet bloc countries. Rather it exposes Hofstede's own assumptions and limited knowledge of the history of countries such as Poland.

Thirdly, the dimensions used by ideationalists are not or perhaps cannot be mutually exclusive[8] and do not present distinctive and separate categories. For instance, Hofstede's dimensions are in some instances confused with one another. For example, when examining the summary of connotations of masculinity listed in the index for this dimension (Hofstede, 1980: 288/fig 6.5), it was found that statements from other dimensions appeared, for instance: 'belief in group decisions'; 'stronger achievement motivation' as listed in the individualism index; 'lower job stress' listed under uncertainty avoidance; 'theory X rejected' were also listed under the power distance dimension. In other words the dimensions are muddled and duplicate behavioural statements. Consequently the dimensions are not exclusive as many assume. As such it lends much weight to critics of Hofstede, such as Tayeb (1988: 39-40) who argues:

> Hofstede, although he made a major contribution to the study of organisations within a culturalist approach, did not empirically investigate the relationship between the four dimensions of work related values and attitudes and the structures of the organisation whose managers participated in the study. The relationships are conceptual and speculative. He arrived at his conclusions about the overwhelming influence of cultural factors on organisational structure on the basis of these speculations rather than "hard" evidence. Further research is needed to explore the accuracy of his speculations and conclusions.

Additionally the culturalist or ideationalist approach has been criticised as treating cultural dimensions such as power distance as variables in an ahistorical and static fashion and as permanent properties of nations rather than as dynamic and emerging characteristics linked to patterns of historical development and distinctive national institutions. (Ferner 1997; Ferner and Quintanilla, 1998)

Fourthly, the definition of culture has tended to define the concept as an omnibus variable representing a range of social, historical, political and economic factors. This weakness is evident in Hofstede's definition of culture, defined at three levels:

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[8] The naiveté of Hofstede's cultural categories has also been subject to criticism by d'Iribane (1991). For example, he shows how Hofstede's notion of power distance, in fact, conflates the very different concepts of 'power' and 'hierarchy' leading to quite anomalous treatment of the French case. d'Iribane's critique also serves as a warning of the dangers of reliance upon large scale survey approaches to cultural differences.

- a universal level which is shared by all, or almost all. In other words 'human behaviour' as opposed to 'animal behaviour'

- a collective level which is shared by some, but not all people. In other words by a group of people in terms of the language used, their norms and values governing their behaviour within that society

- an individual level which is unique to the individual - in other words, their personality.

Hofstede argues: 'In studying values, we compare individuals; in studying "culture", we compare societies' (1980: 28) and argues that inadequate research paradigms treat and categorise cultures as if they were individuals. 'Cultures are not individuals: they are wholes, and their internal logic cannot be understood in the terms used for the personality dynamics of individuals.' (1980: 31)

However, whilst Hofstede defines three levels of mental programming, he does not explicitly state which of these has relevance to his study. It is implicitly implied that the study captures data at the individual level and generalisations can then be made concerning the conformity of the responses through statistical analysis to suggest that a collective norm persists. Yet the real weakness here is that the analysis is interpreted at an individual level. It is implied that these are the values of an American manager and this is the way they behave. 'American managers [are] far more oriented to universal codes and standards than to particular relationships and exceptional circumstances, and were far readier to analyse and reduce than to integrate and construct' (Hampden-Turner and Trompenaars, 1993: 47). As a consequence it becomes rather like reading one's horoscope, far too general to contain any real meaning and categorising millions of people unconditionally. This has been apparent in the literature on the change within Central and Eastern Europe. Wide sweeping assumptions about the need to change values and attitudes abound, for example: *'you cannot teach a Russian anything about management until you have changed his mind'* (Holden and Cooper, 1994) reveals a lack of understanding and appreciation of the wider socio-economic and historical influences which shape society (Warner, 1994)

Fifthly, ideationalists explore 'values' rather than deeds or actions. The methodological weakness is that someone may answer a study suggesting that they would behave one way, which in reality is not true.[9] Values, ideationalists argue, should therefore never be equated with deeds, as the behaviour depends on both the

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[9] Values are defined as 'a broad tendency to prefer certain states of affairs over others' (Hofstede 1980: 19).

person and the situation.[10] Such values capture an individual's preference or 'perception' to a certain state of affairs, which may have little to do with how they would actually behave in the given circumstances.[11] Consequently studies undertaken by the ideationalist approach need to consider this limitation. It has been too tempting to build on Hofstede's work and make generalisations concerning 'nationality' and predicting ways that certain cultures would approach and behave within a given situation.

Finally, criticism has been made of Hofstede's study in that it concerns only one organisation which, itself, had a unique and 'strong' organisational culture (Warner, 1994). It is argued that the employees of IBM and the subsidiaries were not representative of the countries in which they worked. If this is the case, then the reliability of his data is questionable. As the study is exclusively focused on one organisation, it is worth considering the extent to which human resource strategies in specific countries are able to influence the selection and recruitment of managers and staff who were better able to individually manage uncertainty due to economic and social circumstances. In other words, to what extent did managers consciously select individuals to meet the needs of the specific situational requirements and meet the organisational culture values?

### 5.1.2   The Institutionalist Perspective

The institutional perspective captures and covers wider socio-economic, political and legislative forces within a nation-state and/or supranational bodies such as the European Union. This approach provides a more encapsulating framework for exploring the influences on HRM within an MNC subsidiary.

The institutionalist approach draws attention to institutions as the tangible manifestation of cultural distinctiveness. It does not deny the relevance of ideational systems, yet it explores the nature of the society's institutions as these are regarded as the expression of its dominant value orientation. In the case of Poland and other Central and European countries since 1989, who have moved from command to market economies, they have developed institutions as a result of Soviet domination since the Second World War. Despite the desire by the Soviet system for conformity,

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[10]  Values need to be further defined from the 'desired' and 'desirable' to the actual forms of behaviour taking place. Responding to questionnaires or interviews is a form of behaviour and one should seek to distinguish between 'words' (questionnaires, interviews, meetings, speeches) and 'deeds' (non verbal behaviour)

[11]  G.W. England (1967): 'A value is a basic belief about a condition that has considerable importance and meaning to individuals and is relatively stable over time.'

there was evidence of diversity in economic and political structures (Thirkell *et al*, 1995) which may or may not be related to national culture.

More recently researchers have argued that the two perspectives: Ideational and institutional, need to be considered together in exploring influences on HRM within another country (Brewster, 1995; Clark and Mallory, 1996). 'Nationality as a representation of culture has some validity since the members of a nation share a common set of experiences and institutions which shape their belief structures and value orientations.' (Clark and Mallory, 1996: 25). In other words, managerial values are forged within the national working environment. For example, Redman and Keithley (1998) found, in their research on downsizing in Poland, many managers had spent the largest part of their lives working for the case study organisations which meant their value systems were forged in completely different economic, social and political conditions. Due to this, the researchers found that the personal values and beliefs of managers, the nature of Polish labour law, the attitudes and 'legacy' of socialist labour relations and the distinctive nature of trade unions in Poland are especially important in shaping the HRM practice of downsizing and redundancy in Poland.

HRM is influenced considerably by state and supranational regulations. Member States of the European Union all have to comply with the '*acquis*' covering a wide range of labour legislation. This creates a framework for setting minimum standards within which countries can establish their own specific regulations. For example, Denmark has exceeded the minimum standards of social and employment legislation being set by the European Union with a highly structured welfare system (Arkin, 1992). Poland's application to join the European Union has resulted in considerable changes to its state institutions, labour law and jurisdiction as well as its economic and social policies.

Sparrow and Hiltrop (1994) argue that it is the 'social, legislative and welfare context which influences many areas of HRM, such as the topics of recruitment, dismissal, the formalisation of educational qualifications, aspects of industrial relations, pay, health and safety, the working environment, the nature of the employment contract and levels of co-determination and consultation'. (1994: 84).

Applied to this research, discussion of the national institutions factor includes a historical context charting their recent and rapid developments within the state institutions in Poland over the past ten years since the 1989 revolution. Poland's social, welfare and legislative context is later described as background to the concept and application of HRM.

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Researchers argue that institutionalists have to date tended to confine their analyses on the institutions within the host country. Ferner and Quintinella (1998) argue that to understand fully what is meant by HRM and how it is applied, researchers need to consider the effects of home country institutions. They argue that 'the HRM behaviour of MNC's is significantly influenced, directly or indirectly by country of origin national business systems' (1998: 715). MNC's reflect broad national differences in their financial systems and corporate control models (Egelhoff 1984, Erramilli 1996, Kopp 1994) and that this influences the concept, application and processes of HRM within an MNC subsidiary. Consequently MNC's and subsidiaries appear to be faced by contradictory or competing pulls. Rosenzweig and Nohria (1994) argue that MNC's face the pressures of global convergence: international control and consistency emulating from the parent company; with local divergence: influences on the subsidiary company to emulate the practices, structures and processes of other organisations in the same environment, sometimes referred to as isomorphism (Zucker, 1977).

Likewise, other researchers have highlighted the importance of examining organisations in relation to the social institutions in which they are embedded. They argue that organisations are socially constructed, and different social contexts will lead to distinctive ways of organising.

Whitley (1990) argues that as organisations move towards greater integration there is increasing recognition of national differences in higher level business systems. This leads to the argument that there are 'national business systems' (Ferner 1997) and purports that despite increasing internationalisation within many European industries national institutions remain distinct. The role of the state, financial systems, national systems of education and training, and diverse national cultures all create 'national business recipes' each effective in its particular context but not necessarily elsewhere. As such, the institutionalists argue that concepts like HRM cannot be and are not universal. The effectiveness of any universal or pan European conceptualisation of HRM will very likely be constrained by the different institutional contexts across Europe (Sparrow and Hiltrop, 1994).

Thus the research describes the effects of the national institutions, the social, economic and welfare context on the concept and meaning of HRM primarily in the host country, Poland. However, in exploring the two case studies and the longitudinal study, one needs to address the dominant influences of the concept of HRM from the parent country. Ferner and Quintinella (1998) argue that a more 'nuanced understanding' of parental influence on MNC subsidiaries is possible if researchers account for the parent-country institutional environment. This research questions: to

what extent are companies behaving similarly or differently within the host country, Poland, and how much is this related to the country of origin factor?

## 5.2 CORPORATE CULTURE

One of the ways companies have sought to emulate the geocentric or transnational model, by integrating the parent company with its subsidiaries, is through corporate culture or the 'company way' (Schneider, 1988; Bartlett and Ghoshal, 1989). Organisational culture has been viewed as a way of exerting organisational control: checking upon, monitoring the behaviour of company employees and providing feedback to correct any discrepancies from the desired behaviour (Jaeger, 1983). Management of the organisational culture has become one of the integral functions of human resource management, which is operationalised through selection, appraisal and development processes. For MNC's, organisational culture or parent company culture may be transmitted or reinforced by expatriate managers. The question of how expatriate managers transmit organisational culture remains elusive (see Ferner, 1997), however, within the literature, the organisational culture factor appears to be influential in shaping and developing a company's HRM policies and practices at parent and subsidiary level.

Within the literature, the influence of organisational culture is discussed as a relevant consideration of how an MNC manages its people in and across differing countries. Bartlett and Ghoshal (1989) describe this factor as 'administrative heritage'. They argue that the first step for any company in adapting its organisation to the emerging international environmental demands is to understand its corporate history, its 'way of doing things' (1989: 35). The authors compare the internationalisation of Unilever and Procter & Gamble by describing the histories of the companies. They argue that the most important influences on company culture or shaping the 'administrative heritage' is the impact of leadership (i.e. company's founder, or another key executive) on corporate norms and priorities, the influence of home country culture on underlying values and practices, and the powerful influence of organisational history.

The influence of corporate culture on 'ways of behaving' is a critical variable in understanding how an MNC manages its employees within the subsidiaries. The legacy of Hofstede (1980), Trompenaars (1993) and Laurent (1983) suggests that nationality dominates managerial behaviour, values and attitudes. Yet other research reveals that corporate culture may be influential in shaping those beliefs. For example, Whitley and Czaban (1998) in their study on 385 workers in thirteen Hungarian companies, revealed that supervision in foreign firms delegated more and involved their

subordinates in decision making and problem solving activities. However in Poland the management of meaning at an organisational and national level was inherent in the Communist era. Czarniawska (1986) describes how an ideology was used by political and economic leaders to manage meaning. Consequently the transfer of organisational or corporate culture to a Polish unit may be fraught with difficulties.

### 5.2.1 Definition of Corporate Culture

Culture is often cited as being the manifestation of values and attitudes. The literature tends to define culture at various psychological states; from the conscious to the subconscious or the unconscious. The former expresses culture in observable behaviour: 'the way we do things around here' (Deal and Kennedy, 1982) and explores culture through espoused values. This definition of culture operates, it has been argued, as a control mechanism (Alvesson, 1993). It emphasises developing culture of the 'right kind', by selective recruitment, socialisation and ceremonial control (Ouchi, 1980) and has been related to achieving the 'right culture' for better performance (Peters and Waterman, 1982). The latter school of thought defines culture as a deeper psychological state:

> a pattern of basic assumptions - invented, discovered or developed by a given group as it learns to cope with problems of external adaptation and internal integration - that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems.
>
> (Schein, 1986: 9)

The concept of culture has proved attractive not only to those who seek to understand world wide variations in organisation behaviour (Ronen, 1986; Adler, 1990) but also to those who attempt to delineate contrasts between different organisations in the same part of the world (Schein, 1985). Smircich (1986) argues that organisations are cultures. Organisational culture is, itself, subject to a variety of interpretations and meanings. Some writers have sought to observe behaviours and language (Goffman, 1959, 1967; Van Maanen, 1979); or dominant values espoused (Deal and Kennedy, 1982); or the philosophy that guides the organisation's policy (Ouchi, 1981; Pascale and Athos, 1981); or the rules of the game (Schein, 1968, 1978); or the feeling or climate within the organisation (Taguri and Litwin, 1968). Indeed Kroeber and Kluckhorn (1958) found 250 definitions of the term which encompassed ideas, concepts, ideologies, values, attitudes, goal norms, learned behaviours, symbols, notes, rituals, customs, myths, habits and artefacts.

Three conceptions of culture, drawn from anthropology, have had the most influence on the managerial literature: a) the holistic perspective; b) the variable

perspective; and c) the cognitive perspective (Sackmann, 1991). The holistic perspective draws on the work of anthropologists who integrate cognitive, emotive, behavioural and artefactoral aspects of culture into one unified whole. Within this perspective, culture is defined as patterned ways of thinking, feeling, and reacting, which are required and transmitted mainly by symbols. For example:

> Corporate culture may be described as a general constellation of beliefs, mores, customs, value systems, behavioural norms and ways of doing business that are unique to each corporation, that set a pattern for corporate activities and actions, and that describe the implicit and emergent patterns of behaviour characterising life in the organisation.
>
> (Tunstall, 1983)

The variable perspective focuses on the expressions of culture 'the way we do things here'. Of major interest are collective activities such as rites, rituals and ceremonies as well as collective verbal behaviour such as language, speeches, jargon, stories, legends, myths or humour. The cognitive perspective focuses on ideas, concepts, blueprints, beliefs, values and norms that are seen as the core of the complex and multifaceted phenomenon called 'culture'. This perspective defines culture as a set of shared values, norms and expectations, as beliefs, and as assumptions (see Schein, 1985).

The cognitive perspective or the ideational perspective has become the dominant conception of culture within the management literature. It is the approach, which informs this hypothesis and research. It is argued that managers 'hold particular sets of assumptions, ideas, beliefs, preferences and values' and that HRM policies reflect these assumptions about how to manage people (Laurent, 1986). Schein (1985) differentiates in his work, the components of culture between the visible to the invisible. Values are located at a level that allows some awareness. These are espoused values and focus on what people say and think as reasons for their actions. Over time, these values are reinforced through continued application and turn into underlying assumptions. These assumptions, argues Schein, are preconscious, invisible and taken for granted. This forms the basis of his conception of culture. This is mirrored within Hofstede's study (1991: 8) in which he argues 'values remain unconscious to those who hold them ... they can only be inferred from the way people act under various circumstances'. It is therefore argued that the implicit assumptions actually guide behaviour, that tell group members how to think, perceive and feel about things. (Argyris, 1976; Argyris and Schon, 1978).

Schein (1985) identifies three levels of culture from the visible artefacts to the invisible i.e. values and basic underlying assumptions.

**Figure 6 : Levels of Culture and their Interaction**

**Artefacts and Creations**

Technology
Art
Visible and audible behaviour patterns

**Values**

Testable in the physical environment
Testable only by social consensus

**Basic Assumptions**

Relationship to environment
Nature of reality, time and space
Nature of human nature
Nature of human activity
Nature of human relationships

**Visible but often not decipherable**

↑

**Greater Level of Awareness**

↑

**Taken for granted
Invisible
Pre-conscious**

Source: Schein (1985: 14)

### 5.2.2   Types of Corporate Culture

Attempts have been made to categorise corporate cultures as a way of identifying differences between organisations. By extending these definitions, one questions the extent to which the following definitions can be applied to Perlmutter's typologies for MNC's. For example would an ethnocentric company have a power or role culture; and a geocentric company, task? The differing types of culture reflect incongruous deep-set beliefs about the way work should be organised, the way authority should be controlled, people rewarded and so on (Handy, 1985). Harrison (1972) identified four main types of culture: power, task, role, and person:

**Power Culture**

Frequently found in small family-owned companies and pictured as a web by Handy (1985). This culture depends on a central power source or leader figure. The power rings are the centres of activity and influence connecting the functional or specialist strings. The organisation depends on trust and empathy for its effectiveness and on telepathy and personal conversation for communication. This model relies on selecting the 'right individuals' who the centre can trust, i.e. those who 'can think in the same way as it thinks'. (Handy, 1985)  Control is exercised from the centre. The culture is seen as strong, but this depends on the individuals at the centre. Resource power is the major power base in this culture with some elements of personal power in the

centre. Power cultures place their trust in individuals, judge by results and are tolerant of means. However they can be perceived as too tough or abrasive and may suffer from low morale and high turnover as individuals fail or opt out.

## Role Culture

The culture works by logic and rationality and is pictured by Handy as a temple. The columns represent the functions or specialisms. Senior management co-ordinates these functions. This culture relies heavily on procedures. Job roles are more important than the individual. Position power is the major source of power, personal power is frowned upon and expert power only tolerated at times. Roles and procedures characterise the major methods of influence. This type of culture offers security and predictability to the individual. Likened to the cultures of banks, the civil service, this culture is dependent on a stable environment.

## Task Culture

The task culture is job or project oriented and represented as a net. This culture, sometimes called a matrix organisation, seeks to bring together the appropriate resources, the right people at the right level of the organisation. Influence is based more on expert power rather than on role or personal power. It is a team culture, which utilises the unifying power of the group to improve efficiency and to identify the individual with the objective of the organisation. The task culture is seen as appropriate where flexibility and sensitivity to the market or environment are important. However it lacks depth of expertise.

> the task culture is the one proposed, as a personal choice to work in by most managers, certainly at the middle and power levels. It is the culture which most of the behavioural theories of organisations point towards, with its emphasis on groups, expert power, reward for results merging individual and group objectives ... when money and people have to be rational ... the task culture tends to change to a role or power culture when resources are limited.
>
> (Handy, 1985: 194)

## Person Culture

Handy (1985) remarks that 'person culture' is unusual, as it is seldom found in organisations. This culture is defined as individually focused, or as a coming together of a group of individuals. Essentially a maverick culture. Whilst individuals may prefer this culture, in reality organisational culture is enforced through a range of control mechanisms. As a consequence this 'culture' does not appear to exist within organisations (Handy, 1985).

The rationale for including these definitions of corporate culture types is to explore their relevance to the companies within the case studies. For instance do certain corporate culture types 'fit' Perlmutter's typologies concerning MNC's approaches to internationalisation.

### 5.2.3   Role of the Leader

The role of the leader and/or the founder is perceived by Schein to be critical in understanding the corporate culture.

> Founders usually have a major impact on how the group defines and solves its external adaptation and internal integration problems.......
> Founders not only have a high level of self confidence and determination, but they typically have strong assumptions about the nature of the world, the role that organisations play in that world, the nature of human nature and relationships, how truth is arrived at, and how to manage time and space
>
> (Schein, 1985: 210)

According to Schein, culture is a learned process through a variety of implicit and explicit mechanisms. Leaders or founders utilise embedding mechanisms to inculcate cultural assumptions and values. Leadership is entwined with culture formation, evaluation, transformation and destruction. Culture is created in the first instance by the actions of leaders; culture is also embedded and strengthened by leaders (Schein, 1985). This raises the question as to who is perceived as a 'leader' in the MNC? From Janssen's research (1994) would an expatriate manager be regarded as a leader who embeds the parent company culture? If so, does this role differ according to whether the company has a geocentric or ethnocentric approach?

### 5.3     THE ROLE OF THE EXPATRIATE MANAGER

Central to the typologies described by Perlmutter (1979), and Bartlett and Ghoshal (1989), is the company's staffing policy. Many writers agree (Hendry, 1995) that the decision about who manages the company subsidiary reflects the company's typology. For example, in an ethnocentric company, it is the parent company employees (PCN's) who will be placed in the senior positions or key decision making roles. Whilst local (HCN's) managers may have the advantage of knowing the language and local customs, and will probably be cheaper to the employer (no relocation costs for example), many parent company offices may be unwilling to give up their bureaucratic control.

Adler and Ghadar (1990) argue that as an MNC develops in maturity it will evolve along four main stages. They argue that the extent to which a company

matures through the different phases is rooted in how the company culture is shared and inculcated within the company's subsidiaries. To evolve, MNC's need to relinquish their control through their PCN's and enable HCN's to share their corporate culture and have similar levels of corporate decision making and authority.

Adler and Ghadar (1990) identify these four phases in relation to the life cycle of the firm. At the first phase, the researchers describe how managers would begin to make brief visits or have short assignments to assist the overseas units with any technical or product needs. The second phase is described where it begins to be acknowledged that various markets require a differentiated approach, products and business methods may be adapted to local circumstances. HCN's are recruited to positions of sales, marketing and personnel as they are perceived to have a greater understanding of local circumstances. The third phase is described where the company seeks to exploit integration and cost advantages. One of the H.R.'s most important tasks would be to focus on integrating employees through management courses and training and by expanding the same organisational values and norms through performance management techniques. Additionally the use of sophisticated HRM tools such as succession planning might be used to integrate employees resulting in subsidiary units comprising a mixture of PCN's, HCN's and TCN's. The fourth and final stage of development is defined as balancing both global integration with national responsiveness. At this phase the researchers argue, one might witness the use of cultural diversity as a vehicle for learning and flexibility.

Edwards (1998) argues that in all MNC's, the HQ will exert a degree of control over its subsidiaries in order to ensure certain patterns of behaviour on the part of local management, workforce representatives and employees in their subsidiaries. Two forms of control are exercised: direct or unobtrusive (Caller, 1996). Direct control is defined as the degree of involvement in local activities, i.e. direct involvement in decision-making; international guidelines on the selection and promotion of employees would be viewed as an overt means by which managers are expected to comply. Unobtrusive control is defined as the way in which HQ shapes and constrains decisions made at plant level through controlling the premises underlying decision making. An example of this, Edwards suggests, would be management training programmes, 'teaching the company way' or exchanging experiences. The key point is that this mechanism is operated by the HQ.

> The sending of home country expatriates could be used as a form of gunboat diplomacy, as an exercise of direct power relations by the parent company in which the expatriate acts as an enforcer of corporate policies.
>
> Ferner and Edwards (1995: 237)

Yet the expatriate manager is more than a mechanism of direct control. The expatriate manager brings with them the values, attitudes and ways of doing things, which fit and embody the corporate culture. As such, researchers have argued that expatriate managers are the 'transmitters' of corporate culture, 'boundary spanners' (Janssens, 1994) or 'cultural carriers' (Edstrom and Galbraith, 1977; Jaeger, 1983; Lu and Bjorkman, 1997: 617). Janssens (1994) argues that such systems as performance appraisal, are a way to control international managers' behaviour and reinforce parent company values by evaluating international managers in high power positions according to parent company standards.

This role of the expatriate manager defines a more pervasive means of 'unobtrusive control' through the diffusion of values and attitudes and management styles and practices. Their importance to the MNC is underlined by Bartlett and Ghoshal (1989, 1992) who cite Unilever and ABB as MNC's which rely heavily on a large cadre of international managers who are able to develop practices across the company which are in line with the values and culture of the parent company. Ferner and Edwards (1995: 241) see the physical movement of staff 'as a key means of disseminating cultural understanding and ways of doing things'. As a consequence the HQ may view the role of expatriate management as a necessary precursor to developing a senior or board level career.

From the literature a number of issues are relating to the role and purpose of the expatriate manager in transferring the culture and values of the MNC. Firstly as Ferner (1994) notes, little is known on exactly how expatriate managers transmit the parent company culture and the extent to which they themselves become imbued or socialised to the host country culture. Linked to this is the question of whether the perceptions of the parent company, as to the role and purpose of the expatriate manager, are different or similar to those within the host country.

Research suggests that generally MNC's fail to benefit from the experience of expatriate managers on return to their home country (Adler, 1983; Tung, 1986; Forster, 1992; Kamoche, 1996). This suggests that MNC's may hold differing views as to the role and purpose of the expatriate manager. In an ethnocentric company one would expect to see evidence of forward diffusion which utilised expatriate managers as the transmitters of culture and management styles, but failed to capture learning from their experiences (Janssens, 1995; Edwards, 1998). This would reflect the ethnocentric view about whether they have anything useful to learn from their overseas subsidiaries (Laurent, 1986). Whereas in a geocentric company, one speculates that there would be more overt ways and methods to capture the learning and experience from overseas subsidiaries and expatriate managers; and greater incidence of reverse diffusion.

In conclusion, if expatriate managers play a key role in transmitting the parent company culture to the subsidiaries, what other HRM systems and structures also contribute to this aim and how do they affect the HRM policies and practices within a subsidiary company?

## 5.4    BUSINESS STRATEGY

As described earlier, the strategic direction of the MNC is said by many researchers to be an important variable in the transfer of HRM overseas. Bartlett and Ghoshal proscribe the transnational firm as the solution to handling the growing complexity of global markets. Similarly, Perlmutter (1969, 1979) and Holland (1986) suggest that there is a progression or journey from one state to the next.

Two factors stemming from the company's business strategy are significant in influencing the subsidiary's culture, and the meaning and practice of HRM. Firstly the factor concerning whether the subsidiary is an acquisition or a greenfield site. Secondly the parent/subsidiary relationship (Tayeb, 1998). Rosenzweig and Nohria (1994) found that foreign affiliates established through greenfield investments were more likely to adhere to their foreign parents' operations than those established through acquisitions. In Poland, Hardy (1998: 15) argues that 'greenfield investments stand much more overtly as cathedrals in the desert, in that the decision to use the greenfield model was motivated at least partly by a desire to circumvent local networks and institutional legacies which were seen as cumbersome and restrictive'. However the distinction is more complex and obscure. For example, Hardy found that in both greenfield and brownfield investments accounting packages and systems of cost control were simply transferred from the parent organisations, whereas HRM practices were adapted to local conditions. Therefore what was apparent was a paradox of a simultaneous decentralisation of some management functions such as HRM and employment compared with significant centralisation of financial control structures (Hardy, 1998: 12).

This leads us to the parent-subsidiary relationship which appears from the literature to hinder or help the transfer of HRM policies and practices. (Janssens, 1995; Tayeb, 1994; Beechler & Yang, 1994) In part related to the role, value and level of importance of a subsidiary to the parent company, the exchange and dependency of resources is cited as an influential factor in shaping and transforming HRM policies and practices. Tayeb (1998) identifies this as a major factor influencing a subsidiary's HRM policies and practices.

The relationship between Dundee NCR and its parent company is characterised by a complex process of give and take. In a clash between

parent and subsidiary, the subsidiary has been able to assert its identity and character to a large extent onto the relationship. Sometimes it has rejected the policies issued from the centre; sometimes it has implemented them with rather flexible interpretations; sometimes it has agreed with the HQ and has won their consent for having more freedom of action than the HQ had initially been prepared to concede ... [thus] one should look at HRM as an ever evolving and changing series of policies and events ... instead of a static group ..... (1998: 353-6)

Tayeb (1998) found that the relationship between the subsidiary and parent company was characterised by a complex process of 'give and take' (353) and described the relationship as evolving and dynamic. She concluded that imported foreign HRM practices had to be adapted or modified to make them workable in the company. These modifications have affected the 'imported' practices rather more than the policies. Furthermore the subsidiary's HRM is influenced and determined to a large extent by major factors inside and outside the organisation. These are defined as the socio-cultural characteristics of the location of the subsidiary, the company's organisational culture, business and strategy and the parent company's HRM strategies.

## 5.5    RESEARCH QUESTIONS

According to the literature MNC's have differing approaches to internationalisation: ethnocentric, polycentric/regiocentric, and geocentric. A number of factors emerge from the literature which impact on the ability of an MNC to transfer its HRM policies and practices to its subsidiary, in order to create a 'transnational' company. These include contextual factors such as the parent and host country's respective institutional framework, national culture, company culture, MNC's business strategy, the relationship between the parent company and its subsidiary, and the role of expatriate managers. As a result the following research questions are expressed in the form of research statements:

Q1: The HRM practices of an MNC will be consistent with their global management strategy: ethnocentric, polycentric/regiocentric or geocentric.

Q2: Ethnocentric MNC's will transfer their HRM policies and practices to their subsidiaries, whereas geocentric companies will develop policy and spread best practice through their network.

Q3: The HRM policies and practices in a geocentric company will be more sophisticated incorporating competency frameworks to underpin global selection, appraisal and development processes than in ethnocentric or polycentric/regiocentric companies.

Q4: The role and purpose of the expatriate manager in an ethnocentric MNC will be to transfer the parent company culture more than in polycentric/regiocentric or geocentric MNC's.

Q5: The corporate culture in a geocentric MNC will be more uniform and consistently shared by managers from differing national cultures than in ethnocentric or polycentric/regiocentric MNC's.

Q6: There will be greater evidence of a role culture within ethnocentric MNC's than in geocentric or polycentric/regiocentric companies. There will be greater evidence of a task culture in geocentric MNC's than in ethnocentric or regiocentric companies.

As this research takes an interpretative approach, the above research questions are utilised as statements suggesting what a researcher studying this field might expect to find. They are intended to provide a benchmark of the literature to date. From here the research findings can then be examined and explored within this context. The conceptual framework identified a number of factors impacting on the transferability of HRM policies and practices, and with that the corporate culture. In summary these include the socio-political, economic and cultural environment of the host and home country; the company's own culture; the role of expatriate managers, and the company's business strategy. In other words the extent to which the policies and practices of HRM can be transferred to the subsidiary denote the capability of the MNC to transfer its parent conpany culture across national boundaries.

The next chapter describes the methodological approach undertaken for this study. It begins by exploring the methodological issues in undertaking research, from the philosophical  to the practical. Following this the collection of data is described. This was undertaken in two parts: the longitudinal study; and the case studies. The longitudinal study researched a sample of MNC subsidiaries in Poland to explore the meaning and practice of HRM. The case studies research two companies: FoodCo and SoapCo with contrasting business strategies. The methodology revealed a number of key co-ordinating mechanisms utilised by MNC's in transferring parent company culture.

# 6. METHODOLOGY

## 6.1    INTRODUCTION

Research, it is argued, is a subjective and iterative process. It reflects the researcher's own view of the world, their philosophical and political viewpoint seen in the way that research is conducted and whether quantitative or qualitative research methods are employed. This subjectivity is evident in the research process and in the analysis. What is defined as a 'fact' or an important finding is subject to the researcher's own disposition. This research, therefore, acknowledges that there is a degree of subjectivity and that it is the basic assumptions and beliefs of the researcher that need to be explored. Research is a dynamic process that cannot and should not be reduced to a particular technique or to set stages; rather it seeks to integrate problems, theories and methods. More importantly, it should be acknowledged that research is a 'messy' business requiring the researcher to move backwards and forwards between different sequences in the research process (Bryman and Burgess 1994). As Bechhofer notes: 'The research process, then, is not a clear cut sequence of procedures following a neat pattern, but a messy interaction between the conceptual and empirical world, deduction and induction occurring at the same time.' (1974: 73)

In this chapter, we begin by addressing four key methodological themes or factors which have influenced the design of this research: contextual; philosophical; pragmatic, and cross cultural; which have been developed through various readings: Burrell and Morgan (1979); Hofstede (1980):  Bryman and Burgess (1994); Yin (1994). The next section details the research process, and methodological tools.

## 6.2.1   Methodological Issues : Contextual

All research is subject to the dominant thinking of its age (Kuhn, 1962). The idea that management might be different in other countries is relatively recent. Until well into the 1970s the implicit assumption was of a universal and monolithic model of management (Lawrence 1988: 97). Such assumptions began to be broken down by studies of national culture, which revealed wide differences in values and attitude (Hofstede;1980; Laurent;1986). After 1989, this debate was extended into Central and Eastern Europe. Much of the early activity involved the transfer of Western management 'know-how' to Central and Eastern Europe, which in itself represents an assumption of 'best practice'. The notion that Western know-how or HRM policies and practices can be transferred from one country to another has been criticised as lacking cultural sensitivity. 'Put simply solutions to a set of issues and problems pertaining in

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one context do not necessarily resolve very different sets of issues and problems in another context.' (Kirkbride, 1994: 246)

The rapid pace of indigenous change in Poland and the high levels of foreign investment from MNC's meant that Poland provided an 'ideal' laboratory to test the research hypotheses. MNC's setting up operations were confronting the full spectrum of HRM issues, which in another country might have been tackled over a longer time frame. Therefore, studying HRM in multinational subsidiaries operating in Poland presented an opportunity to explore relatively uncharted territory, and the extent to which Western models or practices were transferred.

Secondly, as a practitioner working for a large international bank in the late 1980s and early 1990s, I observed heavy investment in training and development programmes designed to instil organisational values. These values also shaped a range of the HRM policies and practises from recruitment and selection through performance management and reward processes. Subsequent experience as an academic lecturer teaching HRM programmes to managers from a wide range of organisations in the UK and working on British aid programmes in Latvia and Estonia deepened this observation over the course of nearly four years. Whilst it appeared that every organisation was at different stages of developing and designing HRM policies and 'initiatives' to instil their dominant company values and 'way of doing things' (Williams, Dobson and Waters, 1992), there appeared to be a common unifying theme: there is one way of managing within an organisation which is different from other competing companies. Examples of this, were expressed as, for example, 'the Nokia way'[12] or 'the Midland way'.[13] Clearly such statements reflected a desired state for uniqueness in achieving 'competitive advantage', and provided the grounding for the research hypotheses. Understanding the relationship between company culture and national culture emerged as an important issue in transferring and managing the HRM policies and processes within an MNC.

### 6.2.2   Methodological Issues : Philosophical

The study of national culture has been dominated by large quantitative surveys (Brewster, Hofstede, Laurent), unlike studies of organisational culture which have tended to be dominated by the use of more qualitative techniques. Yet the 'major studies' within the literature on national culture have been based, one can argue, on a specific set of assumptions defining the researcher's own philosophy. To begin with

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[12]   Nokia Telecommunications

[13]   Midland Bank PLC

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they are mainly quantitative studies and tend towards a positivist approach. For example, Hofstede's (1980) study, regarded as seminal within the literature, treats the world as being external and objective. In his search for universal laws he created four measurable dimensions of national culture. Furthermore, Hofstede when reviewing the data looks for wider sources of evidence within the specific cultures to back up his hypothesis. There is a notable absence of a 'Popper' approach and a desire for falsifiability.

Burrell and Morgan (1979) argue that all social scientists approach their subject via explicit or implicit assumptions about the nature of the social world and the way it may be investigated. They identify three sets of assumptions concerning: ontology, epistemology and human nature which have a direct consequence on the way in which one investigates and obtains knowledge about the social world. Assumptions of an ontological nature concern the very essence of the phenomena under investigation, depending on whether the researcher views the world as an external, 'given' reality or a more subjective and personal reality. For researchers who subscribe to the former view, which treats the world as a hard external and objective reality, scientific endeavour is likely to focus upon an analysis of relationships. This perspective expresses itself in the search for universal laws that explain and govern the reality that is being observed. If one subscribes to the more subjective view of social reality, the principal concern is to understand the way in which the individual creates, modifies and interprets the world. In methodological terms, it is an approach that emphasises the relativistic nature of the social world. Critics of this approach have perceived it to be anti-scientific.

Assumptions of an epistemological nature question the very nature of knowledge - what can be regarded as 'true' or 'false'. Positivist epistemology is in essence based upon the traditional approaches that dominate the natural sciences. Hypotheses can either be verified or falsified. They are characterised by the desire to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements. Anti positivists are firmly set against the idea of universal laws. They argue that the world is 'essentially relativistic and can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied'. (Burrell and Morgan, 1979) Consequently anti-positivists tend to reject the notion that science can generate objective knowledge of any kind.

Assumptions concerning human nature underpin the relationship between human beings and their environment. A deterministic view sees human beings and their experiences as a product of their environment, as opposed to a voluntaristic view,

which sees human beings as being able to control and manage their environment. Burrell and Morgan (1979) argue that whilst social theories will 'adhere to each of these extremes, the assumptions of many social scientists are pitched somewhere in the range between'.

This study takes a phenomenological approach through a qualitative methodology. Adopting qualitative (phenomenological) approaches implies taking a different perspective of human behaviour from that adopted by utilising quantitative (positivist) approaches (Giorgi 1970). It is argued that the philosophies behind the methodologies are very different. The assumption behind the positivist methodology is that there is an objective truth existing in the world that is revealed through the scientific method where the focus is on measurement and quantifiable evidence. This philosophy equates social scientists with scientists trying to discover 'laws'. The key concerns are that measurement is reliable, valid, and generalisable in its clear predictions of cause and effect. In summary it is the application of methods of the natural sciences to the social sciences.

Qualitative techniques emerge from phenomenological and interpretative paradigms.

> Qualitative researchers are characteristically concerned in their research with attempting to accurately describe, decode, and interpret the precise meanings of persons or phenomena occurring in their normal social contexts and are typically preoccupied with complexity, authenticity, contextualisation, the shared subjectivity of researcher and researched, and the minimisation of illusion.
>
> (Fryer, 1991: 3)

Cassell & Symon (1994) argue that the perception that different methods emerge from different philosophies has important implications. Theory, they argue, is generated differently depending on the paradigm. In the positivist approach, theory is deduced as a result of testing hypotheses. In phenomenological and interpretative approaches, theory is generated from the data collected, that it is 'grounded' in the data (Glaser & Strauss 1967).

> The alternative standpoint is to suggest that quantitative and qualitative research are each appropriate to different types of research problem, implying that the research issue determines (or should determine) which style of research is employed.
>
> (Bryman, 1988: 106).

Hartley (1994) argues that the techniques are not of themselves positivist or phenomenological - it is how they are used and how the data is interpreted that defines the epistemological assumptions on which they are based.

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The nature of this research methodology in conducting interviews revealed a wealth of information, which would not have been available, if a survey methodology had been utilised. For instance the question asking respondents to identify their hero or role model within the company revealed specific cases of transferred learning across national cultures. Notwithstanding the criticisms that interviews are time consuming, costly and liable to subjectivity, the breadth and depth of material uncovered supported the view that it was the most appropriate methodology. The early interviews conducted in the contextual study provided the opportunity to question my own assumptions and expectations of what I might find. For example there was an expectation to find vast numbers of expatriate managers within the subsidiaries - judging by the amount of literature dedicated to this area - in reality it was found that expatriate managers accounted for between zero and four per cent of the subsidiary's workforce.

### 6.2.3    Methodological Issues : Pragmatic

Whilst the above has concentrated on the wider and deeper philosophical and contextual issues concerned with undertaking social science research, it is important not to underestimate the more pragmatic issues in completing the research.

Bryman (1988) identifies a number of themes that are viewed as pertinent to all researchers. The majority of these themes relate to the more practical task-based problems. For example, the problem of gaining access to organisations is mentioned by nearly all of the contributors of Bryman's book. A number of writers mention the advisability of offering a report of one's findings in order to secure access. Such a strategy conforms to Argyris's (1960) view that research must be 'need-fulfilling' in order to entice admission. The level within the organisation at which access needs to be sought is important. Many contributors argue for starting negotiations at or near the top. Likewise, the issue of developing and maintaining good relationships, between the researcher and the researched. Some contributors have acknowledged that they have been perceived as a 'spy' for management purposes (Royle, 1997).

In relating these points to this research study, firstly, access to organisations proved difficult. A 'need-fulfilling' offer was made to share the findings to participants. This proved attractive, particularly in Poland where information on approaches in other companies is limited and based on personal contact. Secondly, the senior managers were approached in order to secure access. Thirdly, all interviews were held on a 'not-for-attribution' basis, with the aim to ensure that respondents were able to speak openly and honestly.

Certain variables may be pragmatically difficult or impossible to isolate. Nationality of ownership, for example, proved a more difficult variable to isolate throughout the research. In the contextual study, it had been my original intention to compare British MNC's operating in Poland. However the ownership of MNC's, such as Shell and Unilever, complicated the nationality issue. It may be unrealistic to expect that this variable can be isolated. Rather it is an acknowledged complication to the research. This factor also limits the cross comparability of the two company case studies. FoodCo is an American family-owned business whilst SoapCo is a Greek family-owned company with a long history of operations in the UK. Yet, there are useful similarities between the case studies - both are family-owned businesses - with both families actively dominating the business. Furthermore they pursue contrasting business strategies in Poland - which illuminates how HRM policies and practices are transferred.

Finally some researchers have noted that managers' time is valuable. The interview format was designed with open-ended questions that could be completed in a minimum time of around one hour.[14] Thus the design of the interview formats included the pragmatic reason of ensuring that managers would participate for a specific period. Requesting one hour with an individual was not perceived by the company or the individual as unreasonable - any longer may have been.

### 6.2.4 Methodological Issues: Cross-Cultural Research

The issues and problems of cross-cultural research have been well documented. A number of issues have been cited (see Beardwell and Holden, 1995) which explain the lack of comparative research within HRM.

The first issue relates to language and meaning. Researchers have noted that there is no easy data collection procedures when applied cross culturally: interviews, questionnaires, mail survey or participant observation will all face the barrier of language, both as a threat and as an opportunity for improving the cross national or cross cultural comparability of data. (Usunier, 1998).

Prior to the interviews all respondents were invited to conduct the interview in the language of their choice: Polish or English. For interviews conducted in Polish, an interpreter would accompany the respondent. Where available, bilingual interpreters were used. This was helpful in establishing a rapport between the participant and myself and ensuring that real meaning was maintained. As a non-native speaker of

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[14] On average the interviews lasted around one hour - however interviews conducted with an interpreter generally took twice as long to complete.

Polish, I found the additional support of an interpreter of this calibre to be essential in providing equivalence of meaning in both languages. These interviews generally took considerably longer. Throughout the interview, I would present summaries to check if understanding was mutual. In the interviews conducted in English, the vast majority of respondents had a good to excellent capability in the language. They were however advised to use Polish words if they felt that an English word was inadequate to convey the full sense and meaning. Again this was to ensure that meaning could be mutually shared.

> International management researchers are not required to have full command of several foreign languages for them not to be linguistically ethnocentric. What is important is the ability to catch what is unique in the structure of foreign language and words; this does not require fluent reading and speaking.
>
> (Usunier, 1998: 58)

The second issue often cited by international management researchers relates to the prohibitive cost and time investment in conducting international research. The length of time required to be within one country to conduct research has been perceived by academic organisations and researchers to be costly. The researcher was able to conduct this research whilst living in Poland over a period of three years enabling her to gain a good working knowledge of the language and an understanding of the culture and customs. Without such investment of time and first hand experience the research would have been severely limited, in terms of depth of understanding, the time frame and participation.

## 6.3    DATA COLLECTION[15]

Based on the conceptual framework, it became clear that there were two major elements of the research methodology. The first, a longitudinal study, explored a range of MNC subsidiaries in Poland to study how MNC parent companies transfer their HRM policies and practices. In addition the 'meaning' of HRM to practitioners in Poland was explored. Interviews were conducted with the HR manager or director of the MNC subsidiary. This was achieved using a semi structured interview format conducted at two points in time: 1996 and 1999.

The second element used a case study approach to explore the transfer of HRM policies and practices, and the role of expatriate managers in two companies. The interviews examined perception of corporate culture; national culture; the role of

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15  An overview of the research process and the collection of data from primary sources from 1996 - 1999 can be found in Appendix 1.

expatriate managers and perception and expectation of HRM policies and practices.[16] An overview of the research process to study transferability of HRM processes and practices from MNC parent companies to subsidiary units in Poland is presented in Figure 7.

**Figure 7: Overview of the Research Process to Study Transferability of HRM Processes and Practices from MNC Parent Companies to Subsidiary Units in Poland.**

| Conceptual Framework |
| --- |
| • Key influencing factors: <br> • Socio-political, cultural and economic context: host and parent <br> • Corporate culture <br> • Role of expatriate managers <br> • Business strategy: greenfield/acquisition <br> • Parent-subsidiary relationship |

| Longitudinal Study | Case Studies: SoapCo and FoodCo |
| --- | --- |
| **Collection of data** <br> 1996 and 1999 | **Collection of data** <br> SoapCo 1996 to 1999 <br> FoodCo 1998 to 1999 |
| **Primary sources:** <br> Interviews with HRM Directors/Managers of MNC Subsidiaries in Poland | **Primary sources:** <br> Interviews with HRM Managers/Directors and 44 local, expatriate and parent company managers in case study companies <br> Observation within respective company |
| **Secondary sources:** <br> PAIZ, (Agency for recording foreign investment) <br> Personnel Journal (Polish); PHRA and others <br> Documentary Evidence | **Secondary sources:** <br> Documentary evidence <br> Newspaper articles, books and journals relating to company |
| **Research focus:** <br> Semi-structured interview covering: <br> • Perception of Polish culture and management styles <br> • Role/status of HRM <br> • Meaning of HRM <br> • HRM activities <br> • Transfer of HRM policies and processes | **Research focus:** <br> Semi structured interviews covering <br> • Role, purpose, meaning and philosophy of HRM in case study companies <br> • Role of expatriate manager <br> • Perception of Polish culture <br> • Perception of corporate culture |

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[16] A copy of the semi-structured interview format can be found in Appendix 3, Case Study Interviews

Central to this thesis is the idea that HRM policies and practices reflect managers' assumptions about how to manage people, and that it becomes critical to understand such assumptions in order to correctly interpret the meaning of particular HRM policies and practices (Laurent, 1986). If human resource management reflects managers' assumptions and values, it is contended that HRM also reflects the stage of economic, political and social development at a macro level. The relationship between the micro and macro levels of human resource management were explored to gain a more complete picture as to the significant factors influencing the development and philosophy of HRM within Poland. The conceptual framework underpins the research methodology, its approach and data collection.

The main primary source of evidence for this research study were interviews, supplemented by documentary evidence, such as company material etc. The qualitative research interview is defined as 'an interview whose purpose is to gather descriptions of the life world of the interviewee with respect to interpretation of the meaning of the described phenomena' (Kvale 1983: 174). The aim of the qualitative research interview is to see the research topic from the perspective of the interviewee and to understand how and why he or she comes to have this particular perspective. King (1994) argues that to meet this aim, qualitative research interviews will generally have the following characteristics: a low degree of structure imposed by the interview; a preponderance of open questions; a focus on specific situations and action sequences in the world of the interviewee.

> King (1994) identifies that this process is most appropriate where a study focuses on the meaning of particular phenomena to the participants and where individual historical accounts are ignored of how a particular phenomenon developed. Thus the main purpose for conducting interviews is to understand 'how individuals construct the meaning and significance of their situations from the complex personal framework of beliefs and values which they have developed over their lives in order to help explain and predict events in their world
>
> (Stewart, 1982: 45).

This flexibility and openness was judged to be important in understanding the HRM manager's perspective within each organisation in order to capture the richness of the research. Whilst the format remained the same for all interviewees, the questions were mainly open-ended, encouraging a wide range of responses. As Bryman notes, 'the research interview is the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure valid accurate inclusive accounts that are based on personal experience' (Burgess, 1982: 107).

The need to secure valid, accurate, and inclusive accounts determined that the qualitative research interview was the most appropriate method in uncovering HRM

policies and practices of an international company in a very different cultural setting. For example in the longitudinal study, it enabled the interviewees to discuss at length their own perceptions of their company policies and strategies. Using a more standardised measure to tap the cultural processes would have made assumptions about HRM that may have detracted from the real issues.

## 6.4   LONGITUDINAL STUDY

The process of data collection began in July 1996 with a letter[17] to 40 MNC's operating in Poland listed in the British Embassy's directory 'British Firms in Poland'. The letters addressed to the respective managing director or senior manager, outline the research and invited their participation.[18] Two companies responded to this letter - one positive offering access to the company; one negative, declining due to other commitments. In September 1996, from Warsaw the remaining companies were contacted by telephone and a further six companies agreed to participate. The first point of data collection took place between October 1996 and July 1997.

The interviews were conducted with the manager responsible for the HRM function and included where possible interviews with the managing director. The aim of the interview was to explore the HRM manager's perspective at a local level within Poland, of the company's HRM philosophy and practices; the role and function of HRM and the HRM manager within the company and their key priorities. (Appendix 3)   These priorities were compared to those of one year ago and asked the manager to identify the major obstacles to achieving these priorities. The participants were then asked to compare their local HRM strategy with the global strategy of their international company by asking questions relating to the differences or similarities of the policies and practices at a local level to those from the 'Head Office'.

It made the assumption, based on various readings, that the structure of the organisation resulted in power residing with the head office particularly in the development and monitoring of HRM policies. By deliberately phrasing the questions in this way, it provided an opportunity to test out this assumption and explore the issues of convergence and divergence in practice (Kamoche, 1996). The final part of this section asked HRM managers to discuss the HRM policies that had been specially designed to meet the needs of the Polish operation. This question provided the probe to fully understand the differences within the labour market that may not have been acknowledged by the parent company.

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[17]   See Appendix 2 for a copy of the letter

[18]   Three letters were returned unopened due to incorrect addresses

Respondents were questioned on their perception of management style, and whether this could be related to nationality. To begin with the respondents were asked to define 'style of management'. This was important to understand their own assumptions and meaning of the term and to provide a context within which the responses to the following question could be analysed. The last four questions sought to understand and explore the HRM role within Poland. Questions 5 and 6 sought to address the extent to which the HRM role within an international company could make a 'significant contribution', and in what areas this might happen. Respondents were asked to define 'significant contribution' in their own terms, e.g. by cost control, presence at Board level, or power within the organisation. The final two questions (Q7 and Q8) sought to widen the discussion and asked the respondent to give their own views as to the current issues facing the HRM profession in Poland and the extent to which human resources would develop as a specialist career.

The structure of the interview was based on the literature review. Sparrow and Hiltrop (1995) argue that it is the philosophy, policies and programmes which tend to express the culture, values and qualities of the HRM function. This serves to structure the interview questions exploring the philosophy, policies and practices of HRM for international companies operating in Poland without becoming too specific or asking culture bound questions. (Schein, 1985.)

The interview format was sent to the respondents prior to the actual interview, to enable the respondents to prepare their answers. By so doing, it enabled the respondents to provide a more prepared and researched account rather than 'off the cuff' remarks. The interviews were introduced with a brief summary as to their research purpose. The respondents were asked in which language they wished to conduct the interview (either Polish or English) and whether they would be willing to consent to the interview being tape-recorded.[19] All the respondents asked for the interview to be conducted in English and consented to the tape recording. Each interview took place at the respondent's office and lasted between one to three hours. Where the interview took longer than anticipated, a further date was arranged and confirmed. The tapes were then transcribed and any other points concerning 'cultural artefacts', e.g. layout, style etc., were noted. Written notes were also taken during the interview for three reasons: to keep a record of observations; to summarise the discussion; and to provide notes in case of any mechanical failure or otherwise of the tape recorder. Documentary evidence and relevant company material were all consulted and collected at this time.

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[19] It was made clear that the tape would only be used by the researcher to aid the writing up of notes and to capture a true reflection of the interview.

Three outcomes from this stage of the research resulted. Firstly the interview data provided a contextual understanding of HRM and its meaning and history in Poland. Secondly it was perceived that the rapid social, economic and political changes which had occurred in Poland were continuing to some extent and that the follow up study using the same process nearly three years later charting the developments over that period would contribute to a more valuable contextual understanding. Thirdly a case study approach was undertaken to provide greater depth in exploring how MNC's transfer their HRM policies and strategies to their subsidiaries.

Seven companies participated in the first stage of the research. These included: Colgate-Palmolive, PepsiCo, Unilever, Shell, United Distillers, Amway, Johnson and Johnson. The follow-up survey was conducted between January and March 1999. Five[20] of the original companies participated - all bar one had the original respondent still in situ. This assisted with the comparative analysis by providing a degree of consistency since the original interview. At this stage the interview format was adapted. Respondents were asked:

- to define the concept of HRM, its role and purpose,

- the key HRM activities over the past two years within the company and future plans

- the main factors influencing the development or delivery of HRM policies and practices, with specific reference to government legislation

- the relationship between the parent company and the local office, plus examples of universal and unique HRM policies

- their main learning experience over the last two years

At both stages of this process, interviews[21] were held with the director of the Polish Human Resources Association (PHRA) concerning the role of HRM at a national level and the PHRA's level of influence, activity and strategy.

Secondary sources covering the research period were consulted for this period. In the UK, a newspaper and journal search was undertaken on the companies and previous studies in HRM in Poland. Annual reports for the sample companies were also consulted. The DTI monthly reports entitled 'Open for Business' provide economic and

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[20]  These included: Unilever, Shell, Colgate-Palmolive, Amway, PepsiCo.

[21]  A copy of the semi-structured interview format utilised for these interviews can be found in Appendix 5, interview questions for the President, PHRA.

political summaries. In Poland, the British Chamber of Commerce produces regular newsletters. The Polish News bulletin provides a daily synopsis of the Polish press in English. The Polish Agency for Foreign Investment (PAIZ) based in Warsaw produces lists of the major foreign investors plus reports the level of FDI by country and company. There is also a regular monthly magazine produced in Poland entitled 'Personnel' which is published for practitioners with articles outlining current issues and concerns. The published copies over the period of the study were consulted and this provided a useful contextual setting.

Two journal articles published during this period were particularly useful to this part of the study: Human Resource Management in transitional economies: the case of Poland and the Czech Republic; R.L. Tung and S. Havlovic, International Journal of HRM, 7: 1 February 1996: and, Managing Human Resources in a post command economy: personnel administration or strategic HRM, Garavan, T. *et al*, Personnel Review, 27, 3, 1998. A special edition of Personnel Review entitled 'HRM issues in Central Europe' edited by A.D. Jankowicz in 1998 reviews the HRM issues within transitional economies.

## 6.5   CASE STUDIES

The initial outcomes of the longitudinal study revealed that HRM appeared to have different meanings for expatriate managers than for local managers. The role of expatriate managers appeared to have an important influence in shaping the HRM processes and activities. The company's business strategy: greenfield or acquisition appeared to have a major influence on the transfer of HRM practices and processes.

Two companies were identified, each representing a specific business strategy or mode of entry: greenfield and acquisition. A representative sample of senior and middle managers, expatriate and local managers from the subsidiary, and the parent company were selected and interviewed.[22] The same interview format was used throughout, and supplemented with additional questions where necessary. This provided for cross comparison across companies and sites.

The interview format addressed corporate culture, perceptions of 'successful' management; national culture, expatriate management, and perceptions of the role and purpose of HRM and the role of the line manager. Questions concerning corporate culture asked respondents to describe their perceptions of the company and its values.

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[22]   A copy of the semi-structured interview format can be found in Appendix 3: Case Study: Interviews

This was supplemented by a question exploring whether there were any differences in the corporate culture of UK head office and within the local operation.

## 6.6    MECHANISMS FOR EMBEDDING CULTURE

To explore how parent company culture might be transferred, Schein argues that 'culture is learned and taught through a variety of explicit and implicit mechanisms' (1995: 221). These are:

**Primary embedding mechanisms:**
1. What leaders pay attention to, measure and control
2. Leader reactions to critical incidents
3. Deliberate role modelling, teaching and coaching by leaders
4. Criteria for allocation of rewards and status
5. Criteria for recruitment, selection, promotion, retirement and ex-communication

**Secondary articulative and reinforcement mechanisms**
1. The organisation's design and structure
2. Organisation systems and procedures
3. Design of physical space, facades and buildings
4. Stories, legends, myths and parables about important events and people
5. Formal statements of organisational philosophy

Schein argues that to fully understand a company's culture researchers should go beyond the secondary mechanisms to the primary mechanisms. By implication HRM policies and practices and the role of expatriate managers are primary mechanisms in transferring parent company culture. The questions concerning the role, perception and status of expatriate managers are based on the observation that the way expatriate managers are used reveals the MNC's strategy: ethnocentric; regiocentric or geocentric. Schein (1995) is therefore used to underpin the methodology whilst still enabling the reader to undertake an interpretative approach. The research methodology was induced by Schein's work on primary and secondary mechanisms for embedding corporate culture.

## 6.7    THE SOAPCO CASE STUDY

Research into SoapCo began in 1996 with a semi-structured interview with the Personnel Manager based at the Wroclaw unit. In 1997 a second interview was conducted to probe deeper. At the same time, an interview with the Vice President was conducted to gain a Head Office perspective to the issues, as well as support for the

research process. In 1998 the Vice President agreed to further research which involved interviewing a range of local and expatriate managers at three sites. Furthermore the Vice President (an expatriate manager) provided further assistance and support to enable the researcher to conduct interviews with senior managers at the Head Office in Manchester. These interviews were all conducted between October 1998 and January 1999. Subsequent interviews were conducted with the Vice-President and HRM Manager in Warsaw in March, with further updated information and relevant documentary material provided until November 1999.

In order to understand what HRM meant to the key HRM actor, its activities, role and purpose and its relationship with the parent company, the same semi-structured interview format was utilised (Appendix 3) as that undertaken in the longitudinal study. The rationale for this was consistency. Supplementary questions explored whether Polish or British styles of management existed and if so, how they could be described. One year later a further interview in October 1997 with the HRM manager explored the changes and developments of HRM in this company.

Later a new interview format was designed for the next stage, whereby a sample of managers drawn from the expatriate, local and head office managerial population were interviewed (Appendix 4). In total, 24 managers were interviewed in Poland between October 1998 and March 1999 comprising 18 local Polish managers and 6 expatriate managers.[23] Further interviews with a similar representative sample of managers at the parent company's head office in the UK were undertaken. The respondents all had some level of working knowledge of the Polish operation, either through short-term assignments or within an area of job role responsibility. Eight managers were interviewed in January 1999, during a two-day visit to the offices. This provided the opportunity to explore relevant company material and observe the company culture and artefacts.

The interviews lasted between one to three hours each (depending on whether an interpreter was used). The interviews were 'not-for-attribution' to encourage participants to express their views openly and freely. Copious notes were taken throughout each interview, practically on a verbatim basis. At the end of each interview the notes were re-read and points clarified where necessary.

As a way of cross checking the interview material, the company requested and was presented with two short reports outlining the main issues over the course of the

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[23] Ten managers were interviewed at the Wroclaw site, 9 local managers and 1 expatriate; 14 managers were interviewed at the two sites in Warsaw: Uroda 5 local managers and 2 expatriates; at the head office: 4 local managers and 3 expatriate managers

research study. This provided an important process for clarifying issues, meaning and concerns. Additionally a training programme for senior managers was observed over one day in November 1998. This provided the opportunity to talk informally to managers within the company and enable further observation to be made about the interaction between managers. Company literature was consulted and collected. This included the company newsletter, organisational structure, corporate history, recruitment literature, terms and conditions of employment and other personnel policies and procedures.

Newspaper and journal searches were undertaken in the UK to gather supplementary information on the case study companies and their activities in Poland. In addition relevant business newsletters and newspapers were consulted in Poland. The company produces annual reports and this provided useful material. Certain conference papers such as: 'The impact of FDI on the Wroclaw Regional economy'[24] incorporated SoapCo as one of its case studies. This provided useful material and a means of confirming facts.

## 6.8    THE FOODCO CASE STUDY

Research in FoodCo was facilitated through a personal introduction in November 1997. The research involved a number of interviews with the HRM director, a British expatriate from that date until March 1999. During this period the HRM Director was offered a job at one of the head offices in the UK and this assisted in providing access to parent company material and documents and to speak with other former expatriate managers. The bulk of the research was conducted between June 1998 to October 1998, whereby, a selection of local and expatriate managers were interviewed at the Polish unit.

The primary source of information is derived from the research interviews. These included interviews with the HRM Director[25], a representative sample of six local and three expatriate managers in Poland, and interviews with a further four expatriate managers who had previously worked in Poland. Thus the interviews covered 14 managers (including the director of HRM).[26]

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[24]  J. Hardy, Polish-British Scientific conference increasing Regional competitiveness, University of Bialystok, October 2-3, 1998.

[25]  It is worth noting that the HRM director was the only expatriate HRM director found working in Poland at this time.

[26]  Some of these interviews such as those with the HRM Director were conducted on a number of occasions.

The managerial interviews used the same semi-structured format as undertaken in SoapCo, to provide cross comparison. (Appendix 4) Additional interviews were undertaken with the director for HRM who was able to describe the company history in Poland and the issues concerning HRM throughout this period.

Further primary sources included company literature such as the written HRM strategy and its role and function within the business, management competencies, training guide, organisational structure chart, recruitment literature, performance appraisal literature, terms and conditions of employment. A visit to the UK office in March 1999 to meet with the former Director of HRM in Poland provided additional material on corporate culture and a means to compare the two operations in the UK and Poland.

As a family-owned private business, the FoodCo family is renowned for its secrecy and reclusivity. A recent publication by J.G. Brenner The Chocolate Wars (1999, HarperCollins Business) provides a useful history on the FoodCo corporation throughout eight years of exclusive interviews. Newspapers and journals were consulted in the UK and Poland throughout the research period on information concerning FoodCo in Poland.

## 7. A CONTEXTUAL ANALYSIS OF HUMAN RESOURCE MANAGEMENT IN POLAND

This chapter aims to provide context for this research study and the subsequent case studies. The meaning of HRM within Central and Eastern Europe is explored in two parts. Firstly the recent economic and social changes are described following the revolutionary political changes of 1989. This is undertaken by taking a macro and micro approach to review the key actors prior, and subsequent to 1989. Secondly the section then reviews the current literature on HRM policies and practices in Central and Eastern Europe, the Communist legacy, and HRM's changing role and function since 1989.

This chapter includes data from primary and secondary sources. To date the literature is sparse on HRM in Poland. The primary data is drawn primarily from the longitudinal study where respondents were asked to define a Polish management style compared to a 'Western' style of management. The literature on Polish management styles tends to be descriptive and assumed. Respondents were asked how they defined the term 'management style', and were then asked to compare management styles by nationality. Responses revealed perceptions about what constituted a Polish management style and this was related by age or generation and by company.

We begin by taking a macro level approach addressing the key influences on the function and practice of HRM in Poland at a political, economic and cultural level. The implications at an organisational level are then discussed. Understanding the contextual conditions and the Communist legacy for both the practise and philosophy of HRM and for management styles is important to exploring and interpreting how MNC's operate in Poland and the issues they face.

The impact of foreign investment within Poland and the implications for HRM strategies are addressed, specifically in relation to MNC's business strategies. The following are identified as key influencing factors in the role, practice and function of HRM in Poland for MNC subsidiary operations:

- The Polish Labour Code is critiqued. Two issues emerge as directly influencing MNC's HRM policies. Firstly the nature and aim of the Labour Code and the scope of its jurisdiction. Secondly the current political process of amending the laws to converge with the *acquis communitaire*.

- Polish culture and history is outlined in relation to the research questions, as well as, Polish language and Polish management styles. The implications of these are made in relation to the HRM strategies of MNC's operating in Poland.

Finally the key themes and questions raised in this section are then summarised and the implications of the Polish context for MNC's HRM strategies are described.

## 7.1    RECENT ECONOMIC, SOCIAL AND POLITICAL CHANGES

The early 1990's witnessed an economic struggle in transforming the Polish economy. The reforms of the 1990's, the Balcerowitz plan or 'shock therapy' as it became commonly known, sought to transform the economy. It aimed to break state protection of the economy, withdraw state subsidies, open up the market for importers and give real value to the national currency. This process has been far more gradual, and in some cases more painful than previously anticipated. SOE's especially have faced and continue to face a loss of their former markets, the increasing presence of foreign producers offering similar products at lower prices, as well as the emergence of new and active domestic competitors. Consequently SOE's have often witnessed a drastic fall in profits, increasing debt and the need to reduce their workforces. Despite the difficulties of the early 1990's some of the SOE's have matched the productivity and efficiency gains of the private or privatised sectors. For example the Polska Miedz copper mining and refining complex are better managed and more efficient in 1996 than in 1990.[27] More recently EU accession strategy has meant a commitment to the gradual withdrawing of state subsidies to state-owned enterprises, the selling of former SOE's, e.g. in the detergents, confectionery, banking and telecommunications sectors, particularly to foreign investors.

In Poland, recovery has come faster and shown greater strength than in any of the other former Communist countries in the region (Obloj and Thomas, 1998; Financial Times 25 June 1999). Additionally economic and social indicators point at a continuous rise in living standards. Private consumption is on an upward trend, ownership of house durables has increased strongly. Productivity and investment are improving, with foreign direct investment continuing to increase substantially. As one observer recently noted 'there are few better signs of international confidence in a country's economy than the willingness of foreign companies to invest hard cash.'[28]

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27    Financial Times Survey: Poland;  Wednesday March 27 1996

28    Financial Times, Editorial, p. 13, 25 June 1999

By 1999 despite an economic slowdown[29], the Polish economy was regarded as 'the most successful post-Communist economy'.[30] Unemployment was continuing to fall; inflation had decreased from 18.5% in 1996 to 8.6% in 1998; and, FDI had increased from USD 6.2bln in 1996 to over USD 10bln in 1998, bringing the total FDI since 1989 above USD 30.7 bln.[31] The EU has now become Poland's major trading partner with more than 46% of Polish exports directed to the EU and 64% of the country's imports coming from these countries[32]: 'the health of the economies of Central Europe is determined much more by the economic performance of Western Europe.[33]'

The role of MNC's within Poland has been and continues to be central to the success of the Polish economy and the transition process. Between 1989-98 foreign direct investment (FDI)[34] in Poland has displayed a high growth in terms of both quantity and value. Over 75% of FDI comes from the European Union.[35] FDI influences Poland, firstly through its direct impact on the market, employment and industry structures through joint ventures, acquisitions and mergers or the setting up of new operations, and through the indirect influence on competitiveness of Polish products. Secondly it is usually accompanied by transfers of technology and expertise, both organisational and managerial (Weresa, 1999).

Whilst investing in Poland is not without difficulties relating to the bureaucracy by governmental institutions, the unpredictability of its legislation, the nature of coalition government, and the quality of its infrastructure,[36] Poland is increasingly

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29  For example GDP has declined from 6.9% in 1997 to 4.8%. Source: DTI Poland Desk, British Embassy Warsaw, 6/4/99

30  Financial Times, Editorial, 25 June 1999 p. 13

31  Source: DTI Poland Desk, British Embassy Warsaw, 6/4/99

32  Foreign Investment in Poland: Private and Public Attitudes, PAIZ 1996 October [1996: 1]

33  Financial Times, 16 Oct. 1998, Page 4

34  FDI can be defined as a specific form of international capital movement. It is an investment from overseas aimed at obtaining a direct influence over the productive activities of a firm. It involves either the organisation of a wholly new company or subsidiary or the acquisition of all or part of the assets of an existing one. (See Waresa, 1999; Dunning 1981, 1988)

35  According to PAIZ, the state agency for foreign investment, which does not record amounts below USD 1 million in its figures, the cumulative total for the period 1990-98 is USD 30.7 bln. British investors are in fifth place, after Germany, USA, Italy and France with investment totalling USD 1.95bln. PAIZ predicts an inflow of USD 11 bln in 1999.

36  The PAIZ survey (1995) explored the fears of foreign investors. Unfavourable legislative changes, voiced by 78.8% of respondents, followed by higher taxes (73.6%) and political instability (50.4%) and price growth (41.5%) were cited as the most important fears.

attracting FDI.[37] The general reasons for this increase in FDI are generally cited as access to a large domestic market of nearly 40 million people coupled with access to a relatively young, highly skilled and cheap labour supply,[38] and first mover advantages (Pye, 1998). However Polish citizens also see advantages of FDI in providing modern technology, greater development of foreign economic ties and faster economic growth. As one researcher notes:

> TNC's can contribute valuable assistance to Eastern European reconstruction in a number of ways. They are the main repositories of the capital, technology and management skills and market access that are seen as being necessary for economic regeneration.
>
> (Radice, 1993: 146)

British owned companies operating in Poland include BA Group (tobacco); BOC (liquified gas and medical equipment); Bovis (construction); British Gas (gas and resource mining); Cadbury (confectionery); Cussons (manufacturers of household toiletries and industrial chemicals); Glaxo Wellcome (pharmaceuticals); ICI (paints, chemicals); ICL (computer systems and software); United Distillers (wine and spirits); SmithKline Beecham (pharmaceuticals).[39] British-Dutch owned multinationals include Shell (petrochemicals) and Unilever (conglomerate). Yet it would be misleading to suggest that 1989 represented a watershed for FDI in Poland. As Hardy and Rainnie (1996) point out, there were long standing co-operation agreements which had existed since the 1970's: 'for example firms such as ABB and Philip Morris have been producing in Poland since the 1970's and Fiat's presence can be traced back to the 1950's'. (1996: 103-4)

Researchers have noted that MNC's buying a former SOE is not without difficulty, chaos or confusion. Obloj and Thomas (1998) found that ABB learned 'a few

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37  A survey undertaken by PAIZ in 1995 and incorporating the result of a 1993 poll provides greater insight into the attitudes of foreign investors. Managers were asked to rank a number of factors as very important, somewhat important, not very important and unimportant in relation to the reasons for setting up in Poland. The factor most often cited as very important were low labour costs with 60.8% of forms highlighting it as a key factor. The figure was highest, according to PAIZ, from European countries where labour costs are several times higher than in Poland. The size of the Polish market, comprising 38.5 million people, was the second most often cited factor for investors (49.1%); with prospects for economic growth as the third. The fourth most important factor was cited as access to the supply of qualified labour. A shift in attitudes towards investment was noted by PAIZ, between 1993 and 1995, as a move away from macro-economic and geographical factors to areas that directly affect costs. Labour cost and supply from 1993-5 has increased in importance.

38  At the end of 1996 Poland ranked 8th in Europe by size of population with a total of 38.64 million, 62% of which was urban. [PAIZ Poland: Fundamental Facts, Figures and Regulations. April 1997]. The population expected to reach 39.5 million by the year 2000, is one of the youngest in Europe with over 60% under the age of 40 in 1996. Labour is significantly less expensive in Poland than in Western European countries. In 1995 the average gross monthly wage was approximately 691 PLN (about 285 USD). However real wages and salaries have been increasing with the average gross salary in 1996 estimated at 873 PLN (approx. 320 USD). In addition to a relatively cheap workforce, Poland has a large and highly skilled labour force. In 1995, university graduates consisted of approximately 7% of total population, with secondary and vocational school graduates accounting for 26% and 34% respectively. [PAIZ Poland: Fundamental Facts, Figures and Regulations. April 1997]

39  A full list of British companies in Poland can be obtained from the British Embassy, Poland. The total number of companies on the list in April 1995 was 240.

tough lessons about the implementation of Western style management systems'. They concluded that there is no one best way to restructure former SOE's, with communication critical to the successful transition in overcoming the gulf which exists between top management and the workforce.[40] Thus distinction should be made between the types of MNC business strategies: whether to buy an existing operation with market access (brownfield site), or build a new operation from scratch (greenfield site). In summary it is argued that the choice of business strategy critically influences and shapes an MNC's HRM strategy within the region.

## 7.2 HRM IN CENTRAL AND EASTERN EUROPE

HRM in the former Communist countries is regarded as a relatively new concept, particularly when it is applied as a rational, conscious and market-led strategy practised by individuals within organisations. In many ways this application is misleading. The management of people as resources, labour relations and labour legislation existed under the Communist system, although in an entirely different form. Organisational problem solving, and objective performance management systems and recruitment processes did not exist. (Lettiche, 1998; Soulsby and Clark, 1998; Koubek and Brewster, 1995). However social welfare programmes such as crèche facilities, housing, and administration e.g. absentee monitoring did exist. The more interesting question is to explore what 'HRM' was under the Communist system, and how HRM has changed and developed since 1989.

Generally, prior to 1989, the 'Communist' countries had a uniform approach to labour relations. There were common features despite different reforms at different times and in different countries. The Stalinist model of labour relations regarded trade unions as an integral part of the political and economic structure. Personnel specialists were subservient to the Ministry of Labour, which it is argued resulted in a highly administrative function (Crow, 1998). Trade unions were organised by enterprise rather than by craft, in contrast to Western trade unions. Collective bargaining was more of a formality with the major issues resolved at Party level. Reforms were constantly undertaken to the system but these were initiated from above, following dissent from below. The main purpose of these reforms was to keep the economic structure at a macro-level intact. Reforms undertaken in the 1980's, particularly in Poland, relaxed the system of central planning and control and gave enterprises and managers a greater degree of autonomy.

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40  The PAIZ Survey sought Polish attitudes to foreign investment. According to the survey, over three-quarters of the Polish population accepts the presence of foreign investment with 28.2% of respondents being strong supporters. The number of 'definite opponents' was low (3.5%). The industrial sectors, where Poles feel foreign investment is needed critically were construction, agriculture, telecommunications and health care.  Source: Foreign Investment in Poland: Private and Public Attitudes, PAIZ 1996 October.

Since 1989 the degree of conformity, particularly at a macro-level, has declined. There is no evidence to show that former Communist countries have all followed the same path in their transition to a market economy. Carrabelli and Sciarra (1996) undertook a comparative study of the labour law reforms that followed the collapse of the Communist empire. They hypothesised that new forms of collective labour relations would converge spontaneously and conform to the requirements of a market economy. The evidence they found refuted this hypothesis. Rather they found that each country had developed its own model of labour relations. This may not be surprising given the wide variation in political and economic conditions in each former Communist country.

At a micro-level there continues to be, however, some parallelism across former Communist countries. For example, common areas which exist across central and east European countries include the rapid rise in salary and benefit levels, the narrowing of skill gaps, a shift to more sophisticated methods of recruitment, an overall move towards Western management practices, and a tendency for foreign and joint venture firms to rely disproportionately on expatriate management (Peiperl and Estrin, 1998). Consequently HRM needs to be reviewed at two differing levels: a national institutional level or macro level, and an organisational level or micro level.

The macro-level of industrial relations explores the role of the main actors determining industrial relations at the national level: employers associations, trade unions and the government, as well as the role of specific institutions and formal statutory measures. The micro-level approach emphasises the relationship between the employer and employee: the 'employment relationship has its own dynamic which is fed by developments in the labour market, by technological and organisational transformation and by the demands and expectations of employers and employees in the employment relationship'. (Slomp *et al*, 1996: 339)

### 7.3    HRM AT A NATIONAL LEVEL IN POLAND

The macro-level of industrial relations in Poland depicts weak employer associations and strong, politicised trade unions with blurred and fuzzy boundaries between the political arena (state and political parties) and the arena of 'local' collective industrial relations (trade unions and employers). This means that employees and trade unions often end up making demands in the political arena. Some researchers have argued that this presents a serious problem for the establishment of an institutional framework, as representing employer interests is a major precondition for the development of 'balanced' collective bargaining at branch and national levels (Slomp *et al*, 1996; Thirkell *et al*, 1994).

In Poland, the Chambers of Commerce have begun to assume a role, albeit limited, as the 'mouthpiece' for employers. Additionally the Confederation of Polish Employers set up in November 1989 aims to advise government, and regards itself as a partner in the development of major issues such as new legislation and to negotiate with the trade unions. However due to the diversity of interests it is neither very active nor powerful. The same is true, as we shall explore later, with the Polish Human Resource Association (PHRA)[41], comprising members from mainly foreign owned companies. The pension reforms made in early 1999, exposed the PHRA to be effectively weak at negotiating its members' interests at a national political level.

This weakness stems from Poland's historical legacy. *Solidarity*, the trade union which effectively engineered the demise of Communism, embodied a wider political spectrum and membership compared to a traditionally defined trade union. It can be regarded in the 1980's as an anti-establishment party. By 1989 it had redefined its role as a trade union, to one of a significant political party. Some commentators have argued that the 'historical and political importance of the union has allowed *Solidarity* a presence at national, regional and local level which far outweighs its actual membership' in the mid-1990's. (Rainnie and Hardy, 1995: 278). Notwithstanding, *Solidarity* holds significant political power and now straddles a paradoxical position: as mediator between its membership and employing organisations; by defining and enforcing its responsibilities and interests in state owned enterprises and joint ventures; the pressures of assimilation and convergence of legal legislation necessary to achieve European union membership; and finally in presenting a coherent, credible and stable framework in order to encourage foreign investment and economic growth.

## 7.4    HRM AT AN ORGANISATIONAL LEVEL IN POLAND

At a micro-level, the impact of the trade unions in the social, economic and political transformation of 1989 has led to great expectations by employees, leading a group of Polish academics to comment:

> The process of change in the relations of production is giving rise in many workplaces to considerable tensions and conflicts. The situation is complicated by the lack of any clear-cut vision of a new system of industrial relations and the existence of an extensive grey area in the economy[42]

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41    The PHRA was set up in 1994 with members drawn primarily from MNC subsidiaries in Poland. Its aim was to disseminate information on HRM, to express views on HRM related legislation and to organise specialised training for HRM managers for Polish state-owned or private companies who had little exposure to Western HRM theory and practice.

42    WERI, Poland: International Economic Report 1993/4, World Economy Research Unit, Warsaw School of Economics, 1994:74

Yet to suggest that employers are weak at a local level is false. One of the major effects of privatisation on labour relations is the emergence of employers as distinct from the State. The development towards tripartism is recent, its outcome unknown. It is argued that the transition to various forms of market economy labour relations models in each of the countries will continue to be characterised by contrasting features linked to the prevailing political conditions and the fortunes of tripartism (Thirkell *et al*, 1994). There is little doubt that employers have established themselves firmly at a micro level.

Employers have been instrumental in enforcing major changes in the workplace through reorganisation, redundancy and HRM practices such as performance management. The development towards conflict and its management is described by Egorov:

> In comparison with what was in existence in the State-owned enterprises under the former regimes, labour relations in privatised enterprises have become more dynamic and potentially conflicting. Two major driving forces have provoked such a development. First, privatised enterprises have received a significant decision making autonomy on a wide range of issues including remuneration and work organisation, which in the state owned enterprises were traditionally within the competence of the governmental bureaucracy. Secondly having become fully fledged market players, privatised companies have nothing to do but accept the market 'rules of the game', major principles of which are competitiveness, efficiency and productivity.
>
> This has fuelled a distributive element of labour management dialogue, especially in such areas as wages, work redesign and reorganisation, workers' economic and financial participation etc. A conflict of interests, which is an indispensable element of any labour relations systems in a market economy, is therefore becoming a reality in the countries in Central and Eastern Europe. (1996: 98)

## 7.5    HISTORICAL LEGACY SHAPING CONTEMPORARY HRM IN CENTRAL AND EASTERN EUROPE

The personnel function under state socialism was regarded as an extension of the Communist Party. Its role, primarily, was to enforce the Communist Party ideology through the selection, development and to some extent, reward of the potential and actual senior managers, known as the 'cadre'.

Researchers suggest that the 'nature of state socialist personnel activities was a reflection of social, economic and political structures and context of the Communist regime' (Soulsby and Clark, 1998: 81). The personnel department within an organisation had the following main areas of responsibility. Firstly, activities concerned with senior management and the identification and development of future potential senior managers; secondly, more conventional personnel activities i.e. induction,

education and training, job design and descriptions, keeping of records on length of service, employee entitlements (e.g. long service awards), sickness and accident records, etc.; finally, social and welfare activities. In terms of all these activities the personnel department applied one principle: the preferment of Communist party members. (Soulsby and Clark, 1998, Koubek and Brewster, 1998).

The link between the Communist Party and the personnel department was intense.

> Those in the personnel department were in the Party's mouth. The stink of the party's dead body is all over us... there would be uproar if I developed a succession plan. It would be seen as a restitution of the old 'cadre' system by which the party controlled positions

<div align="right">(Pearce and Carkt, 1994: 99, cited by Mills, 1998).</div>

Whilst the personnel department had a social and welfare role. For instance it was common for enterprises to have free or heavily subsidised access to kindergartens, crèches, holiday camps, sanitary, sports centres, social clubs and housing. It was the 'cadre policy' which was taken as a *symbol of the involvement of management in the communist regime'* (Soulsby and Clark, 1998: 83). Thus the personnel department not only reported and was accountable to the Communist structures, but the personnel managers had to be highly trusted Communists themselves.

This linkage between the personnel department and the Communist Party was particularly strong in the Czech Republic. The personnel department was regarded as an extension of the secret police, their primary function was to maintain extensive records on the private and work lives of their employees. Yet no evidence has been recorded of a similar experience in Poland. Rather, personnel departments in Poland were more concerned with the administration and social and welfare issues (Tung and Havlovic, 1996).

### 7.6 KEY CHANGES TO THE ROLE, FUNCTION AND ACTIVITIES OF HRM IN CENTRAL AND EASTERN EUROPE SINCE 1989

Two major changes can be identified since 1989. The first concerns the increased role, power and autonomy of local employers and managers, and the diminishing role of trade unions. The characteristic feature of the Soviet model of management was strict centralisation. Individual enterprises followed the orders of the central authorities. Managers were 'administrators of instructions' (Koubek and Brewster, 1995: 225). It is argued that at a local level employers and managers have transformed enterprises through HRM policies and practices. Secondly, the degree and level of sophistication in HRM policies and practices. The personnel function has not only

retitled itself as HRM, but it has also been transformed, to hold a more strategic role and function from its historical legacy, and become like its Western counterparts (Shekshnia, 1998).

To begin with the transformation of HRM, through the increased autonomy of managers and employers, can be witnessed in the research undertaken by Soulsby and Clark (1998). They explored three processes influencing the management and development of human resources, within four former state-owned enterprises, during the transition period in the Czech Republic. First, the HRM function had undergone processes of structural repositioning as senior managers designed new organisation structures to support their strategic goals of enterprise survival, and their more personal objectives of surviving the immediate transition period and process of privatisation. Second, since 1989, the HRM function had been re-staffed. This was undertaken to replace the leadership with managers who had not been tainted by *nomenklatura* associations. Third, during the transition period, senior managers had adopted certain practices of Western HRM, notably new contracts of employment and new Western-style reward systems for senior managers. In addition performance related pay was introduced and reward systems became confidential as pay bands widened. Soulsby and Clark (1998) found that underlying these changes in personnel were the motives and strategies of the senior managers, many of whom were survivors from the *nomenklatura* system whose future managerial careers depended on successful enterprise transformation.

> By applying Western personnel assumptions, senior managers have supported the design of new managerial contracts, with the resulting monetarisation of managerial rewards and benefits, and a leaner organisational focus with a subsequent decrease in social and welfare provision. Such management rhetoric, together with associated HRM practices, has augmented both the level of financial reward which senior managers have been able to receive and the extent of socio-economic differentiation within the enterprises. This selected use of Western HRM has made the Czech privatised enterprise and their management's more like their Western counterparts, which in turn has helped to re-legitimate the role of post-communist managers during the transition period
>
> (Soulsby and Clark, 1998: 94).

Soulsby and Clark conclude that the management class had 'succeeded in reasserting itself from a transformed power base, and the new distribution of income has taken on the familiar pattern of inequality found in market economics' (1998: 95)

Thus, management has been able to reassert itself through using the rhetoric of HRM and the move towards a market economy to introduce fundamental changes in the employment relationship. This has meant a move away from collectivism to individualism within the workplace. It has meant the reduction in social and welfare

activities, greater emphasis on individual abilities and performance, changes in working practices and increased expectations of performance and management styles. Trade unions, heavily associated with the Communist regime and the old status quo (apart from Solidarity in Poland) have declined in influence within the workplace. In many ways their role, at the time of writing, is one of retrenchment as social and welfare facilities have been axed, pay differentials have widened and large-scale redundancy and restructuring programmes are implemented.

Finally, type of ownership appears to play an important and influential factor in the development and transformation of HRM. Garavan et al. (1997) concluded that type of ownership was an important variable to the difference between HRM in foreign and domestic firms. For example, the authors found that HRM practices were considerably influenced by ownership characteristics.[43]

> In newly developed companies emphasis appeared to be placed on recruitment, creating a positive organisation culture, devising remuneration policy, training and development of staff, performance appraisal and the implementation of retention strategies. Companies that had experienced transformation were more likely to implement HR policy/practices that focused on downsizing, changing culture, improving communications and retraining employees. In traditional companies the emphasis was more on maintenance-type personnel activities such as administration and record keeping for control and reporting purposes.
>
> (Garavan et al, 1998: 208)

As a result of their research, Garavan et al concludes that there were two distinct phases of HRM development. Phase 1 from 1990 to 1992 and phase two from 1993 to 1997. Phase one was characterised by the limited usage of modern method of HRM, with few companies having an HRM manager. Phase two has been a continuing process of transformation, with new methods introduced leading to a major change in the approach and recognition of the value of Western HRM practices. 'Firms have begun to consider human resource policies and in recent times there have been some attempts to use the business plans as the context of framework for personnel/HRM policies and activities'. (Garavan et al, 1997: 209). Although the authors imply that this is at an early stage, the process looks set to continue.

## 7.7   HOST COUNTRY ENVIRONMENT FOR HRM

We now turn to specific factors that may affect the development and delivering of corporate HRM policies and practices. These are: the Polish Labour Code, and

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43   Curiously Tung and Havlovic (1996) concluded that this factor did not appear to have a major impact on the HRM policies and practices in Poland and the Czech Republic. Rather they concluded that macro-environmental variables had a major impact on the development and transformation of HRM in both countries. It may be that the study undertaken in 1993 was too early to fully identify differences between foreign and domestic firms.

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specifically the pressure towards EU convergence; Polish history, culture and management styles.

## 7.8    THE POLISH LABOUR CODE

The Polish Labour Code[44] presents the legislative framework governing the contractual relationship between employer and employee. It aims to *'define the rights and duties of employees and employers'*.[45] Whereas in the UK organisations would normally produce contracts of employment, disciplinary, grievance or redundancy procedures; in Poland most of these are detailed in the Labour Code. For example, section two of the Labour Code covers the employment relationship and incorporates laws concerning the contract of employment, notice periods and termination; section three covers remuneration; section four covers the duties of the employer and employee; whilst other sections cover working time; the amount of paid leave or holiday required; and work safety. This represents the fundamental difference between the UK and Poland: case law versus legislative code.

The Polish legislative framework is closer to the practices of most other EU countries, indeed it is often noted that it is the UK which present an anomaly within the EU on this issue. However, the Polish legislative framework and its Labour Code is a critical contextual factor in exploring the differences between HRM policies and practices of MNC's with subsidiary operations in Poland. MNC's would need to consider the legislative implications for contracts of employment and related issues.

The EU accession strategy has meant that the Labour Code has been continually amended by parliament to fit with EU legislation. However it is worth nothing that there is a difference between the code and actual practice. If we take, for example, the equal treatment directive, a key principle behind EU legislature and charters on social rights, we find that despite the fact that laws prohibiting sexual discrimination have been included in the Labour Code since the 'Communist era', it is sometimes difficult for an individual to actually enforce the law, particularly in the areas of sex discrimination and equal treatment. The UK's Equal Opportunities Commission commented that whilst the Polish Ministry of Labour and Social Policy were making a strong commitment to achieve the necessary implementation of EU laws in the field of equal treatment between men and women, 'the principal challenge is to translate these laws into a practical reality so as to provide real access to justice

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44   The Labour Code is published in Warsaw and is available for purchase through bookshops. It consists of around 100 pages long and is published in Polish and English.

45   Article 1, Polish Labour Code, 1998 Update

for individual men and women'.[46] Thus whilst the Labour Code may appear pro-labour, it is weak in terms of enabling individuals with any practical means of redress.

This is further reflected in the redundancy legislation. The Polish law on redundancies, approved in 1989, is not far removed from European standards. Compensation is granted for up to three months average pay, and there is a three-month notification period. Workers have the right to access full financial records of the firm and to propose alternative solutions to the firm's management. Management is not however legally obliged to follow any of these recommendations and their decision is only constrained by the definitions of permissible reasons for restructuring. These definitions are broad: organisational restructuring or economic reasons and as such by their vagueness, tend to support employer strategies. (Bell and Michiewicz, 1999).

Thus as some observers note whilst the body of the law appears to be in harmony with standard EU practice, the Commission's opinion on Poland's application for accession specifically mentions that local labour offices have been less than thorough in ensuring enterprises meet their responsibilities. 'A common theme in the question of harmonising labour law is ensuring not simply that the right laws are on the books, but they are enforced and that violations will be detected and punished' (Bell and Michiewicz, 1999: 135).

Two questions which arise from this contextual factor are: firstly, to what extent and in what way, are MNC's HRM strategies, policies and practices specifically affected by the Polish Labour Code; and secondly, what impact does it have on the management practices of local and expatriate managers.

## 7.9    POLISH HISTORY[47] AND CULTURE

The transformation of the Polish economy since 1989 has been nothing short of revolutionary. The transition from a command soviet style system to a free market economy has been relatively rapid, far reaching and not without pain. In the scope of Polish history, transformation is nothing new nor is the pain. The present Pope John Paul the Second speaking in Krakow in 1978 said:

> for everything that we have lived through in the course of our history, especially in the most painful periods of partition, occupation, insurrection, struggle and suffering, has had the effect of pumping both the historical and the contemporary life of the entire Nation through the heart of every Pole (cited by Davies, 1981)

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46   Source: Unpublished report, Equal Opportunities Commission, April 1999

47   For a fuller accounts, see Davies (1981); and Zamoyski (1993)

Poland represents something of an enigma to the study of national culture. The Polish State has witnessed both grandeur and annihilation. From medieval times to the mid-18th century, it was a rich country with valuable salt mines in the South and highly productive agriculture. From 1795 to 1918 the Polish State was annexed by its neighbours, Austria-Hungary, Prussia and Russia, and Poland, disappeared as a sovereign state. Davies (1981) who has written to date the most authoritative account of Polish history, discusses the country map of Poland: 'At various times in Eastern Europe, the Polish State has been everywhere and nowhere. Its territory, life, the settlement patterns, cultural alignment and ethnic mix of its population, has been subject to continual transformations' (1981a: 24).

In the history of the Polish State, the established order has been overturned on at least six occasions - in 1138, 1795, 1813, 1864, 1939, and 1989. This leads Davies to conclude that:

> I see Poland as an immensely complex phenomenon - both land, and state and nation and culture: a community in constant flux forever transmuting its composition, its view of itself, and its raison d'être: in short, a puzzle with no clear solution.
>
> (Davies, 1981a: xi)

However it would be misleading to present Poland as a unique case. Certain historical aspects can be applied to Britain, France and Germany. For example, German frontiers have fluctuated 'more than those of Poland over the last thousand years, and Germany has been little more than a concept for much of this time' (Zamoyski, 1993: 6).

Yet the fluctuation of Poland's map, its historical legacy of annexation makes the question of what is Polish culture a challenging one. Polish people have been often portrayed by legend and literature[48] as a 'romantic people, good at fighting, riding, dancing and drinking, pathologically incapable of organisation or of stable self government, condemned by geography and their ineptitude to be the victims of history' (Zamoyski, 1993: 4). Zamoyski argues that this is nonsense as the Poles 'established one of the largest and most ambitious structures of early modern times, and for much of their history they dominated their neighbours' (1993: 4).

Contemporary Poland, regards itself as the heart of Europe, in a geographical, spiritual and emotional sense (Davies, 1981). Tung and Havlovic (1996) argue that there are two distinguishing characteristics of the Polish people that have a significant influence on present day HRM policies and practices. These are 'a deep sense of

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48    see Michiewitz.

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belonging to a family group; and two, a strong conviction that each individual possesses equal dignity and equal rights' (1996: 4). This strong family tradition is further reinforced though Poland's main religion. Catholicism is an integral part of Polish society. One only has to witness events such as All Souls Day (November 1), Wigilia (December 24) and Wielkinoc (Easter) to recognise the great importance attached to the traditions and religious blessings. Similarly a visitor in Warsaw on any Sunday morning can observe the large numbers and wide spectrum of churchgoers attending service - even to the extent of having to listen to the service at the entrance because the Church is full. The appointment of a Polish Pope in 1979 was symbolic and, some argue, may have acted as precursor to the revolutionary events ten years later. This desire by Poland to belong to the West is intrinsic to the ambitions of the Polish government to join the European Union. As a consequence the pressures of convergence may well influence the HRM strategies of MNC's operating in Poland.

## 7.10   THE POLISH LANGUAGE

Early research revealed that the Polish language is a key part to understanding the Polish culture. The Polish language contains an informal and formal use of language. The usage of *Pan* (Sir/Mr.) and *Pani* (Lady/Madam) in the third person singular is used as a means of formal address or in relation to discussion about that person. For example to address a colleague, acquaintance or boss it would be appropriate to use this form. Individuals holding prestigious jobs such as a doctor, director or professor are addressed as *pan/pani* doctor, or *pan* director and so on. The informal use of the address is used between close friends and to address children. For native English speakers this distinction between the formal and informal usage can be difficult. For example it is customary for two colleagues who have been working alongside for twenty years or so, still to observe the formal address. Traditionally the move to an informal address is agreed after colleagues have toasted each other over a glass of vodka.

> There is a custom in Poland that if you want somebody to use their first name, you need to drink with a glass of alcohol... [and say] something meaning *'I put trust in your hands'*....Some of them work here for ten years and they were still very formal. We tend to be very formal in a business context. (Personnel Manager, SoapCo, 1996)

The recent political changes coupled with the influx of foreign companies, have resulted in a move particularly on the part of the younger generation to use the informal, which is seen as modern and trendy. This is further reinforced through advertisements, the media and popular magazines.

The formal and informal means of address are inherent within the Polish culture. How foreign companies have addressed this issue, particularly American or British MNC's, provides some insight into their MNC strategy. For example as we shall observe in the research findings from the case studies, FoodCo has a deliberate policy of only using the informal address in whichever country of operations irrespective of the national culture or custom; whilst SoapCo lets local customs dictate and uses the formal address.

## 7.11   A POLISH MANAGEMENT STYLE?

The shared values and attitudes in a society are important to understanding the dominant culture. For example, in Poland, expectations of who is considered to be an 'effective manager' show wide disparities in the transition from the command economy to the current market economy. Research suggests that under the centralised economy the manager's role was restricted.

> The manager was an administrator: his/her task was to perform not to create.....the managerial role was characterised by conventionality rather than creativity.....Polish managers avoided risk, responsibility and decision making, and adopted particularly towards the end of the communist era, a *laissez faire* attitude:
>
> (Kostera, Proppe and Szatkowski, 1995: 635-6).

In the transition to the market economy, it is argued that the task related elements of the manager's role are becoming increasingly similar to those of the Western manager (Kozminski and Obloj, 1990). Important tasks are now seen as strategy formulation, motivating employees, organising teams and supervision (Kostera *et al*, 1995), with the additional desirable managerial qualities of resistance to stress, ability to co-operate with others, creativity, and high personal moral standards.

Trying to ascribe characteristics of a Polish management style appears to be rife with contradiction. Prior to 1989 'the manager's role was highly restricted. The Polish manager did not set goals, plan motivate, organise, or control....the manager's role was solving immediate issues, similar to a fireman who had to put out fires instantly ...... the managerial role was characterised by conventionality.' (Kostera *et al*, 1995: 634).

Contradictions emerge from the literature. For example some researchers have noted that Polish society is egalitarian (Tung and Havlovic, 1996), whilst others argue that it is unequal and status oriented with Polish managers[49] scoring highly in

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49   Care should be taken here, as the respondents to the survey were business students rather than practising managers.

Hofstede's dimensions of power distance and uncertainty avoidance (Nasierowski and Mikula, 1998). Societies with a high power distance reveal a greater degree of centralisation and unequal distribution of power. 'People make an effort to look powerful, which can be reflected in the high status of things. Thus it should not come as a surprise that very many Poles own cars whose price exceed their yearly salary' (Nasierowski and Mikula, 1998: 501).

Furthermore the authors argue that an authoritarian style whilst not welcomed is expected by Polish managers and is a legacy from the Communist era. Yet this seems to be contradicted in their findings on the Individualism dimension, which indicates that structure and group financial security and involvement in decision making are important (Nasierowski and Mikula, 1998). Additionally there appears to be a difference from what managers believed they were doing and what they actually did in practice. Whilst the Nasierowski and Mikula (1998) research sample included only five managers, they argue that whilst the managers believed that they were strategy originators, in reality the substantive element of their work had changed little from the Communist era.

The primary data from the longitudinal study revealed that these contradictions appear reflective of the massive change and upheaval within the Polish working environment. Certainly how managers define management style suggests a perception of what it actually should be. The respondents[50] participating in the longitudinal research study were asked:

- How would you define the term 'style of management'?

- How would you describe the Polish style of management?

- How would you describe a Western/foreign[51] style of management?

- What are the similarities, if any, between the Polish and Western/foreign style of management?

- What are the differences if any, between the Polish and Western/foreign style of management?

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50   All the respondents were Polish HRM managers/directors working for MNC subsidiaries in Poland.

51   This was adapted depending on the dominant foreign influence. For example Unilever had a number of Dutch expatriate managers. Other companies had mainly British or American. The flexibility in the way in which respondents identified management style by nationality was useful for later interpretation.

The findings reveal that respondents defined the term 'management style'[52] in two ways, either as a set of behaviours or as part of the organisational structure. The behavioural view was expressed as:

> The way that people make things done...it covers many areas: how they manage people, how they act as leaders, how they manage money that they have, how they manage themselves
>
> (HR Manager, United Distillers, 1997)

> Management style, to me, means the way you behave as a manager, managing your people ..... it may be very autocratic, it may be democratic.
>
> (Personnel Manager, SoapCo, 1996)

The organisational view was expressed as:

> Classical, bureaucratic, autocratic with very precisely defined role of different levels...in opposition to that a flat structure [where] a lot of decisions are delegated to the other levels
>
> (HR Director, Colgate-Palmolive, 1996)

> How a business or unit is organised and then managed. How the role is satisfied, how targets are set, to make sure that everybody knows what he or she is supposed to do and requires a little discipline as well as to make useful the results.
>
> (HR Manager, Shell, 1996)

### 7.12    MANAGEMENT STYLE RELATED TO SOCIO-POLITICAL AND ECONOMIC CONTENT

Many respondents distinguished the Polish management style between what it was within the 'Communist' era and its contemporary definition within the market economy. Respondents were asked : *do you think there is a Polish management style*:

> Oh dear I don't think there is such a thing. Either we can talk about what we inherited from the past, which ...was inherited from a certain political structure ... a bureaucratic style of management. But now the situation is changing very much and the styles are so different in different companies. It varies so much from company to company.
>
> (HR Director, Colgate-Palmolive, October 1996)

> I don't think that we have a typical Polish management style and I think if you try to classify it...I would see it as one coming from the old generation, people who were managers before the new system started ....... [it was] a very centralised, very autocratic ....... didn't really talk about how to motivate people, you just were really tasks oriented.
>
> (HRM Manager, PepsiCo, October 1996)

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52  Respondents were deliberately asked to define management style prior to any subsequent questions concerning the Polish or British management style. This aimed to ensure that no assumptions were transferred from the researcher to the respondents' answers.

It is an issue in Poland that if you didn't keep a proper distance with the subordinate outside of work, than it works against the manager because he had bigger difficulties to execute. That was the style in the 70's.

(HRM Manager, Shell, October 1996)

The responses suggest that management style may be related to its context. In Poland, during the Communist era, management style reflected the dominant thinking. There were strict areas of demarcation, hierarchy and Party rules and regulations. Managers working within this system appear to embody the main principles from the Communist era.

## 7.13    LEGACY OF THE COMMUNIST PERIOD

The old Communist style of management was described as authoritarian, task oriented and focused on procedures. It had concern for roles and hierarchy, and was formal. This was notable in the use of job titles and the use of *Pan* (Mr.) in work dialogues. This appears to be a legacy from the Communist era prior to 1989, and continues to date within the former state-owned enterprises.

In terms of Polish style of management, it is difficult to say generally what the style is as it depends on people and my experience...I may say most Polish managers are autocrats, so that means they make the decisions. They may consult people, although they are really just informing people of the decision of what they have to do.... [Polish managers] tend to perceive problems and not to think how to solve them. They discuss too much, for example they can spend a meeting discussing a problem but not saying how to solve it ..... the way that the Polish managers behave is kind of contagious disease, it is you know because of the system that we used to have. The central planning and the Communist system .... somebody decided what you are to do, and you were just given a plan and you just had to do it.

(Personnel Manager, SoapCo, October 1996 - *former SOE*)

I worked for a Polish enterprise for three to four months ... [there was] no clue on things like modern dictates of HR, of managing business, of co-operating, because we are the children of the past 40 years of Communist regime.....If you go to a typical Polish State owned enterprises and you translate management development into Polish, they say *"is this a raw material?"* or *"is this a financial term?"* or *"is this from politics?"* They don't know what it is because management development did not exist until Western Business came in. If you say, its a selection board technique, you need 15 minutes to explain what the hell the damn thing is all about, and then you will be asked "why do you bother? Why don't you just leave an ad in the newspaper and grab anybody who comes to your office?". If you say: well we want to refine benefits package; they would say: why would you do it? If you mention upper quartile which gives you the competitive edge against your competitors, no clue. Now I'm Polish, don't get me wrong - I'm proud to be Polish. I am probably harsh because I very much believe the Polish reality until recently was very harsh.

(HR Director, Unilever, October 1996)

The respondents were aware of the contrast between management styles in the former Communist era and the present post Command economy. It appears that MNC's and their subsidiaries have been influential in making that contrast. Respondents were aware that the Communist legacy still influenced management in Polish firms. Thus a contrast emerges on management style in Polish firms compared to MNC firms. Foreign owned MNC's and expatriate managers appear to be highly influential in shaping the Polish management styles and behaviours. Coupled with this were transfer of knowledge and systems as highlighted in the above quote. Furthermore these appear to have impacted on the expectations of Polish managers with MNC subsidiaries in Poland.

**7.14  INFLUENCE OF FOREIGN OWNED MNC'S AND EXPATRIATE MANAGERS IN SHAPING POLISH MANAGEMENT STYLES.**

It would be misleading to suggest that there has been a complete watershed change in 1989. Managers from former SOE's tended to be described in the same style. The seachange in style is particularly apparent in the MNC's. Rather, it is apparent that the changing political and economic structures had contributed to a revolutionary change in Polish management styles.

> I think something that I would like to call 'new' Polish management style ... I would like to say its opposite, but I don't think it is. [Younger managers] are either people oriented or very task oriented..it is very difficult to find somebody who will be well balanced and who will do both things to a certain extent.
>
> (HRM Manager, PepsiCo, October 1996)

> Honestly, I don't think there is a Polish style of management....we had expatriates who came here, hired young people and actually told them how to behave in certain situations. So I can tell that Polish managers here, are influenced by British style say, or our expatriates style but of course they add to that this Polish mentality.
>
> (HRM Manager, United Distillers, June 1997)

Respondents were, subsequently, asked to compare Polish management styles with expatriate management styles i.e. British, American or Dutch, in terms of similarities and differences. This provided a way of drawing out behaviours seen to relate to nationality:

> We [Poles] do know how to discipline people but we have difficulties with moderating people in a positive way. You know, the famous carrot versus a wooden stick. I think we are very good at using the stick and we don't know how to use the carrot
>
> (HRM Manager, PepsiCo, October, 1996)

> What I find is that British people in business are very nice, very kind, they are not very pushy, they try to give more time for each issue, to explain. The mentality of Polish Management is that they want to have things

done very quickly. They are also, I think very good negotiators because they don't like to agree with different ideas. It's quite Polish. Polish people normally like to argue. They know what they want. So basically this mentality, this personality is visible here in our business.

(HRM Manager, United Distillers, June 1996)

By noting the difference the respondents were able to identify what kinds of behaviours and skills contributed to their respective companies. As we shall observe later, these differences contributed to the transfer of learning by expatriate to local managers. This emerged to be a critical process in understanding how companies globalise their operations.

## 7.15   MANAGEMENT STYLE INFLUENCED BY COMPANY CULTURE, AGE, AND JOB ROLE

Other factors emerged as important to understanding management styles. For instance, the difficulties in defining Polish management style appear to be further complicated by job level or job role, company culture, and age.

It very much depends on what you mean by Polish style. Are you talking a) factory shop floor; b) factory management; c) young management trainees in Head Office; or d) Head Office management workforce...I don't think there is something called Polish management style.

(HR Director, Unilever, October 1996)

We don't have young managers from abroad, just very experienced managers who have come to give their knowledge to our people.

(HR Director, Johnson and Johnson, November 1996)

Style of management relates to 'company rather than nationality'.......It is hard for me to say a typical 'British manager' I can tell a typical Unilever manager or a typical Pepsi manager, but I don't want to generalise and say this is a British style.

(HR Manager, PepsiCo, October 1996)

I don't know how to describe this [Polish management style] kind of management. I can say my style, I am not autocratic, I am very open for people, for coaching them. So I am managing people through coaching them...and they can be person who sets the direction (*sic*)

(HR Manager, Amway, October 1996)

Company culture reveals itself to be influential in shaping managerial styles. The respondents were able to describe certain aspects of a management style by company. In conclusion, it would be inaccurate to suggest that one generic Polish management style exists. Defining a 'Polish management style' is compounded by a number of influencing factors: the political and economic environment; the Communist legacy; the influence of foreign owned MNC's; the role of expatriate managers; a company's culture; as well as by generation and job role.

## 7.16    SUMMARY

This chapter, drawn from the literature and the findings, has sought to reveal a range of specific contextual and institutional factors that influence the Human Resource strategies of MNC's operating in Poland. At a macro-level, the socio-political, economic and cultural contextual factors were discussed. Specifically there were certain factors that, it is argued, influence the HRM strategies, policies and practices of an MNC. These are the Polish legislative framework and its Labour Code, Polish culture and history, Polish language, and Polish management style, as well as, the historical legacy of Communism. Understanding the contextual factors is essential to appreciating the issues faced by MNC's setting up operations in Poland.

Furthermore at a macro-level, there appears to be little or no parallelism existing across former Communist countries in Central and Eastern Europe. In Poland, the framework for an industrial relations model and the trend towards tripartism is developing. Employers and managers have emerged as dominant actors at an organisational level. Employers have been instrumental in enforcing major changes in the workforce. In contrast, employer associations remain effectively weak at a macro or governmental level.

The literature suggests that human resource management in Poland can be characterised as a highly centralised function with limited evidence of decentralising control to line managers. Companies do not perceive that human resources can achieve competitive advantage. Consequently there is limited evidence of personnel specialists perceiving a link between HRM strategies and corporate strategies (Tung and Havlovic, 1996; Garavan *et al*, 1998). Generally the literature review reveals that there is no clear model of HRM in Poland, and company HRM practices have only recently began to be researched. It is worth noting that these findings relate to Polish firms or former SOE's, and not to MNC subsidiaries.

The historical legacy of the Communist era is a critical contextual factor in the function and meaning of HRM in Poland. During the Communist era, the personnel department was closely linked to carrying out the wishes of the Communist Party. This was achieved by promoting Communist Party members to more senior positions, through HRM processes such as appraisal and succession planning. In Poland, specifically, personnel was more concerned with administration and social or welfare issues. The historical legacy appears to influence the role, philosophy and function of personnel or human resource management within an organisation. In addition the findings reveal that there is a contrast emerging between HRM in international firms and that existing in Polish firms.

Furthermore the Communist legacy has had implications for management styles and behaviours. The old Communist style of management was described as authoritarian, task oriented and focused on procedures. It had concern for roles and hierarchy, and was formal. There was little evidence of a 'Polish Management style'. Rather the findings reveal a contrast between management styles from the former Communist era and the present post Command economy. The Communist legacy still appears to influence management in Polish firms. Foreign owned MNC's and expatriate managers appear to be highly influential in shaping the Polish management styles and behaviours. Moreover, these appear to have impacted on the expectations of Polish managers with MNC subsidiaries in Poland.

This chapter has sought to provide the reader with a macro-level analysis exploring the factors influencing Human Resource Management in Poland. The next chapter explores and interprets the findings from the longitudinal study, examining HRM in MNC subsidiaries in Poland. This was undertaken from 1996 to 1999 using an interpretative methodology. The role, function and practice of HRM in Poland were explored through semi-structured interviews with key actors from a sample of MNC subsidiary companies in Poland. The definition and function of HRM is described within each MNC subsidiary, as well as the extent of conformity and divergence of HRM policy and practice between the parent office or global level and the subsidiary operation or local level. The changes witnessed from 1996 to 1999 are reported. The study, also, documents the past activities and future priorities for HRM within each company; the major obstacles faced by HRM practitioners in implementing HRM strategies; as well as their views on the nature and future of the HRM profession in Poland.

## 8. HRM IN MNC SUBSIDIARIES IN POLAND 1996 TO 1999

### 8.1    OVERVIEW

This chapter analyses the findings from the longitudinal study undertaken in a sample of multinational companies from 1996 to 1999. The respondents were key actors in HRM, usually the human resource director or manager, as well as some of the managing directors of the subsidiaries. A semi-structured interview format was designed and the survey was undertaken at two separate points in time. The respondents were asked questions concerning:

- Local HRM practices and policies

- The role of the HR/personnel function in their respective company

- How the respondents (HRM Managers/Directors) perceived their own job role and purpose

- The key HRM priorities for the forthcoming 12 to 18 months, how these differed to a year ago, and the major obstacles to achieving them.

- The difference and similarities between the global and local HRM policies and practices

- The implementation or not of global HRM policies

- The design of HRM policies to meet the needs of the Polish subsidiary

- The role of the HRM profession in Poland

The initial ambition for conducting the survey was to record the state of HRM in Poland in 1996. At that time there was no qualitative information about HRM in Poland specifically within MNC subsidiaries. At this stage, the study helped the researcher to gain a much better picture and understanding of HRM in Poland, and to test and recognise her own assumptions. For example based on the literature review, the researcher expected much greater uniformity in HRM policies and practices than was actually evident in 1996, although this had changed by 1999. Similarly the researcher expected a far greater number of expatriates than was actually present in the companies. Generally expatriate managers represented between one to three per cent of the MNC subsidiary workforce, although they held senior and key positions. As a

consequence the research methodology was reconsidered and adapted to take in to account these findings[53]

In addition, as the subsequent company case studies were researched and data collected, it became apparent that there was a real need to capture the changes in HRM over the past three years. Whilst three years (1996 to 1999) might represent a short timescale to the Western observer, the rapid and phenomenal pace of change witnessed in Poland meant an enormous amount of change had been achieved. Thus in late 1998, the researcher contacted the respondents from the survey in 1996 and asked for their participation. All the respondents who participated in the original survey were the same individuals in the same job roles, except for one person.[54] This fact provided for continuity and the ability to cross-reference the original responses three years earlier.[55] The stability of the respondents in their job roles also reveals that HRM was developing and progressing rapidly within MNC's. The increasing level of sophistication meant development opportunities for the respondent. Additionally the HRM profession was considered to be new and there was consolidation over this period by MNC's and within the profession. By 1999, respondents regarded HRM as a valued and popular career.

The respondents were interviewed in early 1999 using the same semi-structured interview methodology, as that utilised in 1996. This enabled the researcher to compare and contrast the responses and chart similarities and differences. The semi-structured interview format provided the best opportunity to discuss items raised during the interviews, which did not necessarily conform to a more structured interview format. This methodology is considered by Usunier (1998) as the most appropriate when conducting research on unfamiliar or new territory, and, as a way of overcoming the researcher's assumptions or beliefs about the researched issues. The responses were corroborated and analysed using index cards to sort the main responses and quotations drawn from the interviews. In addition the mind mapping technique was utilised to identify and theme the responses. This provided the opportunity to overview the responses and their frequency of corroboration.

All the interviews were conducted between October 1996 and November 1996. Companies participating were Shell; Unilever; Johnson & Johnson; Colgate-Palmolive; PepsiCo; Amway. The interview with United Distillers took place in May 1997. Whilst

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53   The reader is referred to the Methodology chapter for more information

54   Amway was the exception, although the second respondent knew her previous colleague on a personal basis
     and had been working for Amway within a different job role at the time of the first survey. Thus this helped to
     reconfirm earlier findings within the company.

United Distillers did not participate in the 1999 survey, they have been included in the 1996 findings as they provided useful access to company material and reports, and meetings with senior managers.

In the second survey, all the interviews took place between January and February 1999. The interviews were conducted with Colgate-Palmolive; Unilever, PepsiCo; Amway; and Shell. All the respondents were the same individuals except for Amway. This helped to provide continuity and clarity.

The findings are presented as follows:

- Definition of HRM within the MNC subsidiary

- The function and role of HRM within the MNC subsidiary

- Key HRM activities within MNC subsidiaries in 1996 and 1999

- The transferability of global HRM policies to the local subsidiaries.

There were clear differences between the key HRM activities in 1996 to 1999. The research reveals a transition from the hard model to the soft model of HRM over this three-year period. Other findings show that the Communist era had clearly left a mark on the meaning, function and role of HRM within the Polish context. Also the function of HRM as an agent for implementing corporate culture was much more explicit by 1999. Increasingly the parent head office, of the respective companies sampled, exported its HRM policies and practices concerning performance management, job evaluation, training, selection criteria to its subsidiary companies in Poland. Only areas such as contracts of employment and elements of reward strategies were subject to local discretion. International companies justified the transfer of HRM policies and practices to the subsidiary units as facilitating a common corporate language or 'lingua franca', as a basis of understanding across national boundaries, and enforcing a global corporate culture. The chapter concludes by making a number of observations and summarising the findings concerning the state of HRM in Poland within MNC subsidiary companies from 1996 to 1999.[55]

## 8.2    DEFINITION OF HRM WITHIN THE MNC SUBSIDIARY

This section reports that respondents defined the term 'human resource management' in two major senses. Firstly they described the Communist era legacy for

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[55] The case study companies are not discussed or used in this chapter unless they had a specific and relevant contribution to the findings.

HRM and the state of HRM in Polish companies; secondly they identified themselves as pioneers of HRM and not 'personnel management'. The latter was strongly equated with that found in Polish firms or former SOE's. Many respondents described their role as one of transforming the meaning of HRM to their peers in Polish firms by showing the strategic nature of the function.

### 8.2.1 The Communist-Era Legacy for HRM

In 1996, nearly all the respondents stated that they wished to be connected with HRM rather than personnel as a philosophy. All with the exception of SoapCo[56], Unilever[57] and later FoodCo[58], were called Human Resource Managers or Human Resource Directors. As described in the previous chapter, the personnel function during the Communist era was strongly linked to the Communist Party. As a consequence the respondents all said that they saw themselves as HRM professionals as a means of marking a departure from the Communist era and its legacy for the personnel function.

> People had a very bad connotation from the past because it was attached to the politics, that any evaluation was mostly for the purposes of eliminating people who were not convenient for political reasons.[59]

> We have a very bad experience with Personnel function for the last 15 years in Poland. The Personnel Manager for Polish people is compared with police, so the image of Polish [personnel] manager is not good for Polish society.[60]

The respondents marked a distinction between the previous Communist era and the present post-Command society by using the term Human Resource Management. This finding is consistent with research in other former Communist countries, such as the Czech Republic, where the personnel department had political associations. (Koubek and Brewster, 1995). Other research has noted that Personnel Management particularly in former SOE's was, and in some cases still is, referred to as 'kadry'. (Soulsby and Clark, 1998) This term has a strong connotation to the Communist Party prior to 1989. Similarly the term HRM is difficult to translate in the Polish language as it comes from the Anglo-Saxon tradition in which people are considered instruments of production (Zaleska, 1998).

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56   Personnel Manager, SoapCo

57   Country Personnel Director, Unilever

58   Personnel and Organisation Director, usually abbreviated to P& O Director, FoodCo

59   HR Director, Colgate-Palmolive, Warsaw, October 1996

60   HRM Manager, Shell, Warsaw, October 1996

### 8.2.2  HRM not Personnel Management

All the respondents distinguished between HRM and Personnel Management. HRM was defined as being oriented to the future, concerned with wider strategic ambitions and more creative processes and tasks, acting as a service for the key decision-makers and line managers. Whereas personnel management was described as a mainly administrative function concerned with short-term horizons, little strategic input and concerned with operational issues. This finding is consistent with Tung and Havlovic's research in 1996.

> Human Resources has a wider meaning than personnel. It combines the administrative part with the bureaucratic part and has been used in organisations from the past. Human Resource functions have been developed from personnel in Western Europe and the same in Poland - why should we go back to the 1980's or 1970's.[61]

> Until a couple of years ago, PepsiCo was using personnel....at the moment they are moving forward into HR. This is a tendency world-wide not only Pepsi but all over in other businesses. I associate HR ....with more creative work. Personnel to me, maybe its just a way of connotating the words ...personnel I associate more with administrative work, day to day operation of the business ...less strategy.[62]

Personnel management, as a function, was described as that found in Polish firms. In contrast, MNC's had human resource management, perceived as a global and universal philosophy.

> My role is to be a member of the Board. The members create the policies, the goals for the employees. It is a very practical function, to find solutions of how to recruit people, to develop training and to develop programmes for them, to think about succession planning, to establish the salaries and benefits structure, to get the right results from the people.[63]

By 1999, this desire to consciously mark the distinction between personnel and HRM had diminished. Respondents defined HRM in more sophisticated, all-encompassing and future oriented terms. Not one respondent noted the Communist legacy for Personnel. Rather the function and role appeared to be established and firmly planted within Western concepts of HRM. The term HRM was defined as a change agent; a facilitator of change; a business partner; as providing the framework and the rules within which the business operated.

> HRM is about managing the human resources in the most effective way for the people and the company. So that all skills are used in the right

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61   HR Director, Johnson and Johnson, October 1996.

62   HRM Manager, PepsiCo, October, 1996

63   HR Director, Johnson and Johnson, October 1996

way. That the people are happy. The people have the right skills, are in the right place and the skills are used one hundred per cent and people have the chance to learn all the time.[64]

Respondents were aware of the differing debates about 'what is HRM?'. For example, one respondent identified two approaches to HRM within his company:

The first, and one to which I'm not in favour is the view that HR is the change agent. How some people interpret is to say that HR is responsible for anything that happens - plans, monitors and close the loop. I say: Where are the management groups? What is the role of the chairman or business leaders? The second view and my own view are that HR is one of the key facilitators of change. Our new MD would expect HR to co-facilitate processes such as performance appraisal. The first notion says that you drive the business and I say: no. HR is to facilitate the process, to prepare the ground, not to be the policeman. So I make things possible for a framework to happen - commitment of the Board etc.[65]

To be able to stay competitive and well prepared. To be able to recruit appropriate people. To be able to manage resources ...... But [I am] still the employee spokesperson..aware of the soft parts of the organisation..to understand deeper issues in company[66]

It became apparent in the 1999 survey that how respondents defined HRM was increasingly within the prevailing philosophy from their company. For example:

At moment it reflects thinking of the company. HR management being a support to the general manager. Helping them to run the business. By new thinking, managing or leading change .... generally share same thinking [as parent] .. what should be HR and what done by line management.[67]

HRM was increasingly defined as part of a corporate philosophy. HRM defined the framework, the rules by which the managers played. As such the function has moved from supporting the business to being the gatekeeper and referee.

HRM is about supporting the business in defining the rules and managing the business. These would include motivation systems, performance appraisal systems. People have to learn how to operate in a defined framework.[68]

In conclusion, by 1999, HRM was defined in increasingly sophisticated terms revealing that parent companies were significantly influential. There appears to be little distinction between Western philosophies of HRM and that found in the MNC

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64   HRM Manager, Amway, Warsaw, January 1999

65   Country Personnel Director, Unilever, Warsaw, March 1999

66   HR Director, Colgate-Palmolive, Warsaw, February 1999

67   HRM Manager, PepsiCo, Warsaw, February 1999

68   HRM Manager, Shell, Warsaw, January 1999

subsidiaries in Poland. The president of the PHRA commented that the Polish model of HRM is 'closer to the Anglo-Saxon model'.[69] There remains a sharp distinction between the HRM found in Western companies or MNC's and that found in Polish companies (Tung and Havlovic, 1996; Garavan et al, 1997). As one commentator noted:

> If I say that HRM is in a state of transition then that implies that there are two separate states and I don't think that is the case. One main approach in some Polish companies is that it doesn't exist so don't bother. But this doesn't only apply to Polish companies - I have seen MNC's which have personnel administration not HRM.[70]

These definitions reflect the dominant impact of the MNC and certainly do not reflect the state of HRM in Polish companies. Tung and Havlovic (1996) and Garavan et al (1998) describe a different version of HRM, based on their respective studies, which focused on only Polish companies. As such their studies depict a traditional personnel function concerned with operational issues, little strategic input, firefighting and administration. The respondents in this study all expressed a view that they regarded themselves as pioneers of HRM or 'missionaries' educating and teaching their counterparts in Polish firms about HRM and its distinction from personnel management.

## 8.3   FUNCTION AND ROLE OF HRM WITHIN THE MNC SUBSIDIARY

In 1996, two main areas emerged from the respondents' descriptions of their function and role. These two areas were defined as: HRM as a strategic and supportive function; and HRM as a key agent for defining and enforcing corporate culture. Three years later, these two aspects remained and had been further consolidated.

### 8.3.1   HRM as a Strategic and Supportive Function

In 1996, HRM was described as a function, providing support to the key decision-makers, individual line managers, and support to the overall success of the company in achieving its business strategy.

> We see HR function here as a very very (sic) commercial role.....we are not HR people sitting somewhere in the corner developing procedures and collecting performance reviews. Actually I am involved in project groups from each department : sales, marketing, finance as well. I am actively involved in discussing sales strategy, marketing strategy. The reason for it is that we are really like a service for departments. We are not HR bosses sitting and judging. We are helping department managers, directors, to

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69   Interview with Stan Wojnicki, President, Polish Human Resources Association, 26 January, 1999.

70   Interview with Stan Wojnicki, President, Polish Human Resources Association, 26 January, 1999.

develop their people to develop strategies and also to ensure that they will have human resources for the job, for doing the work efficiently, for making, for example the departments work as a team. So we work as an additional resource for them. It's not that HR is a separate department here. I'm like everywhere and I think that it's a policy we have world-wide.[71]

The way I view it is like being advisor to the General manager and being advisor on business day-to day operational issues plus being advisor on more strategic issues. The purpose [of HR] within the company I would say definitely is in support of all the other functions and to make sure that they can operate smoothly and they have everything that they need to operate well on a day to day basis.[72]

Mainly support the Management Board, the Directors in managing the company in terms of strategy, advice and taking some necessary action...To identify all the HR issues vital to the company and all the objectives resulting from this. What objectives should we see and then what actions should be taken....inspiring some new solutions, new procedures...[73]

In addition, respondents saw a clear link between their individual job role and the broader company goals.

Management support and responsibilities and objectives of the company, so HR goals are the goals of the company. So every year we have objectives for the given year, we try to align my department roles with the organisational goals.[74]

The role was also described as helping managers and directors to solve problems or find solutions:

The purpose is basically to help the business works (*sic*). As I said before my role is to find problems, to try to solve them or to help people to solve them. Because also we are not for solving problems within departments. We help managers to solve them. They are the bosses there, and they should find their way to solve problems, and perhaps, we can help them.[75]

There was evidence that parent company influence was significant in shaping and defining the HRM policies and practices within the local subsidiaries. By 1999, HRM had been consolidated through a series of processes such as performance appraisal, reward and compensation, job evaluation and so on. Most of which had been transferred from the parent company. Greater emphasis was placed on the strategic aspect to HRM. One respondent had contracted out 'personnel

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71   HR Manager, United Distiller, Central Europe, July 1997

72   HRM Manager, PepsiCo, October 1996

73   Personnel Manager, SoapCo, October 1996

74   Human Resources Manager, Johnson and Johnson, October 1996

75   HR Manager, United Distillers, June 1997

administration', which included personnel files, sick leave, holiday leave, medicals, termination, overtime records, contracts, job descriptions, salary information etc., to a management consultancy company:

> I have contracted out all this admin. crap (sic) to elsewhere.....because I have responsibility for whole office......my task is to agree their needs and sign a customer services agreement, to agree scope of their expectations. To have a clear picture of what they are paying for.[76]

The legacy of the Communist era led some HRM managers to express concern that their profession did not fully understand their role as a strategic one. Some complained that most HRM managers tended to have a legal background, and as a consequence, they were more concerned with the letter of the law rather than strategy. In many respects this was linked to the influence of national labour legislation defined in the Polish Labour code. This is a small book, which contains the detailed government legislation relating to aspects of work, health and safety, and is described in Chapter 7. Personnel managers are obliged to enforce the specific details of this legislation.

> I think a lot of Polish managers don't have HR background... in the sense that most of them are lawyers and they are very good on Labour Code and things like that. For me, this is the administrative side of HR. We have to watch it in order not to get in to trouble but I think HR is more about setting up strategy, than to watch out for the rules with the labour inspections, the Labour Code.[77]

Whilst HRM was expressed in strategic terms, in reality there were unresolved questions concerning the calibre of the individuals carrying out the role of the HRM manager or director. This was compounded by the dearth of any HRM education or training in Poland in 1996. In addition the respondents found that their vision of strategy was undermined by menial administrative tasks.

> I used to be responsible for administration, that means for all the furniture and so on. Because it used to take me so much time, I said I cannot do the furniture at the same time as I am doing recruitment and other procedures[78]

The influence of the parent company may also contribute to these concerns. The MNC's in question are either of US or UK origin. In the UK, labour law is based on case law and HRM managers may be expected to know about the legislation but do not derive from a law background, similarly in the US.

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76   HRM Manager, Shell, Warsaw, January 1999

77   HRM Manager, PepsiCo, Warsaw, October 1996

78   Personnel Manager, SoapCo, October 1996

### 8.3.2 HRM as a Key Agent for Defining and Enforcing Corporate Culture

In 1996, HRM in multinational subsidiaries was viewed as a means of communicating in many differing directions, having the ability to police and chide individuals as well as the paradoxical role of nurturing individuals and rewarding appropriate behaviours.

> I should be something intermediate between staff and management. To just make sure that the top of the hill knows what the base of the hill is thinking or expecting - and the other way round.[79]

> Establishing policy for people. To establish motivation system, to establish training system, social system and recruiting people and to keep atmosphere within the company.[80]

> It's a kind of role to overlook the whole company. How the managers manage people in different departments.[81]

By 1999, this role or function of HRM had been consolidated through the implementation of HRM processes such as compensation and reward, performance management etc. One respondent[82] described how one of her main priorities had been the introduction of twelve leadership competencies. This system formed the basis for selection, promotion, training and development programmes. By so doing, the 'power' of HRM to state the behaviours to be selected, developed, rewarded or chided had been formally implemented. This development of the HRM function and role goes beyond managing chaos to formal and structural control.

### 8.4 KEY HRM ACTIVITIES WITHIN MNC SUBSIDIARIES

This section explores the key priorities and activities of the respondents to ascertain how and on what they spend their time. Three questions asked: what are your priorities for the next 12 to 18 months; how does this differ, if at all, from your past priorities and activities; and what are your major obstacles in achieving these priorities. These questions enabled the researcher to build up a picture of the concerns and main job activities of the respondents, and allowed a flexibility to probe into these areas more deeply. These questions also enabled respondents to be more specific about their day to day activities which could then be cross-referenced to the section above which is concerned with more general philosophical issues.

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79   HRM Manager, Shell, October 1996

80   HRM Manager, Amway, October 1996

81   HR Director, Colgate-Palmolive, October 1996

82   HRM Manager, PepsiCo, Warsaw 1999

Due to the fundamentally differing priorities in 1996 compared to 1999, this section is reviewed by firstly describing the findings from 1996, followed by those recorded in 1999.

### 8.4.1 Key HRM Activities in 1996

In 1996 the main priorities for the HRM function concerned recruitment and selection; establishing HRM procedures and processes; retention and motivation; establishing reward structures; and establishing career development programmes and succession planning.

### 8.4.1.a Recruitment and Selection

Recruitment and selection was an oft-cited activity in the 1996 survey. This relates to the rapid growth and development of the Polish economy coupled with the influx of foreign investment.

> I think say a year ago, we were mostly focused in setting up the business, so it was mainly recruitment and selection and introduction of the personnel to the business. In terms of human resources we had seven employees. Now we have over a thousand employees.[83]

> The first part was recruitment, getting proper people into proper positions.[84]

> Major achievement is to provide recruitment and development...these people are my success....if the people are successful it is because HR is good and getting better every year because we are developing the right policies.[85]

> I've recruited forty people...and I think we found very high quality people.[86]

The findings report a period of start up and growth within the MNC subsidiaries. Recruitment was the major activity of nearly all the respondents interviewed.

### 8.4.1.b Establishing HRM Procedures and Processes

The need to establish the credibility of the HRM function and manage chaos through implementing procedures was a prevalent response.

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83   HRM Manager, PepsiCo, October 1996

84   HR Director, Colgate-Palmolive, October 1996

85   HR Director, Johnson and Johnson, Warsaw, October 1996

86   HRM Manager, United Distillers, July 1997, Warsaw

The first three years was very hectic for me...once Unilever had acquired the businesses...I was working very hard with my team on putting structure in place and making sure they work. Now after three and a half years, my priority for the next couple of months to come, I think, is basically to refine them and to make sure they are effective.[87]

All these priorities are totally new ....even now here in the new company, some of the managers don't understand why I need so many people, what I am doing here, because they don't know what HRM means, they know only that there is an administration block. So its also convincing people the things that we are doing are useful to everybody and it may improve the promise of the company in terms of financial numbers.[88]

In most cases the HRM function had been established at a particular point of growth in the company. However the primary reason for this function was the desire by the company to manage chaos and regain control by establishing systems and procedures throughout the company.

There is an HR position here for only three months; before there was no person who cared about this. So there is a big drive to implement procedure: like expenses procedure, like car procedure, new bonus programme. Of course there was a big mess within the salary area. There was no systems - you know everybody got as much money as they were able to negotiate and the reason for that was we were a very very (sic) small company...we had 30 people...now 80. We grew 300 per cent in one year. So you can imagine it was like a family company, everybody loved each other and it was a good atmosphere....now I'm doing the job from scratch within HR, so that's also my priority to implement all basic procedures.[89]

When I first came here there was only one person dealing mainly with administration...so my objective was to establish the right function in terms of training, recruitment, selection and budgeting. The situation here was very difficult. There was only one person and nobody was managing costs. Everybody was recruiting people as he or she wanted. It was horrible. Total chaos.[90]

The HRM role had been established in the respective companies as a means to establish control and manage uncontrolled spending. In many respects the HRM function was created to 'police' the managers and organisation by establishing common procedures and policies.

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87    Personnel Director, Unilever, October 1996

88    Personnel Manager, SoapCo, October 1996

89    HRM Manager, United Distillers, July 1997

90    Personnel Manager, SoapCo, October 1996

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### 8.4.1.c    Retention and Motivation

One of the main concerns expressed in 1996 was the ability to recruit and retain good quality individuals. This was linked to two main issues. The first concerned the relative immaturity of the labour market. Companies were literally fighting over the same 'good' individuals and poaching staff from one company to another was not uncommon. Individuals with one to two years experience, found that they could sometimes double their salary by moving to another company. Many of the respondents expressed their frustration, that a small minority of employees had changed employers three to fours times in as many years, as a way of making large increases in salary (sometimes by more than 100 per cent in one company move).

> The market is very competitive and a company like [ours] is highly appreciated and once we go ahead and train them [the new recruits] we are an easy target for the other companies. So we have to [address] motivation - salary is not a key issue at a certain level.[91]

Yet at the same time respondents expressed concern that the very same individuals were relatively inexperienced and were not operating at the same calibre in comparison to an equivalent job position in the West. Companies were therefore investing in intensive training programmes as a way of raising this level of expertise. This added to the dilemma expressed by the respondents concerning poaching from other companies.

### 8.4.1.d    Establishing Reward Structures

> In terms of benefits some of these are already established, so now we are one of the best companies in the market in terms of HR programmes, A lot of work has been done...we have been concentrating on the salary structures, market position, surveys and so on.[92]

The need to retain good quality people and the desire by companies to impose some control over its structure were the driving forces behind design or review of payment processes and salary structures. All the respondents cited this area as one of their key priorities for the next 12 to 18 months. Some respondents focused on the salary structure: Amway, United Distillers, Colgate-Palmolive, Johnson and Johnson, SoapCo; whilst others focused on job evaluation, Shell, or additional benefits, Unilever. Consequently companies were looking at other forms of benefits to tie individuals into their company. Benefits such as pension schemes, cheap loans, bonuses after a continuous employment of two years, medical check-ups, health care

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91   HR Director, Johnson and Johnson, October 1996

92   HR Director, Colgate Palmolive, October 1996

programmes were proposed as ways in which to retain staff and reduce labour turnover. Additionally the unpredictability of the market meant that salaries were volatile with large and rapid salary increases particularly in functions such as marketing.

Some time after these interviews had been completed in 1996, the researcher became aware of a 'club' of about twenty members who were all HRM managers or directors representing MNC subsidiary companies. This club had formed as a means to share sensitive market and salary information using job comparators to enable companies to benchmark their reward strategies. A number of the respondents in this study were active participants in this 'club'. The impetus to form this club, which met on a monthly and later on a quarterly basis, was to enable respondents and their respective companies to manage the inflated salaries and high expectations in recruiting bright and hopeful managers. This club remained exclusive and confidential and enabled HRM managers and directors to share and receive information. Other market surveys were considered unreliable.

The setting up of this 'club' and its continuation reflects the volatility within the labour market, the lack of accurate and sophisticated market information, and the desire by MNC's subsidiary companies to impose and regain some control over their reward strategies. It also reveals evidence of parent company influence for transferring practices. It is notable that one of the major actors involved in setting up this forum was of British origin and a parent company national.

### 8.4.1.e    Establishing Career Development Programmes and Succession Planning

This area identified in 1996 was discussed in terms of managing employee expectations of rapid promotion as well as developing the full potential of their employees.

> We have a policy that we prefer...developing people instead of recruiting people from outside. So to us it is especially important to properly develop people and taking into account the fact that we are now an established and mature organisation, after a five year period that's the area I really want to pay more attention. Both to planning peoples careers and for success ..... so that's a broad area which we have to accomplish.........The type of training has changed. In the beginning ... it was just the basic technical training ... now we've started more sophisticated things. We have started to address our training to specific groups, for those who are our middle management people and who have been promoted from being staff to professionals and ... [the need for] managerial skills.[93]

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93    HR Director, Colgate-Palmolive, October 1996

> Yes we can recruit the managers from outside the business, but it is much
> better to have like a pool of managers sitting within the company that
> have the right Pepsi competencies.[94]

Some of the respondents, i.e. United Distillers, PepsiCo, Colgate-Palmolive, discussed the need to identify high potential managers through psychometric tests, assessment exercises and so on. This was identified as one priority, if the business was to develop in the medium term. The lack of high quality staff was a constant issue linked to the rapid speed and change within the marketplace.

> I don't think we have major obstacles. Our major restriction is time - we are
> short of time. Time is running fast. Other businesses are developing, other
> competitors are developing and we must ensure that we are on the top of
> the ball, that we are the first ones that set the pace...so that we can attract
> people more efficiently. The major obstacle is lack of time and lack of
> well qualified people available on the market because now I have to
> develop those whom I have with me. Everybody is short of qualified staff.[95]

### 8.4.2   Key HRM Activities in 1999

In 1999, the respondents confirmed that the priorities, identified in the 1996 interviews, had been completed and were continuing to be developed on a more global basis.

Four differing areas of priority were now identified as relevant across the respondent companies. Firstly implementing the newly passed government legislation reforming the old age pension system; secondly corporate business restructuring, and consolidation of existing HRM processes and practices; and, thirdly reduced dependency on expatriate managers. The fourth area of priority is reviewed in the next section and concerns the increasing convergence of HRM policies and practices to the parent company norm. This area was consistently and regularly identified as one of the main priorities for the HRM function in 1999.

### 8.4.2.a     Impact of Government's New Social Reforms

In January 1999, four major social reforms were implemented. One of these, the reform of the old age pension system, had a major impact for employees and employers in Poland. The new pension scheme consisted of three parts. The existing pay-as-you-go scheme remained. The second part involved people paying in to one of the private pension schemes or company occupational pension scheme (where it existed). For those born after 1 January 1969 in other words under 30, private pension

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94   HRM Manager, PepsiCo, October 1996

95   Country Personnel Manager, Unilever, October 1996

provision became mandatory. The third element involved a voluntary scheme for those wishing to make additional contributions.

The new reform aimed at overcoming the inherent problems of the previous system, which paid pensions from contributions made by the present generation. The impetus for reform derived from the fact that the social insurance fund, *Zaklad Ubezpieczen Spolecznych* (ZUS), continually experienced budget deficits; and key international observers such as Paul Kotter from the World Bank warned of a financial crisis in Poland which would seriously undermine its economic success.[96] The new system was designed as part of a far-reaching systemic change, which could increase the rate of savings in the economy and provide much needed funds for investment. Furthermore the new scheme,[97] eased the burden for employers who were previously obliged to pay around 45% of an employee's salary to the social insurance fund, ZUS; and markedly reduced the role of the state in the economy.

Many difficulties were experienced in implementing the system, particularly concerning the absence of computerisation within the social welfare offices of ZUS, and a lack of clear and consistent procedures. This research reveals far more torturous difficulties for companies implementing the reforms. Specifically in terms of the vast amounts of paperwork, and contradictory as well as minimal information concerning implementation. All the respondents expressed concern and frustration that their major work activity was implementing the new government reforms. Their frustration concerned the lack of information from the government departments about implementation. Buzek's Government has been consistently criticised for its overly theoretical approach, its lack of understanding of how to implement policies in practice, and its lack of consultation with companies and organisations required to implement these new policies. For example one respondent noted that there was a large amount of paperwork coupled with little or no advice for companies implementing this policy:

> We have to complete four forms for every employee....The work has taken up the whole of January and February....The biggest difficulty has been the lack of information. The only information we received were these brochures which are designed for the public. There is nothing for companies like us who are implementing this policy. I cannot rely on the advice from law firms - no one knows definitely what is the correct way. The penalties are high for getting it wrong: 5000 PLN fine, if the forms are not completed by the end of January 1999. We have been working at the weekends to complete all this paperwork.[98]

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96  The Banker, London June 1997, p.49

97  Financial Times, FT Country Survey, 30 March 1999

98  HRM Manager, Amway, Warsaw, January 1999

Other respondents argued that from a corporate point of view the implementation of the new legislation had affected the focus and credibility of the HRM function within the respective companies.

> These influences affect HR in the company by watering down the focus. Although one could argue that part of HR role is welfare of all employees. These changes are seen as a maintenance issue but they are also first priority. It has not been implemented effectively and has not been positive for our internal image. Why? Difficulties of getting advice and clarification on implementation. Policies ill thought through in terms of implementation. Lack of calibre in the Government.[99]

The implementation of government legislation compounded by the lack of practical advice concerning implementation had impacted on HRM corporate strategies and the credibility of the function within the organisation. Additionally it exposed the weak influence of the function, the PHRA, as well as the Polish Confederation of Employers in influencing government and representing interests of how to implement this new reform. However as a consequence of the new reforms, companies considered setting up their own occupational pension schemes.

### 8.4.2.b    Business Restructuring

All respondents said that business restructuring was one of their key HRM priorities. The drive for business restructuring was derived from an economic downturn in the markets owing to the political and economic instability in Russia; greater desire for corporate convergence; cost saving and the desire for more effective business performance.

For example, Shell's planned move to a regiocentric structure was based on reporting lines operating on a regional basis. It aimed for functional convergence. Shell's HRM policies are described as operating on a 'pan-European level and implemented at local level'. In practice, appraisal was, described by the Shell respondent like 'a visit to the dentist', whereby his line manager conducted all his appraisals with his subordinates in a hotel room in Amsterdam.

> This is the future where your line manager may be in a different country.[100]

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99    Country Personnel Director, Unilever, Warsaw, March 1999. This respondent was so incensed from this episode that he showed me a copy of a government letter which had 3 mistakes in its letter heading and was difficult to understand. He said this showed a lack of professionalism within the government and had prompted him to write an article in the Warsaw Business Journal entitled 'It's been a drama'.

100    HRM Manager, Shell, Warsaw, February 1999

In Shell, the business restructuring began in November 1998. It aimed to delayer the structure, reduce the number of employees and to restructure functions like HRM to become a pan European activity. One of its objectives stated:

> To integrate transformation and HR initiatives and accountabilities in one single structure.[101]

Other respondents were in the process of restructuring due to the declining Russian markets:

> We've just had a new business reorganisation as the company is facing difficult times as a result of the Russian crisis. We are reviewing our staffing and products and now we are in a 'consolidation period.[102]

Consequently there was a policy of no replacement for staffing within Unilever at the date of this interview.

In 1999, the respondents all mentioned consolidation of HRM processes and practices with their parent company. Companies such as Colgate-Palmolive were looking for ways in which to maximise the effectiveness of the company rather than increasing numbers of employees or products. Companies sought to harmonise their policies and practices. PepsiCo for example, had traditionally divided its Polish operations in two separate companies. One of the key priorities for PepsiCo in 1999 was to merge these two companies and their respective structures, and create one company.

In summary, by 1999, all the companies had consolidated their HRM practices and processes. This shows a sharp and rapid contrast to the survey responses of three years earlier, which had focused on start-up and development processes like recruitment, establishing procedures and introducing HRM processes like appraisal etc. The rapid speed of development reveals the equally rapid speed of change and growth in the Polish economy and market conditions. It may also reveal that MNC's are pushing for greater global convergence.

### 8.4.2.c    Reduced Dependency on Expatriate Managers

One of the surprising findings from the first survey in 1996 was the unexpectedly low number of expatriate managers. As noted in the literature review, expatriate managers play a substantive part in the literature on international human resource management. However the first survey revealed that whilst expatriate managers had

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101    Internal Company Memorandum, November 1998

102    Country Personnel Director, Unilever, Warsaw, March 1999

been and were used in key senior positions, they were specifically used in the start up position. By 1999 there was a conscious expressed desire to reduce the number of expatriate managers, partly related to the expense, and develop native managers. For instance Unilever had 18 expatriate managers in 1999, this amounted to only 0.5% of the total workforce. Most of these expatriate managers were senior managers but there were also others in less senior positions. The specific aim of expatriate managers was to train locals, which usually translated to training local employees in the culture, norms and regulations operating within the respective MNC. Similarly PepsiCo reported that they had had 30 expatriate managers at the beginning of the Polish operation, by 1999 this had reduced to two.

The main way of reducing the dependency on expatriate managers was to identify local managers with 'high potential' and concentrate on further training and development. For instance, the HRM Director, Colgate-Palmolive, identified the need to identify '*hipo's*'[103] and concentrate on managing their career development.

It is misleading, however, to conclude that the workforce was becoming more local. During the interviews the respondents all saw much greater opportunities either for themselves and/or for managers with high potential to work in other countries. Expatriate managers were seen to provide an important capacity to train local managers not only in functional or specialist knowledge but also in the culture of the company.[104] By 1999 there appears to have been an increased capacity, by the respondents, to think globally in terms of human resources and the wider international opportunities available within the respective companies. This priority can be seen as confirmation of the increasing globalisation of HRM within the Polish subsidiaries, as described in the previous section.

## 8.5   TRANSFERABILITY OF GLOBAL HRM POLICIES TO THE LOCAL SUBSIDIARIES

During the interviews, respondents were asked to describe the company's global HRM policy, and the similarities and differences between global policy and local practice. At one level some respondents stated that their company had no written global policy: SoapCo, Colgate-Palmolive, Johnson and Johnson and Shell; whilst others stated that they had a written policy. Further probing revealed a wide spectrum of difference which could not be answered in a simple yes/no questionnaire and thus supported the interview methodology as the most appropriate choice.

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103   Managers showing high potential ability to perform more senior job roles

104   This aspect is described and explored more fully in the following case studies on FoodCo and SoapCo.

### 8.5.1 'Think Global, Act Local' Varies By Company

Generally the majority of MNC subsidiaries were provided with guidelines or manuals which advised or dictated policy and practice in certain HRM fields such as recruitment and selection, compensation and reward, performance management, and management development. The scope of these areas and the nature of implementation whether absolute, adapted or ignored, varied by company.

Some companies had developed a global HRM vision, mission and values in which local practices were expected to fit. Although there was scope for flexibility:

> There exists written HR strategy...for our region there is one and for the whole United Distillers there is one. What we cover in such a written strategy are all points starting from HR vision, HR mission and then all main points like recruitment, developing people - its all included in the strategy.....The mission on all markets is the same for human resources to support the business and to ensure we have the best quality people.....we are quite sensitive...we cannot implement the same strategy for Poland. We have a guideline ...and we built on it...taking into account the different people, different markets, different circumstances.[105]

> They (Head Office) have the same vision - this is what we have in Poland exactly the same. We have to implement everything, which is human resources policy: appraisal system, remuneration systems. But how we do it, that's up to us.[106]

Many of the respondents described global policy as a framework or a set of guidelines in which to implement their specific HRM practices.

> Unilever Polska is very much a reflection of the global thing, with certain different shading. The fact that it is called 'global', does not mean at all that what is available world-wide must be applied in Poland. Not at all. Anything that is predominately best practice...if you don't find it relevant you don't take it. It is as simple as that. Now having said that, there are, of course, as in any other international company, certain guidelines, or framework, within which we have to stay. Things like job evaluation, remuneration guidelines, and management development guidelines. I think that would be it. Anything else is up to the National Chairman i.e. up to me to suggest to the Board to approve or disapprove.[107]

> You are not told that you have to do it this way...but there are certain tools which are available, in the sense that you should conduct your recruitment in order to have the best possible candidates...again it refers to behavioural standards...and that's the basis for the process of recruitment but I wouldn't call it policy.[108]

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105   HRM Manager, United Distillers, Warsaw, July 1997

106   HRM Manager, Amway, Warsaw, October 1996

107   National Personnel Director, Unilever, Warsaw, October 1996

108   HR Director, Colgate-Palmolive, Warsaw, October 1996

The findings reveal that MNC's utilise their corporate global HRM policies as a framework within which local MNC subsidiaries operate.

### 8.5.2   HRM Practices Provide a Common Corporate Language or 'Lingua Franca'

The rationale for ensuring that certain HRM policies and practices are consistent on a global basis was often described in terms of providing a common language understood across the many different countries in which the MNC operated. It has the aim to provide a common meaning across the business and assist in managing people on a global basis. For example:

> If we are talking job evaluation, it's a kind of lingua franca. If you go to Malaysia and I say 'job class 20'; and I took somebody who is job class 20 with us, and in Malaysia they tell you he's job class 20. The experience, the skills, the expertise will be more or less the same. That's why I call it a lingua franca. If I say we recruit people by a selection board, what we have in Poland is more or less available in South Africa or Argentina. If I say there are certain restrictions on remuneration that means there are certain guidelines which we have to follow here as well as in Hungary, US and UK, providing this does not break local rules.[109]

The HRM areas, which were often cited as being required to be consistent with global policy, tended to be: job evaluation; compensation strategies; performance management; and recruitment and selection criteria. The main aim was to provide a common language across an MNC, rather than absolute duplication.

> We have our own performance review systems.. the one we have, which we call GPR, Guinness Performance Review is a very thorough system, quite complicated I would say....It's ten pages...a very deep system but it's too long. Managers are complaining from top to bottom. So we developed here for local managers and staff a shorter version of GPR.[110]

### 8.5.3   The Head Office as 'font of all knowledge'

The head office or headquarters was often described as the centre of information. Based on their years of experience in other countries, the continual development of HRM processes, local HRM managers/directors were invited and encouraged to draw on the experience and knowledge held at the centre. Presented as a library of information with knowledge experts, local HRM Managers were encouraged not to create anything new or as often described not to 'reinvent the wheel'.

> They give us freedom. We may develop our own performance processes, everything that we think is relevant here. But we need to inform them what

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109   National Personnel Director, Unilever, Warsaw, October 1996

110   HRM Manager, United Distillers, Warsaw, July 1997

we want to do and what are the result....we may use everything that exists there, if you like to translate them.[111]

This is a very pragmatic relationship. It is not that you have to do it. They say: 'here is the menu, here is the experience of Unilever. Tap in on our experience, we will explain, advise, fly people in to help you do it.[112]

We are not able to invent here ..appraisal system for the company, we don't need to do that, reinvent the wheel. We asked for help for the organisation and they sent us questionnaires and a description of the process that is used in most countries in the world and we implemented this last year.[113]

### 8.5.4  Adapting Global Policy to the Local Market Conditions

The respondents considered that they had a degree of autonomy and flexibility when it came to implementing global policy. Much of the autonomy depended on the HRM manager or Director being able to justify their changes to the head office or headquarters.

We have adapted global policies against local circumstances...we have examples whereby our practices were not always in line with global policy because we could justify this.[114]

The extent of flexibility was related to the specific market conditions and local labour legislation. In other words certain global policies appear time contingent and were not automatically implemented into the local market. For example in 1996, company pension schemes were not available. The State pension scheme funded through ZUS was the provider of pensions. By 1999 with the implementation of new government legislation in Poland the pension market was radically transformed and resulted in the view that company pension schemes were not only a perk for many employees but a growing necessity. One HRM Manager speaking in 1997 said when asked about pensions:

if you look at the attitude that people have here, we have a very very young company, and - I can tell you - young people don't even mention pensions as a retaining tool or as a benefit they would like to get. It's something very new in Poland and I never came across such a question -'Do you think about pensions'?[115]

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111    Personnel Manager, SoapCo, October 1996

112    National Personnel Director, Unilever, Warsaw, October 1996

113    HR Director, Colgate-Palmolive, Warsaw, October 1996

114    Country Personnel Director, Unilever, Warsaw, October 1996

115    HRM Manager, United Distillers, Warsaw, July 1997

The implementation of government legislation in early 1999, changed the eligibility of pension provision resulting in a dramatic change of attitude. An influx of Western financial companies, and the slogan *'czy wiesz o emerytalne'*[116] dominated the advertising hoardings in early 1999. Thus the point is that HRM policy and practices are to some extent, grounded in local labour market conditions and legislation.

The Polish legislation, denoted by the Labour Code requires MNC subsidiaries to make adaptations to their global policies. As one HRM Director noted:

> it is a kind of connection between what is obligatory and what we [the company] would like to implement.[117]

Thirdly, many of the respondents observed that implementing a global policy required adapting it to the local Polish culture. For example there appear to be cultural assumptions underpinning a compensation and reward strategy, as noted by one of the respondents:

> I think the development of a proper company benefits system because this is something that they do lack. And again there is a great gap between what we had in the old Polish system when our company was growing .....organising holidays and organising Christmas parties and presents for the children and things like that. To a Western Management style...they say this is the salary and that's it. We pay you enough and you provide all the other bits yourself. I think we have to be very careful in developing a proper compensation system...I think this is a big challenge.[118]

> There is the manual. It is like a guide, but not like a book with rules. For instance, appraisals, how it looks like, for instance how you should make a questionnaire. Questions have been suggested to us that I couldn't use. So changed them because of the mentality, some people didn't understand some questions and some way of thinking.[119]

By 1999 parent companies had a framework for HRM policies and practices within which the subsidiary company could operate. The extent of elasticity within the framework appears to depend on the capability of the local HRM manager/director to justify adaptations and his/her relationship with their local managing director, in context with Polish labour legislation, Polish culture, and the stage of economic development of the subsidiary unit i.e. capability and experience of local managers.

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116    This translates to 'what do you know about pensions?'. The tone of language is direct, informal and personal aimed to appeal to young people.

117    HR Director, Johnson and Johnson, Warsaw, October 1996

118    HRM Manager, PepsiCo, Warsaw, October 1996

119    HRM Manager, Amway, Warsaw, October 1996

### 8.5.5 'Thinking Global, Acting Global?'

The analysis of the 1999 survey shows that far greater efforts were made to achieve global convergence by the respondent subsidiary companies. There is much evidence of not only 'thinking global' but 'acting global' in terms of implementing the same global corporate HRM processes such as job evaluation, competencies, performance management, reward strategies and so on.

The increasingly dominant influence of the parent company can be witnessed. All the respondent companies describe their main activities as implementing global corporate HRM processes. Unilever described its main priorities from 1997 to 1999 as the implementation of the new global systems in job classification; performance management; remuneration; management development; succession planning and identifying career potential. The local HRM policies were concerned with contracts of employment, exit interviews, disciplinary processes and redundancy.

There was evidence of policies and processes, which may be global but were modified for implementation at a local level. In Unilever's case this was their recruitment and selection process: 'we have eleven standard competencies which are known globally - it's our *lingua franca*.[120]

Shell, for example, has global policies of recruitment and selection, performance management and career potential centres; whilst contracts of employment, redundancy, disciplinary and compensation remain locally determined issues. The logic for these distinctions is that certain HRM practices and processes are defined by the country's legislation, which a company cannot override. For example, Unilever says 'it is not willing to impose its own policy which will be in breach of local laws'.[121] This attitude is consistent within all of the researched companies. However with Poland's membership of the EU currently being negotiated, it is suggested that some of these locally defined issues such as contracts may become regionally, i.e. European union, defined instead.

Policies that are 'global but locally adapted' are illustrated by Shell's approach to compensation. The company operates a 'variable pay system' which gives greater emphasis between results and total pay. Consequently pay is based on local and global business profits. In Shell's case 25% of pay is based on local results, and 15% of pay on global results.

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120    Cited by the Country Personnel Director, Unilever, Warsaw, March 1999

121    Cited by the Country Personnel Director, Unilever, Warsaw, March 1999

In conclusion, the extent of increasing convergence of HRM policies and practices can be related to the local environment and national legislative framework, as well as the desire for global convergence by the parent company.

## 8.6  SUMMARY AND CONCLUSIONS

A number of conclusions can be drawn from the findings. Firstly HRM in Polish firms or former SOE's is unlike HRM in Western MNC's. The HRM function is tarnished by the legacy from the Communist era that utilised HRM tools such as appraisal and selection to fulfil party wishes. MNC's which have set up on greenfield sites have been able to transfer Western models of HRM to these sites.

From 1996 to 1999, there was a period of consolidation and sophistication of HRM in the respondent companies. Garavan *et al*(1998) concluded that there were two distinct phases of HRM development in Poland since 1990. It was argued that Phase One, from 1990 to 1992, was characterised by a limited usage of the modern method of HRM. Phase Two, from 1993 to 1997, was seen as an introduction of HRM methods and recognition of the value of Western HRM practices. As a result of this research, these phases should read as Phase Two from 1993 to 1996, whereby the hard model of HRM was firmly evidenced. Principle activities involved recruiting and selecting staff. Phase Three from 1997 to 1999 reveals a consolidation and harmonisation with the parent companies HRM processes and practices.

The findings show the speed by which parent companies were able to transfer their HRM practices and processes, and as a consequence their parent company culture. There was little doubt, from many of the respondents in 1999, that their subsidiary was a fully integrated part of the parent company. In addition the findings demonstrate that HRM provides a *'lingua franca'* for employees throughout the organisation, as such it can be seen as 'glue' connecting disparate parts, as well as managing the global movement of people.

The respondents were often part of a 'community of practice' such as international HRM networks within their respective company. These operated as regular meetings to discuss topics, explore local issues and propose best practices.

Expatriate managers whilst few in number, usually held key senior roles within the subsidiary. By 1999, the reliance on expatriate managers had diminished. Local managers had developed the capability to carry out these job roles. Furthermore, it can be argued that local managers had assimilated parent company culture.

Finally there was evidence that MNC's sought to transfer their HRM policies and practices on a much greater scale than has been considered in the literature. There was little evidence of flexibility to local needs and culture. Rather, companies sought to recruit, select, train and reward employees to become managers reflecting the dominant parent company culture. Utilising global frameworks such as competencies, job evaluation systems, and so on.

In summary HRM in Poland is complex, evolving, and imported. The pace of development in the Polish market economy was frenetic over the survey period. Consequently it may be that the speed by which HRM developed and evolved remains unique to Poland. The legacy for HRM from the Communist era remains a serious handicap if the function is to advance to a more strategic level capable of influencing government legislation. There was also evidence that the parent company efforts for greater convergence of HRM policies and practices reduced the flexibility and autonomy of the subsidiary.

Questions remain concerning the role, purpose and function of expatriate managers in influencing HRM processes and practices; the perception of the line manager about the nature, role and function of HRM within the company; the perception of corporate and national culture and how, if at all, these influence managerial styles. In other words, to what extent were informal and subtle mechanisms of co-ordination enforced. We now address these issues in the case studies on MNC subsidiaries in Poland exploring in detail how MNC's transfer their corporate culture, the role of HRM as a co-ordinating mechanism for achieving global convergence and the role of expatriate managers as 'boundary spanners'.

# 9. CASE STUDIES

## 9.1 OVERVIEW

How MNC's utilise HRM processes and practices to integrate their employees across national boundaries is the central tenet for this thesis. The conceptual framework, chapter 5, identified that there were a range of key factors which influence the HRM concepts and policies in an MNC subsidiary Thus, the argument ran, affecting the ability of MNC's to integrate their employees globally. Chapter 7 explored the supranational, national and cultural contextual factors influencing meaning and practice of HRM within an MNC subsidiary. The last chapter explored the findings from a sample of MNC subsidiaries in Poland from 1996 to 1999 utilising an interpretative methodology. This enabled the meaning, function and activities of the HRM function to be explored. This chapter explores the remaining factors identified in the conceptual framework. These are the role of expatriate managers; the business strategy or mode of entry; and the MNC's own corporate culture.

This chapter explores two companies: SoapCo and FoodCo. The companies were selected on their differing entry strategy in Poland. FoodCo sought a greenfield strategy, in contrast to SoapCo that acquired former SOE's. However they are similar in that, both are family-owned, both are from the FMCG sector, and both have extensive experience of managing overseas subsidiaries. The research methodology adopted an interpretative approach utilising the case study method. The semi-structured interview format asked respondents questions concerning:

- Perception of the company's culture

- Perception of national culture

- Perception of role models

- Role of expatriate managers

- The role and function of HRM and the level of involvement by line managers

- The respective company performance management system

The main source of evidence is derived from the research interviews. In total nearly fifty managers were interviewed across both organisations incorporating a sample of expatriate, local and parent company head office managers.

The findings are presented as follows. Firstly a description of each company, their business strategy in Poland; their organisational structure is presented to provide context. Corporate culture is described within the respective parent company head offices and within the subsidiary units. Secondly the role of HRM as a primary and secondary mechanism for embedding corporate culture is explored. Examples of HRM policies and practices are then described to illustrate differences in approach within each of the respective MNC subsidiary units. Thirdly the role of expatriate manager as a control mechanism in transferring corporate culture as well as HRM policies and practices, is examined.

## 9.2    BACKGROUND

- **SoapCo**

The SoapCo Group began as a partnership in the 1870's. It now has substantial subsidiary operations in Nigeria[122], Ghana, Kenya, Australia, Thailand, Indonesia, Greece and Poland as well as joint ventures in China and India. Another MNC bought the British soap and toiletries manufacturer, SoapCo Group Limited, in 1975. SoapCo, a British owned multinational company manufactures, distributes and sells household toiletries, soaps and detergents. The company employs around 11,000 people world-wide.

The company is structured on a hierarchical basis. SoapCo has a Head Office in Manchester that incorporates the personnel function that serves the group world-wide. The Group is a family run business. One of the original founders was bought out of his holding in the early 1930's. The company continues to be managed by descendants of the other founding partner, a family of Greek origin.

In 1993 SoapCo's parent company bought shares in a former SOE based in Wroclaw. This operation known as '*Pollena*' had been producing soaps and detergents since 1949 and included popular brands such as 'E'.[123] This acquisition was motivated by the desire to buy into existing Polish brands to gain market share (Hardy, 1998), and to secure access to other eastern European markets and Russia.

> We wanted to buy existing brands, which were profitable. However we have changed the content of these products to make them infinitely better. For example when we first came here the soap powder was like cement.....I consider that if we had set up as a greenfield site we would

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122    Nigeria with 5k employees, is an important business for the SoapCo Group.

123    At the time of acquisition, there was little market information available to SoapCo concerning the sales figures of products. Such information was not recorded in SOE's.

have failed. Although we had no idea when we arrived of exactly how popular Pollena brands such as 'E' were.[124]

In 1995 the company acquired a cosmetic company in Warsaw, known as CosmetiCo. The head office and distribution site is based in Warsaw. The Directors and senior managers are based at this office. The other two sites are seen primarily as production sites.

Acquiring brownfield sites has been fraught with difficulties. Prior to acquisition, SOE's were noted for their old and outdated machinery, were considered to be overstaffed, and desperate for foreign investment. After acquisition the company went through substantial restructuring and downsizing. In Wroclaw, the company invested around £10m in a new production plant, and around £25m in total investment across all three sites. Since 1998, functions such as sales and marketing, personnel and finance have been centralised in Poland, as a way of reducing costs and controlling the businesses. At the time of writing, new Polish managers with MNC experience had been recruited at senior management levels as a means of sophisticating the Polish units' managerial capabilities.

In 1999, there were around 750 employees across all three sites, which included around 70 managers. The company had a turnover of about £100m, and was considered to be the most profitable part of the SoapCo Group. The decline of the Russian economy affected profit margins considerably. Prior to mid-1998, around thirty per cent of trade was derived from Russia and Belarus. The sharp recession in these countries impacted negatively for the company. Thus the workforce was reduced by at least ten per cent as at December 1998 with the possibility of further redundancies.[125]

The research findings reveal that Polish employees consider there to be prestige and career enhancement in working for an international company in Poland. However the continual restructuring and downsizing meant that employees had experienced massive changes and were demotivated:

> Very intensive....very fast changes. We are strongly moving away from command system to adapt to market economy in West. In Poland...we lost 50 years. The worst thing is not everyone is capable of adapting to the new circumstances ...and this is generating stress[126]

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124    Interview with the outgoing Managing Director, SoapCo, Male, British, October 1998

125    A profits warning had been issued in January 1999 and an announcement of possible redundancies.

126    SoapCo, Male, Polish, November 1998

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The arrival of a new Managing Director (expatriate manager) in Poland in late 1998, to replace the retiring expatriate Managing Director, meant further organisational changes. At the time this research was undertaken, the speed with which the changes had been implemented led many managers, particularly from the CosmetiCo and Wroclaw site, to speak of the chaos, confusion and lack of any corporate strategic vision as well as concern for job security.

> When SoapCo bought Pollena, people were suspicious, it was a different culture. SoapCo could do anything. Make people redundant, so people were not always honest...language is a barrier[127]

SoapCo prefers to maintain and respect local customs. For example, at one training programme[128] for newly recruited Polish managers, one Polish manager requested to the new managing director (British expatriate) that the informal means of address should be used throughout the company in Poland. The new MD said he did not wish to impose his culture throughout the company as it might cause offence to other employees. In contrast the parent company's head office was perceived as having little understanding or knowledge about the Polish market and economy: 'we are treated as a colony'.[129] SoapCo Group, it is considered, has an ethnocentric approach to managing its subsidiaries.

- **FoodCo**

The FoodCo Corporation has 65 factories in 60 countries world-wide. The company produces sweets, ready to serve meals, pet-foods, and drinks, as well as electronic payment systems. The annual turnover of the FoodCo Corporation amounts to over 13 billion net USD with a global workforce of over 28k.[130]

FoodCo is an American family-owned company, which began after the invention of a well-known chocolate bar in 1923. According to Brenner (1999), the company's success has been mainly due to the founder's son who moved to England in the 1930's when his father refused to allow him to have one-third control of the company. The son was given the foreign rights to produce a chocolate bar in Europe. He was so successful that he bought out his father's company in the US soon after the latter's death. The company began by producing chocolate bars, later diversifying into producing pet food and other food products in the 1940's. Ownership of the company

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127    SoapCo, Male, Polish, October 1998

128    October 1998

129    Manager, SoapCo, Female, Polish, October 1998

130    Figures cited are 1995 and are taken from Hoover's Handbook of American Business 1997.

resides with the FoodCo family, one of the richest in the United States. The company is still managed on a day-to-day basis by the two sons who seek to visit each FoodCo's unit at least twice per annum. (Brenner, 1999).

The company's history is one of expansion, nationally and globally. This desire is at the heart of its corporate strategy. This is encapsulated by the founder: 'I wanted to capture the whole goddamn world' (Brenner, 1999: 59). Britain remains FoodCo's leading market, not the US; despite the fact that an American family owns it, with a US based Head Office at McLean. (Brenner, 1999).

Confectionery in Poland is one of the most profitable and competitive industries. It is argued that chocolate and sweets are among the first things people buy when their incomes rise.[131] Poles have long had the highest per capita chocolate consumption in central and Eastern Europe and figures suggest that this consumption has risen five-fold over since 1990, to about 2kg of chocolate and 3kg of sweets per person per annum. However this is well below Western European averages of more than 5kg in chocolate alone, suggesting that there is much greater market potential in Poland.[132]

Prior to economic reform in the 1990's, the confectionery industry was fragmented with around 150 producers. In the early 1990's, Western companies attracted by the large Polish consumer market and the long tradition of chocolate making rushed to buy the old State-owned factories. PepsiCo bought Wedel in 1992 (the Warsaw based market leader), Nestle bought the second ranked Goplana, Kraft Jacobs Suchard bought Olza and the Finnish company, Karl Fazer bought Baltyk.

In contrast, FoodCo and Cadbury's established their own greenfield sites. A greenfield strategy seeks to overcome some of the problems of buying a State-owned factory. These problems can include 'bloated' workforces, complex distribution systems, huge product ranges and outdated plants scattered arbitrarily around a single city or region[133] (Hardy, 1998). The FoodCo strategy is always to set up greenfield sites. The company believes that its corporate culture can be transferred more easily and effectively to a greenfield site than a brownfield one or to acquired companies.

FoodCo began operations in Eastern Europe in the early 1980's by swapping raw material utilising Polish shipping and paying with confectionery. In 1989 the

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131    Financial Times, 26 March 1997

132    Financial Times, 26 March 1997

133    Financial Times, 26 March 1997, page VI

company set up an office in Vienna and traded under another name. At that time the trading operation focused on the Czech Republic and Hungary, which were considered to hold greater potential for development. By 1994, the Polish market has developed substantially to overtake those earlier ambitions.

FoodCo set up in Poland in 1991 by acquiring land about 50 km west of Warsaw and installing machinery to make dry pet food. The market in pet foods was at this time non-existent. The company ensured that it took only a small risk by installing previously used machinery from various European companies and drafting in ten expatriate managers to manage this new operation. By December 1992 it was apparent that the market was developing. The company now employed 120 people and was producing 15k tonnes of pet food, with a turnover of around 30m USD. Other product lines were added to production: snack foods (e.g. FoodCo bars) in 1995; and wet pet foods (e.g. canned dog food) in 1996.

In 1995 a new factory was opened, producing the company's well known corporate branded confectionery products. By 1997, there were 1000 people employed by the company with 700 on-site and the rest operating as a national sales force.[134] By the end of 1997 the turnover had reached circa 200m USD with expectations of continued substantial growth over the next 4-5 years, with a total number of 1400 employees. FoodCo invested around 150 to 200 US Dollars from 1992 to 1997 in its Polish unit. At the time of writing,[135] FoodCo has around 90 per cent of the pet foods market and around 12 per cent of confectionery in Poland.[136]

FoodCo has an articulated strategy to transfer its parent culture and selects greenfield sites to 'ensure' this process.

### 9.3    ORGANISATIONAL STRUCTURE

- **SoapCo**

The SoapCo Group is structured on a hierarchical basis. Five Directors report directly to the Chief Executive and Chairman. One of these Directors has regional responsibility for Poland as well as Russia, Eastern Europe, Greece, and the Ukraine. The second level of decision making consists of Area Directors. Country Directors form the third tier.

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134    The number of managers at FoodCo at the end of 1997 totalled 76.

135    February 2000

136    Information derived from a series of interviews with the FoodCo P & O Director in Poland and the UK, from June 1998 to March 1999.

141

Knowledge is transferred from head office to the subsidiary units by expatriate managers, and by visits of HCN's to the Head Office. From the research it appeared customary for new local Polish managers to visit the Head Office in Manchester for one week as part of their induction. Head Office is perceived as a 'font of knowledge' or source of information (Heller, 1980). Expatriate Managers or PCN's are perceived as critical to the business, both in terms of trust and ability.

- **FoodCo**

In contrast, the FoodCo Corporation is divided functionally. There are seven distinctive functions: manufacturing, marketing, sales, research and development, goods and services, finance, and personnel and organisation (HRM). FoodCo units are regarded as autonomous and independent units, for example in Poland, the General Manager controls the operation and senior managers and directors report directly to him. However functional areas such as Personnel and Organisation (P&O) have a 'dotted' regional reporting line to the Vice President of Personnel in Europe. This regional line of management reports directly to the family and Head Office in the US. To support this structure there are three internal newspapers, each aimed at the local, regional or global population. This communication process supports the organisational structure. In addition FoodCo units, whilst able to operate autonomously, are expected to share best practice through regional or global groups and networks (Brenner, 1999).

> although in informal discussion, the business units are often described as being autonomous, the obvious fact is that, as the sole vehicle which FoodCo has available for the realisation of its mission, the units clearly cannot and do not have an existence which is in any way independent from that of the Corporation. On the contrary, they are created within and as part of the context of corporate goals, strategies and objectives; and membership requires their full commitment to the Corporation's guiding principles.[137]

The parent company influence is significant and far-reaching. Certain business indicators are regularly monitored by the parent company. For example each company produces an annual operating plan in November including the management development review outcomes, which are considered by the 'Office of the President' in the US. Similarly the same office might 'dispense general ideas' such as a new sterilisation process. Sharing rather than telling was described as central to the parent/company relationship described as 'transferring proven success'.

It is worth noting at this stage that FoodCo employees are known as 'associates'. This term 'attempts to capture the quality of the relationship we aim to achieve among

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137 Taken from an internal document entitled: The Role of Personnel and Organisation. It is worth noting that the word 'associate' is translated to 'co-operator' in Polish.

all those people who make up the business; a relationship which takes the form of a dynamic and participative association in which our associates accept responsibility for the achievement of specific goals and objectives, in return for which they are entitled to enjoy fair treatment and rewards commensurate with their contribution'.[138]

## 9.4    CORPORATE CULTURE

- **SoapCo**

The parent company culture displays evidence of power culture (Harrison, 1972; Handy, 1985; Pheysey, 1993). Many of the British expatriate managers described an inner circle of power at head office, which tended to include a high proportion of expatriate managers.[139]

> There is this illegal power which exists in SoapCo. For instance in the UK the strategy vision and objectives are not defined clearly enough to be communicated explicitly throughout the company. So some managers have acted as key communicators who reinterpret this vision and objectives downwards to their own advantage. As a consequence the message at the bottom is not the same as when it started[140]

The power culture stems from the family ownership of the company. Many managers at Head office described the company culture as 'Greek' as a direct reference to the origin of the family. Other managers described 'a great deal of nepotism and patronage' where family members were often offered senior management positions.

The 'power culture' is evident in the artefacts and layout of the head office. The head office is sited in a 1970's style building on the outskirts of Manchester. Managers sit in an open plan office. Senior managers are easily identifiable as they have large office desks surrounded by partitions and situated next to the large windows. The directors are located on the top floor. The directors offices are sited behind a large door that reveals a long corridor with large mahogany coloured doors. The secretary leads visitors through a row of doors to the appropriate office. The offices are large, incorporating large desks, meeting tables and chairs, and cabinets. Some of the offices are decorated with wood panelling giving an appearance of grandeur, status and wealth. According to one respondent, the directors had such a fear of secrecy that there were interconnecting doors to check on any clandestine meetings.

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138    From the above internal document at FoodCo

139    This was often cited as a reason to accept expatriate assignments to achieve career ambition.

140    Expatriate Manager, SoapCo, Male, British, October 1998

Respondents from the parent company included Board members and senior executive managers, described the culture as 'autocratic, hierarchical, and secretive with little empowerment for managers'.

> Things are run on a hub and spoke basis. Things come into the centre. In Poland there is a very similar culture.[141]

It is worth noting that the parent company's corporate culture was likened to the corporate culture in the Polish subsidiary.

- **FoodCo**

Schein (1985) argues that corporate culture is shaped and defined by the founder or leader:

> Founders usually have a major impact on how the group defines and solves its external adaptation and internal integration problems. Because they had the original idea, they will typically have their own notion, based on their own cultural history and personality, of how to get the idea fulfilled. Founders not only have a high level of self-confidence and determination, but they typically have strong assumptions about the nature of the world, the role organisations play in that world, the nature of human nature and relationships, how truth is arrived at and how to manage time and space.
>
> (Schein, 1985: 210)

This influence is readily apparent at FoodCo. Both the founders and the employees regard the corporate culture at FoodCo as central to its business success. FoodCo defines its culture explicitly in the form of five principles: quality, responsibility, mutuality, efficiency, and freedom. These were developed 20 years ago by the FoodCo family, who desired global expansion, yet wanted to maintain unity and integration.

| FoodCo Five Principles[142] | |
|---|---|
| Quality | The consumer is our boss, quality is our work and value for money is our goal |
| Responsibility | As individuals, we demand total responsibility from ourselves as associates;[143] we support the responsibilities of others |
| Mutuality | A mutual benefit is a shared benefit, a shared benefit will endure |
| Efficiency | We use resources to the full, waste nothing and do only what we can do best |
| Freedom | We need freedom to shape our future; we need profit to remain free |

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141    Manager, Parent Company Offices, SoapCo, Male, British, January 1999

142    Displayed on the wall of the reception at FoodCo, UK

143    All employees in the FoodCo Corporation are known as 'associates'

The influence of the founder, by explicitly stating his vision and values, and continual reinforcement through regular visits and active participation, is central to FoodCo culture. As one respondent noted: 'Culture is strictly defined by the family, who have a very very direct influence'. [144] The central tenets of the culture are reinforced through the artefacts, atmosphere and office layout. Brenner (1999) succinctly encapsulates the working culture at FoodCo:

> Everyone has the same size desk, everyone answers his own telephone and everyone is awarded a 10 per cent bonus for punctuality. To encourage communication, managers sit in a wagon wheel fashion in the centre of a large room, encircled by junior associates. The sales department is right next to the marketing department, which is right next to manufacturing and accounting. There are no offices, no partitions and no privacy. That way, the founder reasoned, everybody in the company would know what everyone one else was doing......At FoodCo there is little regard for rank and no need for office memos or meetings. If you want something you walk over to the boss and ask for it. If you have a problem, you gather your colleagues together and deal with it. Formality is frowned upon and everyone, including the family is addressed by his or her first name
>
> (Brenner, 1999: 189)

The findings from this research study reinforce the descriptions from Brenner (1999). The company utilises the founder's five principles to underpin its corporate culture. In this respect the culture is clearly articulated through these statements. In addition the form and layout of the offices are kept uniform across the global sites. There appears little in the way of local adaptation from an initial company visit. However as we shall observe the company has made some significant adaptations to its culture and way of doing things in the Polish subsidiary.

## 9.5    CORPORATE CULTURE IN THE SUBSIDIARY UNITS

### • SoapCo

Acquiring a former Polish SOE has meant inheriting a cultural legacy from the previous Communist regime. The experience of SoapCo operating in Poland is thus markedly different from the experiences of FoodCo.

> I don't think the culture has changed much. We inherited 50 years of history and that's been the major obstacle. We haven't got an empowered workforce[145]

> It's a complex culture. Different parts behave in different ways. People traditionally said that as it's (CosmetiCo) managed by women, it's concerned with humanistic issues. But change is feared...still hopelessly

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144    Expatriate Manager, FoodCo, Male, British, March 1999

145    Expatriate Manager, SoapCo, Male, British, October 1998

ineffective. Old CosmetiCo is regarded by Poles as one of the most communist institutions they have met. It's characterised by lots of talking, lots of arguing, lots of activity and lots of lying to cover up.....Wroclaw was always leaner because of the high number of redundancies prior to SoapCo take-over. It is run by a very effective and autocratic management. Now the influence of the marketing department, the high numbers of expatriates and the influence of intelligent and highly qualified young Poles has driven change.........But I don't believe that there is a SoapCo culture. Any part of the group has its own way of doing things[146]

Within the production sites at SoapCo, the respondents defined an autocratic culture, which incorporates an element of fear. One newly recruited Polish manager defined the SoapCo culture in Poland as:

Autocratic. Practically the only culture where the director is almost the god. There is a big empty space between the board level and anybody further down.......Here I observe that the only management method is punishment.[147]

Further definitions of culture related to 'functional demarcation'; for example: 'we have functional specialists at the moment. Everything is considered in strictly functional terms. There is no overall strategic vision..';[148] or to the job status of the employees: 'there is a fear culture, which is top down, autocratic and controlling ..... and a waiting culture, staff are waiting for it to get better'.[149] All these definitions fit with the power culture thesis. Handy says that the power culture 'depends on a central power source, with rays of power and influence spreading out from that central figure. They are connected by functional or specialist strings'. (1985: 189)

SoapCo showed evidence in the atmosphere and artefacts of a power culture. The Wroclaw site for example is set off a busy road on the outskirts of Wroclaw. The site consists of many dusty and shabby looking buildings. In some of these factories, soap was manufactured using old equipment. The smell of soap is intense. Workers, mainly women, were grouped at various stages of production. Managers are predominantly men. A new factory as part of the SoapCo Group investment had been built in the mid-1990's to produce detergents. This factory was considered to be state of the art with gleaming stainless steel equipment and computerised processes, staffed by a handful of men wearing crisp white overalls. In sharp contrast to its environment, the directors' office building is painted white, is modern and smartly refurbished. The HRM office is located in one of the older buildings.

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146    Expatriate Manager, SoapCo, Male, British, November 1998

147    Manager, SoapCo, Male, Polish, November, 1998

148    Expatriate Manager, SoapCo, Male, British, November 1998

149    Expatriate Manager, SoapCo, Male, British, November 1998

The CosmetiCo office and production site is similar to that in Wroclaw. Like Wroclaw, the entrance to CosmetiCo is staffed by security guards who take down names and require forms of identification. In general the reception is unfriendly and unwelcoming. The offices are set in the same building. Directors and senior managers are located behind a row of doors. Each door bears the director's name. There is a high level of formality. Employees address each other using the formal Polish language of address

It should be noted that the local 'head office' is in contrast to the other two sites. The building is modern and the reception more welcoming. There is a greater level of informality with employees addressing each other using the informal Polish language. Polish managers located here are much younger and most had been recruited from other MNC's. The point of this discussion is that there is evidence of a power culture in the former SOE's. Whilst the local head office in Warsaw represents the central 'strings' of the power culture web.

The Communist era shaped managerial styles. Typically the management style in this period was autocratic and controlling. In the event of a problem, punishing the person solved the issue.

> Typically, Polish managers look for the culprit first and then if person is punished, problem is solved.[150]

As a consequence Polish employees were not encouraged to disagree with their boss or engage in free-thinking. The burden of this past meant that employees were disempowered. British expatriate managers found the lack of decision-making surprising:

> When I first arrived here there used to be a queue of people from my office to the entrance downstairs, waiting for a decision. My predecessor had to make decisions about the number of toilet rolls to order[151]

Yet there was evidence that Polish managers found the SoapCo company culture to be unsatisfactory:

> In Manchester it was very clear about what I was responsible (*sic*) and for whom. There are clear job descriptions. Here is more chaotic and unclear. Lines of reporting are unclear[152]

and

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150   Manager, SoapCo, Male, Polish, October 1998

151   Expatriate Manager, SoapCo, Male, British, October 1998

152   Manager, SoapCo, Male, Polish, October 1998

> In Manchester they know and have a lot of procedures. They know about
> their duties, entitlement, benefits ... reporting lines, who is boss etc. Here
> is a mess. We learn by incident. There are no systems of informing.[153]

Respondents defined culture relative to their specific location. The culture at the local head office was defined as flexible, friendly, and informal, with greater respect for individuals and more freedom. CosmetiCo was described as a culture of fear, uncertainty and insecurity with an autocratic management style. Wroclaw was perceived to have experienced the greatest amount of cultural change with managers adapting their management styles from an autocratic to a more consultative/ paternalistic style. As a consequence of the Board moving to Warsaw, the recent structural changes were felt strongly by the remaining managers in Wroclaw who expressed frustration and abandonment. The status of Wroclaw was perceived as being devalued: 'now we are little more than a production site';[154] by implication employee motivation was reduced: 'the heart has gone out of the place'.

As a result of this research[155] and other forms of communication, the Board directors defined the company values by November 1999. These were produced as a document, known internally as 'the bible', and cascaded downwards through team meetings, providing further evidence of a power culture.

In conclusion the corporate culture of SoapCo in Poland is one of power culture. However the degree of this culture is related to the specific unit. The company culture of CosmetiCo is heavily steeped in its Communist past. In contrast, SoapCo in Wroclaw has developed from an autocratic to a more democratic style of management, which may be due to the influence of expatriate managers located in Wroclaw from 1993 until 1998. Whereas, the SoapCo head office in Warsaw has a completely different culture. A culture which is more relaxed and informal. Rather than manage three disparate units, the directors sought to define the company culture and to use this as a common platform across the three units. Yet the lack of any defined corporate culture and values made this task difficult. In addition it is argued that the lack of any 'successful' managerial style, the absence of coherent HRM policies and performance management, and the arbitrary selection of expatriate managers have all contributed to an incoherent corporate culture.

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153   Manager, SoapCo, Female, Polish, October 1998

154   Manager, SoapCo, Female, Polish, October 1998

155   The findings were provided to the company in the form of an independent report in April 1999, which incorporated the researcher's recommendations.

- **FoodCo**

As an observer of the Polish operation and at the Head Office for pet-foods in the UK, there were many similarities between the two units. Both sites had open plan offices where employees worked. Directors and Managers could be observed in their white overalls, which blurred any distinction between the factory operation and the office. This gave the impression that the managers were equally capable of running the production line. Brenner also found that this approach was uniform in FoodCo units:

> Most workers are dressed in their starched whites, uniforms provided by the company and laundered daily. Some are wearing hard hats and everyone has their first name emblazoned on their coats. There is no way to tell who is in charge – who is an executive and who is a janitor. There is no way to tell that you are in a factory located in the former Soviet Union, just 120km outside Moscow
>
> Brenner (1999: 284)

The atmosphere is informal. At my meetings with the respondents, all of whom were either directors or managers, it was customary to be greeted by the respondent, offered a drink from the free drinks dispensing machine and taken to the meeting room. During the meetings, many respondents commented that the layout and style of office was similar at every site. This is encapsulated by one respondent who said:

> I often used to say that I didn't really live in Poland as the FoodCo unit was just like any other[156]

Informality is central to FoodCo's culture. For example, FoodCo has a policy to always use the informal aspect of any language irrespective of culture or country. In Poland traditionally the formal means of addressing a colleague are used as a sign of respect. The usage of the informal means of address meant that the culture often had to be explained to outsiders such as suppliers.

> Many suppliers are shocked by the culture for example there are no big cabinets for directors. The environment is great for communication and everyone can learn from the experience and hear many things. It is also a learning environment. Yet the external view is that it is strange because of the informal exchange...there is a need to explain the culture to suppliers. By not using *Pan/Pani* [Sir/Madam] Poles tend to assume that there is a loss of prestige, as it's a sign of disrespect if you use your boss's first name.[157]

The FoodCo building in Warsaw is situated about 50 km west of Warsaw close to a small town, The FoodCo unit is of modern industrial design of glass and steel, and is

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156    Former Expatriate Manager in Poland, FoodCo, Male, British, June 1999, by phone to Czech Republic

157    Manager, FoodCo, Female, Polish, Warsaw, July 1998

in stark contrast to its immediate environment.[158] Respondents confirmed that it was FoodCo's policy to build units outside major towns or cities, and to build rather than acquire existing businesses. Inside the entrance, there is a small reception with display cabinets, a poster displaying the five FoodCo values in Polish (*piec zasad* FoodCo), and a mission statement signed by the FoodCo general manager in Poland.[159] The office area is open plan, with a management team who sit in a 'wagon-wheel fashion' encircled by associates.

## 9.6    TRANSFER OF PARENT COMPANY CULTURE

- **SoapCo**

SoapCo Group, it is argued, appears to have an ethnocentric approach to its overseas operations. The following example[160] illustrates the relationship between the parent company and the Polish subsidiary. SoapCo manufactures a leading brand of soap. It is regarded as the company's 'flagship' and it is the best selling product globally. Market research was conducted in Poland prior to its launch. The head office insisted that the product be launched in Poland despite negative feedback from the market research. 'It's so successful elsewhere that they (head office) couldn't believe that this would not be the same in Poland...the product flopped'.[161] There are a number of reasons why the product failed in Poland, which are related to price differentiation and Polish perceptions on yellow coloured soap. Poles tend to regard yellow soap as 'dirty', in addition, the brand name is difficult for Poles to pronounce. The product has been relaunched, in white, although the name remains. However it is not as successful as in other countries and has less than 1% of the market share.

Functions such as marketing and sales have been introduced in the Polish companies with very positive reactions. Poles considered these functions as new and novel and were surprised by their effectiveness. Similarly manufacturing processes used by the parent company have been introduced, which have also met positive

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158   At the time of the research rural Poland consisted mainly of smallholdings and was comparatively backward to Western countries. It was typical to see horse drawn carts as the main vehicles for work.

159   This incorporated the following:
         The consumer is our boss
         Quality products with unique benefits
         Value for money
         Quality at FoodCo Poland is the sum of everything we do and depends upon the performance and contribution of each associate.

160   This information is derived from a series of interviews with expatriate managers.

161   Expatriate Manager, SoapCo, Male, British, October 1998

reactions. 'GMP has been introduced and that has gone down very well. It is a quantifiable product. Poles like to see figures and so that was easy to introduce'.[162]

More difficult elements to transfer have been concerned with qualitative outputs. These include team skills and management styles. The company sought to develop managerial styles through training programmes but, as we shall see, the role of the expatriate manager was significant in instilling change. However the nature of the parent company culture and its ethnocentric approach has meant that change in managerial styles and practices has not been as dramatic as certain surveys suggest. (Martin, 1999).

- **FoodCo**

FoodCo has one set of values that are communicated globally. In this sense FoodCo appears to follow a geocentric strategy. Schein (1985: 15) argues that 'all cultural learning reflects someone's original values, their sense of what 'ought' to be, as distinct from what is'. The question of how such values can be transferred across countries and cultures is central to the debate as to whether an MNC can operate in a geocentric way. Based on this preposition, respondents were asked to define the FoodCo culture to an outsider. The findings from expatriate and local managers are contradictory. Expatriate managers defined the culture as:

> Progressive, egalitarian, different, unusual, unique, flat, informal, unbureaucratic, energetic, winning [163]

Typically the adjectives of integrity, learning, excellence, teamwork, networking, and responsibility were used to define the culture. However expatriate managers also saw that the culture was developing to 'fit' with the FoodCo culture:

> It is fast becoming a FoodCo unit with the same look and feel as those in the US.... aim is to fit in to FoodCo mould.[164]

Expatriate managers viewed the five values as a framework for the way of working. These five values imbued working practice and were utilised to underpin policies and strategies. Whilst some expatriate managers noted that there were minor differences in culture, which depended on the unit's stage of development, it was generally accepted that the FoodCo values provided the 'mould' or 'framework' in

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162    Expatriate Manager, SoapCo, Male, British, October 1998

163    Expatriate Manager, FoodCo, Male, British, July 1998

164    Expatriate Manager, FoodCo, Male, British, Poland, August 1998

which differing sub-cultures could fit. Rather similar to having one language but with differing dialects.

Polish managers were, however, more critical of the FoodCo values. Many commented that the values were reminiscent of former Communist propaganda where meaning was managed by the Communist state. As a consequence there were discrepancies between reality and myth. (Czarniawska 1986):

> The five FoodCo values were not viewed too well at the beginning. When it was said that they were needed for action, Poles smiled and thought they had heard all this before. Too many echoes of communist days.[165]

> Polish people don't want to hear five principles...People still remember the communist times and the propaganda. The values do not need to be made explicit in Poland because it is a different environment. In the West there is greater stability, so managers can concentrate on maintaining relationships. But we need to improvise and be more spontaneous. Therefore the values are seen as limiting, perhaps suffocating and need to be adapted.[166]

The company communicated the FoodCo values in the first few years, through training workshops. Competitions were held to reward employees who could demonstrate that they were able to utilise the FoodCo values at work or home. However as the responses from the local managers demonstrate, the FoodCo values were perceived negatively. The Communist legacy meant that the five values were perceived as anachronistic. The five values were utilised as fundamental truths, which Polish managers viewed uncomfortably. For instance, one respondent recounted that at a meeting in the UK, one of the attendees had quoted the 'principle' of responsibility in this way as a way of supporting a particular business strategy. The respondent said that this action was reminiscent of management activities in the former Communist era. As such the emphasis of the FoodCo Company on its stated 'values' was perceived by Polish respondents as anachronistic propaganda.

Consequently, the management team decided, in 1998, to adapt the five principles to fit with Polish culture. The values now consist of integrity, mutual respect, learning, excellence, and responsibility. The adapted values whilst different from the original values, share similar ambitions. They are now far more prescriptive with a greater range of examples, aimed at assisting meaning and understanding. For example, the value of 'mutual respect' itemises six meanings or codes of conduct.

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165    Manager, FoodCo, Male, Polish, July 1998

166    Manager, FoodCo, Male, Polish, Poland, October 1998

These include:

> We are fair and sensitive. This should not be confused with unthinking generosity but rather refers to the concept of understanding different points/requirements and making decisions, which are mutually beneficial.

and

> We have respect for a proper balance between work and personal life – built on the belief that this balance leads to increased productivity.[167]

Whilst the new values reflect the stage of development of the Polish unit, they also depict how the values have been adapted and reinterpreted to fit with the Polish culture. Parent culture is transferred by the senior expatriate managers who redefine the corporate values without losing or changing the overall meaning. Their role in transferring parent company culture is critical. The findings show that the transfer of parent culture cannot rely solely on secondary mechanisms such as formal statements of organisational philosophy or charter. Whilst such secondary mechanisms have been described by Schein (1985) as a powerful reinforcement of the primary mechanisms, these findings suggest that the reverse is true.

## 9.7    HRM AS A CONTROL MECHANISM OF CORPORATE CULTURE

According to Schein (1985) the role, responsibilities and activities of the HRM function span both primary and secondary embedding mechanisms. For example the criteria for rewards and status, and the criteria for recruitment, selection, promotion, retirement and excommunication are primary embedding mechanisms; whereas the values, role and philosophy of the HRM function are regarded as secondary mechanisms.

- **SoapCo**

In Poland the Personnel department operated from each of the three sites. At the beginning of the research, the Personnel Manager or Head of Human Resources (as she wished to be known), secretary, training manager and two assistants were based in Wroclaw. All the staff were Polish. The HRM function was also responsible for the second sister company at CosmetiCo, which had one personnel officer. In 1998 the company reorganised its personnel function. It aimed to have a personnel manager at each site (Kolska, Wroclaw and CosmetiCo) and one manager co-ordinating the three units based in Wroclaw. However the 'co-ordinating manager' was only recruited in late 1999. The Personnel Manager in the head office in Warsaw continued to have a co-

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167    Taken from internal document addressed to the management team in Poland

ordinating role, which may have been due to her location alongside the company directors.

In 1996, the British management perceived the personnel function as weak; and by the former personnel manager who described how, on her arrival, she found 'horrible total chaos, with managers recruiting people as they wanted, and nobody was managing the costs'.[168] From 1997, the Personnel Director in the parent company's head office was seconded to Poland.

One legacy of the Communist era is the perception of the role and purpose of the HRM function and its strong historical connection with the Communist Party. Whilst it was acknowledged by Polish and expatriate managers that there had been positive developments in the management of the HRM function and the design of new procedures from the 'head office' in Warsaw, the function is generally perceived as mainly concerned with administration and record keeping.

There was little evidence of the HRM function defining, enforcing or developing the corporate culture. This was due in part to the Communist legacy; and in part to the company's HRM philosophy and corporate culture, which meant a lack of strategic impact and HRM processes such as performance management. The role of HRM in the Communist era was bound up with ensuring that State legislation and procedures were adhered to; recruiting staff to set ministry targets[169]; rewarding employees according to State regulations; and producing information for managers such as absenteeism or timekeeping lists.

> Traditional Personnel in Poland has been concerned with knowing the rules of employment law, and here we haven't gone much further. We would like to move to other end of spectrum. [170]

In 1998 attempts were made to develop the HRM function through restructuring and new HRM processes such as performance management were planned. The HRM function was generally regarded as 'amateurish with no real procedures ... no strategic direction or vision ... I would say that there is no HRM function here and the other managers don't know or don't care'[171] about how the HRM function could benefit the company.

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169    Manager, SoapCo, Female, Polish, November 1998

170    Expatriate Manager, SoapCo, Male, British, October 1998

171    Expatriate Manager, SoapCo, Male, British, November 1998

> The HR department needs to be more humanistic. It's too official and needs more flexibility. It should be seen to work with employees and have more contact. Everything is official[172]

> The company is not organised in terms of HR policies and procedures except to meet the minimum legal requirements.[173]

> HR has two functions at the moment: record keeping and organising training courses. It should participate in creating and co-ordinating the new performance system and act as the middleman between the employees and the board. HR should know the expectations. It shouldn't act as the trade union but it should represent the people at Board level[174]

> HRM here .. is too bound up with rules and regulations. In PepsiCo, HR was a step to get someone who was needed ... don't feel they are so competent here to make that selection[175]

> I have no good opinions. The HR function was destroyed in 1989. Since the manager left the company, HR managers have been randomly chosen, have generally worked for one year and then quit. There is no strategic overview. The department should know legal conditions of work and changes to the labour law.[176]

The lack of status of the HRM function within the company meant that the role of HRM was confined to administration, organising training events and providing some support in producing contracts of employment. HRM, was distinguished by one key observer, as having two different roles in Poland:

> HR is viewed with suspicion...some people see it as limiting their freedom. HRM ...it's about managing resources, planning resources.... maximising efficiency and taking care of well being of employees. ...I don't think HR people should be gods. We are a service to managers ...helping business manager to manage their resources.[177]

and at the Polish head office:

> HR is very different. It's structured, stiff and rigid. I want to avoid that here. I'm not chasing people. I'm here for them. I say to them: 'I do you a favour'[178]

In many respects the role, purpose and philosophy of HRM in the company since 1989 had fallen between two stools. The Communist period had placed great

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172   Manager, SoapCo, Female, Polish, November 1998

173   Expatriate Manager, SoapCo, Male, British, December 1998

174   Manager, SoapCo, Male, Polish, October 1998

175   Manager, SoapCo, Female, Polish, November 1998

176   Manager, SoapCo, Male, Polish, October 1998

177   Manager, SoapCo, Female, Polish, March 1999

178   Manager, SoapCo, Female, Polish, March 1999

emphasis on the role of HRM in maintaining and enforcing its procedures, and selecting and rewarding individuals that displayed party loyalty. The personnel department prior to 1989 was responsible for enforcing standards such as lateness reports and absenteeism. It was closely related to the Communist Party machine. After 1989 and with the take-over of the SoapCo Group the Personnel department appeared to please few people. It no longer had a strategic or important role in the company nor did it adequately carry out its administrative duties such as checklists etc. This change in its role is undoubtedly linked to attempts to try and 'cleanse' the personnel department of its previous Communist party links. However it may also be symptomatic of personnel departments in other former SOE's. Since 1989, the personnel department in former SOE's has become linked to redundancy exercises, outplacement and disciplinary processes, if the experience of the SoapCo Group is typical. By 1998, some of the HRM processes such as performance management had come full circle. For example, the company in Poland was about to implement a performance management system. As one observer noted:

> The irony is that we will be replicating a system that was around in the Communist period.[179]

As a consequence HRM is not perceived as developmental or as a 'voice' for the employees at senior level. Certainly this raises serious concerns about the future of the HRM function in Poland in the forthcoming decade.

- **FoodCo**

At FoodCo the primary and secondary mechanisms identified by Schein[180] (1995) are firmly in evidence. The HRM function at FoodCo (Polska) employs around 22 people in total which includes 5 nurses. The function is headed by a director and split into two areas: development and relations. Each of these areas in headed by a manager. 'Development' includes training and management development; whilst 'relations' includes traditional areas such as industrial relations, pay and benefits as well as climate and communications. The HRM function is central to defining, maintaining and enforcing the FoodCo corporate culture.

> We [The HR Function] have a defining role in the operating role of the unit especially in a developing unit [like Poland]. They are the gateway to the business. P & O by selecting and recruiting managers and shift workers set the style and the culture of the business......It has a far more positive role than it portrays. In FoodCo it is not seen as a tool of management to keep the workers down. When they [P & O Function] talk about their

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179    Expatriate Manager, SoapCo, Male, British, October 1998

180    See Chapter 6, Methodology

facilitating role, they water down their role. Of course line management need to tackle the development of its people but it's P & O which provides the framework, policies and practices.[181]

The HR function supports the Company's values[182]

The Line Manager is regarded as the first person to know his or her people, their level of skill, readiness for promotion and development. P & O acts as the second assessor and sets overall standards.[183]

Thus the first role for the HRM function at FoodCo is in defining and enforcing the corporate culture. Respondents expressed that the HRM function reflects the five values or principles of the FoodCo corporate culture. The P & O Director defined the HRM function, as being able to 'help managers to manage better' and he perceived his own job role as being the 'guardian of the culture'.[184] This was achieved through HRM processes such as recruitment, selection, training and communication. Other departments and managers regard the HRM function as responsible for corporate culture, its communication and related training programmes.

The FoodCo culture is unique. It's hard work to recruit people who have not seen the FoodCo culture and train them[185]

Line managers get lost in the short-term issues, the HRM function concentrates on culture[186]

The second role of the HRM function is at an individual level. HRM is defined by local and expatriate managers as the 'guardian of the associate'. This means that HRM will assist an employee in training and development, as well as through disciplinary and grievance procedures. Thus the HRM function operates at two levels: individual and corporate.

Its [HR's] primary role is to provide the human resources or the tools to acquire them. Its secondary role, once established is to provide the framework for its associates to work in.[187]

The company publishes a 26 page booklet, entitled 'The Role of Personnel and Organisation' distributed to HRM managers listing the aims, objectives and purpose of

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181    Expatriate manager in Poland, FoodCo, Male, British, June 1999, by phone, Czech Republic

182    Manager, FoodCo, Female, Polish, July 1998

183    Manager, FoodCo, Male, Polish, July 1998

184    Expatriate Manager, FoodCo, Male, British, March 1999

185    Expatriate Manager, FoodCo, Dutch, August 1998

186    Expatriate Manager, FoodCo, Male, British, July 1998

187    Expatriate Manager, FoodCo, Dutch, August 1998

HRM. The booklet covers the business objectives and philosophy; organisational design and effectiveness; personnel policies and practices; employee well being; planning and resourcing; training, development and performance; remuneration and benefits. These are described in terms of the responsibilities and function of the HRM function, continuously referred to in the booklet as 'Personnel and Organisation'.[188] The P & O Director has the responsibility for ensuring that the unit's style of day-to-day operation and its policies and practices are fully consistent with the FoodCo way of doing business.

A number of responsibilities for the HRM function are described within the above booklet. Firstly HRM is seen as responsible for determining policies and standards of management behaviour. Secondly to ensure that personnel policies and practices are properly defined 'in written form, kept up-to-date', flexible and simple. Thirdly the HRM function aims to ensure that all associates are aware of, and understand, the unit's personnel policies and practices. Lastly the HRM director is responsible for ensuring that the policies and practices meet the needs of the business.

These responsibilities are further integrated into a philosophy concerning the 'well-being of associates' with an expressed objective to 'create and safeguard a reputation for FoodCo as a first-class employer'. The aim of a 'good place to work' includes the following elements: being clear about what needs to be achieved; clear organisation; challenging responsibilities, freedom; recognising and rewarding excellence in individual performance; providing competitive rewards and benefits, fair and equal treatment, and to create an environment in which the employees do not 'have to rely on any third party to represent their interests'.

In summary, the HRM function at FoodCo is explicitly regarded as having two roles that incorporate both primary and secondary mechanisms for embedding corporate culture. This is achieved through recruiting the 'right' people, rewarding appropriate behaviours and dismissing those employees who do not fit in with the FoodCo style of managing. The HRM function is regarded as the 'guardian of the culture' as well as the 'guardian of the associate'. HRM is central to the FoodCo ambition to inculcate its corporate culture on a global basis. As such, the role of HRM assumes enormous significance for geocentric companies wishing to achieve this form of globalisation.

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188    HRM is referred to as P & O or Personnel and Organisation in all company literature.

**9.8    THE EXTENT OF PARENT COMPANY INFLUENCE ON LOCAL HRM POLICIES
          AND PRACTICES**

The literature raises questions about the transfer of HRM processes and practices in ethnocentric or geocentric companies. It was assumed from the literature review that an ethnocentric company would show evidence of heterogeneous cultures, whereby local units would develop HRM practices independently of the parent company. A geocentric company would display evidence of a homogeneous corporate culture. It is assumed that the transfer of HRM processes and practices will engender greater homogeneity. HRM processes and practices are now compared by company to illustrate differences in approach.

### 9.8.1   Recruitment

- **SoapCo**

SoapCo Polska and CosmetiCo use locally developed processes to recruit managers and employees. The company does not use a uniform competency profile for recruitment or selection purposes.

- **FoodCo**

FoodCo uses certain standard global processes and practices, such as criteria based interviewing, group selection processes or assessment centres and psychometric tests. FoodCo has a behavioural competency framework that identifies fifteen managerial competencies. Every unit has the flexibility to decide which competencies would be more appropriate to specific job roles. The competencies are communicated to new managers through training programmes.

### 9.8.2   Performance Management

- **SoapCo**

This was introduced in mid-1999. The Polish subsidiary had decided to adopt the head office performance appraisal. This was undoubtedly due to the fact, that an expatriate manager, currently the Vice President in Poland, designed it. The appraisal includes a list of skills, by which individuals are rated.

Succession planning is confined to expatriate managers. It is a secretive process involving a discussion at the annual Board meeting, where the company

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directors discuss key expatriate managers. There is at present no succession planning process for local managers.

- **FoodCo**

FoodCo utilises the same behavioural competencies as those used in recruitment to evaluate performance. Succession planning for FoodCo Polska is an extensive process, using the same competency framework, known as the Muller Qualities[189], on a global basis to ensure that there is a 'common language'. At the first stage the departmental manager meets with the management development manager, to discuss and evaluate his or her management team. These summaries then go forward to a company level forum where the potential ratings are discussed by a select number of managers. At this level, the local senior management team, agree the employee appraisal ratings and career plans. The final stage is a review at corporate or global level which reviews the top-level managers (Zone 4 and above[190]).

The evaluation criteria identify the following: power of analysis; imagination; helicopter quality; sense of reality; as essential to managerial effectiveness and as a means of assessing potential. The most important is defined as helicopter quality that is alleged to predict potential. The qualities tended to evaluate traits rather than skills and rely on the appraiser to consider the level of attainment. The HRM director described succession planning as defining what the company would look like in 5 to 6 years time and costing this out and defining 'how to migrate towards it'. However concern was expressed about the lack of expatriate and local succession planning processes and methods.

Development reviews are also carried out on an annual basis between February and March. It is a separate process from the performance review and looks to measure potential. This process then feeds into the succession planning reviews described above.

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189 These were originally competencies identified in the Shell organisation. FoodCo, agreeing that these were appropriate to their company, then arranged for Dr Muller to adapt these to their own company, although few changes were made.

190 700 Hay points and above

### 9.8.3  Training and Development

- **SoapCo**

The company used some head office programmes. One of these, the Coverdale programme had been introduced in the Company in 1997 and had received positive evaluations. It had also made substantial savings for the Polish subsidiary.

- **FoodCo**

FoodCo utilises its competency matrix to identify training needs. These include programmes on management skills and knowledge, as well as high level programmes on strategy, vision and creating a culture.

### 9.8.4  Employee relations

This incorporates contracts of employment, disciplinary and grievance procedures and so on.

- **SoapCo**

These are regarded as strictly local processes. There is no global template or model within the SoapCo Group.

- **FoodCo**

FoodCo utilises a template for contracts and disciplinary processes that allows for adaptation where necessary. In Poland, adaptation has been made to accommodate the Polish Labour Code.

### 9.8.5  Reward

- **SoapCo**

At the time of writing, SoapCo was about to introduce a reward structure. It has continued to use existing structures in the acquired sites. Employees at the time of acquisition were offered one-off bonuses. Newly recruited Polish managers with MNC experience have commanded high salaries. As a consequence some respondents mentioned dissatisfaction with the reward structure.

- **FoodCo**

Reward strategy ensures that the broad aim of paying upper quartile salaries is met through the sharing of local information with other companies. As a result of which the P & O Director set up a salary review 'club' and invited a select number of HRM directors from other MNC subsidiary units in Poland. The club meets regularly to review salaries using job comparators. As a consequence, the remuneration policy of FoodCo Polska is 'in line' with other FoodCo companies, in that 'salaries are higher than those paid in similar companies'.

The FoodCo unit in Poland has implemented parent company HRM policies and processes. The emphasis on culture and the explicit statements made concerning the expectations of the HRM function and of each individual manager,[191] appear to provide a unifying and common understanding of who will be successful within the company.

## 9.9    CONTROL AND CO-ORDINATION STRATEGIES

SoapCo, it is argued, adopts an ethnocentric approach towards its local subsidiaries. It is the local subsidiaries that decide on the HRM processes they wish to design, adapt or enforce. This undoubtedly contributes to an incoherent corporate culture. The following quote illustrates the ethnocentric approach of the SoapCo Group:

> They [the Parent Company Head Office] give us freedom. We may develop our own performance processes and everything we think is relevant here. But we need to inform them about what we want to do and what are the results. We keep in touch and very often the personnel director is coming here and speaking to me about my task, my department. We may use everything that exists, if you like to translate them ... I may do the same or I may do different.[192]

The HRM department at the parent company headquarters was perceived as the 'font of knowledge'. Copies of certain HRM processes were kept at the head office for reference purposes. The HRM department has a low level of status accorded at the parent company's head office. It is regarded as 'tea and toilets stuff'.[193] One of the regional directors from the Board defined HRM as 'essentially an instrument for implementation of HRM Policy from the Board. Managers should manage and HRM

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191    see Contract of Employment and recruitment literature

192    Manager, SoapCo, Female, Polish, October 1996

193    Manager, SoapCo, Female, British, at the Head Office in Manchester, January 1999

people get in the way. Therefore HRM is quite deliberately task oriented, low-level terms and conditions, industrial relations – all at an operational level'.[194] Power culture is reflected in this approach, an approach that is similar to the experiences in the Polish unit.

In contrast, FoodCo seeks to integrate all its subsidiaries within a uniform corporate culture. The HRM function is central to achieving this aim. This meets Perlmutter's (1969) definition of a geocentric company. Yet there is a significant degree of adaptation of HRM policies to achieve greater integration:

> The HR strategy emphasises the local adaptation of HR to meet local needs. Policies and strategies are designed by the local subsidiaries to ensure that there is a high level of responsiveness.[195]

The role, philosophy and activities of HRM within the FoodCo corporation is to develop, define, communicate, maintain and enforce the parent company culture across all units. This status may be the reason why the P & O Director in Poland was the only expatriate HRM Manager, encountered within the complete research study. FoodCo places great emphasis on entrusting the HRM function of a foreign unit to an expatriate manager. By so doing the company seeks to ensure its parent culture is transferred. The FoodCo corporation, it is argued, appears to operate as a geocentric strategy in terms of seeking one uniform, global culture. The HRM function, philosophy and activities are consistent with Perlmutter's (1979) definition of a geocentric firm.

## 9.10    TRANSFER OF CORPORATE VISIONS OF 'SUCCESSFUL' MANAGEMENT STYLES

The literature review explored how companies utilise competencies to 'articulate' corporate visions of an effective or successful manager within the company. During the interviews, respondents were asked to describe the company vision of a successful manager and their own vision, to ascertain if there were similarities or differences. The purpose of these questions was to explore the extent parent company culture defined and influenced managerial behaviour at a subsidiary level.

- **SoapCo**

The company does not have an explicit profile of a successful manager. Whilst Polish managers identified a series of traits such as decisiveness, loyalty, ability to learn, planning and organising, team working, ability to motivate, communication skills, influencing skills and so on. In general, Polish respondents expressed that they

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194    Manager, SoapCo, Male, British, at the Head Office in Manchester, January 1999

195    Expatriate Manager, FoodCo, Male, British, June 1998

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had no idea of whom or what is defined as a successful manager by the company. This is typical of the responses from local Polish managers:

> We have so many different management styles and personalities but I have the feeling that things are being sorted out and progress is being made to one standard or type of management...so far we don't have this profile. I keep asking the Board for a definition of what is a successful manager. We have identified 25 senior managers and plan to use the framework but we have not decided on who is successful....let alone what.[196]

From the findings expatriate managers appeared to hold a clearer view of what was expected. They defined a successful manager as one who knew how to play the politics of head office.[197] This reinforced the definition of the company as a power culture. One respondent encapsulated this:

> There is an unwritten view. A successful manager is someone we can trust, who is loyal, who delivers, who will stick by you and carry out policies, someone who understands our peculiarities.[198]

- **FoodCo**

At FoodCo, respondents defined a successful manager as someone who identified with the company and its goals, irrespective of nationality. In addition the respondents defined successful behaviours in terms of having the right behaviours rather than any specific knowledge:

> At a junior level, it's only important about what you do. As you become more senior it becomes more important as to how you behave, what is knowledge, how you are perceived as a good manager by the team.[199]

> You are dependent on your people – they need to like you and see you as a role model.[200]

In FoodCo, there was much evidence that peer and team perceptions shape behaviour and assess performance. This provided subtle ways of ensuring behaviours were in keeping with FoodCo's culture.

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196   Manager, SoapCo, Female, Polish, March 1999

197   Manager, SoapCo, Male, British, December 1998

198   Manager, SoapCo, Male, British, at the Head Office in Manchester, January 1999

199   Manager, FoodCo, Male, Polish, July 1998

200   Manager, FoodCo, Male, Polish, July 1998

In FoodCo, it's not how you perform but how you are perceived to perform by the rest of the business. It's what you do, being effective and keeping promises to build up your reputation[201]

Most respondents acknowledged that the company rewarded 'doers not planners'; those who 'identified with the company'; 'positive attitude'; 'cares about people and able to deliver via people'; 'informality'; 'those managers able to see the goal and the company, and to know how to let them (their team) achieve this'; 'flexibility'; and 'cross functional experience'. Specialist or functional expertise at FoodCo is frowned upon. This attitude fits with the 'task' culture. There is a deliberate policy at FoodCo to transfer managers across functions to become 'all-rounders'. As one manager said:

Assumption that 18 months in a job and you are an expert and time to move on. But this doesn't create an environment for stability[202]

The behaviours cited by respondents as necessary for managerial success at FoodCo included team skill, delegation, innovation, creativity, communication, and empathy. These behaviours were tailored to FoodCo's philosophy for example:

Team working here is to encourage the FoodCo philosophy rather than developing Polish style.[203]

FoodCo uses its competency profiles as a 'framework' in a similar way to its five values. This framework identifies certain competencies and behaviours that are deemed desirable and necessary to achieve a 'FoodCo fit'. The same set of criteria is used in most FoodCo's units and with the same set of definitions. However the behavioural statements have been adapted to fit with the local culture. This was defined as: *'one language but different dialects'*

For example 'initiative' we are now using a different set of behavioural facts, statements. As a Polish manager may not behave in the same 'open' way as a manager for the US. S/he may be open but in a different way[204]

Certain criteria or competencies are however deemed to be universal in other words, no account is made for national cultural differences. These two competencies are problem analysis and management control. Other competencies had been

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201    Expatriate Manager, FoodCo, Male, British, July 1998

202    Expatriate Manager, FoodCo, Male, British, by phone, Czech Republic.

203    Manager, FoodCo, Male, Polish, Poland, August 1998

204    Manager, FoodCo, Male, Polish, Poland, August 1998

adapted to fit with Polish culture. These included initiative, flexibility, tenacity, and communication.[205]

Parent company culture influences managerial behaviour through certain sophisticated primary mechanisms. FoodCo has defined 'successful' behaviours, which underpin recruitment, selection and performance. The company uses these as a framework to provide uniformity and consistency across its locations, and to underpin its corporate culture and values.[206] By allowing a degree of flexibility, FoodCo has been able to adapt this framework to include many differing cultures, whilst maintaining its overall cultural values and meaning. In addition the explicit nature of these definitions has meant that peers and teams appear to play an important role in evaluating performance, by using the competency framework as a template of desirable behaviour.

### 9.11 THE ROLE OF THE EXPATRIATE MANAGER AS A CONTROL MECHANISM FOR EMBEDDING CORPORATE CULTURE

The role of the expatriate manager as a transmitter of corporate culture (Janssens, 1994) or cultural carrier (Edstrom and Galbraith, 1977; Jaeger, 1983; Lu and Bjorkman, 1997) has been discussed in the literature review. Expatriate managers, it is argued, have a significant role in transferring parent company culture. Yet the literature review revealed that exactly how this is transmitted is unknown.

- **SoapCo**

Expatriate managers are perceived as central to the SoapCo Group and its success. Their career development is taken seriously. There is an annual succession-planning meeting held at Board level, where individual expatriate managers are reviewed. This mechanism only exists for expatriate managers and is contained within the Board meeting.[207]

Expatriate managers are selected in two ways. The first group were defined as 'business improvers'. Managers who show high levels of performance and capability are selected to specific job roles. The second group were defined as those individuals that the 'company does not know what to do with them'. In addition there are two types of employee contracts for overseas assignments: an expatriate contract (for 3-4 years) or a

205   It was not made possible for the researcher to see any written documentation relating competencies despite repeated requests.

206   Polish managers often described Expatriate Managers as similar in style of the founder and brothers style of working.

207   Expatriate managers are usually aware of this process but not necessarily the outcomes.

'secondee' contract (8 years or more). The latter is perceived as more prestigious as it provides a means to return to the parent company. It is worth noting that the terms and conditions of these contracts are different.

Expatriate managers are an important factor to the SoapCo Group, which holds substantial overseas companies: *'Expats are key to the business, this business lives or dies by the skills of its expats'.*[208] All the expatriate managers in Poland were from the parent company i.e. all PCN's. All were male. Their role was defined as *'looking after the business for the family'.*[209] The influence of power culture can be witnessed explicitly in the selection of expatriate assignments. One expatriate manager defined the role as *'to be a trusted pair of hands and to provide experience which doesn't exist in Poland'.*[210] Power cultures are described as organisations that depend on trust and empathy for effectiveness and on telepathy and personal conversation for communication. If the centre chooses the right people, who can think in the same way as it thinks, they can be left to get on with the job. (Handy 1985: 189)

The transfer of knowledge was cited as one of the most important functions for the expatriate manager. For example:

> Their role is to transfer knowledge capacity, marketing techniques and sales management. For example when we first arrived we didn't know who our customers were.[211]

Another expatriate manager defined the role of the expatriate manager as:

> Firstly to control the acquired asset. Secondly to institute change. Thirdly to make the best use of the Group's FMCG knowledge especially in Research and Development, and Marketing. Fourthly to act as a point of information between the local site and Head Office. Lastly to implement the main Board's strategy.[212]

The role of the expatriate manager was perceived as imparting knowledge and teaching local managers: *'To train people to a certain standard so they can run the business without us'.*[213]

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208   Expatriate Manager, SoapCo, Male, British, November 1998

209   Expatriate Manager, SoapCo, Male, British, November 1998

210   Expatriate Manager, SoapCo, Male, British, December 1998

211   Expatriate Manager, SoapCo, Male, British, October 1998

212   Expatriate Manager, SoapCo, Male, British, November 1998

213   Expatriate Manager, SoapCo, Male, British, December 1998

Expatriate managers perceived some inconsistency in the importance of their role by local managers and from parent company managers (PCN's). This related to the selection of the expatriate manager. One expatriate manager said:

> The view is that they [expatriate managers] come and go too quickly. Some are seen as colonial and tolerated. Others are very well liked because they introduce a consultative style, which the Poles are not used to and love.[214]

For Polish managers, the role of the expatriate managers was twofold. Firstly to represent the parent company:

> They [expatriate managers] have a functional purpose. Besides this they represent the [parent company] standards and culture. I sometimes see the British having their own meeting and I can only suspect that some way is being discussed in how to do something ....I can 'feel' that they represent [the parent company] and not themselves.[215]

> They [expatriate managers] have a pretty important role because before we were separated by a political system since World War Two. We were told that anything foreign was the enemy. There was a chaotic style of management. Those advanced in the Communist Party filled management positions. Sometimes we think that the systems from the UK are too bureaucratic .... Generally speaking Poles are very open to foreign influence ... for instance a British manager's opinion is considered more important than that of a Pole.[216]

> They are the agents of the owners. They know the rules, standards and the game. People look up to them. Although we know they are not perfect, generally people look up to them.[217]

And secondly to transfer knowledge and expertise to improve the Polish units processes and capabilities of its managers:

> They have specialist knowledge and expertise of function. They apply the systems from the UK. This way our UK colleagues are confident that what we do is done. Also to understand that we're working using the same methods as in the UK so we can interchange experience and knowledge. So such a person contains the data from the UK.[218]

> They come here to develop the business and to make analysis of what should be done. They are here to convince managers of the necessity of change and set new trends. To bring new ideas and new strategies to deal

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214    Expatriate Manager, SoapCo, Male, British, November 1998

215    Investment Manager, Female, Polish, November 1998

216    Manager, SoapCo, Female, Polish, November 1998

217    Manager, SoapCo, Female, Polish, March 1999

218    Manager, SoapCo, Male, Polish, November 1998

with the business....to recruit new people and train them. Teach them, teach them, teach them.[219]

To show how company should develop and teach Polish managers, how to manage and how to work together.[220]

I believe it [expatriate managers] was necessary initially because of situation in Poland, We did not have managers who know (*sic*) Western ways of running a business. Polish management has to change. They had to bring their ways of doing business and work and develop those things here. But at a certain stage they can be replaced.[221]

In summary there was commonality between expatriate managers and local managers as to the role of the expatriate manager. Firstly, the role of the expatriate manager was regarded as being a representative of the parent company. Secondly the role was perceived as a 'facilitator' of knowledge transfer, expertise and parent company processes and practices to the local units.

- **FoodCo**

Expatriate managers were selected according to the HRM Director, on the basis of their ability to 'transfer the FoodCo know-how', who were 'good coaches and who could listen well'. The role of the expatriate manager as 'boundary spanner' or 'role model' in the transfer of the FoodCo corporate culture was explicitly stated and defined by the key actors. These included the UK head office and the management team in Poland:

We don't just recruit for technical expertise – they have to be exponents of corporate culture ...... at the beginning of the operation I was besieged by Anglo-Pole engineers. I did not take one. Because there is only one type of expat .... it's a FoodCo expat[222]

The purpose of the expat is to provide expertise from the beginning. To be the 'doer, teacher and role model'.[223]

by the expatriate managers themselves:

Management team in Poland was not Polish, so the management style was FoodCo style. The role of the expat manager was to develop a culture as much as the business. I did this by personal example. Sometimes I felt that I was on a pedestal. It was the way you did things rather than what

219   Manager, SoapCo, Female, Polish, October 1998

220   Manager, SoapCo, Female, Polish, October 1998

221   Manager, SoapCo, Female, Polish, November 1998

222   Expatriate Manager, FoodCo, Male, British, March 1999

223   Expatriate Manager, FoodCo, Male, British, July 1998

you did which was scrutinised. I felt conscious [of this] and aware of the importance of how I handled difficult situations.[224]

and by the Polish Managers:

They have the role of transferring the FoodCo style and culture and way of doing things.....The best way to transfer culture is to provide the example.[225]

They [expatriate managers] were able to tell us about the company and show us the FoodCo culture. They did this by showing how to treat and talk to the people, how to make decisions, how to decide what is ethical.[226]

Their role is spreading the culture, but that is not their first role. It is the knowledge they bring you about how to run the business, how to treat suppliers, what is defined as quality for FoodCo.[227]

The role of the expatriate manager was consciously regarded as key to the transfer of FoodCo's corporate culture. Expatriate managers transfer culture as they work alongside local Polish staff and show how a 'FoodCo' manager should behave, act and operate in a variety of situations. This supported the explicitly written set of values through implicit behaviours.

The owners were also perceived as 'carriers' of the company culture. The two brothers were actively involved in the operational management of the FoodCo unit. This usually meant two annual visits per brother. Some researchers regard their level of involvement in day-to day operational issues as extraordinary. (Brenner, 1999). One Polish manager[228] said that the 'Brothers epitomise the culture'. This statement was consistent with the findings from both Polish and expatriate managers. For instance the HRM Director recounted the story of how one of the FoodCo brothers had arrived for a visit to Warsaw, travelled on a scheduled plane and was met by a FoodCo employee, and arranged and cooked steaks the next day at an informal barbecue for all FoodCo employees. This was discussed in contrast to the owner of another international company who flew in to Poland in a private jet, was met in a limousine, stayed at an expensive hotel, and held meetings with senior managers only. The corporate values of teamwork, dedication, quality and frugality are epitomised by the behaviour of the owners.

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224    Expatriate Manager, FoodCo, Male, British, Czech Republic, June 1999

225    Manager, FoodCo, Female, Polish, July 1998

226    Manager, FoodCo, Male, Polish, July 1998

227    Manager, FoodCo, Female, Polish, July 1998

228    Manager, FoodCo, Female, Polish, July 1998

Expatriate managers in Poland were considered by local managers to be similar in terms of style as the owner brothers. Expatriate managers continually reinforce these corporate values through their day-to-day managerial activities.

### 9.12   TRANSFER OF LEARNING BY EXPATRIATE MANAGERS

Values, according to Schein (1985) are learnt, usually from the company founder or leader. Within both companies, expatriate managers were clearly perceived as leaders from whom local Polish managers could observe, and become instructed or coached in, certain ways of doing business. Schein (1985) argues that the primary mechanisms for culture embedding and reinforcement include:

1.  What leaders pay attention to, measure and control

2.  Leader reactions to critical incidents and organisational crises

3.  Deliberate role modelling, teaching and coaching by leaders

- **SoapCo**

Expatriate managers transfer learning to local managers. This was evident in the responses from Polish managers, nearly all of whom identified British expatriate managers as role models.

> He was good in giving clear objectives, but he didn't try to impose his way of doing things. He spent a lot of time teaching me how to do things. He trained me.[229]

> When I joined the British managers presented a better and more effective management style. Obviously not ideal but they solved problems everytime. They were not looking to punish someone, aim to solve problem and protect company from such problems in future.[230]

> Polish supervisor doesn't normally have so much trust in an employee. Whereas a British manager does and listens. British manager shares responsibility, divides time among team whereas Polish manager is controlling.[231]

> I worked with him very well. He's very logical and you can tell him everything providing you justify it. He's an example of a good boss because he makes a decision on rational facts not on emotions.[232]

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229   Manager, SoapCo, Female, Polish, October 1998

230   Manager, SoapCo, Male, Polish, October 1998

231   Manager, SoapCo, Female, Polish, November 1998

232   Manager, SoapCo, Female, Polish, November 1998

The Polish respondents tended to identify behavioural traits such as social skills, affiliation to people and patience, as well as knowledge expertise. British expatriate managers tended to identify more senior managers within the SoapCo group. Again behavioural traits were identified such as 'straight-talking', 'modesty' as well as networking and strategic planning skills. Polish managers identified learning from the expatriate managers in the form of an overall management style and way of approaching a difficult situation:

> I would like to say Mr X [expatriate manager]; he is very open and very direct. He is a person who listens to us very closely and comes to us for advice. He knows how to ask what do you think and what would you advise. Often I come to the conclusion that we have some very similar views.[233]

> I have learnt that its important to know how to talk to people, how not to offend. Very often people do more, not because they have to, but because person is nice to them.[234]

Expatriate managers have an important role, it would appear, in transferring management styles and techniques. Even newly recruited Polish managers from other MNC companies were able to identify a 'Western' manager as a role model:

> At X [another MNC Company], there was a German manager – he was tough when necessary, very charismatic, an excellent speaker and good motivator ... I learnt to focus on the problem not on the person.[235]

The findings suggest that expatriate managers were key figures in transferring learning. This finding supports Janssens' findings (1994; 1995) of expatriate managers as boundary spanners. One Polish manager commented, that he considered that around eighty per cent of local Polish managers had learnt how to become a manager from expatriate managers.

Management styles and ways of doing things were transferred to local managers through observation and reinforced through coaching and mentoring. Expatriate managers were perceived as leaders within the Polish operations.

> He [British expatriate senior manager] was the person who made all the decisions, if you went to him, he would decide and sort out your problems. ...I feel he was a boss. Whatever you wanted, he sorted out your problem.[236]

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233  Manager, SoapCo, Female, Polish, November 1998

234  Manager, SoapCo, Female, Polish, November 1998

235  Manager, SoapCo, Male, Polish, November 1998

236  Manager, SoapCo, Female, Polish, November 1998.

Other Polish managers commented on expatriate managers as:

> He has a huge amount of knowledge and stays calm and relaxed when people are nervous and worried ... he is objective and tell what he means[237]

> He [British expatriate senior manager] was integrating me as part of a family.[238]

Schein (1985) argues that one of the primary mechanisms for embedding culture is through role models. In this research, local managers perceived expatriate managers as role models or 'heroes'. Expatriate managers were able to transfer managerial styles to the subsidiary units.

- **FoodCo**

In FoodCo, many respondents defined expatriate managers as 'successful managers' or perceived them as 'role models', able to transfer knowledge and expertise, with a high level of networking skills and negotiation and able to build a team and act as a coach.

Local Polish managers were able to provide specific examples of learning from expatriate managers. This was not the case in reverse. Expatriate managers were identified as having qualities of diplomacy, vision, well-organised, high level of interpersonal skills, leadership, teamwork, and coaching skills.

One Polish manager[239] recounting an early work problem said:

> I learnt that I was able to make a mistake. I learnt how to develop a relationship through Geoff's questioning of what had happened. It taught me about trust and the importance of building relationships with suppliers. I learnt about individual responsibility.

Responsibility is one of FoodCo's explicit values. This specific learning experience therefore reinforced behaviours with FoodCo company values. Another Polish manager[240] provided an example of learning from an expatriate manager that concerned problem solving and attitude. He concluded: 'This was more important than anything you could read in a book'.

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237   Manager, SoapCo, Male, Polish, October 1998

238   Manager, SoapCo, Female, Polish, October 1998

239   Manager, FoodCo, Male, Polish, October 1998

240   Manager, FoodCo, Male, Polish, July 1998

Other Polish managers argued that the role of expatriate managers is important because of expertise and the different learning experiences gained from University.

> 'Polish people are unused to case studies and leave university unprepared to be a manager. Expats can help to teach us and coach us'.[241]

Thus the expatriate manager continually reinforces the corporate values through individual behaviour and actions, and transmits culture by acting as a teacher, role model and coach to local subsidiary unit managers.

## 9.13 PARENT COMPANY PERCEPTIONS OF THE ROLE OF THE EXPATRIATE MANAGER

The literature review suggested that MNC's might hold differing views as to the role and purpose of the expatriate manager. Related to the earlier research statements in Chapter 5, one would expect to see evidence of expatriate managers as the transmitters of culture or forward diffusion in an ethnocentric company. Whereas in a geocentric company one might observe more overt systems and methods to capture the learning and experience from overseas subsidiaries and expatriate managers or reverse diffusion. (Edwards, 1998)

- **SoapCo**

Expatriate managers are held in high regard within the SoapCo Group. The role is perceived as an essential stepping stone to becoming a senior executive manager or operating at Board level. Indeed most of the existing Board members and regional directors had at some stage in their career completed expatriate assignments.

> Expatriate managers are very highly regarded. They are treated as an independent group and not part of the staff compliment of a unit. They belong to a central cadre and that reflects their importance.[242]

The parent company head office regarded the expatriate role as a :

> known quality of calibre of the management team in an unknown environment. It gives you people you can trust. They give you eyes and ears on the ground.[243]

The element of trust is an important condition for the parent company and also reflects the power culture. This approach also reflects the company's own experiences in Africa, where the company still has a substantial operation. Here the company has

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241   Manager, FoodCo, Polish, Male, July 1998

242   Manager, SoapCo, Male, British, at the Head Office in Manchester, January 1999

243   Manager, SoapCo, Male, British, at the Head Office in Manchester, January 1999

experience of corruption and fraud from within the company in Africa. It therefore considers that expatriate managers are able to be trusted rather than their local colleagues. This was articulated by one senior manager who defined expatriate managers as: 'our life blood. To have our man making sure things are done our way and not letting the other buggers (*sic*) get away with it'.[244]

Expatriate managers provide the head office with a strong link in managing the subsidiaries and ensuring parent company processes and procedures are enforced. As an ethnocentric company, the need for the SoapCo Group to enforce parent company standards may be regarded as questionable. However a number of the respondents from the head office described expatriate managers as fulfilling this role. For example:

> Expats, they act as good contacts for us. Sometimes we need info [*sic*] on how things are running...Expats related to these projects are chased and can personally ensure [our] system is followed.[245]

> Expat Managers are the 'conduit' [*sic*] which links companies with territories. They are viewed in high regard. Their role is to instil business practices and strategies into local territories in line with corporate goals and objectives.[246]

- **FoodCo**

In FoodCo, there was much evidence of forward diffusion cited by all respondents. This specifically concerned learning about culture through the behaviours and actions of role models: the expatriate managers. Yet FoodCo faces an inherent contradiction with its geocentric strategy and usage of expatriate managers.

> FoodCo doesn't like the idea of the expatriate manager. The idea is that we are integrated in to the local unit. We also recognise that in a developing unit, our role is helping to set up and establish that unit and then move on. The idea is that it is temporary. It's a strange position to be in, particularly in returning to the home unit.[247]

> We're seen as a necessity. Why? Because the company regards it in this way. Because it is a growing business. However this increase in skills means that expats will be a declining necessity. A lot of investment is made to training local managers.[248]

> [The role of expatriate managers] is to raise the local associates and get out. Their role is to build the business, establish and help it grow. Their

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244    Manager, SoapCo, Male, British, at the Head Office in Manchester, January 1999

245    Manager, SoapCo, Male, British, at the Head Office in Manchester, January 1999

246    Manager, SoapCo, Male, British, at the Head Office in Manchester, January 1999

247    Manager, FoodCo, Male, British, August 1998

248    Expatriate Manager, FoodCo, Male, British, March 1999

role is the transfer as much knowledge to local staff. They are regarded by the company, ambiguously. On the one hand they are liked and admired. At the beginning this is exciting. But at the end you may not get the job you wanted. Not sure if company knows how to manage outgoing expats.[249]

FoodCo utilises its expatriate managers to transfer corporate culture and expertise to the local staff. It does not possess a cadre of international managers. Rather it selects expatriate staff on the basis of their assimilation of the FoodCo culture. Yet in seeking to have a geocentric strategy that attaches a low level of importance to expatriate managers, FoodCo faces inherent contradictions. Expatriate managers in FoodCo appear as a dual edged sword. Positively they are the critical carriers of corporate culture and expertise. Negatively they are a necessary evil that undermines their vision of a geocentric company with one global vision and culture. This perception is related to the demarcation of reward and benefits between expatriate and local staff, which undermines the coherence of a global workforce. It would appear that these findings support existing research, which concludes that generally MNC's fail to benefit from the experience of expatriate managers on return to their home country or even in situ. (Adler, 1986; Tung, 1988; Forster, 1994; Kamoche, 1995, 1996).

Many of the expatriate managers mentioned the difficulties in living in a foreign country. They cited feelings of loneliness and isolation, especially in relation to their partner's experiences, the upheaval and risk of non-return to their home country as a FoodCo employee. The lack of any knowledge about future jobs or careers was felt acutely in 1998. The demise of the Russian economy meant that the FoodCo unit closed and between 30 to 40 expatriate managers found themselves at a risk of redundancy. This episode sent negative messages to all expatriates within FoodCo. According to one FoodCo manager:

The FoodCo community is tight. Thirty-three were sent home from Russia and only one or two got jobs. That's scant reward when people are taking risks.[250]

Most of the expatriate managers were concerned with where their assignment in Poland would lead. FoodCo does not, as previously mentioned, have a cadre of international managers. Therefore many expatriate managers raised concerns about succession planning. Expatriate managers expressed that they felt removed from key decision-makers in their host country. In addition the time period for most expatriate assignments was vague. These ambiguities reflect the 'contradictions' inherent in the

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249    Expatriate Manager, FoodCo, Male, Dutch, Poland

250    Expatriate Manager, FoodCo, Male, British, March 1999

FoodCo strategy to be a geocentric firm and the role of expatriate managers within this goal.

Research suggests that expatriate managers can themselves become imbued with host country culture (Lee and Larwood, 1983). However this assumes that the expatriate manager is working directly in host country culture. The experiences of FoodCo's expatriate managers reveal that this was not entirely the case. The FoodCo subsidiary units are always located in a greenfield site. The FoodCo strategy is to develop and build from scratch rather than to acquire an existing company. According to the HRM Director, this strategy was to ensure that the FoodCo culture could be transferred to the unit where no previous corporate history existed.

This uniformity and standardisation of environment and culture means that expatriate managers were shielded from the host country culture. This in turn has implications for the spouse or partner who is directly living in the host country culture. One of the main reasons that many expatriate assignments fail, is the spouses' inability to adjust. Yet it would appear that the spouse is being required to adjust more so than the expatriate manager. This is reinforced in the next quote derived for an expatriate manager who was working in Poland from 1994 to 1997:

> The biggest downside for me was that for my spouse it was a very isolating experience. We have two young children and the youngest was only six weeks when we moved there. My wife felt removed from any support system...
>
> ...For me it was different I often used to say that I didn't really live in Poland as the FoodCo unit was just like any other. I returned at night to an English household. But it was my wife who worked hard to make it so. She faced the negative side of living in a foreign country with all the basic problems like how to pay a gas bill - which can be a real headache in Poland. After two and a half years she said she was ready to return and because of her support in coming to Poland, I agreed. however the strains of living in another country did put pressure on our marriage, although it survived, thank God[251]

This quote was typical of the testimonies from the other expatriate managers. The HRM Director attempted to put some support mechanisms in place for the expatriate manager on arrival in Poland. These included a booklet, help finding accommodation and having his wife act as an informal mentor to the respective spouses. Yet there was no formal support from the FoodCo Company, which reflects the company's 'contradiction' concerning the necessity of expatriate managers in subsidiary units. The expatriate manager was required to balance and adapt parent

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251  Former Expatriate Manager in Poland, Male, British, Czech Republic, June 1999

company requirements with host country realities within the overall corporate culture schema.

## 9.14 SUMMARY

This chapter captures the findings from the case studies in two MNC's. The study utilised an interpretative approach. Samples of managers from both companies were selected. These samples included local managers in Poland, expatriate managers and managers from the respective corporate head offices in the UK. A semi-structured interview format was utilised and questions concerning the role of the expatriate manager, the company culture, the Polish culture, the role of HRM within the company, and its performance management processes were all explored.

The findings were presented in three parts. Firstly the respective company's business strategy, its rationale for its mode of entry and its history of operations in Poland were presented. SoapCo had acquired former SOE's, whereas FoodCo has set up as a greenfield site. There is little doubt that entry mode has implications for the role, philosophy and status of HRM within the respective MNC subsidiaries. Future research might consider whether mode of entry is linked to an ethnocentric or geocentric strategy.

Secondly the findings on the role of HRM within the respective companies was examined. This was explored in relation to the company culture and the transfer of parent company culture to the subsidiaries. FoodCo for example has a global policy or framework in certain areas of HRM processes and practices. Specifically this included performance management systems, training strategies, selection and reward. Adaptation was made where necessary, for example, where employment contracts breached national legislative requirements. In general the policy was to adapt rather than design new processes or policies. SoapCo, on the other hand, preferred to let the subsidiaries have the flexibility of designing, developing or adapting HRM processes and practices, as deemed necessary. There was in contrast little parent company control in this respect.

In seeking global coherence, FoodCo faced issues in transferring its parent company culture. The findings reveal that for Polish managers the communication of the company's values was too reminiscent of the Communist propaganda. Consequently the senior management team in Poland adapted the value statements to 'fit' with local Polish customs. Other aspects of the company culture were perceived as in conflict with the Polish culture. Particularly the use of the informal language, which

is a uniform policy of this global organisation. As a result it was the local Polish managers who had to explain this policy to Polish outsiders.

The literature review suggests that it is the corporate culture, which is critical to the integration of employees across national boundaries (Bartlett and Ghoshal, 1989). The inflexibility of using the informal sense of the language, and its application globally, assisted the FoodCo company to have a 'common language' in a very real sense of its meaning. Additionally, aspects of the corporate culture, the artefacts, and values also provided the oft-merited corporate glue. Many of the respondents described how they could have been working within any FoodCo subsidiary office or at the parent company offices, as they were all so remarkably similar.

SoapCo had a different story. The corporate culture at the three sites was described differently and was recognised as unlike each other. The company by paying more attention to flexibility and local ways of doing things did not have one uniform culture. In summary, other factors such as the company's business strategy: greenfield or acquisition, were found to impede or promote the transfer of parent company culture.

Thirdly the role of the expatriate managers was found to be critical to the transfer of parent company culture, knowledge, management styles and values in both case study companies. The literature review suggested that there were key differences in how companies approached the management and deployment of their staff. According to Perlmutter (1979), in an ethnocentric firm, the expatriate managers command key positions in foreign subsidiaries. Ethnocentric companies expect their expatriate managers, selected from the parent company (PCN's), to transfer the parent company culture by working alongside host nationals (HCN's). The role of the expatriate manager in such firms is one of teacher, and exporter of knowledge. In the regiocentric or polycentric firm, the role of the expatriate manager is considerably diminished. Foreign subsidiaries are managed by HCN's. In the geocentric company the role of the expatriate manager does not exist 'formally', instead involving a combination of PCN's, TCN's and HCN's.

The findings suggest that there are contradictions existing between the use of specific strategies i.e. ethnocentric or geocentric. The research reveals that there may be a greater level of fluidity between the various strategies than acknowledged and that this may be dependent on the stage of development of the foreign subsidiary. FoodCo selected managers for expatriate assignments based on their ability to be 'exponents' of the FoodCo corporate culture. Expatriate managers were selected from well-established sites closely resembling the parent company culture. Also, the role of

the expatriate manager was regarded as very important to the transfer of the corporate culture. However whilst FoodCo espouses a geocentric strategy through instilling its corporate values globally, it is structured on a regiocentric basis by function, and utilises its expatriate managers in an ethnocentric way. The research reveals the critical importance of expatriate managers in transferring the corporate culture through their actions and behaviours as leaders and role models. It suggests that their role has been inaccurately diminished in the geocentric firm in seeking to achieve a global corporate culture.

Furthermore the research shows that expatriate managers acted as a key control mechanism in both case study companies in a number of ways: as role models, displaying the appropriate company behaviours, values and way of doing things; as 'fixers', adapting corporate values and mission statements; as key actors, enacting the HRM practices; as 'networkers' or 'boundary spanners' connecting local managers with other parts of the company; as 'agents of the owners', ensuring that the new subsidiary company could be trusted; and finally, as 'coaches' or 'mentors' transferring knowledge to local managers. Their role is of more value in the globalisation process, than the literature on transnational management acknowledges.

In summary the findings reveal that parent company culture is transferred through expatriate managers, who themselves act as a primary mechanism. Expatriate managers then reinterpret and adapt the secondary mechanisms concerning written statements of corporate philosophy or corporate management styles to 'fit' with the local culture. A key facet of the expatriate managers' role is to balance corporate culture and national culture, thus acting as 'boundary spanners' (Janssens, 1994). By so doing, expatriate managers act as role models to local managers. HCN's learn the corporate culture through PCN's or TCN's. Yet the level or extent of this transference depends on a number of factors, not least the selection of expatriate managers who are able to represent such cultural role models.

This chapter reported and analysed the research findings undertaken in the two case study companies: FoodCo and SoapCo from 1996 to 1999. The findings reveal that the policy and practice of HRM and the role of expatriate managers is critical to understanding how companies manage their subsidiaries and the extent to which parent company culture is transferred. The next chapter brings together the research findings and analysis from Chapters 7, 8 and 9 to review the research statements generated from the literature review and the conceptual framework.

# 10. DISCUSSION AND CONCLUSIONS

In terms of the thesis structure, this chapter encompasses the key findings and analysis, and considers these in relation to the literature review and the research questions identified in Chapter Five. This research study followed an interpretative approach. It was argued that undertaking research in a 'new' cultural environment demanded a phenomenological approach. There were two main elements to this research: the longitudinal study and the case studies.

A number of key observations can be made. HRM in Poland is an imported concept. As a result of Poland's former socio-cultural, political and legislative environment, personnel management is tarnished with its former links with the Communist party. Consequently the term 'human resource management' has been adopted in many companies as a way of marking a watershed. Within MNC subsidiary companies in Poland, it can be described as 'Anglo-Saxon', and quite unlike that existing within Polish firms or former SOE's. HRM, it was found, was imported by MNC's and their parent companies and transferred to their subsidiaries.

The function of HRM evolved rapidly over the survey period. In three years the function developed from the hard model of HRM, to the soft model by 1999. The function evolved from start up, usually as a result of chaos, to become a strategically integrated function within the MNC.

Furthermore there was a good deal of evidence of forward diffusion by the MNC parent companies in transferring HRM activities and practises. In Chapter Three, it was argued that MNC's are increasingly aware of how HRM, both as a function and as a practise, is a key control mechanism in shaping and integrating employees across cultures. This is a critical finding in showing that MNC's seek to channel human efforts towards the attainment of global organisational objectives.

Expatriate managers acted as a key control mechanism in the transfer of parent company culture to the subsidiaries (see Chapter 5). The findings reveal that their role was critical to the process of inculcating parent company culture in the MNC subsidiaries. This was achieved, by expatriate managers, in a number of ways: as '*role models*', displaying the appropriate company behaviours, values and way of doing things; as '*fixers*', adapting corporate values and mission statements; as '*key actors*', enacting the HRM practices; as '*networkers*' or '*boundary spanners*' connecting local managers with other parts of the company; as '*agents of the owners*', ensuring that the new subsidiary company could be trusted; and, as '*coaches*' or '*mentors*' transferring knowledge to local managers. Their role has become increasingly more important and

of value in the globalisation process, than the literature on transnational management acknowledges.

Finally, the implications of entry mode i.e. greenfield or acquisition/brownfield were found to impede or promote the transfer of parent company culture. The findings are now discussed in relation to the literature review, the conceptual framework and the research statements. These are listed under the following headings:

1. HRM as an Imported Concept

2. The Transferability of HRM

3. Expatriate Managers as a Key Control Mechanism

4. The Implications of an MNC's 'Entry Mode' Strategy

5. The Implications of Corporate Culture

These headings relate to the conceptual framework discussed in Chapter 5. This chapter then concludes with a review of the limitations of this research study and recommendations for future research

## 10.1 HRM AS AN IMPORTED CONCEPT

The literature began by questioning 'what is meant by HRM in different cultures and countries' (see Chapter 2). This fundamental question of the meaning and practice of HRM necessitated an interpretative approach. Respondents were thus asked to define the term. The findings reveal that the meaning and practice of HRM in MNC subsidiaries in Poland is unlike that existing in Polish firms.

Respondents were keen to mark a watershed between the HRM of the 1990's and that existing under the former Communist regime. Whilst it would be wrong and misleading to equate HRM in Poland, as having followed the same path as that existing in the UK and US, the concept appears imported. Personnel Management in the Soviet era was equated with the Communist Party (Koubek and Brewster, 1995). It was applied as a strategic lever at a State or national level. The Western concept of HRM lies at an organisational level. There is a clear distinction from personnel management under State/party control, to HRM located at an organisational level.

The respondents all distinguished the concept of HRM from personnel management. The latter was ascribed to present day Polish companies, and characterised by firefighting, industrial relations, individual grievances, operational issues with little strategic contribution (Tung and Havlovic, 1996; Garavan et al, 1997). HRM was described by the respondents as an aspired state and perceived as a

necessary function for companies to operate successfully in the emerging market economy. HRM was defined in 'Anglo-Saxon' terms revealing that it has been transferred from the MNC parent companies. For example, HRM was defined as part of the strategic managerial function in the development of business policy, in which it plays both a determining and contributory role (Hendry and Pettigrew, 1990; Beardwell and Holden, 1994). Consequently, respondents noted the need to 'educate' their colleagues working in Polish companies about HRM.

The findings also reveal that the function and practice of HRM evolved from 1996 to 1999. In 1996, HRM in the MNC subsidiaries in Poland was equated to the hard model of HRM. The hard model stresses HRM's focus on the crucial importance of close integration of human resources policies, systems and activities with the business strategy. It is defined as 'quantitative, calculative and business strategic aspects of managing the head count in as 'rational' a way as for any other economic factor'. Zaleska (1998) in her research on Polish managers working in MNC subsidiaries found that it was the hard model of HRM that was prevalent.

> This hard approach which consisted of managing people according to utilitarian and instrumental principles. Performance was the most important with the neglect of individual growth and development of managers since their potential was used for the ends of the business
>
> (Zaleska, 1998: 228).

This study confirmed Zaleska's conclusions in 1996. Yet by 1999 the soft model of HRM was firmly evident. The soft developmental model of HRM, whilst still emphasising the importance of integrating HRM policies with business objectives, treats employees as valued assets; as a source of competitive advantage through their commitment, adaptability and high quality of skills, performance etc. (Guest, 1987; Storey, 1987). There is evidence from some of the responses that the soft model of HRM was becoming increasingly prevalent in 1999, with greater emphasis and investment placed on developing high potential managers and managing their career paths.

In addition HRM evolved as MNC subsidiaries developed organisationally. The evolution of HRM from its focus in 1996 on recruitment and selection, and the establishment of personnel procedures to the more sophisticated HRM processes in 1999, can also be related to the life cycle of an organisation. Based on Milliman, Von Glinow and Nathan (1991) who identify four stages of development, it was found that to some extent these four stages mirror the findings from the surveys in 1996 and 1999. The 1996 survey revealed that all the companies were mainly concerned with

recruitment, selection and retention. By 1999, there was much greater emphasis on integrating HRM processes and practices with the parent company.

The findings also reveal the chaos or mismanagement that led to the initial setting up of the HRM function or role within MNC subsidiaries. Most respondents in 1996 described chaos, uncontrolled spending, and differing compensation packages as the motivating criteria for the company to employ an HRM manager. This indicates that whilst the literature would have us believe that HRM is an important strategic function within an organisation, in reality many of the companies sampled revealed that they placed it at an operational level. In other words, HRM managers were employed to create order and structure within the new organisation.

Notwithstanding, Milliman *et al* (1991) argue that at the fourth stage of strategic integration 'the firm seeks to achieve both tight integration among its various overseas units and sensitivity to local environments'. Flexibility is therefore considered paramount. Yet the findings reveal that flexibility declined within the subsidiaries as the pressures for convergence increased. Whilst there were certain areas for local control such as compensation, generally there were global principles which guided action. Consequently this finding supports Edwards, Ferner and Sisson (1996) who found that whilst the transnational model is depicted as devolving authority and control, in reality central control was far greater than expected.

The literature review discussed HRM as an international discipline (Beardwell and Holden, 1994) whereby homogeneous employment policies and practices are developed to neutralise differences in national labour markets. In this way HRM can be regarded as a concept which can be successfully transferred across cultures (Easterby-Smith *et al*, 1995). The chapter describing and analysing the contextual influence on Polish HRM explored the importance of certain factors: Polish Labour Code, Polish culture and history. Consequently the study reveals that certain practices remain specific to the national labour market, such as contracts of employment, disciplinary and grievance procedures, redundancy procedures, and pensions. All of these appear to be subject to the country's labour legislation. Yet with increasing convergence towards European Union legislation, the extent that these HRM practices and procedures will remain specific to Poland is questionable.

Thus, HRM can be considered as an imported concept in MNC subsidiaries in Poland. The forward diffusion witnessed from the parent company to the MNC subsidiary was considerable. Over a relatively short time-scale the whole notion of HRM, its meaning, processes and activities had been transplanted in most MNC subsidiaries.

The literature review defined the Anglo-Saxon definition of HRM as comprising of four central tenets: the integration of HRM with business strategies; the devolution of HRM issues to the line manager; the development of a strong corporate culture; the development and enforcement of HRM policies and practices and the reward of appropriate employee behaviours; and finally the increasing focus on the individual as opposed to collective Industrial Relations issues. All of these appear to have been transferred by the parent company to the MNC subsidiaries from 1996 to 1999.

Thus in response to Clark and Mallory's (1996) question, 'What do people from differing nations understand as HRM?' The answer lies firmly with the parent company and their transfer of corporate culture and HRM policies and practices. HRM in MNC subsidiaries is similar to Western models of HRM and unlike the personnel function found in Polish companies.

## 10.2   THE TRANSFERABILITY OF HRM

Chapter 3 discussed how MNC's utilise their employees to inculcate parent company culture. The literature review indicated that the type of international staffing policy utilised by an MNC indicated their level of globalisation. This in turn had implications for the HRM practices and the role of expatriate managers in ethnocentric, regiocentric or geocentric firms. The findings reveal that HRM was increasingly utilised by MNC's as both a formal and informal mechanism for transferring parent company corporate culture.

The literature review examined mechanisms of co-ordination. This was defined as any administrative tool for achieving integration among different units within an organisation. One of the formal mechanisms defined by Martinez and Jarillo (1989) was formalisation and standardisation - the extent to which policies, rules, job descriptions etc. are written down in manuals and procedures. This mechanism was utilised increasingly within the MNC subsidiaries in Poland. It was identified in HRM strategy statements, mission statements and values that were designed to provide a framework for action. HRM practices such as job evaluation, compensation strategies, performance management were described as a 'lingua franca' in which there was a common and mutual understanding of meaning throughout the organisation across countries.

Furthermore defining and identifying the competencies of successful managers is a means of formalising behaviour. Companies used these behaviours as a framework to guide recruitment and selection, performance management and training. By so doing, companies were insisting on behavioural standardisation on a global basis.

The case study research provided an in-depth insight into how MNC parent companies use HRM as a primary and secondary mechanism for inculcating corporate culture. FoodCo utilises the primary mechanism of recruitment and selection to identify and employ people who fit with their culture. The company then uses HRM policies and processes along with organisational statements on mission and values which serve as secondary mechanisms to enforce the corporate culture and way of doing things.

In SoapCo Polska and CosmetiCo there was evidence of a distinctive Polish management style. Expatriate managers sought to tinker with this style through coaching, mentoring and acting as role models in difficult situations. New Polish managers recruited or head hunted from other MNC's considered the 'stereotypical' Polish management style and culture to be antiquated.

FoodCo, on the other hand, sought to recruit and select only those people who 'fitted' with their culture and way of doing things. Polish respondents considered there was 'no such thing' as a Polish management style in FoodCo. Polish culture was less pronounced in FoodCo because of the overriding corporate culture. This instilled values, beliefs and ways of doing things that could be considered uniform irrespective of national culture. As one manager commented: 'I would be certain that if a colleague in Germany were confronted with the same problem they would take a similar approach as me'.[252]

Thus the findings reveal HRM as spanning both structural and formal mechanisms, as well as the more informal, unobtrusive mechanisms.

The influence of MNC strategies on the transferability was discussed in the literature review. A number of research statements were made concerning the global management strategies: ethnocentric, regiocentric or geocentric. The literature review assumed that the HRM policies and practices would be consistent with a specific type of MNC strategy. Consequently the argument ran, all HRM practices could be collated, identified and categorised according to the particular MNC strategy.

*Q1:    The HRM practices of an MNC will be consistent with their global management strategy: ethnocentric, polycentric/regiocentric or geocentric.*

The findings reveal that these categories require in-depth research to uncover HRM practices within a particular MNC. Research studies that rely on questionnaires and ask respondents to tick the most appropriate box are inadequate. Initial interviews

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252    Director, FoodCo, Male, British, March 1999

undertaken in the longitudinal survey revealed evidence where certain MNC's appeared to be following a particular strategy. However on closer examination, the case studies revealed that the strategy typology is neither mutually exclusive nor carefully delineated in respect of HRM policies and practices. Overall the findings reveal a far more chaotic, imprecise and obscure strategy in practice than in theory, and this finding supports the work of Caliguiri and Stroh (1995). In addition there was little evidence to suggest that global strategies were as evolutionary as Perlmutter suggests.

Moreover there is evidence to suggest that the geocentric or transnational company is more myth than reality. FoodCo espouses a geocentric strategy through instilling its corporate values globally. Yet it is structured on a regiocentric basis by function, and utilises its expatriate managers in an ethnocentric way. These contradictions point to the fluidity of the differing strategies, which may be linked to the business strategy, and/or the stage of development of the subsidiary unit. The findings reveal far greater levels of central control within FoodCo through HRM processes and policies, business controls and the role of the owners and expatriate managers. It leads one to argue that the geocentric company may itself be a contradiction in terms as the need for controls through a global corporate culture undermine any real level of local responsiveness. Consequently these findings support other research by Edwards, Ferner and Sisson (1996) that true examples of geocentric companies remain elusive.

The next research question concerned global management strategies and the forward diffusion of HRM.

*Q2: Ethnocentric MNC's will transfer their HRM policies and practices to their subsidiaries, whereas geocentric companies will develop policy and spread best practice through their network.*

The findings drawn from the case studies were in part surprising. If SoapCo is an example of an ethnocentric company then transfer of its HRM policies and practices was not automatic. Rather the company took an opposite line in which the subsidiary company could develop and design its own policies to ensure local flexibility and responsiveness. The head office role provided a reference point acting as a library of information and containing examples of policies and practices.

In FoodCo the findings were consistent with the research statement. FoodCo, as a geocentric example, continually developed and spread best practice through regional and board level networks at all levels in the company. HRM policy and

practice was seen as a spectrum within which local difference was accepted. The sharing of best practice led FoodCo to consolidate its HRM processes and therefore served to embed its global corporate culture.

*Q3:    The HRM policies and practices in a geocentric company will be more sophisticated incorporating competency frameworks to underpin global selection, appraisal and development processes than in ethnocentric or polycentric/regiocentric companies.*

The third research question concerns MNC strategies and the level of sophistication in the HRM role and function. This was induced from the debates concerning HRM as a control mechanism. Thus the argument ran that a geocentric company would concentrate on developing and using corporate values, beliefs and behaviours as a sophisticated tool to integrate employees across countries and cultures.

The literature review suggested that HRM is more sophisticated in geocentric than in ethnocentric companies. There are difficulties in drawing firm conclusions made on the basis of this research. In the first place the definitions of ethnocentric and geocentric, proved difficult to define and apply. For example, if one assumes that FoodCo provides a working definition of a geocentric company, then HRM certainly appears to be more sophisticated than that existing at SoapCo. FoodCo appears to have an explicit understanding of the role and purpose of HRM to the organisation and for instilling its culture on a world-wide basis. In contrast, ethnocentric companies such as SoapCo appear to regard HRM at a more operational level. However, on the basis of exploring two case studies, it is premature to draw any definite conclusions about how geocentric or ethnocentric companies operate. In many respects, applying the definitions became more thematic than absolute. For example, FoodCo whilst espousing to be an example of a geocentric company with a sophisticated HRM function and global HRM processes, is structured in a regiocentric basis and utilises its expatriate managers in what might be considered an ethnocentric way.

Furthermore there has been little empirical research comparing how MNC strategies impact on corporate success. Future research should consider exploring the following question: do the differences between ethnocentric and geocentric HRM strategies lead to significant variations in overall success?

## 10.3    EXPATRIATE MANAGERS AS A KEY CONTROL MECHANISM

Chapter 4 identified the factors influencing the transfer of HRM policies and practices, in particular the role of expatriate managers. This was discussed in depth in Chapter 5, whereby expatriate managers were identified as a key control mechanism.

The findings support the view that expatriate managers are a key control mechanism for international companies. They operate as a key control mechanism in a variety of ways. At one level they operate as 'role models' to the local managers. According to Schein (see Chapter 5), culture is a learned process through a variety of implicit and explicit mechanisms. Leaders or founders utilise embedding mechanisms to inculcate cultural assumptions and values. The findings show that by working alongside local managers, expatriate managers transfer learning through forms of mentoring and coaching. Additionally the local managers are able to observe the behaviour and actions of the expatriate manager, enabling them to understand how to operate within the organisation. Expatriate managers thus transfer culture.

At a second level expatriate managers operate as 'international networkers'. Their experience within the organisation means that they are able to access individuals and functions throughout the company. In other words, expatriate managers link HCN's with employees in differing parts of the company. As a result they appear to weave an invisible web which links and integrates the MNC together across cultures.

Expatriate managers operate, at a third level, as 'fixers' or 'adapters'. Janssens describes expatriate managers as 'boundary spanners' (Janssens, 1994), yet the question has remained of exactly how expatriate managers transfer culture. The findings reveal that expatriate managers, themselves, were identified as 'bearers of the corporate message or culture', and were able to reinterpret this message to fit with local culture. This was particularly evident with FoodCo, which has a strong corporate culture and consciously selects greenfield sites, as it believes this to be easier to transfer their corporate message. The five values and mission statements which explicitly state the corporate culture were adapted by the senior management team (mainly expatriate managers) in 1998 to overcome some of the criticism from local managers that they were too reminiscent of the propaganda under the Communist era. By so doing expatriate managers were able to adapt the company values without losing their overall meaning.

At a fourth level, expatriate managers were key actors. They were able to enact and enforce HRM processes and practices. They were able to recruit, select, train and reward based on the corporate criteria by showing how HRM processes and practises

are implemented. From the findings, expatriate managers were utilised as a mechanism for transferring corporate culture. Local managers perceived expatriate managers as role models. Expatriate managers imparted the parent company culture by working alongside local managers and staff. They demonstrated ways of doing things within the respective company, as well as the expectations of behaviour required. Consequently HRM concepts, policies and processes were transferred through the expatriate managers who were able to implement and convey the meaning of HRM within their respective company.

Finally at a fifth level, expatriate managers were perceived as 'ambassadors' for their parent company and carried the wishes and expectations from the founder or leader. They were selected by FoodCo as exponents of the company culture, and were perceived as behaving similarly as the owners. At SoapCo, expatriate managers were selected on the basis of trust and to carry out the wishes of the owners.

In summary the findings reveal that parent company culture is transferred through expatriate managers, as a primary mechanism. Expatriate managers reinterpret and adapt the secondary mechanisms concerning written statements of corporate philosophy or corporate management styles to 'fit' with the local culture. A key facet of the expatriate manager's role is to balance corporate culture and national culture, thus acting as 'boundary spanners'. By so doing, the expatriate manager acts as a role model to local managers. HCN's learn the corporate culture through PCN's or TCN's. Yet the level or extent of this transference depends on a number of factors, not least the selection of expatriate managers who are able to represent such cultural role models.

From the literature review, the role of the expatriate manager was questioned in respect of the specific MNC strategy:

Q4:      *The role and purpose of the expatriate manager in an ethnocentric MNC will be to transfer the parent company culture more so than in polycentric/regiocentric or geocentric MNC's.*

The findings reveal that expatriate managers were crucial to transferring parent company culture in ethnocentric as well as geocentric firms. The role and purpose of the expatriate manager is to transfer the parent company culture irrespective of MNC strategy. Evidence from both case studies provided numerous examples of transferring learning and ways of behaving. It would appear from the literature that the role of the expatriate manager, as a vehicle for transferring parent company culture, is seriously underestimated in the literature especially in 'geocentric' companies. Rather it points

to the definition of a geocentric company where the best managers occupy the right positions irrespective of nationality as a 'wish' statement rather than a description of fact. Indeed the expatriate manager in the geocentric company is critical to the transfer and instilling of parent company culture in the local subsidiary. At FoodCo expatriate managers were selected according to their identification with corporate culture. As a result long serving employees from well-established subsidiaries in Holland and Germany, and the UK were selected.

Expatriate managers acted as role models to local managers. They were able to demonstrate, on a daily basis, ways of behaviour consistent with parent company culture. As the FoodCo HRM Director said: 'There is no such thing as an expatriate manager at FoodCo it is a FoodCo Manager'. The FoodCo manager was an expatriate manager who was required to teach local managers the company culture, ways of behaving and doing things. At SoapCo, the ethnocentric example, the role of the expatriate managers is seen from the parent company perspective as a 'trusted pair of hands'. However the local managers also perceived them as role models. The findings demonstrate that expatriate managers are more than just 'boundary spanners' (Janssens, 1994). They can be described as 'corporate messiahs', providing the daily example to local managers of how to work, behave and perform within their respective organisation.

Thus the findings reveal that expatriate managers are crucially important in transferring the corporate culture through their actions and behaviours as leaders and role models. There was little distinction between the role of the expatriate manager in an ethnocentric firm as opposed to a geocentric one. The only difference was that selection of the right kind of expatriate manager was explicit in the geocentric company as a way of instilling and enforcing the parent company's culture. As a consequence the role of the expatriate manager in the geocentric firm has been inaccurately diminished in the literature as a means of transferring parent company culture to MNC subsidiaries.

## 10.4    THE IMPLICATIONS OF AN MNC'S 'ENTRY MODE' STRATEGY

The factor of a company's entry mode appears to have important implications for the transferability or not of HRM practices and processes. Mode of entry appears to promote or impede transferability of parent company culture as well. Companies such as FoodCo, prefer a greenfield strategy. FoodCo is explicit in the way in which it perceives it can transfer its corporate values and company culture to employees in a new subsidiary. The research shows that transferring corporate culture is much easier as new employees can be selected on the basis of certain criteria, which are linked to the

company's culture and values. The research also showed that companies that pursue a brownfield strategy inherit the workforce culture and values. Consequently the case study of SoapCo revealed a number of differing cultures and sub-cultures.

## 10.5    THE IMPLICATIONS OF CORPORATE CULTURE

From the conceptual framework, Corporate culture was identified as influencing the HRM policies and practices of an MNC subsidiary. As a consequence two research questions were derived from the literature review:

*Q5:        The corporate culture in a geocentric MNC will be more uniform and consistently shared by managers from differing national cultures than in ethnocentric or polycentric/regiocentric MNC's.*

Corporate culture in geocentric companies were considered to be explicit in terms of values and corporate messages. At FoodCo, all the respondents were able to describe the corporate culture in comparable and similar terms. This was not the case at SoapCo where respondents described the culture as specific to their place of work. However it is difficult to draw firm conclusions based on the evidence from only two companies and this is a potentially interesting area of research. Thus the research question could be adapted to read:

*In selecting sites for new subsidiary units, geocentric companies will tend to pursue a greenfield strategy, whereas ethnocentric companies will tend to pursue a brownfield strategy.*

In the literature review, corporate culture definitions appeared to complement global strategy descriptions. The definitions applied to an ethnocentric company were similar to a role culture; likewise the geocentric company was defined similarly to the task culture. This resulted in the following research question:

*Q6:        There will be greater evidence of a role culture within ethnocentric MNC's than in geocentric or polycentric/regiocentric companies. There will be greater evidence of a task culture in geocentric MNC's than in ethnocentric or regiocentric companies.*

The findings suggested that at SoapCo, there was a power culture i.e. hierarchical, ruled by the few, with no evidence of team working or matrix management in ethnocentric companies. In contrast, FoodCo, the geocentric company, displayed much evidence of a task culture. Networking, matrix management and team working were prevalent throughout the company. However the relatively small sample made it impossible to draw wider and firmer conclusions. Earlier

discussion has already suggested that the typologies are difficult to operationalise. Notwithstanding the findings suggest that a company's global strategy may be dependent on its corporate culture, and that this corporate culture is germinated from the parent company. Further research might explore the link, if any, between corporate culture, parent and subsidiary, and explore its significance on company global strategy.

## 10.6   LIMITATIONS OF THIS STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

This section will discuss the limitations of this study, and will offer some recommendations for further research. To begin with it is worth indicating the limitations apparent in other studies which have been remedied in this study.

- Simultaneous research studies utilising longitudinal survey with case study research

- Included non-American MNC's in the sample

- Focused on one country that had a former command economy and therefore relatively 'new' to the ideas of HRM. In other words it provided a level test bed for the study

- Provided a solid theoretical foundation by reviewing contributions from international management, HRM, corporate and national culture

- Questioned subsidiary, expatriate and parent company managers utilising the same survey instrument to assist validity

- Focused on a qualitative study to overcome the limitations of questionnaires and the relevance of questions in a different culture

- Gained greater insight into the case study organisations through access to training events, meetings, documentary material, etc.

In spite of addressing limitations of other studies, there are some limitations from this study. *Firstly*, the pace of development in the Polish market economy was frenetic over the survey period. During this period the rate of economic growth averaged seven per cent. Consequently it may be that the speed by which HRM developed and evolved remains unique to Poland. One finding was the way in which the history and the socio-political and legislative environment contributed to a form of national distinctiveness. From the literature review the influence of 'national culture'

was considered to be so critical and overwhelming as to make the transfer of a parent company culture difficult if not impossible.

The study of MNC's setting up and managing their subsidiary operations in Poland, provides an exciting and rich understanding of newly emerging market economies and the role of HRM. At the moment there is a real dearth of research, particularly qualitative studies concerning HRM in MNC's in Central and Eastern Europe. Future researchers should consider firstly a comparative study between countries. It would be interesting to explore one MNC company in two or three countries. For example studying FoodCo in Poland, the Czech Republic and in Germany would have served to explore, in detail, forward and reverse diffusion.

Linked to this, future research might detail the kinds of reverse diffusion taking place. This study showed that there were some elements of reverse diffusion i.e. examples of best practice which were transferred back to the parent company. However it would be interesting to explore the ways in which companies might utilise 'adaptation' of policies and practices, and the role of expatriate managers in shaping and redefining these elements.

The case study research revealed more clearly the impact of other factors on transferring parent company culture. These included whether the new subsidiary operation was an acquisition or a greenfield site, the parent subsidiary relationship, the type of corporate culture within the parent company e.g. role culture as opposed to task culture; and the type of MNC strategy employed by the parent company (ethnocentric or geocentric).

Future research could explore reverse diffusion across greenfield and brownfield sites. Edwards *et al* (1999) suggests that there is much greater learning from brownfield sites. However the findings from this study question that assumption. Questions remain about what is diffused, how it is diffused and what blockages there might be for absorption. In addition one would expect there to be high levels of forward diffusion in the early start up phase i.e. the first three years or so, and that this would diminish rapidly as PCN's leave and HCN's take on higher level positions within the company. Further longitudinal research could explore the level and scope of forward and reverse diffusion from the setting up of an MNC subsidiary to an established unit.

*Secondly*, certain factors were difficult to contain. Country of origin, for example, was considered to be an important factor in shaping parent company culture (Ferner, 1997). However this proved more difficult to isolate than at first considered. For example some MNC's may have dual nationality like Shell or Unilever. Others such as

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SoapCo were founded and run by a Greek family who set up their business in the UK. Similarly the FoodCo company was set up by an American in the UK. In reality the notion of nationality is far more fluid and difficult to isolate.

Also, it was originally hoped to compare companies from similar industries. In practice access to such companies was not forthcoming. Future studies might explore and contrast MNC's from the same industry sectors. It is difficult to know from this study the extent to which any industry specific factors shaped the HRM philosophies, practices and processes in the specific case studies.

*Thirdly,* future research should explore the role of expatriate managers as transmitters of corporate culture. Whilst there has been some research recently in this area, there is scope to explore the role of expatriate managers within the 'geocentric' company and compare this to the 'ethnocentric' company. Linked to this additional research on the changing role of the expatriate manager within an MNC subsidiary would be useful. As companies have reduced their dependency on expatriate managers when the subsidiary units become more established, it would be of value to explore whether there are different types of expatriate managers who are capable of performing different roles.

This area, drawn from an earlier research question, concerning the role and purpose of an expatriate manager in transferring parent company culture proved to be fruitful. Whilst companies utilise expatriate managers to transfer learning and to fill positions where there is no local capability. Yet the findings showed that an expatriate manger was a key control mechanism. As a primary control mechanism, expatriate managers were able to transfer parent company culture by acting as role models of behaviour; whilst they were also able to enact and adapt secondary mechanisms such as bureaucratic control and organisational statements etc.

This leads one to speculate that the role and value of the expatriate manager has been undervalued in the literature, particularly in the transnational models. Expatriate managers operated as a control mechanism in a variety of ways: as 'role models', displaying the appropriate company behaviours, values and way of doing things; as 'fixers' by adapting corporate values and mission statements; as 'key actors' enacting the HRM policies, processes and codes of conduct; as 'networkers' or 'boundary spanners' connecting local managers with other parts of the company; as 'agents of the owners', ensuring that the new subsidiary company could be trusted and complied with company regulations; as 'coaches' or 'mentors' transferring learning to local managers and developing a corporate management style. Future research could explore these dimensions in more detail and relate them to MNC and HRM strategies.

*Fourthly* it was beyond the scope of this study to measure the effectiveness of the MNC strategy. Whilst it is clear that a geocentric strategy is highly effective in integrating employees across differing cultures, the findings do not show whether an ethnocentric strategy as opposed to a geocentric strategy is more or less successful in terms of profitability or business. Thus the question remains as to whether the differences between ethnocentric and geocentric HRM strategies lead to significant variations in overall corporate success in the markets in question. A quantitative study might usefully compare a range of companies over a period of time.

*Fifthly,* the study only explored MNC's operating in Poland. There are presently only a handful of journal articles which describe HRM in Poland specifically in Polish firms. Research is urgently required to describe, analyse and compare HRM in Polish firms or former SOE's. Thus there is scope to explore regional variations, the role of women, the newly emerging HRM profession, best practice, the role of the EU on shaping labour legislation, and HRM by industry.

Another important finding was the way in which all the MNC's developed following a similar life cycle and their growing sophistication of HRM activities and processes. The fact that the majority of the MNC subsidiaries began their existence around the same time showed the uniformity with which the role and function of HRM developed in these companies and this was repeated in all the MNC subsidiaries. It would be of real academic value to repeat this study in five years' time to explore whether such uniformity continued. By then the role of MNC's in Poland will be fully established. It would be interesting to explore the nature of HRM, the role of expatriate managers and corporate culture.

In addition, the longitudinal study captured the development of HRM in terms of its meaning and activities within MNC subsidiaries. What was noticeable was the way in which MNC's used HRM as a control mechanism. This was achieved in two ways: primary and secondary. The primary mechanisms were used in the recruitment and selection of local staff. Selection criteria often using the parent company templates were used to select staff and managers. Secondary mechanisms were utilised to express the company culture. Future research could explore how other MNC's might do this across their subsidiaries.

The use of case studies supplemented by the longitudinal study over a three-year period, provided an in-depth and rich picture of HRM in MNC subsidiaries in Poland. The methodology enabled the researcher to uncover her assumptions and reveal facts, which may not have been considered in a quantitative study. Thus Ferner's (1997) call for more qualitative research, and in particular case studies, is

heralded and hoped for. The findings from this research would not have been possible utilising a quantitative approach. Getting inside a company requires a great deal of tenacity, time, and energy. Doing so reveals a richer, albeit at times contradictory, picture of organisational life.

# APPENDIX 1

# Overview of Research Study: Primary Sources

| Time | Contextual HRM Study | Case Study: SoapCo | Case Study: FoodCo |
|---|---|---|---|
| **September 1996 - December 1996** | Initial request by letter and phone to 40 MNC subsidiaries in Poland<br><br>Interviews with 7 MNC's - HR directors and 3 M.D.'s<br><br>Documentary evidence collected<br><br>Interview with Director of Polish PHRA | First interview with HR manager in Wroclaw<br><br>Documentary evidence collected | |
| **May 1997 - December 1997** | Interview with another MNC subsidiary - HR manager | Second interview with same HR manager in Wroclaw<br><br>Documentary evidence collected | |
| **January 1998 - June 1998** | | Proposed methodology request to company - June 1998<br><br>Meeting with former HR director, UK now deputy MD in Poland | Interview with HR director at Polish site (May 1998)<br><br>Proposed methodology<br><br>Documentary evidence collected |
| **July 1998 - December 1998** | Follow-up survey<br><br>Letter request to 7 MNC's<br><br>Seminar meeting with Polish minister responsible for forthcoming social welfare reform | Interviews with 24 managers - Polish and expatriate in the 3 operating sites:<br>Wroclaw, Uroda, Warsaw and Head Office, Warsaw<br><br>Interview with HR manager (new)<br><br>Observation of training programme | Interviews with 9 managers:<br>at the Polish site - 3 expatriate and 6 Polish managers |
| **January 1999 - March 1999** | Interviews with 5 MNC's - HR directors/managers<br><br>Interview with Director of Polish PHRA<br><br>Documentary evidence collected | Visit to parent company - January 1999<br><br>Interviews with 8 managers<br><br>Observation and documentary evidence collected | Phone interviews with 4 expatriate managers in Brazil, Czech Republic, UK<br><br>Visit to UK operation<br><br>Interview with HR director<br><br>Documentary evidence collected |

# APPENDIX 2

«Title» «FirstName» «LastName»
«JobTitle»
«Company»
«Address1»
«Address2»
«City»

29 July 1996

Frobisher Crescent
Barbican Centre
London EC2Y 8HB

Switchboard: 0171-477 8000
Direct Line: 0171-477 .........
Fax:        0171-477 8880

Dear «Title» «LastName»,

As a researcher in human resource management, I am writing concerning my present work into human resource (HR) practices and policies in international companies. For the past two years in collaboration with Professor Allan Williams of the City University Business School, I have been researching the adaptation and development of HR processes in international companies to the challenges of globalisation. My work to date has focused on the telecommunications sector, and I have developed a range of research tools which have generated valuable results.

I am particularly interested in the experiences of international companies in Poland, more specifically:

- The experience of transferring HR procedures and policies from the "home" country to the new market

- How differences in perceptions of effective managerial behaviour affect the implementation of company HR processes such as performance management, selection, training or succession planning

- The adaptation of corporate HR policies to meet these new challenges of globalisation

I would welcome the opportunity to discuss the above or similar issues with yourself, along with the possibility of undertaking case study research into these areas within your company.

This work is being undertaken in collaboration with the British Council, Warsaw. If you are interested in participating in this research and wish to arrange an initial discussion, I would appreciate if you could reply in writing to:

Fax:

In September I will be located in Warsaw for two years and will be available to follow this through in person. Alternatively I can currently be contacted in London on 0044-181-340-1612. All information will be treated in confidence in accordance with academic research.

I look forward to hearing from you.

Yours sincerely,

Susan Hetrick B.Sc. Econ (Hons) MA MIPD

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# APPENDIX 3

# CITY University BUSINESS SCHOOL

## LOCAL HR EXPERIENCE

1. How would you define the role of the HR/Personnel function within this company?

2. How would you describe your own job role and purpose within this company?

3. What is your job title?

4. What are your key priorities for the next 12 to 18 months and why?

5. How do these priorities differ, if at all, from the past year or so?

6. What do you see as being the major obstacles to achieving these priorities?

## GLOBAL AND LOCAL STRATEGY

1. What is the HR/Personnel strategy for this company?

2. How does this global HR policy differ from the local HR strategy? Any specific areas: recruitment and selection; development and training; performance management; reward; employee negotiations; communication?

3. What HR policies have you implemented from the Global Head Office - why and how have these been implemented?

4. What HR policies have you not been able to utilise from the Global Head Office - why have these not been implemented?

5. What HR/Personnel policies have you designed to meet the needs of the Polish operation?

## THE POLISH EXPERIENCE

1. How would you describe the Polish style of management?

2. How would you describe the British style of management?

3. What are the similarities, if any between the Polish and British styles of Management?

4. What are the differences, if any, between the Polish and British styles of management?

5. Can you give me one or two examples where you have been able as an HR manager to make a significant contribution to the success of the company?

6. Can you give me one or two examples where this has not been the case?

7. What do you think are the current issues for the HRM profession to address in Poland?

8. Do you think HRM has a future as a career profession in Poland?

# APPENDIX 4

## Perception of Company Culture

1. How would you describe this company to an outsider? What are the company values? What attracted you to join the company?

2. Are there any differences between the parent company or head office culture and Cussons Polska? If so what?

## Perception of National Culture

1. Do you think there is a Polish Management style? If so, can you describe it?

2. Do you think there is a British Management style? If so, can you describe it?

3. How would you define your own style of management?

4. Do you think there is a 'cussons' management style? If so could you describe it?

## Perception of Role Models

1. Do you have any heroes in the company, if so who and why? What messages do they convey?

2. How would your company or managing director define a 'successful' manager?

3. What is your own definition of a 'successful' manager? Why?

4. How are 'successful' managers rewarded?

## Role of Expatriate managers

1. How are expatriate managers regarded by the company? What do you see as the purpose and role of expatriate managers?

## HRM - Opinion of the role and function the level of involvement by line managers

1. What in your opinion is the role and purpose of Human Resources or Personnel function within this company?

2. How would you describe the values of the HRM/personnel function within the company?

3. Could you describe your level of involvement with the following HR processes: selection and recruitment; training; reward; disciplinary and exit; succession planning?

4. What do you consider to be the most important activity for the HRM function?

## Company Performance Management System

1. Could you describe how your company appraises your performance? How do you receive feedback on your performance, by whom and what is the evaluation criteria?.

2. What are/would be your expectations of a performance appraisal process?

3. Could you describe your best and worst experience of performance appraisal, as an appraiser or appraisee?

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# APPENDIX 5

**Interview questions for President, Polish Human Resources Association**

1. How would you define the concept of HRM?

2. What does HRM mean to pracititioners in this country?

3. Describe the role and purpose of the PHRA?

4. What have been the key HRM priorities for the PHRA over the past two years?

5. How do these differ, if at all, for the future priorities of the PHRA in the forthcoming year?

6. What, do you consider, are the main issues or factors influencing the development or delivery of HR policies and practices, and the role of the HR function, at corporate and national levels?

7. Could you describe the impact of government legislation on local and national HRM polices and practices?

8. What role does the PHRA play in shaping or influencing government legislation? Describe your practice?

9. What has the PHRA learnt over the past two years?

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