

ANALYSIS OF DETERMINANTS OF TRANSFER OF RECRUITMENT&SELECTION PRACTICES IN MULTINATIONAL COMPANIES

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Abstract: One of the characteristics of our times is the growing number of branches and subsidiaries which multinational companies establish in the host countries. Many multinational companies must therefore solve the issue of human resource management in their branches and subsidiaries. One of the problems of international human resource management is the extent to which some human resource management practices are transferred and to what extent are they adapted to the conditions of the host country. In order to investigate this issue, the research presented in the article was conducted. The aim of the research was to determine the factors, which influence the transfer of selected HR practices in recruitment and employee selection. Knowledge of these factors is a prerequisite for the correct decision of a multinational company regarding the transfer of HR practices.

Key words: international human resource management, practice transfer, recruitment&selection, multinational companies, determinants of transfer

Introduction

International human resource management (HRM) is a very important part of management of multinational companies in achieving the desired outcomes leading to the success and growth of the entire organization. Human capital with its knowledge, skills and abilities becomes a critical factor for economic success of organizations (Ali Taha et al., 2014). Effective human resource management is one of the key determinants of long-term success of an organization (Pucik, 1992; in: Bird et al., 1998). In multinational companies, achieving successful transfer of HRM practices from the parent company to subsidiaries located in the host countries predetermines the effective HRM (Taylor, 1996; in: Riege, 2007). Successful implementation of the transfer and the acceptance of HRM practices in the host country presents a guarantee of the success of HRM in an international environment (Flood, 2003; in: Riege, 2007).

Localization and Standardization of HRM Practices in Multinational Companies

One of the current problems in international HRM is the question of the extent to which the subsidiaries act as local companies versus them adapting to the parent company or to some global standards (Rosenzweig and Nohria, 1994). Still, some of the most successful HRM practices may not be fully transferable to other countries due to cultural and institutional differences (Zhang, 2003; Ferner,

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1997). Therefore, many companies operating internationally try to strike a balance between the need to standardize HRM practices outside the national borders and the need to adapt them to local practices and customs (Poustma et al., 2006). Kostova and Roth (2002) named this phenomenon “institutional duality (dualism)”. An appropriate balance between these two requirements will positively affect the organization’s performance.

Liu (2004) provides a model of transfer of HRM practices, as seen in Figure 1. This model represents a theoretical framework for research and integrates a large number of studies (Kostova, 1999; Temple, 1999; Fenton-O’Creevy, 2003; Flood, 2003; in: Myloni and Harzing, 1994). The model shows various components of the transfer of HRM practices, including:

- factors determining the transfer,
- transfer mechanism,
- the consequences of the implementation of the transfer to the subsidiary,
- reverse transfer.

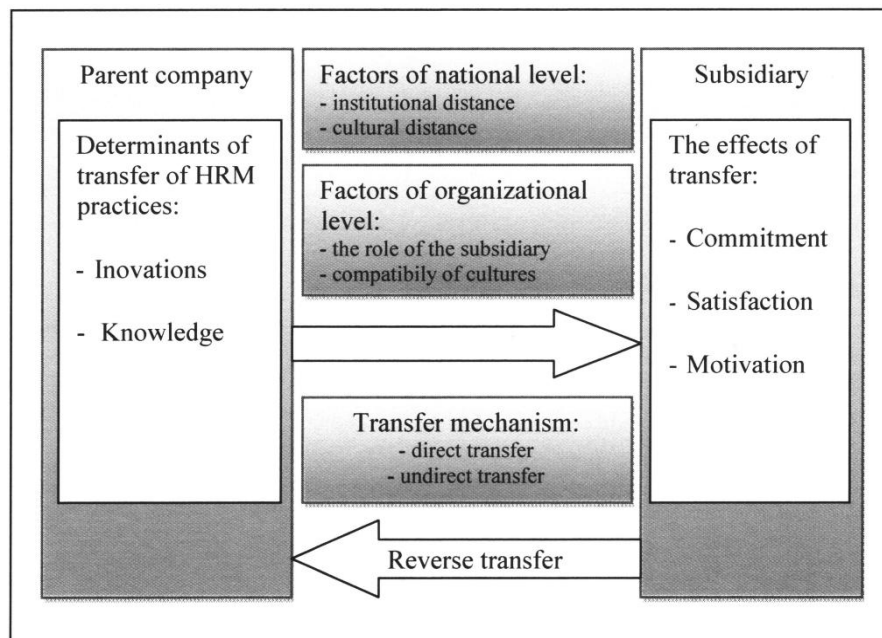


Figure 1. Model of transfer of HRM practices (Liu, 2004)

As shown in the model above, the success of the transfer of HRM practices is determined by the factors identified as having an influence on the transfer. These factors can be divided into two groups, namely external factors (related to cultural and institutional environment of the country) and internal factors (related to the internal environment of the multinational company). In this paper, our attention is devoted to the internal factors that are expected to determine the

transfer of HRM practices. Below, the factors which were consequently subject of the research are described in further detail.

Subsidiary Management

Features of the subsidiary and its management by the parent company are also discussed often. In connection to them, subsidiary's resource dependency is often mentioned, as it can be a reflection of the governance of the parent company. Beechler and Yang (1994) define three factors with respect to source dependency, namely the importance of resources, the extent to which the subsidiary may freely dispose of resources and the extent to which the company has access to alternative sources. Access in the sense of resource dependency is based on the assumption that a company is unable to generate the resources necessary for its survival and therefore it is dependent on others. Applying the approach of source dependence in multinational companies, researchers claim subsidiaries rely on their parent companies for resources, and thus have varying degrees of depending on the parent companies. Nohria and Rosenzweig (1994) argue that in the case a subsidiary has a stronger resource dependency on parent company, it is more likely that the parent company will seek to exercise control over these subsidiaries.

Nohria and Rosenzweig (1994) identify one of the factors that affect the rate of transfer and acceptance of HRM practices in subsidiaries in their study as the level of control of a subsidiary by the parent company. Dowling et al. (2008) also mention the extent of ownership and control as important internal factors of transfer of HRM practices. The authors report that the company's ability to implement processes and procedures independently is naturally higher in subsidiaries owned completely by NMCs. The situation is different in the case of joint ventures. Complementarity between the joint venture partners and the degree of interdependence between them affects HRM practices transfer significantly. The authors report that an acceptable balance between standardization and localization of HRM practices is less problematic in a subsidiary owned completely by NMCs than in organizations in the form of alliances.

Corporate Culture

Liu (2004) pays attention to the factor of corporate culture and states that organizational culture generally reflects the national culture, although it also contains certain specific aspects relating to the nature of the organization. Compatibility of corporate cultures of the parent company and the subsidiary is an important factor determining the transfer of HR practices (Myloni and Harzing, 2004). Human resource management is a reflection of the corporate culture to some extent. Alvesson and Berg (1992; in: Dowling et al., 2008) consider the activities of HRM an important means for the creation of corporate culture. HR activities that contribute to corporate culture include the process of obtaining and selecting employees, the way the firm attracts and recruits their employees. Similarly, it also

affects learning and development of staff, reward systems and motivation, since the method of implementation of these activities reflects the values of the organization. Efforts to promote a uniform corporate culture in a multinational company are also a form of control of individual subsidiaries. Therefore, this factor is also one of the determinants of standardization of multinational companies.

Liberman and Torbiörn (2000) conducted a study of eight European subsidiaries of global companies in which they observed the differences in the degree to which employees have adopted organizational standards. Research has found that at the beginning of the organization's activities, there were differences in practices due to cultural and institutional factors, while some similarities can be traced to a common corporate culture. For example, in some countries, employees were willing to wear clothing with the logo of their company, as this activity did not question their national culture. However a great resistance has been seen by employees in the case of the implementation of performance evaluation for non-managerial positions in subsidiaries of those countries where this practice is not commonly used.

Based on the theory of organizational culture, compatibility of organizational culture is regarded as an important factor influencing the transfer of management practices (Kostova, 1999; Taylor, 1996; in: Mylonas and Harzing, 2004).

Knowledge Transfer

The quality of acquired knowledge is the basis of the objectives of the enterprise, which depends not only on the efficient use of data and information resources, but also on the people knowledge (Tabor, 2011; Grabara, 2014). As can be seen in Figure 1, Liu (2004) speaks of two types of determinants of HRM practices: innovative characteristics and knowledge characteristics. Transferred knowledge can be tacit and explicit. The nature of knowledge affects their transfer, while tacit knowledge is difficult to transmit, as it presents the knowledge of workers, which is difficult to capture (Gupta and Govindarajan, 1991). In the case of explicitly expressed practices, the transfer to the parent company is simpler than in the case of practices which contain components of tacit, complex and systematic knowledge. Nohria and Rosenzweig (1994) identified the following types of transfer of resources:

- the transfer of capital,
- the transfer of information,
- transfer of people (expatriates).

Methodology

The aim of the research was to investigate a statistically significant relationship between selected factors and the rate of transfer of HRM practice, recruitment and selection (R&S) in subsidiaries of multinational companies operating in Slovakia.

Based on an analysis of other previous research dealing with the issue of the transfer of practice from the home country to the host country, the following

independent variables were chosen as object of analysis, as these are expected to affect the extent to which personnel practices are transferred to the host country:

Subsidiary Management by the Parent Company

As stated previously in this paper, the management of a subsidiary is the factor, which was the object of many studies by several authors focusing on the relationship of the parent company and subsidiaries (Beechler and Yang, 1994; Nohria and Rosenzweig, 1994; Dowling et al., 2008). The subsidiary management was assessed by means of two variables, namely:

- the rate of control the subsidiary by the parent company, and
- the degree of autonomy of the subsidiary.

Similarity of the Corporate Cultures of Subsidiary Located in Slovakia and the Parent Company

Based on the analysis of the studies of other authors (Liu, 2004; Kostova, 1999; Taylor, 1996; in: Mylonas and Harzing, 2004) who studied the corporate culture of the parent company and subsidiaries, the corporate culture was considered as another variable that influences the level of transfer of HRM practices. Given the very broad concept of corporate culture, the study focuses on its intangible elements, namely:

- the degree of formality which is applied in the organization, and
- the similarity of norms and rules, values of the organization.

Knowledge Transfer

Gupta, Govindarajan (1991) focused their research on the transfer of knowledge, while noticing the link between the transfer of knowledge and transfer practices of human resource management. The transfer of knowledge was assessed by means of two variables:

- the rate of transfer of tacit knowledge (through expatriats), and
- the rate of transfer of explicit knowledge (through standardized, formalized procedures).

Due to the possible differences in transfer of individual personnel practices, one HRM practice was selected for the purpose of the study and that is recruitment and selection (R&S). The choice of HRM practice is based on the results of a survey conducted in Slovakia in the year 2012, which explored the differences in the realisation of HRM practices between subsidiaries and local companies, while there were some differences found in the case of R&S (Cocuľov et al., 2013).

The rate of transfer of R&S presents a dependent variable which was investigated through the degree of similarity of 4 selected aspects (features of R&S), namely:

- the methods applied in recruitment of candidates,
- the type of resources used in filling positions (internal staff, external candidates),

- the methods applied in the assessment and selection,
- the method of implementation of R&S process (internally, externally – by outsourcing).

The degree of similarity was evaluated on a scale from 1 to 5, where 1 reflects the value of high similarity with local companies (no or low transfer) and the value 5 high similarity to the parent company (high transfer).

For the purpose of verifying the internal consistency of four sub items, the Cronbach alpha coefficient was assessed. As the Cronbach's alpha coefficient was greater than 0.7, it shows a high degree of internal consistency of sub items.

The study was conducted on a sample of subsidiaries of multinational organizations operating in Slovakia. The sample was provided by the Slovak Statistical Office, which, based on specified requirements, was applied on a random sample of 250 companies. The research sample consists of 52 units - subsidiaries of multinational companies operating in Slovakia. The data was collected through a questionnaire distributed via e-mail and in person. The data collection took place in the period November 2014 – January 2015.

To meet the objective of the research, six statistical hypotheses were tested, using the significance level of $p = 0.05$.

Results of Research

Part of the research was to analyze the management of the subsidiary by its parent company as one of determinants affecting the transfer of R&S in multinational companies. It was assessed by two factors, namely the degree of control the subsidiary by the parent company and the degree of autonomy of subsidiary. Two statistical hypotheses H1a and H1b were tested by correlation analysis.

H1a: There is a statistically significant correlation between the rate of transfer of R&S and the rate of control the subsidiary by the parent company.

H1b: There is a statistically significant correlation between the rate of transfer of R&S and the degree of autonomy of the subsidiary.

In the case of the rate of control of subsidiary by the parent company, the assumption about the existence of a statistically significant relation was not confirmed, therefore H1b is rejected.

Table 1. Correlations between the rate of transfer of R&S and the management of the subsidiary (Statistics 21)

	<i>The rate of control</i>	<i>The degree of autonomy</i>
ro	.129	.410
p	.361	.003
n	52	52

The correlation analysis set $p < 0.05$ for the second analyzed factor, the degree of autonomy of the subsidiary. A medium correlation dependence was found ($ro = 0.410$). The value of the correlation coefficient shows that if the subsidiary has

greater autonomy, it adapts HRM practice to local environment in a higher degree. This could be attributed to subsidiaries' managers being able to more freely implement their own methods of HRM practices. A higher rate of transfer of R&S was recorded in the subsidiaries with less autonomy, which can be caused by greater influence of the parent company on its subsidiaries. On the basis of the results, H1a is accepted. The research results therefore partly correspond to the findings of Dowling et al. (2008) that the subsidiaries which owned and managed by the parent company tend to apply practices of the parent company more.

Given that a number of studies (eg. Mylonas and Harzing, 2004; Dowling et al., 2008) mention corporate culture as a factor which influences the relationship between the parent company and the subsidiary, this factor was the second factor investigated in this presented paper. With regards to corporate culture, attention was focused on two aspects, namely similarity in terms of the degree of formality of corporate culture and the similarity of standards and values applied in the parent company and subsidiary. Two statistical hypotheses were investigated by correlation analysis.

H2a: There is a statistically significant correlation between the rate of transfer of R&S and the degree of similarity in terms of formality corporate cultures of the parent company and subsidiary.

H2b: There is a statistically significant correlation between the rate of transfer of R&S and the degree of similarity of standards and values applied in the parent company and subsidiary.

Hypotheses were verified through correlation analysis, the results confirmed the assumptions only for the variable of similarity of norms, values between subsidiary and parent company. Hypothesis H2a was rejected and H2b was accepted. As shown in Table 2, correlation coefficient confirms a weak correlation dependence ($r = 0.279$) only, therefore corporate culture cannot be regarded as an important factor that determines the transfer of R&S.

Table 2. Correlations between the rate of transfer of R&S and the extent of similarity of corporate cultures of subsidiary and parent company (Statistics 21)

	<i>The degree of formality</i>	<i>The similarity of standards, values</i>
ro	.053	.279
p	.710	.045
n	52	52

Human resources are considered one of the most important means of inter-organizational transfer. In international transfer, the focus is thus on expatriates as one of factors which affects the rate of transfer HRM practices of the parent company in the host country. Whether the influence of expatriates is related to the degree of transfer R&S was verified by the correlation analysis, see Table 3.

Table 3. Correlations between the rate of transfer of R&S and the rate of transfer of knowledge (Statistics 21)

	<i>Action of expatriates</i>	<i>Transfer of guidelines and procedures</i>
ro	-0.103	.337
p	.466	.015
n	52	52

Since the transfer does not have to be realized through tacit knowledge only, but also through explicit knowledge, another variable – the rate of using general guidelines and procedures in both the subsidiaries and the parent company was also investigated.

H3a: There is a statistically significant correlation between the rate of transfer of R&S and the rate of transfer of tacit knowledge (through expatriates).

H3b: There is a statistically significant correlation between the rate of transfer of R&S and the rate of transfer of explicit knowledge (through guidelines and procedures).

The results of the correlation analysis show the existence of a statistically significant correlation in the case of transfer of explicit knowledge. Correlation coefficient shows a median correlation dependence. From the results, it can be concluded that multinational companies which transfer explicit knowledge in the form of guidelines and procedures to subsidiaries, will tend to transfer personnel practices simultaneously.

Summary

The results confirmed a low rate of transfer of R&S from multinational companies to Slovak subsidiaries, since over 70% of managers of subsidiaries confirmed a greater degree of similarity with local companies than with the parent company in all aspects of the HRM practices examined. This finding could be attributed to the fact that the implementation of this HRM practices is influenced by external factors such as the labor market, rate of unemployment or availability of external providers of HRM activities (such as personnel companies). It can be concluded that these factors will affect the execution of HRM practices, and that could be the reason why the R&S practices are localized to a large extent.

On the basis of the analysis and data interpretation, it was found that the hypotheses were confirmed for 3 out of 6 factors which were considered as possible determinants of the transfer:

- the degree of autonomy of the subsidiaries (medium correlation dependence),
- the similarity of the norms and values of the parent company and subsidiaries (weak correlation dependence),
- the transfer of explicit knowledge (guidelines, formalized procedures) to a subsidiary (medium correlation dependence).

The results show that when a higher degree of autonomy is provided to subsidiary, there is a greater tendency to implement local procedures in the R&S processes. Presumably, if a multinational company provides a higher degree of autonomy to the subsidiary, the company tends to apply a more polycentric approach in the subsidiary's management. In case the multinational company promotes the application of norms and values identical to the parent company, it will also have greater commitment to the implementation of uniform practices. Transfer of knowledge and transfer of practices are closely related, as confirmed by the results of research and therefore, if subsidiaries have more power to implement their own policies and procedures, they tend to simultaneously use their own way of implementation of R&S which will be in accordance with local conditions.

In summary, it can be concluded that multinational companies typically use a polycentric approach characterized by allowing a sufficient degree of autonomy to its subsidiaries in the implementation of R&S.

The results partially correspond to the findings of the authors Mylonas and Harzing (2004), who conducted a research in Greece, which investigated the differences in the implementation of selected HRM practices between subsidiaries of international companies and local, Greek companies. The outcome of their research is that certain cultural and institutional influences lead international companies to adapt the HRM practices to the local environment.

It can therefore be concluded that it is very important the multinational company in its decision process on HRM practices transfer carries out an analysis that allows for a better understanding of the host environment and affects the ability to adapt the HRM practices by the employees of subsidiaries in the host countries. After executing the analysis of the cultural and institutional environment, the parent company should also consider which approach (ethnocentric, polycentric, or geocentric) it applies for the management of its subsidiaries. Especially in the case of human resources management, the parent company should dispose of information on the general standard manner and on any specifics in the implementation of relevant personnel practices in the local environment. The automatic transfer of personnel practices in the subsidiary can run into various problems that arise from ignorance or unwillingness to accept new practices by employees. Therefore, training of staff employees on the new approaches to HR management should be part of the overall planning process multinational companies.

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ANALIZA UWARUNKOWAŃ TRANSFERU PRAKTYK REKRUTACJI I SELEKCJI W FIRMACH WIELONARODOWYCH

Streszczenie: Jedną z cech charakterystycznych naszych czasów jest rosnąca liczba oddziałów i podmiotów zależnych, które wielonarodowe firmy lokują w krajach przyjmujących. Wiele wielonarodowych firm musi, zatem rozwiązać problem zarządzania zasobami ludzkimi w swoich oddziałach i spółkach zależnych. Jednym z problemów międzynarodowego zarządzania zasobami ludzkimi jest zakres, w jakim niektóre praktyki zarządzania zasobami ludzkimi są przenoszone i w jakim stopniu są one dostosowane do warunków kraju przyjmującego. W celu zbadania tej kwestii, przeprowadzono badania zaprezentowane w artykule. Celem badań było określenie czynników, które mają wpływ na przenoszenie wybranych praktyk HR w rekrutacji i selekcji pracowników. Znajomość tych czynników jest koniecznym warunkiem dla prawidłowej decyzji w wielonarodowej firmie w zakresie transferu praktyk HR.

Słowa kluczowe: międzynarodowe zarządzanie zasobami ludzkimi, transfer praktyk, rekrutacja i selekcja, firmy wielonarodowe, uwarunkowania transferu

轉讓的決定因素分析招聘與選拔制度跨國公司

摘要：一個是我們這個時代的特點是越來越多的分公司和子公司，子公司具有跨國公司建立東道國。因此，許多跨國公司必須解決自己的分支機構和子公司的人力資源管理問題。一位國際人力資源管理存在的問題是，一些人力資源管理實踐被轉移的程度以及在何種程度上，他們適應東道國的條件。為了研究這個問題，在文章中提出的研究進行。這項研究的目的是確定的因素，是影響選擇的人力資源實踐的招聘和選擇員工的轉移。了解這些因素是跨國公司的關於人力資源的做法轉移的正確決策的前提。

關鍵詞：國際人力資源管理，實踐轉讓，招聘和選拔，跨國公司，轉讓的決定因素