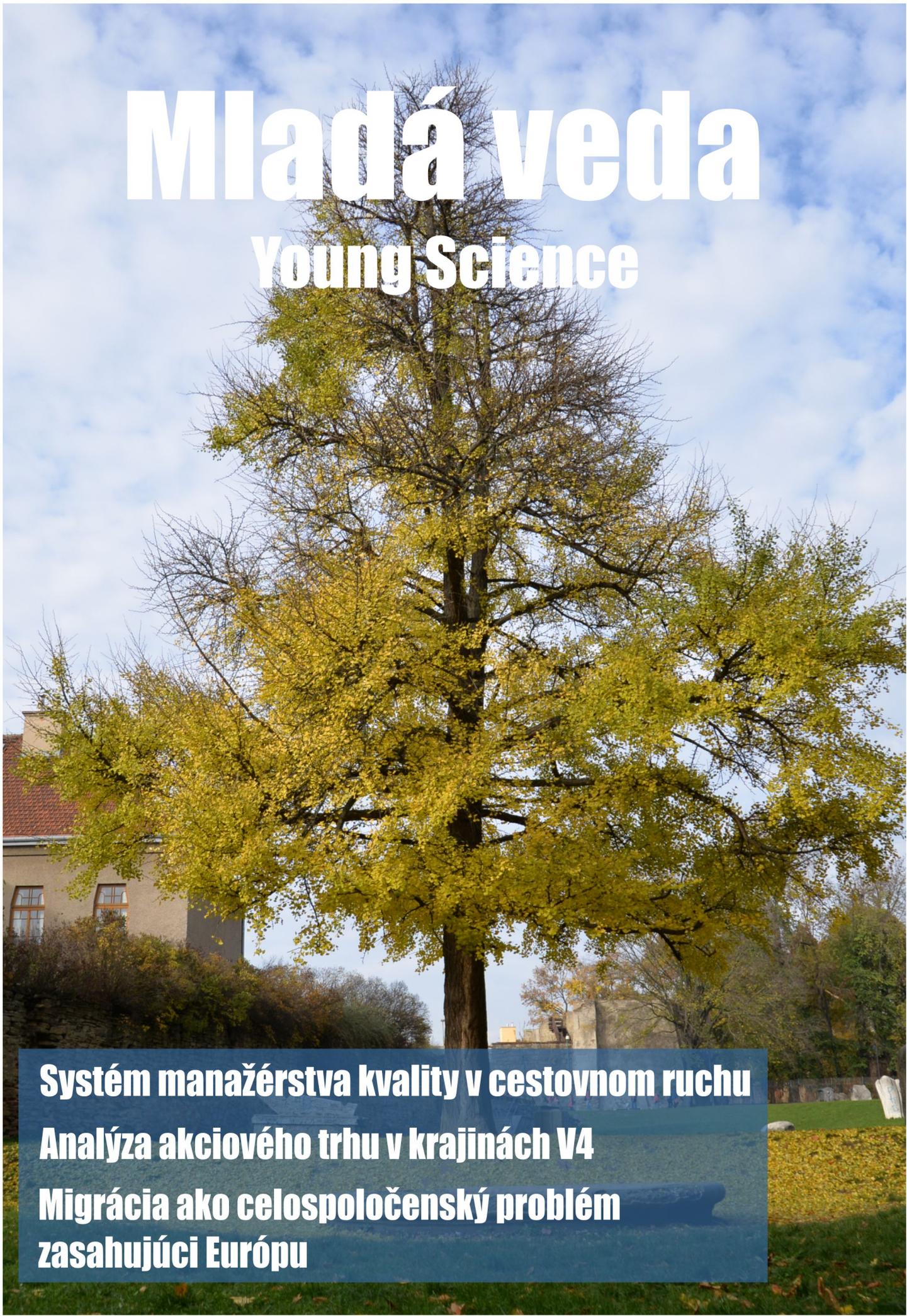


# Mladá veda

## Young Science



**System manažerstva kvality v cestovnom ruchu**

**Analýza akciového trhu v krajinách V4**

**Migrácia ako celospoločenský problém  
zasahujúci Európu**

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## Young Science

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# COMPARISON OF CULTURALLY DIVERSE COMPANIES WITH REGARD TO SELECTED ASPECTS OF HUMAN RESOURCE MANAGEMENT

POROVNANIE KULTÚRNE RÔZNYCH SPOLOČNOSTÍ S OHĽADOM NA VYBRANÉ ASPEKTY RIADENIA ĽUDSKÝCH ZDROJOV

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Jana Cocuľová pôsobí ako odborná asistentka na katedre manažmentu Fakulty manažmentu Prešovskej univerzity v Prešove. V rámci svojej vedecko-výskumnej činnosti sa primárne venuje oblasti riadenia ľudských zdrojov, s osobitným zameraním na výskum parciálnych problémov riadenia ľudských zdrojov v medzinárodnom kontexte. Miroslava Ferková je úspešnou absolventkou magisterského štúdia študijného programu Manažment na Fakulte Manažmentu Prešovskej univerzity v Prešove.

Jana Cocuľová works as the assistant lecturer at the Department of Management, Faculty of Management, University of Prešov. Her major research interests are selected issues of human resource management with a particular focus on research of partial problems of human resource management in an international context. Miroslava Ferková is a successful graduate of a Master's degree programme Management at the Faculty of Management of University of Prešov.

## **Abstract**

The paper deals with the issue of international human resources management, with special attention being paid to the transfer of HRM practices from the countries where the parent company resides in to the countries where the branches of international companies were established. The paper presents the results of the research carried out in the Slovak Republic. The aim was to find statistically significant differences in selected aspects of HRM between companies with different culture (companies whose parent companies reside in a country with different culture). The research focused on the comparison of American, German, Japanese (or Asian) and Slovak companies operating in the Slovak Republic. The research has confirmed the existence of statistically significant differences in the employment of expatriates and in some aspects of employee remuneration, namely the use of age criteria and the number of years worked.

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Key words: International human resource management, human resource management practices, HRM practices transfer, culture

## **Introduction**

It is a known fact that international human resource management (IHRM) is a very important part of the management of multinational companies in achieving the desired outcomes that lead to the success and growth of the entire organization (Sojka a Krúpová, 2015). Stroh and Caligiuri (2005) highlight the impact of effective IHRM on the performance of the organization itself. In a multinational company, a prerequisite for achieving the effective management of HR is to ensure the successful transfer of practices and procedures for HRM from the parent company to its subsidiaries, residing in the host country. Successfully managing the transfer and acceptance of HRM practices in the host country is a guarantee of success of HRM in an international environment (Taylor, 1996; in: Riege, 2007). The effective transfer of HRM practices of the parent company to the host country at the same time represents a significant competitive advantage for organizations operating in an international environment (Flood, 2003; in: Riege, 2007). One of the current problems in IHRM is the question involving the extent to which the subsidiaries act as local companies and their capacity to conform to the parent company, or if necessary to some global standards (Rosenzweig and Nohria, 1994). However, the best practices of HRM may not always be transferred fully into other countries due to cultural and institutional differences (Zhang, 2003; Ferner, 1997).

Therefore, many multinational companies (MNCs) aim to find a balance between the need to employ the best HRM practices with the need to adapt them to local practices and customs (Poustma et al., 2006). Kostova and Roth (2002) identified this phenomenon as "institutional duality (dualism)". An appropriate balance between these two requirements will positively influence organizational performance.

## **Theoretical framework**

Internationally active organizations are forced to seek a balance between global integration and the need to respect the conditions of the host countries (Bartlett, Ghoshal, and Beamish, 2008). The balance between these two aspects will depend on the extent to which an internationally operating organization accepts a more global or a more local approach (Evans, Pucik, and Barsoux, 2002). Morris, Snell, and Wright (2006) reported that a multinational company should put forth an effort in developing common practices of HRM, and to share best practices from all parts of the organization in order to create a global system aimed at consistency and to achieve efficiency in all of the countries in which the organization operates. At the same time, various subsidiaries seek the recognition and development of HRM practices that are appropriate to their local market, workers' rights, cultural traditions, and so on. The aim of global standardization of HRM practices is to achieve cohesion, transparency and consistency of geographically dispersed workforce through a unified set of principles and objectives (Evans, Pucik, and Barsoux, 2002). The use of common management practices aims to unify the conditions and expectations of employees. This

approach also aims to facilitate better process management and to increase their efficiency (Bloom, Milkovich, and Mitra, 2002).

Effective international management requires the certain sensitivity and an appropriate level of adaptation to the conditions and customs of the host country for the staff in their acquisition, compensation, and other HRM activities. Inconsistencies between the cultural, social, and political attributes practices of HRM in the home country and the host country can lead to consequences, such as difficulties in recruiting and hiring suitable candidates, conflicts in work relations, or the unsatisfactory work behavior of employees (Dowling, Festing, and Engle, 2008). Multinational companies are faced with an important issue: what kind of processes and practices can and should be transferred to the host country, and to what extent should they be adapted to the specificities of the country with regard to the prospect of their effective implementation at the local level. In the process of the transfer of different systems and practices, the role of HRM is critical. Managing people is a complex issue because of the diversity of cultural environments in internationally-operated organizations (Rosenzweig, and Nohria, 1994). Expatriates are often used as a means for the transfer and the successful implementation of the transferred practices. In some cases, the organization's management expects that the relocation of employees from the parent company would induce the smooth transfer and implementation of practices in the host country. This approach is based on the assumption that the desired behavior of local employees can be achieved through various training programs. However, this depends on the ability and willingness of local employees to comply with the required standards of conduct and on the efficiency of the expatriates as agents of socialization. The key, therefore, becomes the legally effective capacity of HRM in these organizations (Dowling, Festing, and Engle, 2008), and finding a balance between the standardization and localization of HRM practices.

The purpose of localization is to respect local cultural values, traditions, legislation and other institutional conditions. The need to implement the methods and techniques successfully applied in an environment may however not be successful in another setting (Gunnigle et al., 2002). The challenge of many MNCs is therefore to create a system that operates efficiently in different countries, respecting local differences while achieving global consistency (Kamoche, 1996; in: Dowling, Festing, and Engle, 2008).

Taylor (1996; in: Riege, 2007) explores the transfer of HRM practices as he puts forward three general strategic international focuses of human resource management:

1. Adaptive focus

Adaptive focus is characterized by systems of human resource management in the subsidiaries which adapt to the conditions of their local environment.

2. Export Strategy

Export strategy uses a transfer of HRM practices to subsidiaries due to the perception of accuracy and efficiency practices created conditions for the parent company.

3. Integration strategies

International companies using the integration strategy seek to create generally accepted practices which are applied both in the parent and the subsidiaries.

The transfer of some HRM practices can have an impact on the business market of the country. One of these practices involves rewards. The way the rewards system is set affects the labor market and the demand for jobs. The transfer of the rewards system may determine a higher or lower interest in working for a foreign company; however, the reward is not the only factor that influences the decision to work in a given organization. An important aspect is also the overall pay system, and particularly whether the rewards are linked to the performance of the worker. The strategic objective of any system is to acquire, motivate, and retain competent staff. The rewards system should be set up to attract and retain the best employees. At the same time, it should be remembered that costs also factor into the rewards system. Rewards should be consistent with the overall corporate strategy. Performance pay is a system in which the pay consists of a fixed and variable component, wherein the variable part of the salary is directly dependent upon measurable performance. The role of this type of reward is to motivate employees, their performance orientation, strengthen their commitment to the organization, and to promote a corporate culture that focuses on superior performance, quality, and service (Bajžíková, 2011).

Armstrong (2009) states that there are three reasons for the use of performance-related pay:

1. Motivation - rewards that are tied to performance are more motivating for achieving higher levels of performance.
2. Delegacy - a bonus linked to employee performance shows that their performance, capabilities, and benefits are noticed and rewarded by enterprises.
3. Fairness - pay for performance but also for the benefits and capabilities of employees is fair.

The main objectives of performance-related pay, according to the authors Svetožárovová and Krúpová (2012) include raising productivity and stimulating employees to improve their efficiency. The second objective, in the case of a well-defined system of performance-related pay, is to foster lower employee turnover of the most productive employees while encouraging less productive workers to leave. It is therefore undisputed that organizations providing performance-related pay will become more attractive employers for more productive employees than would organizations that offer only fixed salaries or salaries where the variable component of pay is not at all or only minimally dependent on the performance of the worker.

Given the fact that in the Slovak business environment, a great number of various multinational companies are active, particularly in the form of subsidiaries or branches, it can be assumed that there are differences in some of the HRM practices between these subsidiaries and local companies. The difference in the implementation of certain practices of HRM can have a direct impact on employees and consequently have an impact on the demand for jobs in the subsidiaries of multinational companies and local companies. For the purpose of detecting the current state in the field of HRM in the subsidiaries of multinational companies and local companies, research was carried out in order to identify differences in the implementation of select HR practices.

## Methodology

The aim of the research was to find out whether there are statistically significant differences in selected aspects of human resource management in companies operating in the Slovak Republic from the point of view of the country of company's incorporation (so-called "companies with different culture"). Data was acquired through standardized questionnaire. The survey was attended by employees of companies whose mother company is incorporated in the USA, Germany (or in other Germanic countries), Japan (or other Asian countries) and Slovakia. We got back 77 filled in questionnaires.

The following statistical hypotheses were tested to meet the aim of the research:

*H1: We assume that there are statistically significant differences in the rate of expatriate employment with regard to the country of origin of the parent company.*

*H2: We assume statistically significant differences between companies with different cultures in terms of the criteria used to determine the amount of salary.*

*H3: We assume statistically significant differences between companies with different cultures in terms of career growth opportunities*

We tested our hypotheses using a nonparametric Kruskal Wallis H test at a significance level of 5%.

## Research results

The first part of the research focused on the rate of expatriate employment in companies operating in Slovakia. Our aim was to find out whether there are differences in the rate of expatriate employment depending on the country of incorporation of these companies. For that purpose we used the Likert scale (1 - very often/ 5 - never use expatriates). Based on the results we can conclude that the most companies using expatriates are US-based international companies, followed by German ones, while Japanese companies rarely use expatriates in their Slovak affiliates.

*H1: We assume that there are statistically significant differences in the use of expatriates with regard to the parent company's country of incorporation*

Test Statistics	n	Chi-Square	p
Rate of expatriates employment	65	13,331	0,010

Tab. 1 – Testing hypothesis H1  
Source: Statistics 21.

The results confirmed the hypothesis that the rate of employment of expatriates in the branches of international companies is related to the cultural environment in which the international company is based.

The other two hypotheses focused on the remuneration of employees. We assumed that due to differences in the US and Japanese management systems, there may also be differences in the remuneration systems. While the US management system is typical for using performance criteria, Japanese management is known to use age or number of years worked when

determining the amount of remuneration. Thus, the research focused on 3 criteria, namely age, performance and number of years worked using Likert scale of 1 to 5 where 1 stood for minimum and 5 for maximum utility of the criterion. Average values for the selected criteria have shown that the most commonly used criterion is performance and the least is age. However, when comparing US, German, Japanese and Slovak companies, it has been shown that somewhat more often is the criterion of age used in Japanese branches, and the criterion of performance in Slovak companies.

*H2: We assume statistically significant differences between companies established in culturally different countries in terms of the criteria used to determine the remuneration.*

Test Statistics	n	Chi-Square	p
Age	77	11,513	0,021
No. of years worked	77	12,213	0,016
Performance	77	4,750	0,314

Tab. 2 – Testing hypothesis H2  
Source: Statistics 21.

The results confirmed the hypothesis in two criteria, namely the age and the number of years worked. It can be said that these two criteria are used to a different extent in wage formation, depending on the cultural background of the company.

Another often discussed differences between the Japanese and the US management system is the possibility of career growth. This variable has also been the subject of research. The employees could rate the possibility of career growth on the scale of 1 (yes) - 5 (no).

*H3: We anticipate statistically significant differences between companies of different cultural background with regard to career growth opportunities.*

Test Statistics	n	Chi-Square	p
The career growth in terms of country of incorporation	77	9,033	0,060

Tab. 3 – Testing hypothesis 32  
Source: Statistics 21.

The results did not confirm the hypothesis. Therefore, it can be claimed that there are no statistically significant differences in the possibilities of career growth between companies of different cultural background.

## Conclusion

The issue of transferring human resources management practices from parent companies to their branches is an issue that many researchers are trying to solve. The task is to find a balance between the need to transfer certain systems from the parent company to uniform the

management of all branches and the need to adapt to the conditions of the host countries in order to get the best possible results. Such decision-making should in particular depend on the cultural and institutional differences between the country of incorporation and the host country. The research carried out in the conditions of the Slovak Republic pointed to the fact that, despite the globalization and homogenization of cultures, there are still some differences in the management of companies, especially between the Eastern and Western cultures. Differences were found in the area of expatriate employment, age and years worked. All the three criteria are used to determine the remuneration of employees. If an international company decides to apply its own ways of managing people which are different from the host country, it is important that it creates the right conditions for these conditions to be accepted by local employees, otherwise such practices may lead to dissatisfaction, reduced performance or increased fluctuation of employees.

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