



## National Culture and Human Resources Management of Transnational Companies

Asadul Usud Boyratan<sup>1</sup>, Niken Herawati<sup>2</sup>, Aris Hidayat<sup>3</sup>

<sup>1,2,3</sup>Faculty of Engineering and Informatics, Bina Sarana Informatika University

E-mail: [niken.nhr@bsi.ac.id](mailto:niken.nhr@bsi.ac.id)

Article Info	Abstract
<b>Article History</b> Received: 2022-07-24 Revised: 2022-08-18 Published: 2022-09-03  <b>Keywords:</b> <i>National Culture; Human Resources; Management Transnational; Companies.</i>	The national culture of each country is certainly different. It certainly contains a cultural direction that influences the character of the citizens of that country. The character of each country's human resources is clearly shaped by the national culture adopted. In the business world, it is possible for a country to open a business unit in a country that they perceive as having an accommodative investment climate. No wonder an automotive manufacturer from Japan, for example, will set up its industry in Thailand, Vietnam, Latin America, to the European region. This study will look at the extent to which the role of national culture influences work culture in the company. Likewise, a country's company in transferring the management of Human Resources (HR) to its subsidiaries in various countries. This research is a qualitative literature review with descriptive method, corporate culture differs in one country and another where the company is located. Then the conclusion that can be drawn is that the management of manpower will depend on the national culture of the country.
Info Articles	Abstract
<b>Article History</b> Diterima: 2022-07-24 Direvisi: 2022-08-18 Dipublikasi: 2022-09-03  <b>Keywords:</b> <i>Budaya nasional; Sumber daya manusia; Manajemen Transnasional; Perusahaan.</i>	Budaya nasional setiap negara tentunya berbeda-beda. Hal ini tentunya mengandung arahan budaya yang mempengaruhi karakter warga negara tersebut. Karakter sumber daya manusia masing-masing negara jelas dibentuk oleh budaya nasional yang dianut. Dalam dunia bisnis, tidak menutup kemungkinan suatu negara membuka unit usaha di negara yang dianggap memiliki iklim investasi yang akomodatif. Tak heran jika pabrikan otomotif asal Jepang, misalnya, akan mendirikan industrinya di Thailand, Vietnam, Amerika Latin, hingga kawasan Eropa. Penelitian ini akan melihat sejauh mana peran budaya bangsa mempengaruhi budaya kerja di perusahaan. Begitu juga perusahaan suatu negara dalam mengalihkan pengelolaan Sumber Daya Manusia (SDM) kepada anak perusahaannya di berbagai negara. Penelitian ini merupakan penelitian kualitatif literature review dengan metode deskriptif, budaya perusahaan berbeda antara satu negara dengan negara lain dimana perusahaan tersebut berada. Jadi kesimpulan yang dapat ditarik adalah bahwa pengelolaan tenaga kerja akan sangat bergantung pada budaya nasional negara tersebut.

### I. INTRODUCTION

Multinational companies or often referred to as MNCs (Multi National Corporations) are companies headquartered in a particular country and their activities are in more than one country in the world. International HR for the last two decades has been actively moving to expand its territory (Sharma & Matta, 2018). This paper therefore focuses on the description of multinational companies, international human resource management practices used in multinational companies and further how organizational mechanisms are adopted for outsourcing to developing countries, especially through owned subsidiaries. There are many external factors such as strategy and structure of multinational companies (Deresky, 2017) etc. affecting the operations of the international corporation. Among these factors, national

culture is the main focus and therefore this article examines its effect on international HR management transfers to multinational companies, Therefore the authors argue that the national culture of the host country has an important influence on the organizational culture of its subsidiaries. HR management is interaction (personnel activity, activity state and type of employee), which includes (1). Extensive personnel management activities from acquisition, allocation and use. (2) The category of the host country where the subsidiary is located, (3) The country of origin where the company is located, (4) Certain countries that are the source of employment, finance, and other inputs, and (5) Type of worker, namely nationals of the host country, nationals of the home country and nationals of third countries.

According to Tayeb (2005), with the recent expansion of global business activity and competition, multinational companies need to pay more attention to their management practices on human resources, which are beyond expatriate management. Therefore, Scullion (1995) identifies HR management as an important area based on his following studies: (1) The shortage of international managers is a growing problem for international companies, (2) The successful implementation of global strategies in all global activities will depend on the availability of international managers. experienced, (3) Business failure in an international environment is often associated with poor human resource management, (4) Expatriate failure remains a major problem for many international companies.

Ghoshal and Bartlett (1990) define a multinational company as a group of geographically dispersed organizations that includes a head office and several national subsidiaries, while Dunning (1993) defines a multinational company as a company that invests directly in foreign state companies. and owns and controls value added activities in more than one country. As these companies operate on different continents, one of the big problems they face is how to run the business as efficiently as possible. With the importance of human resources in determining the success of multinational companies, then a lot of research has been carried out that covers its scope in depth. This is different from two decades ago, where multinational companies focused more on the entry of multinational companies' strategies in foreign markets and the commercial approach adopted by them rather than on management practices.

With the massive expansion of multinational companies' business activities in foreign markets, research focus is also on expatriate human resource management, employee repatriation, transfer and dissemination of human resource management practices, productivity improvement, interculturalism. management, global leadership development and diversity management. etc. International HR Management is the effective management of resources in the global market to achieve a competitive advantage for multinational companies and make them successful worldwide. Thus the notion of international HR management is harmonized with activities related to the management of multinational management systems with various activities, functions and processes aimed at attracting,

developing and maintaining the human resources of multinational companies for local and overseas operations. In this scenario, Human Resources (HR) plays an important role in the internationalization process by contributing to an effective and efficient multinational company. (Buckley and Casson, 2016).

## **II. METHOD**

This study uses a qualitative approach with a descriptive method, namely by collecting, analyzing, making pictures and shortening all conditions and situations from the data that has been collected. This research is a reflective qualitative research with a library study approach. The data are taken from various sources such as books, journals, and others. Data analysis carried out to answer the existing problems in this research is data reduction, which is then analyzed based on the theories chosen in this study and presented in the form of scientific narratives.

## **III. RESULTS AND DISCUSSION**

With the expansion of larger multinational companies around the world and with the identification of human resource management practices as a key determinant of success or failure in international business, the focus of this study is the dissemination of human resource management practices (Chiang, Lemański & Birtch, 2017). International HR dissemination practices are receiving increasing attention, mainly because they are expected to have a significant influence on the performance and competitiveness of multinational companies and their subsidiaries (Chiang et al., 2017 ) The transfer of these policies and practices, including HR practices, is a very complex process related to with the need for transfer between two geographic locations with different cultural characteristics. It must be taken into account that the practice comes from a very specific institutional environment and is therefore placed in a completely different domain, which should be done with more care (Kornelakis and Voskeritsian, 2015)

Some multinational companies adapt to local and national cultural practices during their operations abroad, as globalization has supported the standardization of certain elements of the management system, particularly with regard to personnel, culture, and behavior. The identification of multinational companies, in the typology of Bartlett and Ghoshal (1990), can be

classified into four categories according to the degree of global integration and local responsiveness, namely international organizations, transnational organizations, global organizations and multinational organizations. Furthermore, multinational organizations act as a means to determine the company's business strategy in internationalizing their culture (Cavusgil, Knight and Reisenberger, 2012).

Oppong (2018) argues that companies may find adequate guidance in all their international activities, but human resource management practices are more susceptible to local cultural influences than the company's general policies and strategies. In addition, companies importing human resources from abroad must be adapted so that they can be applied taking into account their local cultural and non-cultural contexts (France, 2015). This demonstrates the important role that national culture plays in translating personnel policies and practices to subsidiaries, although there may be significant similarities between countries in the same geographic area.

National culture is identified as influencing the spread of HR management practices, national culture is the most influential factor in international HR (Singh, Pattnaik, Lee and Gaur, 2019). The question discussed here is whether it is acceptable to claim that national culture plays a dominant role in today's global business context, where most companies tend to turn into global organizations with homogeneous business practices. Globalization is a process that includes a global integration strategy aimed at developing relatively standardized products with global appeal, as well as rationalizing global operations (Pieterse, 2019). Against this backdrop, multinational companies can and will disseminate HR management from their home countries directly to their subsidiaries operating in host countries, most of which are developing countries.

A culture of rewarding behavior encourages a tendency to develop and adopt new innovations, while a culture that reinforces compliance, stakeholders, and control over the future is unlikely to display innovative behavior and take risks. The performance management practices used by the parent company may have to align with these cultural values. Even if the parent company is in a country that promotes individualism while the subsidiary is in a collectivist culture, individualistic reward practices may not be well received.

De Cieri and Dowling (1999) in the Strategic Integrating Framework of Human Resource Management in Multinational Corporations identify national culture as being included in the broad category of exogenous factors. At any time multinational companies try to transfer their personnel management practices to subsidiaries outside the region, where national culture can play a dominant role in the transfer of HR management.

According to Wilk (2018), economic theory also recognizes the importance of culture to shape individual and institutional behavior. In addition, national culture can be divided into four categories, namely individuals, groups, organizations, and industries. This shows how important the role of national culture is in creating organizational culture in the country. National culture influences the behavior of people in the nation-state and, as such, this behavior is exhibited by people in the workplace, regardless of whether it is a local company or a subsidiary of another foreign multinational company (Brettel, Chomik & Ratakan, 2015). This corresponds to the fact that the organizational culture of subsidiaries in different countries in the world of multinational companies can be different.

#### **IV. CONCLUSION AND SUGGESTION**

This study analyzes the role of organizational culture in transferring labor governance to subsidiaries of multinational companies. This means that the transfer of unique human resource management from multinational headquarters to their subsidiaries depends on the prevailing organizational culture of the subsidiaries in which they are active. Often there are similarities between subsidiaries, but we also see differences. This illustrates the practical difficulties of creating a uniform organizational culture across all subsidiaries. Human resource management in multinational companies that is not easy shows that creating a global organization with high global integration and low local responsiveness is a serious challenge. The organizational culture of subsidiaries is more or less influenced by the national culture of the country's culture. Regardless of the extent to which the parent company tries to transfer their procedures to the subsidiary, multinational companies must make certain adjustments and variations to adapt to the national culture. In summary, it is suggested that employment practices in multinational companies can be changed according to the

national culture of the country and this relationship is mediated by the organizational culture prevailing in the subsidiaries.

## REFERENCES

- Birkinshaw, J. (2016). Multinational corporate evolution and subsidiary development. Springer .
- Buckley, PJ, & Casson, M. (2016). The future of the multinational enterprise. Springer.
- Cavusgil, ST, Knight, G. & Reisenberger, JR (2012). International Business: The New Realities. New Jersey: Prentice Hall.
- Crane, D., Kawashima, N., & Kawasaki, KI (2016). Culture and globalization theoretical models and emerging trends. In Global culture (pp. 11-36). Routledge.
- De Cieri, H. and PJ Dowling (1999) Strategic human resource management in multinational enterprises: theoretical and empirical developments', in PM Wright, LD Dyer, JW Boudreau, and GT Milkovich (eds) Research in Personnel and Human Resources Management: Strategic Human Resources Management in the Twenty-First Century, Supplement 4. CT: Stamford, JAI Press.
- Driskill, GW (2018). Organizational culture in action: A cultural analysis workbook. Routledge.
- Dunning JH. 1993. Multinational Enterprises and the Global Economy. Addison-Wesley: New York.
- Laurent, A. (1986) The cross-cultural puzzle of international human resource management',25(1).
- Lunnan, R., Lervik, JLK, Traavik, L EM, Nilsen, SM, Amdam, RP &. Hennestad. BW (2005). Global Transfer of Management Practices across nations and MNC subcultures. The Academy of Management Executives. 19 (02). pp77-80.
- Morgan, G. (1986). International Human Resource Management: fact or fiction. Personnel Administrator, 31 (9): pp43-47.
- Myers, MD & Tan, FB (2002). Beyond Models of National Culture in Information Systems Research Journal of Global Information Management,10(02).
- Myloni, B., Harzing, A. & Mirza, H. (2003) Human resource management in Greece Have the colors of culture faded away? International Journal of CrossCultural Management, 4(1), pp. 59-76.
- Nakhle, SF (2011, May). The transfer of human resource practices from American and European multinational companies to their Lebanese subsidiaries: A study of the host-country effects and of the standardization-adaptation dilemma. (Doctoral thesis). University of Fribourg, Switzerland.
- Oppong, NY (2018). Human resource management transfer challenges within multinational firms: From tension to best fit. Management Research Review, 41(7), 860-877.