

**HUMAN RESOURCE MANAGEMENT IN AN
INTERNATIONAL CONTEXT**

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Abstract

With firms and nations increasingly dependent on events in the global market, it is becoming more important than ever to understand the process of which firms become multinational, their HR practices as well as an awareness of how other countries utilize their human resources.

The first part of this paper provided an overview of global HRM. Emphasis has been placed on examining some of the similarities and differences between international and domestic HRM. It is evident that operating in a global environment is more complex than operating in a single country or a single culture.

It has been suggested that Japan's business success is deeply rooted in its paternalistic value system with the corresponding loyalty and dedication of Japanese workers. Nonetheless, things are changing. Japanese firms and workers are finding themselves in situations in which they are forced to adopt HR measures already used in N. America for a long time.

Mexico is the "new kid on the block" for N. American firms. Although it has been known for years that this country can provide an abundance of inexpensive labor, there has been little confidence in the level of skills of these types of workers. However, the experiments in the maquiladora region provide good incentive to firms to establish plants there and to benefit from the manpower available. With the passage of NAFTA, the N. American market is presently the largest in the world.

HUMAN RESOURCE MANAGEMENT IN AN INTERNATIONAL CONTEXT

By

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Introduction

The globalization of human resource management (hereafter HRM) cannot be understood without focusing on the present world economic and political changes and projecting the future behavior of private sector organizations. As this is being written, the world economic and political situation is in upheaval. Unemployment rates in many countries is high; one of the biggest demonstration since the end of World War II against unemployment took place in Germany in May 1996; the communist government which have tumbled in the Eastern bloc countries is gaining momentum again in countries such as Russia, Poland and others who were unable to establish economic order during the transition to western type economy; Japan's long-established system of management is coming under scrutiny and changes are inevitable; Hong Kong will come under the Jurisdiction of China as of 1997; China is becoming a real world power as its economy is growing in an exponential rate; South Africa has ended years of apartheid and enters to the civil world; Western Europe is venturing into the Economic Common Market, and in North America, the Free Trade Agreement (NAFTA) has been enlarged to include the U.S., Canada and Mexico; there are also tentative

attempts to unite the Pacific Rim countries into a common market to include Australia, Japan, Korea, Taiwan, Singapore, and others; and finally the peace prospects in the Middle East is opening the possibility for another large common market in this area to include Israel, Egypt, and other Arab countries.

If firms intend to operate in this new world order rather than the domestic market, the human resource department will have to search for, recommend, hire, train, compensate, and negotiate with employees for the global organization. All facets of HRM will come into play in this global environment.

However, HRM is unlike any other organizational branch (e.g. accounting, marketing, or finance). There are not set formulas to follow, and no one answer provides all solutions. It revolves around people; its foundation is people. To effectively manage people in various continents and cultures is one of the most difficult tasks that multinational corporations (hereafter MNC) are confronting. Consequently, pressures are placed on the HR corporate manager forcing him or her to adjust to constant change; business environments are in a state of continuous motion and this requires the HR manager in the MNC to be attuned, proactive, and innovative.

Most firms today are taking a great leap forward: the globalization of the world's economic activities and human resource predominates on the list of issues to consider. Failure to take an international perspective in HR policies and practices will result in the organization's inability to successfully compete. Effective HR strategies must be developed to utilize a multinational workforce. Like all other facets of the corporation, HRM is evolving into a global operation.

This paper includes two main themes. First, given the increased role of multinational corporations, we will discuss the issues, dilemmas and challenges pertaining to HRM. The HR task is like that of any domestic corporation: time and dedication must be given to recruitment, selection, training, development, evaluation, and compensation. Underlying these issues are the external and internal factors that affect the MNC.

Looking first at the *external* factors, MNCs face difficulties because they operate in a different culture, language, value system, and business environment. But what is more, they must deal with such issues as:

1. Skills, attitudes, and motivation of personnel in countries where operations are situated;
2. Government policies;
3. Labor laws governing compensation, hiring, firing, unionization, and the management-worker relationship;
4. Consideration of ethics, social responsibility, and government interaction.

Internal factors relate specifically to the management style, which is an important way for both managers and workers to identify with the corporate philosophy of the MNC.

McDonald's or Nestle are two good examples of a highly successful global companies.

Second, HRM in selected countries is presented; particular reference is made to Japan and Mexico, while other countries are also mentioned briefly. Japan and Mexico have been chosen for a number of reasons. In the 1980s and early 1990s, firms were looking to copy the Japanese model of management because of the high economic success of Japan and its dominance in many markets and many products. This was a period when many new Japanese management tools and techniques, for example, were often mentioned by management. Buzzwords such as Total Quality Management (TQM), Quality Circles (QC) and Management by consensus were three hot topics. On the other hand, due to the rise in labor costs in countries such as Japan, Western Europe and North America, firms turn to developing areas such as Mexico, Thailand and even countries in eastern Europe in order to set up their operations. There, labor is abundant and relatively cheap by comparison to the multinational home country. Thus, HRM in Mexico has been selected as an example.

Part I: Global Human Resource Management

Many observers of the world economy conclude that the world today has no frontiers and no boundaries. This is the essence of global economy. Thus, domestic and global markets are becoming interdependent and production process cannot be contained within national boundaries if they are to remain competitive. A good illustration of this trend is the automotive industry:

- * Pontiac Lemans designed in Germany, reengineered in the U.S. and manufactured in Korea;
- * Honda Civic is being assembled in Canada from components made in Japan, Korea, the U.S. and other countries;
- * Ford Escort assembles in the U.S. Britain and Germany from components made in Spain (Cadiz Electronic), Italy, Japan and Brazil.

The statistical evidence supporting the trend to a global economy is astonishing. Every year old firms enter into new markets and new firms establishes subsidiaries as well. This trend will be further reinforced in the future with the expansion of common markets in Europe, North America and Asia. It also means that greater cross-cultural sensitivity can become an important source of competitive advantage for the firm of the future.

Stages in Globalizing

Once the firm has made a decision to venture into the global marketplace, there are several steps that it can take. The transition from a domestic to a global organization may involve several stages which are described hereafter. However, it should be noted that many firms progress through 6 stages; the higher the stage, the more HR practices need to be adapted to diverse cultural, economic, political and legal environments.

Stage I: The Export Stage - The firm expands its market to include other countries, but retains production facilities within domestic borders; at this stage the firm is cautiously testing the market; Product is initially handled by middle person or a distributor; A final phase in this stage involves the establishment of an export department with domestic staff

Stage II: The Sales Subsidiary Stage -The firm physically moves some of its operations out of the home country; The role of the HR department is limited to supervising the selection of the staff and handling its compensation.

Stage III: The International Division Stage -

This is the step from marketing a product abroad to actual production of the product. Assembly and production facilities; Although some HR decisions are decentralized to the host country , many other HR decisions are still made at corporate headquarters.

Stage IV: The Global Production and Regional Division Stage -

This stage develops when there is a need for national influence over standardization and diversification; Market needs, local culture, or legal issues may cause a demand for greater local control; The HR organization changes as many corporate functions are transferred to the subsidiary.

Stage V: The Global Multidimensional Scale -

The firm becomes a full fledged multinational corporation (MNC); The global MNC still has a tight system of control because of a shared corporate strategy and a heavy flow of products and personnel between the subsidiaries and corporate headquarters.

Stage VI: The Transnational Stage -

Firms that reach this stage owe little allegiance to their country of origin; Each business unit is free to make HR decisions with very loose control from corporate headquarters.

These stages vary from firm to firm. The country of the parent firm, together with variables such as the size of the organization, management policies, etc., plays a part in the growth of each firm but the HR role is a strong influence in the way an organization develops. In more concrete terms, HRM within MNCs can be broken down to four major categories:

1. *The ethnocentric approach:* Top management positions are filled by people from the home country; Headquarters controls HR activities.

2. *The polycentric approach*: Subsidiaries are managed and staffed by personnel from the host country; However, those people are seldom promoted to the parent organization ; Example - . Coca Cola operates in 160 countries, employing about 500,000 workers worldwide.
3. *The regiocentric approach*: Similar to polycentric. But, personnel may be promoted within regions, but are not usually promoted to headquarters; More regional decision making occurs at this level.
4. *The geocentric approach*: Nationality is deliberately downplayed and the firm actively searches on a world wide or regional basis for best people to fill key positions; Many firms within the High-Technology... IBM, Microsoft, etc.

Exhibit 1 shows the advantages and disadvantages to using local nationals and expatriates in foreign subsidiaries. Most firms use expatriates only for such key positions as senior managers, high-level professionals, and technical specialists. Because expatriates tend to be very costly, it makes little financial sense to hire expatriates for positions that can be completely filled by foreign nationals. In addition, many countries require that certain percentage of the work force be local citizens, with the exception made for upper management.

Exhibit 1

Advantages and Disadvantages of using Local and Expatriate Employees to Staff International Subsidiaries

(Source: Gómez Mejía L. R., Balkin D., Cardy R.L. *Managing Human Resources*. Prentice Hall, 1995, p. 602)

Locals	
Advantages	Disadvantages
<ul style="list-style-type: none">• Lowers labor costs• Demonstrates trust in local citizenry• Increases acceptance of the company by the local community• Maximizes the number of options available in the local environment• Leads to recognition of the company as a legitimate participant in the local economy• Effectively represents local considerations and constraints in the decision-making process	<ul style="list-style-type: none">• Makes it difficult to balance local demands and global priorities• Leads to postponement of difficult local decisions (such as layoffs) until they are unavoidable, when they are more difficult, costly, and painful than they would have been if implemented earlier• May make it difficult to recruit qualified personnel• May reduce the amount of control exercised by headquarters
Expatriates	
Advantages	Disadvantages
<ul style="list-style-type: none">• Cultural similarity with parent company ensures transfer of business/management practices• Permits closer control and coordination of international subsidiaries• Gives employees a multinational orientation through experience at parent company• Establishes a pool of internationally experienced executives	<ul style="list-style-type: none">• Creates problems of adaptability to foreign environment and culture• Increases the "foreignness" of the subsidiary• May involve high transfer and salary costs• May result in personal and family problems• Leads to high failure rate• Has disincentive effect on local-management morale and motivation• May be subject to local government restrictions

Failure in International Assignments

Many international assignments end up in failure. The question is why? The answer is not simple, but the literature suggest six factors that account for most failures:

- I. Career Blockage (Upon return) - while many employees see the opportunity to work abroad as exciting, it wears off especially when they come back home to find out that their career has been sidetracked while their colleagues are climbing up the corporate ladder.
- II. Culture shock (inability to adjust) - instead of learning to work within the new culture, the expatriate tries to impose the home office's or home country values on the host country's employees. This practice normally results in frustration and cultural clashes; it may really lead into a mess.
- III. Lack of pre-departure cross cultural training- only a small percentage of multinationals provide cross-cultural training to expatriate. The programs are a bit more elaborated when there is a danger. For example, managers at Bell Canada who are constructing the telephone system for Saudi Arabia were fully informed about the Muslim laws of drinking and treating of women there; they were also inform about the primitive legal laws.
- IV. Overemphasis on technical qualifications - The expatriate may have excellent technical background, but without cultural sensitivity it can be disastrous.
- V. Getting rid of a troublesome employee - some companies resolve problems at home (normally interpersonal or political conflicts) by assigning the "difficult employee" to an international assignment. They hope that they will fail abroad which will give them the excuse to fire them. If, on the other hand, they succeed than it is a double bonus for the international firm. There are no statistics or research to assess the number of people in this category but the syndrome is not unusual.

VI. Family problems - Sometimes the spouse and children are unwilling or incapable of adapting to life in another country. This is one of the most important reasons for failure. Some estimate that it accounts for half of all early returns. It is also surprising that firms do not anticipate these difficulties and develop programs to assist expatriates' family in adjusting to their new surrounding.

In order to overcome the above mentioned problems and enhancing the success of international assignments, HRM policies and procedures could be developed. Some of these may include:

Selection - use cultural sensitivity as a selection criterion and require previous experience; screen candidates' spouse and family.

Training - prepare training where emphasis is on cross cultural dimensions; also provide full information about the host country and culture

Career planning and development - Position the International assignment as a step toward advancement within the firm; provide support.

Compensation - the most frequent HR question posed by MNCs is "how will we pay the employees we send abroad? In most cases no one in the firm knows the answer and a guessing game ensues. Thus a clear policy is needed. The principles for this policy includes: provide expatriate disposable income similar to home office; provide an explicit "add on" incentive for accepting international assignment; and ensure that disposable income is adjusted for the cost of living.

National Culture, Organizational Characteristics and HRM Practices

A research conducted for many years by Geert Hofstede of the Netherlands has concluded that there are five major dimensions to culture which enables the classification of different countries within them. They include:

Power distance The extent to which workers expect a hierarchical structure that emphasizes status differences between subordinates and superiors.

Individualism The degree to which a society values personal goals, autonomy and privacy over group loyalty, commitment to group norms and intense socialization.

Uncertainty avoidance the extent to which a society places a high value on reducing risk and instability.

Masculinity-Femininity the degree to which a society views assertive or masculine behavior as important to success and encourages rigidity stereotyped gender roles.

Long Term-Short term orientation the extent to which values are oriented toward the future (saving, persistence) as opposed to the past or present (respect for tradition, fulfilling social obligations)

Hofstede dimensions have proved useful for examining how organizational characteristics and HRM practices respond to cultural factors. As can be seen in Exhibit 2, they provide clues for developing more effective HRM strategies that will fit the culture's values.

Exhibit 2

Cultural Characteristics, sample Countries and Selected HR

(Source: Gómez Mejía L. R., Balkin D., Cardy R.L. *Managing Human Resources*. Prentice Hall 1995, p. 618-620)

Power Distance, Organizational Characteristics, and Selected Human Resource Practices					
	Dominant Values	Sample Countries	Organizational Features	Reward Practices	Staffing/Appraisal Practices
POWER DISTANCE					
	HIGH	<ul style="list-style-type: none"> • Top-down communications • Class divisions seen as natural • Authoritarianism • High dependence on superiors • Power symbols • White-collar jobs valued more than blue-collar jobs 	<ul style="list-style-type: none"> • Malaysia • Philippines • Mexico • Arab nations • Venezuela • Spain 	<ul style="list-style-type: none"> • Centralization and tall organizational structures • Traditional line of command 	<ul style="list-style-type: none"> • Hierarchical compensation system • Differences in pay and benefits reflect job and status differences, large differential between higher- and lower-level jobs • Visible rewards that project power such as a large office or company car
LOW	<ul style="list-style-type: none"> • Egalitarianism • Status based on achievement • Joint decision-making • High value placed on participation • Low dependence on superiors • Disdain for power symbols • Hard work valued even if manual in nature 	<ul style="list-style-type: none"> • The Netherlands • Australia • Switzerland • Sweden 	<ul style="list-style-type: none"> • Flatter organizational structures • Decentralized control • Greater reliance on matrix-type networks • Great degree of worker involvement 	<ul style="list-style-type: none"> • Egalitarian-based compensation systems • Small differences in pay and benefits between higher- and lower-level jobs • Participatory pay strategies (such as gain-sharing) more prevalent 	<ul style="list-style-type: none"> • Multiple search methods, extensive advertisement • Formalized selection methods "to give everyone a fair chance" • Superior constrained in making selection choices • Selection based on merit; loyalty to superiors deemphasized • Contextual non-job-related factors (such as social class) ignored • Nepotism viewed as conflict of interest and even unethical • Formal appraisals based on notion of joint planning, two-way feedback, and performance documentation
Individualism, Organizational Characteristics, and Selected Human Resource Practices					
	Dominant Values	Sample Countries	Organizational Features	Reward Practices	Staffing/Appraisal Practices
INDIVIDUALISM					
	HIGH	<ul style="list-style-type: none"> • Personal accomplishment • Selfishness • Independence • Belief in individual control and responsibility • Belief in creating one's own destiny • Business relationship between employer and employee 	<ul style="list-style-type: none"> • United States • Great Britain • Canada • New Zealand 	<ul style="list-style-type: none"> • Organizations not compelled to care for employees' total well-being • Employees look after their own individual interests • Explicit systems of control necessary to ensure compliance and prevent wide deviation from organizational norms 	<ul style="list-style-type: none"> • Performance-based pay • Individual achievement rewarded • External equity emphasized • Extrinsic rewards are important indicators of personal success • Attempts made to isolate individual contributions (i.e., who did what) • Emphasis on short-term objectives
LOW	<ul style="list-style-type: none"> • Team accomplishment • Sacrifice for others • Dependence on social unit • Belief in group control and responsibility • Belief in the hand of fate • Moral relationship between employer and employee 	<ul style="list-style-type: none"> • Singapore • South Korea • Indonesia • Japan • Taiwan 	<ul style="list-style-type: none"> • Organizations committed to high-level involvement in workers' personal lives • Loyalty to the firm is critical • Normative, rather than formal, systems of control to ensure compliance 	<ul style="list-style-type: none"> • Group-based performance is important criterion for rewards • Seniority-based pay utilized • Intrinsic rewards essential • Internal equity guides pay policies • Personal needs (such as number of children) affects pay received 	<ul style="list-style-type: none"> • Value of credentials and visible performance outcomes depends on perceived contributions to team efforts • Low turnover, commitment to organization as "family" • Seniority plays an important role in personnel decisions • "Fitting in" with work group crucial, belief that interpersonal relations are important performance dimension • Limited or no performance feedback to individual to prevent conflict and defensive reactions

Uncertainty Avoidance, Organizational Characteristics, and Selected Human Resource Practices

UNCERTAINTY AVOIDANCE		UNCERTAINTY AVOIDANCE				
		Dominant Values	Sample Countries	Organizational Features	Reward Practices	Staffing/Appraisal Practices
HIGH	LOW	<ul style="list-style-type: none"> • Fear of random events and the unknown • High value placed on stability and routine • Low tolerance for ambiguity • Low risk propensity • Comfort in security, lack of tension, and lack of contradictions 	<ul style="list-style-type: none"> • Greece • Portugal • Italy 	<ul style="list-style-type: none"> • Mechanistic structures • Written rules and policies guide the firm • Organizations strive to be predictable • Management avoids making risky decisions • Careful delineation of responsibilities and work flows 	<ul style="list-style-type: none"> • Bureaucratic pay policies utilized • Compensation programs tend to be centralized • Fixed pay more important than variable pay • Little discretion given to supervisor in dispensing pay 	<ul style="list-style-type: none"> • Bureaucratic rules/procedures to govern hiring and promotion • Seniority an important factor in hiring and promotions • Government/union regulations limit employer discretion in recruitment, promotion, and terminations • Limited external hires • Limited use of appraisals requiring judgment
		<ul style="list-style-type: none"> • Unexpected viewed as challenging and exciting • Stability and routine seen as boring • Ambiguity seen as providing opportunities • High risk propensity • Tensions and contradictions spur innovation, discovery, and mastery of change 	<ul style="list-style-type: none"> • Singapore • Denmark • Sweden • Hong Kong 	<ul style="list-style-type: none"> • Less-structured activities • Fewer written rules to cope with changing environmental forces • Managers are more adaptable and tend to make riskier decisions 	<ul style="list-style-type: none"> • Variable pay a key component in pay programs • External equity emphasized • Decentralized pay program is the norm • Much discretion given to supervisors and business units in pay allocation 	<ul style="list-style-type: none"> • Fewer rules/procedures to govern hiring and promotions • Seniority deemphasized in personnel decisions • Employer provided much latitude in recruitment, promotion, and terminations • External hiring at all levels • Extensive use of appraisals requiring judgment

Masculinity/Femininity, Organizational Characteristics, and Selected Human Resource Practices

MASCULINITY		MASCULINITY				
		Dominant Values	Sample Countries	Organizational Features	Reward Practices	Staffing/Appraisal Practices
HIGH	LOW	<ul style="list-style-type: none"> • Material possessions important • Men given higher power and status than women • Rigid gender stereotypes • Gender inequities in pay accepted as a given 	<ul style="list-style-type: none"> • Austria • Mexico • Germany • United States 	<ul style="list-style-type: none"> • Some occupations labeled as "male" others as "female" • Fewer women in higher-level positions 	<ul style="list-style-type: none"> • Differential pay policies that allow for gender inequities • Tradition an acceptable basis for pay decisions • "Male" traits rewarded in promotions and other personnel decisions • Paternalistic benefits for women (such as paid maternity leave, day care, special work hours) 	<ul style="list-style-type: none"> • De facto preferential treatment for men in hiring/promotion decisions into higher-level jobs (even if it is illegal) • "Glass ceiling" for women • Occupational segregation • Only small proportion of men supervised by women • "Male" traits (such as aggressiveness, initiative, leadership) highly valued in appraisals
		<ul style="list-style-type: none"> • Quality of life valued more than material gain • Men not believed to be inherently superior • Minimal gender stereotyping • Strong belief in equal pay for jobs of equal value, regardless of workers' gender 	<ul style="list-style-type: none"> • The Netherlands • Norway • Sweden • Finland • Denmark 	<ul style="list-style-type: none"> • More flexibility in career choice for men and women • More women in higher-level jobs 	<ul style="list-style-type: none"> • Jobs evaluated without regard for gender of job holders • Focus on work content rather than tradition to assess value of different jobs • Well-developed "equity goals" for pay determination • "Masculine" traits carry no special value for promotions and other personnel decisions • Few perks based on gender 	<ul style="list-style-type: none"> • Gender deemphasized in hiring/promotion decisions for any job • More females in upper-level positions • Occupational integration between the sexes • Little stigma for men to be supervised by women • Appraisals not biased in favor of male-oriented characteristics

(continued)

Long-Term/Short-Term Orientation, Organizational Characteristics, and Selected Human Resource Practices

	Dominant Values	Sample Countries	Organizational Features	Reward Practices	Staffing/Appraisal Practices
LONG-TERM/SHORT-TERM ORIENTATION LONG-TERM	<ul style="list-style-type: none"> • Future-oriented • Delayed gratification • Persistence • Long-term goals 	<ul style="list-style-type: none"> • Japan • Hong Kong • China 	<ul style="list-style-type: none"> • Stable organizations • Low employee turnover • Strong company culture 	<ul style="list-style-type: none"> • Long-term rewards • Seniority as basis for pay • Managers rewarded for multi-year accomplishments • Reliance on qualitative measures to distribute rewards • No expectation of frequent pay adjustments 	<ul style="list-style-type: none"> • Slow promotions • Promotions from within • High employment security • Minimal feedback • High emphasis on saving employees • High emphasis on coaching vs. evaluation • High investment in training and employee development
LONG-TERM/SHORT-TERM ORIENTATION SHORT-TERM	<ul style="list-style-type: none"> • Past- or present-oriented • Immediate gratification • Change course of action as necessary • Short-term goals 	<ul style="list-style-type: none"> • United States • Indonesia 	<ul style="list-style-type: none"> • Changing organization • High employee turnover • Weak company culture 	<ul style="list-style-type: none"> • Short-term rewards • Recent performance as a basis for pay • Managers rewarded for annual accomplishments • Reliance on quantitative measures to distribute rewards • High expectation of frequent pay adjustments 	<ul style="list-style-type: none"> • Fast promotions • Internal and external hires • Low employment security • High appraisal feedback • Low emphasis on saving employees • High emphasis on evaluation vs. coaching • Low investment in training and employee development

Part II: Human Resource Management in Selected Countries

HRM in Japan

Yoshida Kogyo, President and CEO of YKK International (a transnational company with manufacturing and sales facilities in almost every country in the free world) has this to say about the basic differences between the thinking of Japanese people and North American as well as many European people:

"In North America, God is thought of and represented as "absolute", with a capital G. In Japan, God is one of many Gods. The Old Testament speaks of Adam and Eve being chased out of paradise and humankind being condemned to work for the rest of their lives. When you (i.e. many European and North American) consider paradise and all that this entails and then think of being condemned to having work for the rest of your lives, it certainly leaves you with a heavy heart, longing for that lost paradise. In the Japanese culture, work is considered a privilege, a way of becoming closer to God. what I am trying to do is underlying the basic differences in our cultural backgrounds and how I feel they form a part of the different management practices. For one thing, there is a substantial difference in what "work" represents, especially if we consider the cultural differences between Japan and North America.

..... If I were to stereotype American management, I would have to say that they consider their labor force a commodity, that they show very little compassion for it. During difficult times, one of the first steps considered is to trim the workforce to meet the production demands through cold-blooded mass layoffs or firings. On the other hand, if I were to stereotype Japanese management, I would say that once an employee is hired he is guaranteed lifetime employment.

..... Firstly, I find that most North American companies do not keep their employees informed of the company's financial performance. We make regular reports to our employees on our financial situation.

..... Secondly, the concept of quality circles, which has been in practice for many years in Japan and which I view as the cornerstone of the Japanese success story, had mixed results in N. America. While Japanese employees voluntarily work together on joint projects after the normal workday, the vast majority of quality circles in operation in N. America are conducted during the normal work hours; workers are reluctant to give of their personal time.

..... Peer pressure is a third factor that distinguishes the Japanese worker from his N. American counterpart. I have been told of new employees in N. America being warned to slow down their pace when more senior employees felt they were being over-productive. In Japan, there is peer pressure as well, but I feel it works the other way: the members of the group will normally apply pressure to an individual who they feel is not performing up to normal standards. I regret to say that there is a different "work ethic".

.....In N. America, the employees have a strong need to have established parameters regarding their duties and responsibilities, which is the core of the job description function. In Japan, there is a great deal of ambiguity concerning an individual's duties and responsibilities. There are many overlapping areas of responsibility, and sometimes clashes in the realm of whose authority is to be exercised. This ambiguity is an extension of the Japanese cultural background.....This ambiguity..... obliges the subordinate to stretch his imagination; this can sometimes lead to dramatic results, surpassing original expectations.....

(Dolan & Schuler, 1994 pp 526-527)

Japan's emergence as a significant world power in the post W.W.II economic order is remarkable. Many observers attribute this to the traditions inherent in the Japanese people. While there is no simple explanation to the astonished economic accomplishments of Japan, the core values of its culture and the respective HR practices provides without doubt part of the answer.

Prevailing Norms and Values in Japan

There are several facets of the prevailing norms and values typical to the Japanese culture. They include:

1. **Micro family and loyalty** - One salient facet of the Japanese system is the family. Japanese firms strive to respect the welfare of employees and give more equal treatment on a length-of-service system. The idea is to consider an employee as part of a larger family. In turn, employees devote themselves willingly to the firm.
2. **Lack of Legalism** - Japanese society is characterized by a lack of legalism (i.e. impersonal, contractual relations that limit the scope and magnitude of authority). In contrast, personalism attaches primary importance to face-to-face relations in the exercise of authority. Authority relations are particularistic and diffuse rather than universalistic and specific.
3. **Groups - the roots of work** - The Japanese tradition in which the whole is greater than the sum of its parts is translated to both family life and work life. The highest value is attached to the goals and interests of a group and thus emphasis is placed on the values of conformity,

dependency, and conflict avoidance.

4. Lifetime employment - The most salient aspect of the Japanese corporate culture and the feeling of family is the policy of lifetime employment; it is also referred to as long-term commitment. It is a way of thinking on both sides; it creates a high degree of employee stability and generates tremendous loyalty. This is practiced, however, only in larger companies (i.e. about 40% of all firms).

Some typical HR practices in Japan

1. *Recruitment and selection* - The recruitment of graduates takes place once a year only. It begins in October, after the summer vacation and continues throughout the remainder of the academic year. In a firm's direct recruitment, college professors play a dominant role.

2. *Training and development* - Given the policy of life employment, training is a vital aspect of Japanese corporate strategy. This is accomplished through education. The employees promoted within the firm, and consequently their job changes, as does the product and the technology associated with production. On the job training is intensive, at times taking the form of apprenticeship as well as lectures. The length of training varies from company to company, but the norm is from 3 to 8 months. Job rotation (in company) is yet another method. It is an ongoing process that continues until retirement, and a tremendous learning experience. The worker is trained not only at his job, but in other jobs at his job level. The end result is a tremendous flexibility in the workforce and aids in developing the middle or upper managers into "generalists", with broader perspective and experience of the firm's business and with wide human contacts and friendships that are vital for generating consensus.

3. *Rewards and promotion systems* - Most Japanese firms use seniority as a base for promotion and rewards. Promotion is also gradual. Japanese managers think that the degree of competitiveness inherent in merit promotion in North American companies can undermine the cooperative effort. However, the Japanese appraisal system serves as a check on these possible negative aspects of competition, because what is rewarded (in addition to seniority) is most credibility and the ability to get things done in cooperation with others.

Current Trends and challenges in Japanese HRM

As seen in this section, Japan's success has been attributed to its management styles, such as lifetime employment, seniority-based promotion, the wage system, and consensus-based decision making. Yet, as we are approaching the year 2000, Japan's paternalistic management style faces several serious challenges. They include:

- (a) reducing labor costs - lifetime employment is no more affordable.
- (b) restructuring without massive layoffs - in order not to lose the high degree of loyalty of the employees
- (c) motivating employees and managers in the midst of changing values and expectations (i.e. women remain in the workforce after marriage; people seek mobility in other organizations)
- (d) redesigning employment relationships in a way that blend the traditional system with new one that are being created.

HRM in Mexico

Mexico is an excellent example of a country who is experiencing rapid industrialization and consequently its management and HRM is changing as well. All in all, HRM in Mexico can be characterized as extremely pro-employee and heavily government regulated. The Mexican government dictates most of what HR professionals can do there.

In 1965 Mexico established the Border Industrialization Program to fight high unemployment. The maquiladoras grew from this effort. Maquiladoras are "off-shore"

manufacturing plants for the assembly, processing, and finishing of foreign material and components. Most of the facilities are located along the U.S.A. - Mexico border. The program permits duty-free import of all tools (equipment, raw material) required for the assembly if the final product is to be exported. A foreign firm's main reasons to have a Mexican base are the low cost of labor (see Exhibit 3), the relaxed pollution and ecological laws and the high productivity levels. The U.S.A. investors also cut costs of transportation and storage, since they are virtually next door. Since 1985 the annual growth of the maquiladoras is about 20 percent. In 1992, there were about 1,800 maquiladoras employing about 600,000 people

Exhibit 3

Modified from: Dolan S.L., Schuler R.S., *Human Resource Management: The Canadian Dynamic*. Nelson Canada
1994 p. 557

Welders Employment Status in Mexico and Canada (1992)

	Toluca, Mexico	Thurso, Quebec
WORK	Welder	Welder
PAY	\$1,75	\$18,61-23,53
BENEFITS	Extra vacation pay, 1 month bonus, 1 cent lunch	Paid vacation, full health care, income protection
SENIORITY	5 years	1-6 years
EDUCATION	Jr. high school	Jr. high school

Recruitment, and selection - Mexican employers in the maquiladora region determine their staffing needs. They recruit, hire and fire personnel as the need arises. There is always an abundance of applicants, which allows employers to screen for those who are most apt for what are mostly assembly jobs. The work week in this area is normally 48 hours. Overtime is at one-and-a-half times the hourly rate is paid for time in excess of the 48 hours.

Management style and culture - In order to fit into Mexican traditional values, it is very common for firms to throw parties for a variety of events. One of the biggest issues in Mexico, which is similar to Japan, is paternalism; a plant manager is expected to fill an authoritarian and fatherly role, rather than a mere organizational function. Mexicans value status; they accept a hierarchy and their "stations" in life. For them the issue is honor, not equality. What seem to be undemocratic to north American workers, is perfectly normal in the Mexican culture.

Compensation - Most maquiladoras pay the Mexican legal minimum wage. Due to the pay, turnover may range from 30 to 100 percent per annum in major cities. This turnover results in higher production costs. Some maquiladoras have to pay their employees above minimum wage because of certain labor shortage. One problem with turnover is that it is difficult to determine the reason for departure; Mexicans will not often explain their reason.

Conclusion

With firms and nations increasingly dependent on events in the global market, it is becoming more important than ever to understand the process of which firms become multinational, their HR practices as well as an awareness of how other countries utilize their human resources.

The first part of this paper provided an overview of global HRM. Emphasis has been placed on examining some of the similarities and differences between international and domestic HRM. It is evident that operating in a global environment is more complex than operating in a single country or a single culture.

It has been suggested that Japan's business success is deeply rooted in its paternalistic value system with the corresponding loyalty and dedication of Japanese workers. Nonetheless, things are changing. Japanese firms and workers are finding themselves in situations in which they are forced to adopt HR measures already used in N. America for a long time.

Mexico is the "new kid on the block" for N. American firms. Although it has been known for years that this country can provide an abundance of inexpensive labor, there has been little confidence in the level of skills of these types of workers. However, the experiments in the maquiladora region provide good incentive to firms to establish plants there and to benefit from the manpower available. With the passage of NAFTA, the N. American market is presently the largest in the world.