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International human resource management

Chapter objectives

As tourism and hospitality organizations increasingly internationalize they face a number of challenges in managing their human resources. This chapter considers these challenges and specifically the aims of the chapter are:

- To consider the nature of international human resource management (IHRM).
- To outline and discuss different strategic dispositions to internationalization.
- To appreciate the importance of a multinational company's (MNC's) country-of-origin and the effects of host countries on HRM policy and practice.
- To assess challenges facing MNCs operating in the tourism and hospitality industry in attempting to transfer HRM practices across national boundaries.

Introduction

The continuing growth of world markets, increased availability of management and technological know-how in different countries, advances in telecommunications, and greater regional political and economic integration are just some of the factors that are increasingly leading to the globalization of many tourism and hospitality MNCs. Resultantly, the contemporary tourism and hospitality industry is increasingly global and this is important in a number of ways. As more and more tourism and hospitality MNCs are now selling their products outside their home countries they face a number of issues in terms of how they approach a range of HRM issues. For example, to what extent will they try to transfer policies and practices that are successful in the home country to host countries? In thinking about the mix between parent country and local managers, how will they staff their units overseas? The globalization of business is making it increasingly important to understand how multinational enterprises can operate more effectively in seeking to answer these types of questions. As they cross national boundaries tourism and hospitality MNCs face many challenges related to issues like: language, culture, economic and political systems, legislative frameworks, management styles and conventions. To assess some of these issues the chapter will consider the emergence of IHRM; and relatedly the issue of comparative HRM. In many respects the former aspect is largely concerned with how MNCs manage their geographically dispersed workforce. The latter aspect is more about why and in what ways HR practices and policies may differ in a variety of different countries. Of course, these two aspects are very much intertwined. For example, MNCs may attempt to transfer certain HRM practices and this process may be successfully achieved in certain countries and be much more problematic in others, the chapter will seek to assess why this might be the case.

The emergence of IHRM

We should begin by firstly defining what IHRM is. Torrington (1994: 6) suggests that, 'In many ways IHRM is simply HRM on a larger scale; the strategic considerations are more complex and the operational units more varied, needing co-ordination across more barriers'. A slightly different view is offered by Schuler et al. (1993: 720), who define IHRM as, 'human resource management issues, functions,

and policies and practices that result from the strategic activities of multinational enterprises and that impact on the international concerns and goals of those enterprises'. In a similar vein Boxall (1995: 5) also locates the locus of IHRM primarily within the choices faced by MNCs, and sees it as being, 'concerned with the HR problems of multinational firms in foreign subsidiaries (such as expatriate management) or, more broadly, with the unfolding HR issues that are associated with the various stages of the internationalization process'. Thus, on the basis of these definitions it can be seen that, compared to domestic HRM, IHRM is likely to involve the MNC in more diverse activities, greater involvement in employees private lives (e.g. the impact of the expatriation cycle), greater risk exposure, more external influences and generally greater complexity than would be found managing domestically. Most obviously these issues can be seen in terms of how MNCs seek to co-ordinate and integrate a range of units throughout the world, leading Schuler et al. (1993: 719) to ask a crucial question: 'Can MNCs link their globally dispersed units through HR policies and practices, and if so, how?' In many respects any attempt to answer this question can be found in the seminal work of Howard Perlmutter.

Perlmutter: the 'father' of IHRM

Harzing (2004) is representative of much of the IHRM literature which suggests that the typology outlined by Perlmutter (1969) is crucial in attempts to characterize the approach adopted by MNCs not only to HRM, but also finance and accounting, marketing and production. Indeed, Mayrhofer and Brewster (1996) recognize how Perlmutter's typology has become a virtual synonym of analytical approaches to understanding IHRM, such that they talk of his role as the originator and 'father' of the discipline.

Perlmutter's (1969) work attempts to delineate differing orientations, or strategic dispositions, adopted by multinational organizations with his starting point being that claims to multinationality should be based on more than simply generating sales overseas. Consequently Perlmutter outlines an ethnocentric approach which is home-country oriented, a polycentric approach which is host-country oriented and a geocentric approach which is world-oriented (a further orientation of regiocentric, i.e. regionally oriented, was added in 1979 by Perlmutter and Heenan). In general, the ethnocentric strategy suggests that companies should

maximize their parent company control to integrate subsidiaries, at the cost of local responsiveness. Resultantly the ethnocentrically oriented MNC believes in the superiority of the way of doing things in the home country and this informs their strategies for staffing and managing overseas units. Therefore this approach implies centralized systems with authority high at headquarters with much communication in the form of orders, commands and advice. Managers of the home country of the parent company are, therefore, recruited, trained and developed for key positions anywhere in the world to ensure that the home country approach is easily transferred and that host-country nationals (HCNs) fully understand the headquarters culture. The polycentric approach allows for more local responsiveness and is premised on the view that the MNC should respond to prevailing local conditions where practicable. Hence, in this orientation local people know best and organizations thus seek to pursue an approach of localizing operations as quickly as possible. Local staff are employed in core positions in the host country and enjoy high levels of autonomy and local opportunities for further promotion. The final orientation of geocentrism is, as Caligiuri and Stroh (1995: 497) note, 'When MNCs desire an integration of all of their foreign subsidiaries and the melding of a worldwide corporate culture'. Consequently organizations seek 'the best man (*sic*), regardless of nationality, to solve the problems anywhere in the world' (Perlmutter, 1969: 13). The geocentric approach envisages competitive advantage emanating from the organization's ability to draw on a rich array of national and cultural perspectives, allowing for a global strategy which is also respectful of local circumstances – the notion of 'think global act local'.

Which of these approaches an international organization could be characterized by is dependent on attitudes inferred from 'the assumptions upon which key product, functional and geographical decisions were made' (*ibid.*: 11). Importantly though, Perlmutter feels that, 'There is some degree of ethnocentricity, polycentricity or geocentricity in all firms' (*ibid.*: 11), and it is thus unlikely that any of these orientations are ever found in pure form. Nonetheless Perlmutter argues strongly that one predominant disposition can usually be discerned, with Pauwwe and Dewe (1995: 84) suggesting that any dominant attitude or state of mind of the corporation is likely to be 'determined by the phase of internationalization in which the company finds itself and by its history'. The implicit sense of an evolutionary approach to internationalization is a clear and important theme of Perlmutter's work and equally clear is his recognition of the difficulties and complexity of attaining the most advanced form of the 'ideal' geocentric approach,

such that 'The route to pervasive geocentric thinking is long and torturous' (1969: 16). This view that the most developed form for the MNC is the geocentric 'ideal' is something now routinely supported in much of the international business and management literature, as exemplified by Caligiuri and Stroh (1995: 495) who suggest that the geocentric strategy is:

... the 'ideal', as it attempts to balance both global integration and local responsiveness. In a hierarchy, the geocentric strategy would be the best because it incorporates both of the theoretical ideals. Polycentric and region-centric strategies would be second because they satisfy the local responsiveness ideal (usually at the cost of global integration). Ethnocentric strategies, focusing on headquarters control are neither globally integrated nor locally responsive.

A shift to a global orientation is likely to be dependent on the organization having the wherewithal to create and appoint a pool of genuinely 'global' managers, assuming this is in fact possible. This approach requires a sophisticated HR planning system and training infrastructure to enable an organization to enact such a strategy. Some of the issues engendered by this discussion are identified in Table 2.1, which suggests some of the implications for organizations which wish to pursue a geocentric HRM strategy.

The impact of centricity in the tourism and hospitality industry

Roper et al. (1997, 1998) examine the factors that influence and determine success for international hotel groups in the global market place. They argue that centricity – defined by them as an approach to international management – is one of the key factors that influence all business decisions and their subsequent successful implementation. Consequently they examine the possible causal relationship between centricity and organizational success and particularly whether organizations should be seeking to move to the geocentric 'ideal'. Interestingly they disaggregate centricity at a number of levels both in terms of orientation and functional areas of management. First, they suggest that centricity can be viewed from three interrelated perspectives: management's mind set and the attitudes and beliefs of key senior managers in the organization; corporate strategic predisposition and the

Table 2.1 A geocentric human resource profile

Organization	Key decision makers from diverse backgrounds operating on a global basis.
Company culture	Integrated and draws on experiences, attitudes and beliefs held by people from different countries.
Recruitment	Based on ability rather than nationality. Recruits drawn from a range of different countries to core positions.
Training and development	Managers from all countries treated as equal. People developed through a range of overseas assignments and drawn together in cross-cultural teams to learn from each other.
Terms and conditions	General principles adopted which draw on practice from around the globe yet also allow for a response to local circumstances.
Employee relations	General principles adopted which draw on best practice from different countries. European Works Council, international committees/task groups, etc. may be established.

Source: Roper et al. (1997: 381) Reprinted by permission of the author.

way this will shape the company's mission, governance structure, strategy, organization structure and organizational culture; and finally, subsidiary level predilection. Of these, Roper et al. suggest that the first two have the most influence, particularly in the way that management attitudes and beliefs will inform and dictate strategic and operating decisions.

Nickson (1999) reports research from three pseudonymous tourism and hospitality companies, Americo, Frengo and Swedco. Using Perlmutter's framework the three companies evidenced differing orientations, as outlined in HRM in practice 2.1.

Review and reflect

What are some of the likely advantages and disadvantages of companies pursuing an ethnocentric, polycentric or geocentric approach to internationalization?

HRM in practice 2.1 Orientations in the global hotel industry

Americo was an American company who had internationalized relatively recently. The company was now undergoing a fairly rapid process of internationalization and seeking a more global orientation. *Americo* seemed to have a control-oriented ethnocentric approach to internationalization, with use of American expatriates or long-standing 'Americanized' *Americo* people in key positions, such as general manager. Control was further enhanced by the use of 'task forces' to transfer the corporate message. There was some evidence of the beginnings of attempts to aspire to a more global outlook, for example, by the use of well-known consultants and academics who were working with the company to encourage a less Amerocentric view.

Frenco was a major travel and tourism multinational who were seeking a more global orientation. The *Frenco* corporate culture was used as a unifying mechanism across the company, as the organization attempted to sustain a broadly geocentric approach. Nonetheless, there was some evidence of post- or neo-colonialism in use of French expatriates in certain parts of the world. Attempts to sustain a 'global' approach were facilitated by the movement of a cadre of 'global' managers across brands/countries. Many of these managers also attended *Frenco's* corporate university which attempted with some success to encourage a more global outlook.

Swedco was a relatively small MNC with a small presence outside of Scandinavia. Generally *Swedco* were seeking a control-oriented ethnocentric approach facilitated by Swedish or Danish expatriate managers in pivotal positions in overseas units. The company seemed largely successful in their attempts to transfer the 'Swedco Way', the company's core corporate culture, though there was some scepticism in the only unit in the UK with a non-Scandinavian/Swedish manager.

International staffing

A further key issue in IHRM is the way in which MNCs seek to staff their overseas unit. Contingent upon the predominant headquarters orientation – as based on Perlmutter's typology – MNCs are likely to use a mix of parent-country nationals (PCNs), third-country nationals (TCNs) and host-country nationals (HCNs). For example, MNCs may utilize PCNs in the early days of an overseas unit's existence, but over time it is likelier that TCNs and particularly HCNs will play an ever

greater role. Consequently organizations are likely to see a range of advantages and disadvantages of the utilization of PCNs, HCNs or TCNs and these are considered in Table 2.2.

International organizations would usually have three broad motives for sending managers abroad. The first one of those is to fill positions, when HCNs are unavailable or difficult to train. Although in a more control-oriented ethnocentric approach, PCNs or suitably socialized TCNs may be sent to maintain control due to them knowing the organizational 'rules' and culture better, thus allowing them to make the 'right' kind of decisions. Second, organizations may seek to develop managers with long-term potential by giving them valuable international experience, which is likely to enhance their standing in the organization. Such transfers may occur even when suitably qualified HCNs exist. Lastly, there may be attempts to develop a more geocentric approach, whereby control is achieved by acculturation, socialization and interaction among managers of different nationalities, with the intent of creating a 'global' corporate culture, which de-emphasizes national cultures, and a cadre of managers able to disseminate such an approach. The idea would be that managers would become less ethnocentric if they were to come into contact with a variety of cultures and different cultural perspectives.

The role of international managers in tourism and hospitality

Gliatis and Guerrier (1994) report on research conducted with a small sample of expatriate managers. The research was based on interviews conducted in four large international hotel companies with seven personnel specialists and eight hotel managers (all from different countries and interestingly all male), on assignments outside their home country. The research was carried out in the UK and in Greece and sought to answer several key questions (Gliatis and Guerrier, 1994: 230):

- Why and how do hotel chains use international assignments for managers?
- When would they seek to fill a post with an expatriate manager and when with a local manager?
- How is the use of expatriates changing?
- What problems do they perceive in their use of international transfers?
- What type of person is attracted to an international career?

Table 2.2 Advantages and disadvantages of using PCNs, TCNs and HCNs

	Advantage	Disadvantage
PCNs	<p>Familiarity with the home offices goals, objectives, policies and practices</p> <p>Technical and managerial competence</p> <p>Effective liaison and communication with home-office personnel</p> <p>Easier exercise of control over the subsidiary operation</p>	<p>Difficulties in adapting to the foreign language and the socio-economic, political, cultural and legal environment</p> <p>Excessive cost of selecting, training and maintaining expatriate managers and their families abroad</p> <p>The host countries' insistence on localising operations and promoting local nationals</p> <p>Family adjustment problems</p>
HCNs	<p>Familiarity with the socio-economic, political and legal environment and with business practices in the host country</p> <p>Lower costs incurred in hiring HCNs</p> <p>Provides opportunities for advancement of local nationals and, therefore, increases motivation and commitment</p> <p>Responsive to demands for localization of subsidiary operation</p>	<p>Difficulties in exercising effective control over the subsidiaries operation</p> <p>Communication difficulties in dealing with home-office personnel</p> <p>Lack of opportunities for home country's nationals to gain international and cross-cultural experience</p>
TCNs	<p>Perhaps the best compromise between securing needed technical and managerial expertise and adapting to a foreign socio-economic and cultural environment</p> <p>TCNs are usually career international business managers</p> <p>TCNs may be better informed about the host environment than PCNs</p>	<p>Host countries' sensitivity with respect to nationals of specific countries</p> <p>Local nationals are impeded in their efforts to upgrade their own ranks and assume responsible positions in the multinational subsidiaries</p>

Source: Harzing (2004a: 254) Reprinted by permission of Sage Publications Ltd from Wil-Harzing A. and Van Ruyssveldt, J. *International Human Resource Management*, Copyright (Sage, 2004).



- What do managers who follow international career paths perceive they gain from this type of career path?
- What do they perceive as their main problems?

The main focus of this research was why expatriate managers fail, although Gliatis and Guerrier do tangentially address wider questions on organizational strategy towards crossing national boundaries. They suggest that companies would ordinarily see the rationale for expatriation as comprising three main reasons. The first of these is to solve specific staffing problems in a particular location, for example, a lack of suitably qualified personnel. The second is as part of a management development process, thus managers would benefit from the exposure to a range of countries, cultures and international issues. The final reason would be as a process of organizational development, whereby transfers are seen as encouraging global co-ordination, integration and commitment to the company. A further element to this may also be more control-oriented, in the sense that organizations will seek to integrate via the use of (usually home country) expatriate managers to spread the co-ordinating 'glue' of corporate culture to ensure that organizational practices and policies are 'correctly' followed. As a result of the research Gliatis and Guerrier also added a fourth reason as suggested by the personnel specialists, namely the use of expatriation as a tool for motivating and retaining managers within a company. Gliatis and Guerrier found evidence of all of these strategies in their research and also found that expatriation tended to be more appropriate for operational roles, such as general manager, resident manager, food and beverage manager and rooms division manager, whilst locals would ordinarily fill the positions of personnel managers, financial managers and chief engineers due to their local expertise.

D'Annunzio-Green (1997) reporting on research within five international tourism and hospitality organizations – representing the airline, fast food and hotel sector – suggests that her case study organizations were largely pursuing a geocentric or polycentric approach. Her work is useful both in its reporting of the research but also in terms of its contextual discussion of how organizations approach international management development (IMD). An organization which aspires to a more global outlook faces a number of issues in terms of approaches adopted to things such as: international career pathing, organizations developing international managers, adaptability of employees to new cultures and language

and the effect of training and adaptation. MNCs intending to pursue a geocentric approach must address a number of questions, these being:

- Is there a constant supply of mobile staff?
- Can they be released on time from existing positions?
- Is there a database advanced enough to manage a geocentric approach to training and development?
- Is the company willing to invest the time and money required to ensure such a system will operate effectively?

As D'Annunzio-Green (1997: 200) suggests, 'For organizations wishing to develop a truly international manager, there needs to be a major transformation in managerial careers and development opportunities to enable the acquisition of the skills, knowledge and experience needed to work in a global market place'.

Based on findings from a self-completed postal questionnaire sent to the senior human resources specialist within the organizations, D'Annunzio-Green found that three of the organizations in her research were pursuing a geocentric approach, with the other two being characterized respectively as polycentric/geocentric and geocentric to regiocentric. The questionnaire was followed up with in-depth interviews with the HR director in three of the organizations and this allows D'Annunzio-Green to add more detail as to why the organizations are characterized in such a way. For example, in a British-owned airline company, which is conceptualized as shifting from an ethnocentric to a geocentric approach, a key role is increasingly played by HCNs and TCNs and all of the 30–40 graduates taken on to the company's management training scheme had to undertake a number of international postings during their training period. Allied to this approach the company also had a sophisticated database to track career moves and mechanisms to ensure all vacancies worldwide were notified to company personnel.

Similarly, an American-owned hotel MNC communicated all international postings via a computerized personnel database. This company, also considered geocentric and committed in the words of the company themselves to "developing truly international managers" (ibid.: 204), selected international managers on the basis of good performance appraisals, a minimum of 5 years with the company and language proficiency in at least two languages. Additionally the selection criteria was also based on adaptability, international background and a high level of

mobility. The common strand of a sophisticated computerized global transfer system was also found in the final organization, a Japanese-owned hotel MNC. Again this company was considered geocentric and as part of their IMD had a 10-year training and development plan which culminates in a general manager's position. During this time the candidates, who theoretically could come from any country, would undertake a part-time MBA and placements in at least three countries to encourage mobility, cultural empathy and global business awareness.

Review and reflect

What are some of the key skills needed to be a successful expatriate manager in the international tourism and hospitality industry?

In sum, Gliatis and Guerrier's and D'Annunzio-Green's work is useful in pointing to the likelihood of organizations within the tourism and hospitality sector adopting different approaches to internationalization and their utilization of international managers. In particular, the attempt by D'Annunzio-Green to add greater detail as to what may denote a geocentric approach is useful in suggesting a range of organizational practices and policies which appear crucial in facilitating such an approach.

Much of what we have been discussing to date has largely been about the manner in which MNC companies seek to develop their overall orientation and the implications of such an approach with regard to international staffing. Beyond this focus, there is also a need to consider the broader aspect of comparative HRM, which is more concerned as to why certain HRM practices may differ from country to country. To begin to discuss this we should recognize the importance of the country-of-origin of MNCs.

Country-of-origin

Ferner (1997) provides a review of the country-of-origin literature and some of the substantive issues engendered by this work. From the relatively small body of research examining the country-of-origin effect, Ferner believes that two important generalizations can be extrapolated.

The first generalization is that the literature provides support for the notion that the nationality of ownership is a significant determinant of MNC behaviour and thus any examination of MNCs strategies should take cognizance of the national economic and business cultures out of which they emerged. An example of this would be the proposition that American and Japanese MNCs have in the past tended to be more ethnocentric and reliant on expatriate managers to ensure organizational practices and policies are 'correctly' followed. Therefore this 'imperial' approach was concerned with close control over foreign subsidiaries and led to greater formalization and centralization and a reliance on formal systems, policies and standards to manage human resources globally.

A further interesting aspect identified by Ferner (1997) is whether it is sensible to characterize, as an example, differences between Japanese and British MNCs as being due to some inherent quality of 'Japaneseness' or 'Britishness', or whether such differences stem from other factors, such as stage of internationalization, corporate structure and proportion of units represented overseas. Furthermore the implications of national specificity would seem to preclude any real possibility of either a literal or even figurative 'stateless' organization, reflecting Van Maanen and Laurent's (1993: 283) view that 'All MNCs bear something of a cultural stamp that originates in the society where the organization was first designed' (see also Hu, 1992). Therefore, as Ferner (1997) cogently argues even if the home country does not provide the bulk of sales, operations and employment, in reality it is likely to play a highly significant role in relation to locus of ownership and control, staffing of board and senior positions, strategic decisions emanating from the home country and also in the location of innovative activities such as research and development. Given Ferner's support for the notion of an MNC's entrenched rootedness to a national economic and business culture it is unsurprising to find him asking the question of 'what features do they "absorb" from the national background?' (ibid.: 24).

In answer to that question the second generalization is that the extent of the possible national influence on MNC behaviour is contingent upon the issues under consideration. Consequently nationality manifests itself more in relation to some issues than others. For example, industrial relations practices are more likely to resemble the practices of the local environment. These considerations are also closely related to the convergence/divergence debate, and the extent to which the forces of convergence may be subverting national differences. At its broadest macro-social level, convergence theory is a recognition of the influence of over-arching



trajectories and logic of capitalist development. This socio-structural argument suggests that societies and organizations will increasingly come to resemble each other as they accept the inevitability of universalistic tendencies in relation to technology, economic development, industrial policies, management style and HR practices. Consequently, over time a universal type of business organization will emerge and management practices and organizational performance would be shaped by the 'logic of industrialization' and technological change, rather than cultural or environmental variables. Within this process a key role will be played by MNCs who act as carriers of 'best practice' across national boundaries.

Clearly a key role in this process is ascribed to MNCs and this raises the interesting spectre of MNCs acting as forces for convergence around the practices of the most 'successful' national business regimes. In essence this means that nationally specific versions of capitalism emerge to be disseminated by the hegemonic country's multinationals (Smith and Meiksins, 1995). There is still much support for the notion that the US continues to be the predominant source of what are considered 'good practice' approaches to both general business management and, more particularly, HRM. Brewster (1995: 207), for example, argues that 'the analyses and prescriptions laid out in the standard management textbooks are, fundamentally, drawn from one particular culture: that of the USA'. Guest (1990: 377) also makes a clear connection between HRM and the 'American Dream':

The growth of HRM in the UK clearly owes something to the political, economic and business climate of the 1980s and the tendency during the decade to look to the United States as a model of good practice in all these fields. American multinationals have been to the forefront of HRM innovation in the UK and the leading advocates are all American.

Branine (1994) makes the cogent point that it is much more likely that non-American managers would adopt American management styles or techniques, whilst at the same time suggesting it is difficult to envisage American managers adopting policies that were originally from, for example, Mexico, Fiji or Peru. The important point then is the applicability and transferability of the putatively American approach to management and whether there may be an enduring American influence on any convergent tendencies if HRM is to be the new model for managing organizations throughout the world (and see HRM in practice 2.2).

Review and reflect

Does the American dominance of the globalization process mean that we are all increasingly 'Americanized'?

HRM in practice 2.2 American dominance of global economy and the international hotel industry

Many writers argue that there are three key dimensions underpinning the process of globalization, these being economic, political and cultural. It is also often argued that globalization is, in reality, better conceptualized as Americanization. With regard to economics a key aspect is the rise of the multinational firm. By the early twentieth century US firms were becoming more important players in the international economy, beginning to eclipse their established European competitors. During the Second World War and into the post-war period, US firms were in a position to exploit, by trade and with foreign direct investment (FDI), firstly the inadequacies and then the decline in European manufacturing capacity, aided of course by Marshall Aid and US Government desires to create bulwarks against communism in Europe and Asia – *Pax Americana*. During this time American management methods were vigorously exported through FDI, and education and training institutions in Europe. With regard to politics, and particularly global governance, many argue that it is the US particularly and to a lesser extent the industrialized countries of the European Union which drive the operations and policies of institutions such as the World Bank, International Monetary Fund and the World Trade Organization. Finally, there appears to be a growing passion around the world for all things American and few things reflect American culture better than the likes of Coca-Cola, Disney and McDonald's, who seem to embody Americana. A number of these aspects are seen in the history of hotel internationalization, which was initially attributed to Conrad Hilton. He sought to place his 'little Americas' across the globe, leading many to talk of Hilton in venerable terms as the 'founder' of internationalization in the hotel industry. As well as explicitly offering a challenge to communism, many of the operating standards and procedures established by Hilton and other pioneering American hotel chains are still apparent today. This dominance can be seen with regard to aspects of the 'hardware', that is the physical product; but importantly also the 'software', that is the management of people. This software increasingly aims to support high quality approaches to service via aspects such as empowerment.

Source: Nickson and Warhurst (2001).

Country-of-operation

However strong the country-of-origin effect it is likely that units of MNCs in overseas locations will be influenced, to a greater or lesser extent, by what Ferner (1994: 92) has termed 'the host-country effect'. This effect is likely to be manifested in one of two ways, namely, the 'culturalist' perspective and the 'institutionalist' perspective (Olie, 1995).

The importance of culture in IHRM

The 'softer' culturalist perspective draws attention to cultural distinctiveness in terms of the differing values, ideas and beliefs shared by people within any given society. These aspects will then be taken into the organizational setting and uniquely influence individuals workplace behaviour. Tayeb (1994) suggests that the culturalist perspective is important primarily due to three reasons. First, it recognizes the differences of cultural norms, values and attitudes from one society to another, such that peoples' thinking is likely to be shaped by what is considered appropriate behaviour within that society. Second, different cultural groups will behave differently under similar circumstances because of the differences in their underlying values and attitudes. Lastly, culture will play a major part in shaping social institutions, work organizations, managerial behaviour and personnel policies.

It is important to recognize that culture remains an essentially vague and contested concept with literally hundreds of definitions. Equally though many have attempted to research the impact between culture and workplace behaviour, with one of the most famous writers in this area being Geert Hofstede. Hofstede (1980, 2001) studied 117 000 IBM staff across more than 50 countries and identified the following four basic dimensions which describe the differences of national culture:

- *Power distance*: This is the extent to which inequalities among people are seen as normal. This dimension stretches from equal relations being seen as normal to wide inequalities being viewed as normal. Where high power distance exists there may well be a very clear hierarchy and managers would be expected to manage and direct subordinates. Cultures with low power distance are likely to be more consensual, with employees expecting to be consulted in decision-making.

- *Uncertainty avoidance*: This refers to a preference for structured situations vs. unstructured situations. This dimension runs from being comfortable with flexibility and ambiguity to a need for extremely rigid and certain situations. Cultures with high uncertainty avoidance would prefer clear rules, whilst low uncertainty avoidance cultures would be more comfortable working with few rules.
- *Individualism*: This examines whether individuals are used to acting as individuals or as part of cohesive groups. This dimension ranges from collectivism to individualism. In individualistic cultures there is likely to be a desire to work independently. In contrast in collectivist cultures there is likely to be a greater preference to work with others or in groups.
- *Masculinity*: Hofstede distinguishes between 'hard' or 'masculine' values, such as assertiveness and competition and 'soft' or 'feminine' values of personal relations, quality of life and caring for others. In masculine cultures work is valued as a central life interest. By comparison feminine cultures are more likely to stress the value of social rewards.

Based on these dimensions, and a later dimension of time and whether cultures have a long-term vs. a short-term orientation, Hofstede categorized countries into clusters, based on the relative similarities between cultures. If we accept the idea of stereotyping as a common way of perceiving different nationalities, Hofstede's work may be open to criticisms (indeed see the recent debate between Hofstede (2002) McSweeney (2002, 2002a) and Smith (2002) on the recent publication of an updated version of *Culture's Consequences*). For example, there is much argument as to whether cultures can really be thought of as homogenous. However, most writers view the work of Hofstede as important, and as somewhere between a stereotypical description of a national culture and a useful tool for discovering an alien culture. So in that way it can be usefully used as a practical framework for managers to understand potential cross-cultural differences in managing different individuals or in different cultures. To conclude on Hofstede's work, most people would agree that the framework is helpful as a heuristic device to assist the process of learning about a new culture. Hofstede's findings are useful when applied as a general model that requires interpretation of specific circumstances. It is important that culture assessment focuses on the general make up of a nation or culture. This can be thought of as a curve, where most people will be near the 'norm', but there will be people in every society who exhibit characteristics that

are distinctly different. Therefore these 'mainstream' cultural traits are best considered as a tendency or describing the behaviour of the average individual, but clearly there is the potential for other individuals to behave differently. Lastly, Hofstede's work is important in suggesting that true convergence in management and organizational practices will never occur due to the varying cultural differences outlined above.

The institutional perspective

The difficulty in operationalizing and making concrete such amorphous notions as tradition and culture has led a variety of writers to shift the analysis more towards social institutions, such as education, vocational training patterns and employee/industrial relations. Ferner (1994: 93) suggests that, 'there is more to national variation than some nebulous notion of "cultural difference"', and as a result, attention should also be paid to more concrete institutional factors. This point is also noted by Tayeb (1994: 431) who recognizes that 'The term "nation" refers not only to culture, but also to other social, economic and political institutions which have a significant bearing on the management style of organizations located in particular countries'. The recognition that culture should not be seen as a synonym for nation and an omnibus variable representing a range of social, historical, political and economic factors, lies at the heart of the institutionalist perspective. The 'harder' institutionalist argument is primarily concerned with structural aspects within society and organizations, such as the division of labour and career, status and reward structures. These features are generated by the institutions of the host country which, as previously noted, will affect elements such as education, training and employee/industrial relations systems. Indeed, it is often the employee/industrial relations system which is most often cited as the least permeable aspect of a host-country environment, as this may often be based on a state regulated legislative framework. Hence, there is likely to be tension between activities carried out by an MNC and the national system of employee/industrial relations in any given host country. This is particularly apparent within countries which have strong regulatory frameworks, which are likely to be a source of rules to which the MNC must comply. For example, an American MNC may ordinarily work without trade unions but in locating in Germany may be forced to recognize and negotiate with trade unions due to the regulatory framework (see Royle 2002 and Royle and

Towers 2002 for an interesting discussion on how McDonald's have sought to override regulatory mechanisms in Europe). In sum, the impact of both the culture and institutions means that a MNC has to consider carefully what HRM policies and practices they can transfer because as Ferner notes (1997: 33):

... not all elements [of an MNCs human resource policies] are 'exportable' being too rooted in native cultural assumptions; and second because to varying degrees host countries present obstacles to the 'import' of elements of foreign business systems, and colour the operation of those which are transferred.

Recognition of all of the above variables allows for an assessment of the impact of specific national institutional, legal and cultural frameworks, so as to be able to answer questions about the balance between innovation and adaptation in corporate HR policies.

MNCs and HRM policies and practices in the tourism and hospitality industry

We have recognized that MNCs face choices in both the manner in which they develop their overall approach to IHRM and then how this will determine their approach to international staffing and what HR policies and practices they seek to transfer. Of course, MNCs are likely to want to maintain and develop a degree of consistency in their ways of managing people on a worldwide basis. Equally though in order to be effective locally, they may also need to adapt those ways to the specific cultural and institutional requirements of different societies. We can now briefly assess some of the evidence of how tourism and hospitality MNCs may be seeking to address these issues.

Nankevis and Debrah (1995) report on management practices in a selection of hotels in Singapore and Australia to discuss common and disparate themes within diverse national, cultural, social and labour market environments. The basic premise of Nankevis and Debrah is that the hospitality industry is increasingly looking to HRM to enhance organizational success and competitive advantage. To test this proposition they used a questionnaire with 35 multiple choice questions, which were occasionally supplemented by open-ended follow-up comments for clarification

or enlargement. The questionnaire was divided into four major categories: type of hotel; employee details; personnel management/HRM practices and guest feedback. There were 109 responses (89 from Australia and 20 from Singapore) from 201 questionnaires. In relation to a range of HR issues Nankevis and Debrah found considerable differences in approaches in Singapore and Australia and such differences were attributable to elements such as national, cultural, social, labour market phenomenon and management styles. Nonetheless their findings did 'also appear to confirm the increasing globalism of guest market requirements and hotel management responses' (ibid.: 512). This was particularly so in relation to the MNC hotel companies surveyed, leading Nankevis and Debrah (1995: 511) to suggest that, 'A potential consequence of [the high proportion of hotels owned by multinationals] is the standardization of service along with increased efficiency, productivity and thence profitability'.

Similarly, Jansen-Verbeke (1996) reports on research undertaken in hotels (including international hotels, e.g. Hilton International) in Belgium and The Netherlands which suggested a high level of uniformity in managerial practices. Jansen-Verbeke utilized Hofstede's seminal framework to assess the extent to which cultural differences may exist between Belgian and Dutch managers. The research consisted of a written questionnaire, comprising 45 questions asking managers about their everyday practices in hotel management, and the sample consisted of 64 respondents. As Jensen-Verbeke (1996: 547) notes 'The analysis shows that there are only a few differences in the practices of hotel managers in Belgium and The Netherlands'. To explain this convergence Jansen-Verbeke points to a range of factors, such as: the two countries belonging to the same cultural region; the homogenizing effect of organizational culture, reflecting the fact that most MNCs have a strong organizational culture; and the culture of the hotel industry in general, particularly in terms of uniform procedures in guest contact and an emphasis on quality of service. Of these, it is particularly noteworthy that organizational culture and the culture of the industry seem to play such a key role in the process of homogenization and convergence.

Review and reflect

What are some of the potential challenges facing tourism and hospitality MNCs in attempting to transfer their HRM practices across national boundaries?

The above discussion seems to suggest that the continued growth of multinational corporations is likely to lead in the future to greater standardization of services, as organizations seek greater efficiency, productivity and profitability, by utilizing the full range of 'soft' techniques leading to a burgeoning sector wide 'best practice' approach to HRM and quality service (and see also Nickson, 1999). A counter argument though is offered by Mwaura et al. (1998). In their research on the ITT Sheraton Hotel China they found significant evidence of Sheraton's corporate culture being in conflict with several aspects of Chinese culture. For example, Chinese managers and subordinates were not prepared to accept responsibility to ensure responsiveness to the hotel guests. A similar issue was also apparent in attempts to engender a commitment to customer satisfaction via training. Many of the local employees were reluctant to contribute to discussions in training sessions in case they lost 'face'. Similar results were also found by D'Annunzio-Green (2002) in her research on the experience of expatriate managers in Russia. Here the attempts by expatriate managers to engender and maintain high service standards were often thwarted by the different attitudes to service of the Russian staff. Many of the staff, particularly those over 30, still exhibited behaviours which were developed during the previous communist-era Soviet system. Under this system Russians would never complain about service, no matter how bad it was. Resultantly, the lack of a customer orientation is still apparent in a large number of the staff. What the work of Mwaura et al. and D'Annunzio-Green exemplifies is that western management practices cannot always be transferred in the tourism and hospitality industry, due to differing cultural and organizational working environments (and see also Lucas et al., 2004; Zhang and Wu, 2004).

Conclusion

We noted how increasingly tourism and hospitality organizations may be operating on an international or even global basis. It was recognized that in internationalizing organizations face choices in their strategic disposition, for example whether they adopt a broadly ethnocentric or polycentric approach. The overall strategic disposition of a MNC will also impact on how they develop their international staffing. In addressing issues of this nature MNCs may seek to utilize practices only from its home country, imitate practices typical of other countries or increasingly utilize an amalgam of HRM practices drawn from many other companies and countries,



especially in pursuit of notions of 'best practice'. We noted how this has led many to talk in terms of whether there is increasing convergence in the manner in which HRM policies and practices are developed. In this view HRM practices are 'culture free' and universalistic and so the transfer of managerial practice is straightforward, particularly if that practice is considered as 'best practice'. On the other hand we also noted the enduring influence of host countries' culture and institutions leading many to argue for divergence. In the latter view HRM practices are 'culture bound' and difficult to transfer because of the primacy of differentiating effects of national culture or the need for MNCs to respond to differing legal and regulatory framework in a number of countries.

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- The International Labour Organization is a specialized agency of the United Nations responsible for labour issues globally <http://www.ilo.org/>