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# **Multinational Corporation Management Strategies and Human Resources Practices: Understanding the Nigerian Context**

## **Abstract**

**Purpose** – The purpose of this paper is to examine the principles and strategies of human resource management practices in some Multinational Enterprises (MNEs) based in Nigeria. It challenges established wisdom which argues that HRM practices of MNEs are adopted by those in the developing economies because they represent better or superior ways of managing organisations. By challenging this notion of convergence, this paper contributes to a better understanding of HRM policies and practices in MNEs in Nigeria thereby developing the existing literature and offering knowledge and understanding of the context. Kochan and Bamber (2009) stress the importance of understanding contextual conditions in the global economy in order to understand the multiple realities which HR managers are engaged. In addition, Appelbaum, Batt and Clark (2013) argue that external changes and challenges do impose certain perspectives on HR practitioners and thus bring about new possibilities. And yet, when it comes to MNCs operating in Nigeria, this perspective of examining HR practices has been completely ignored. This study is set to explore several unanswered questions. Is HRM practice of MNCs in emerging economies similar to those in liberal market economies or those of coordinated market economies? How do managers in MNCs frame the context within which their organisations operate and to what extent does this influence the nature and practice of HRM? To what extent are the home country practices transferred to Nigeria's context? Are there clear strategies that set out HRM practices and goals? Given the recent rapid entry of Chinese, and previously the USA and other western MNCs into Nigeria's economy, to what extent is there 'cross-fertilisation' of HRM policies and practices?

## **HRM theoretical models and the convergence/divergence/cross-vergence perspectives**

Studies have attempted to establish the differences that exist in HRM practices across and between MNCs (Rosenzweig, and Nohria, 1994; de Guzman, Neelankavil, & Sengupta, 2011; Gammeltoft, Filatotchev, & Hobdari, 2012). A host of factors have however been found to be responsible for these differences. They include the culture of the host country, country of origin, level of unemployment in

the host country, type of government in the host country and subsidiary factors (George, Kuye, & Onokala, 2012; Horwitz, 2012). Some of these studies concluded that the extent to which host country culture affect HR practices in MNCs differ between MNCs (Horwitz, 2012; Cooke, 2012). However, host country effect remains important to HRM practice in MNCs. It exerts considerable influence on different HR practices in different country where MNCs operates (Rosenzweig and Nohria, 1994; Ferner, 1997). Hence Ferner (1997) submitted that the nature and context of the host country affect the extent to which MNCs may implement country-of-origin HR practices. HR practices at host country may best be described as a form of hybrid of the parent and host country practices (Suwastika, & Anand, 2015; Tregaskis, & Brewster, 2006).

The term 'globalization' is often used to mean different thing by different writers: in some instances it is referred to as "the recent process of unification that has taken place in markets and consumer tastes, increasingly mobile investor capital, and rapid technological change" (Brewster, Wood and Brookes, 2007: p. 321). Globalisation theories have been clear about the fact that economies are becoming globally integrated, accounting for the proliferation of HRM practices and the convergence of HRM practices on the idea of 'best practice' (Brewster, Wood and Brookes, 2007).

Increase in international business and attempt to 'globalize' business activities often led to rekindling of interest in the convergence/divergence and cross-vergence models. The convergence argued that economic ideology is germane to any business system (Gurkov, Morgunov, & Saidov, 2017). Hence developed economies will operate similar HRM strategy and principle (Briscoe, & Schuler, 2004). Consequently, they concluded that developing economies will adopt the same economic ideology during the process of industrialization (Gentry, & Sparks, 2012). The proponents of this view argued that HRM practices will universally be aligned to those in either developed or developing economies (Festing, 2012). On the other hand, the proponents of the divergence view argued that country and cultural differences play important role in HRM strategies and policies. Beyond economic ideology, they argued, is culture which is deep-rooted in all societies. The divergence view concluded that culture will remain a driving force that influences HRM practices irrespective of the level of economic development (Yahiaoui, 2015; Hofstede, Hofstede, & Minkov, 1997). The cross-vergence proponents believe that both culture and economic ideology are important. Cross-vergence is a product of the

interaction between culture and economic ideology. The creation of a new value system that sprouts from the interaction is known as cross-vergence (Gentry, & Sparks, 2012).

### **Nigeria's context**

HRM practice in Nigeria has evolved over the years. Before the turn of the century, the term HRM is hardly mentioned. "Personnel Management" was the phrase widely used. The development of HRM coincides with developments in both academia and industry. Considering HRM within Nigeria's context, it is important to recognize that the term may not be homogenous and can sometimes be vaguely used especially in public sector establishments. The variations relate to whether the organization is a public or private sector organization. The public sector remains conservative holding tight to terms like 'Personnel Management', 'Personnel Manager', 'Personnel Officer and Labour Relations Officer'. while the private sector is quick to evolve with development across the globe. Nevertheless, there are common trends in the use of the term between both the public and private sector organizations.

An overview of the approaches employed by MNCs in Nigeria revealed that there is no one consistent approach to HRM practice and strategy among MNCs (Evelyn, & Abel, 2013). It suggests further that due to the culture and other organizational, environmental and economic factors prevailing in Nigeria, MNCs are unable to adopt a uniform approach to managing HR. Neither the convergence nor divergence is dominant, rather a blend cross-vergence approach characterised by need and necessity of the time. Anakwe (2002:1047) described Nigeria's situation as reflecting a combination of foreign practices driven by the organization's culture or strategy and local practices driven by the country-specific factors. In the case of Nigeria, Anakwe (2002:1057) concluded that "it was evident that adopting a convergence perspective is no longer feasible".

**Design/methodology/approach** – The research is based on exploratory analysis to consider how HRM strategy and principles have been practised in some selected MNCs based in Nigeria. It surveyed a total of 150 HR practitioners and employees in 25 MNC's based in Nigeria. The survey included respondents from the petroleum, banking, telecommunication, construction, marketing, and conglomerates firms. The target of the survey is organisations with more than 250 employees. However, around 25% of the organisations have less than 250 employees. About 50% of the surveyed returned so far were completed

by HR personnel or manager. The overall response rate has varied over the years of collecting the data. In 2015, 18% response rate while we experience in 2016 and 2017 to 25% and 28% respectively.

Data for this study was collected over a period of three years. It involved several visits to Nigeria over the three years period. A non-probability sampling technique was employed for the study. A strategic sampling method was employed in recruiting firms for the study. The choice of firms is partly based on their relevance, influence and contribution to the economy.

A combined technique of snowball and purposive sampling methods of data collection were employed in the study. Initially, some gatekeepers were identified and contacted. These gatekeepers assisted in identifying prospective participants and facilitate the distribution, administration and collection of questionnaires.

The data are generally representative in terms of the sector of the organisation involved. However, because the data is not evenly distributed among the industrial sectors, the survey is not a representation of the whole MNCs in Nigeria. Such data will contribute to the generalisability of findings because a number of developing countries share similar characteristics including ‘a history of militarisation, one-party-state apparatus’ which, have influence on the nature of HRM model/perspectives applicable.

**Findings** – contrary to the works of Anakwe (2002), Azolukwam and Perkins (2009), HR practice and practitioners in Nigeria are often not open to people management practices from liberalised and coordinated economies. MNCs, find it difficult to implement home-country HR practices due to a culture that has been shaped by the militarization of society through a prolonged military rule. This culture is one in which there is a serious disregard for employment law and the use of unconventional employment relations methods.

The Economic Structural Adjustment Programmes (SAPs) prescribed by the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO) as conditions for financial support to the Nigerian government in the Mid-1990s created unique pressures, constraints, challenges which define the scope and practice of HRM. This research, therefore, does not downplay the importance of context (Delbridge and Keenoy, 2010) in influencing HRM policies and practices. The recent entry of China into Nigeria is perceived to be driving down HRM practices around issues of

equality and diversity, corporate social responsibility, recruitment and selection, remuneration policies and working conditions. Increasingly, as a result, MNCs are taking advantage of sometimes inadequate enforcement of employment law and high level of unemployment thus opting not to implement home HR practices. Further, there is evidence to suggest that the MNCs are also actively ‘flexing their muscles’ and forcing the arm of government to waive and relax certain conditions resulting in implementation of management strategies which they would not implement in their home countries. These management strategies are being viewed as leading to violation of basic employment rights and a serious failure to apply the ILO minimum standards around work practices and conditions.

There is a total collapse of collective bargaining and Tripartism for entirely different reasons from home countries of most MNCs. This has resulted in the fragmentation of organised labour, the abuse of the labour courts by MNCs. This has created a trend where employees go for months without receiving their salaries for work done, work which they are contractually entitled to, what Bobo (2011) refers to as “wage theft”. The use of agency workers, (a relatively new phenomenon in Nigeria which has largely been advocated for by MNCs), has resulted in a rise of worker abuses and unfair labour practices and leaves workers with limited avenues for redress of their grievances.

**Practical implications** – Understanding the Nigeria terrain, especially political and economic landmarks are likely to aid multinational enterprises in the formulation and implementation of HRM principles and strategies that will result in successful attainment of organisational goals.

Yet, our understanding of the process and strategies of managing people in less developed economies remain at best shallow despite a huge number of research and technological advances to bridge the barriers between developed and developing world. There abound theories attempting to explain how HR function is organized and managed in MNCs (Geary and Roche, 2001; Farndale, Paauwe, Morris, Stahl, Stiles, Trevor, & Wright, 2010). However, in spite the continuing ‘globalization’ of the world economy, differences still exist among MNCs with regards to methods and strategies employed to manage HR in developed and developing world. An appreciation of how MNCs influence the Nigeria government to formulate ‘investment-friendly employment laws’ is critical to an understanding of

management practices that are implemented. Another practical consideration is the role played by ILO, WTO and World Bank, through specific packages of incentives to government to promote certain management practices which would favour the MNCs.

**Originality/value** – The study remains a source of an empirical data on the subject, an area which currently has a dearth of research led study. It will provide and further theoretical and empirical data that support debate on the subject matter. Although Fernery (1997) acknowledged the effect of Home-Country practices on the Host-Country, the supposed effect was based on the perceived superiority of the Home-Country practices, howbeit, the findings of this paper provided alternative explanations that challenge the current status quo. While Tregaskis and Brewster (2006) argue that a hybrid of the parent and host country practices tends to exist as a result of the convergence of practices, the Nigerian case points to the importance of religion and politics as key determinants of HRM policies and practices in MNCs. There has been a dearth of current knowledge on aspects of human resource management (HRM) strategies and practices in multinational enterprises (MNE) based in emerging markets. ‘Western’– and now increasingly Chinese – MNC’s operating in developing countries; it cannot be taken for granted which approach to HRM would be taken by MNC operating in emerging economies and this research moves us closer to finding answers (Cooke, 2012).

**Keywords:** Emerging Economy, HRM, HRM Principles/Strategies, MNC, Nigeria, Convergence, Divergence, Cross-vergence, WTO/WB/ILO

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