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# **Insights Into The Principles And Strategies Of Human Resources Management Practices In Multinationals Enterprises Based In Nigeria**

## **Introduction**

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. Although some recent studies (Cooke, Wood, Psychogios, & Szamosi, 2011; Demirbag, Collings, Tatoglu, Mellahi, & Wood, 2014) have examined some of the issues involved, there is yet a wide area of scope that requires in-depth empirical studies. Some general assumptions about HRM practices are based on the convergence philosophy that developing economies would replicate practices of those in developed economies – either because of their perceived superiority as well-tested paradigms or through cultural hegemony. However, there is broad agreement that there is no one dominant paradigm of MNC strategy and practice (Kamoche, 2011; Horwitz, 2012; Edwards & Ferner, 2012) in emerging markets. HR strategy and practices of multinational corporation's (MNCs) originating from liberal-market economies are different from those originating from coordinated market economies (Hall and Soskice, 2001); the dissemination of home country HRM practice to host country is known to vary (Perlmutter, 1969); and there is some evidence that home country practice may be influenced through some form of 'reverse transfer' practices, influenced by host country practices (Ferner, 1997). With all of this variation amid '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, Nigeria included. This study is set to explore several unanswered questions. What are the HRM practices of MNCs in liberal market economies? Are HRM practices of MNCs in emerging economies similar to those in liberal market economies or those of coordinated market economies? (To what extent, if any, are the practices of MNCs in liberal market economies similar to those in developing countries?) Are there clear strategies that set out HRM practices and goals? And to what extent are these strategies influenced by practices of other advanced and emerging economies? What are the key determinants or influences of HRM strategies of MNCs in Nigeria? How do workers and managerial employees categorise the practices of MNCs in Nigeria?

The research is based on exploratory analysis to consider how HRM strategy and principles have been practiced in some selected MNCs based in Nigeria. It surveyed 100 HR practitioners, "personnel managers" and employees' from 30 MNC's based in Nigeria. The survey included

respondents from petroleum, banking, telecommunication, construction, marketing, and conglomerates firms. Initial conjecture and overview about HRM strategies and practices revealed that HRM practice in Nigeria is a product of both liberal and coordinated economy practices in western democracies, and a culture that has been shaped by the militarization of the society through a prolonged military rule, under which employment law are disregarded. Based on these suppositions, this study, therefore, attempts to examine the principles and strategies behind human resource management practices in some MNC's in Nigeria with a view to answering the questions above.

### **HRM in Perspective**

The field of HRM has continued to evolve over the last four decades. This evolution, though gradual, has been linked to economic, technological and social realities that influence the way organization conduct business (Wilkinson, Redman, & Snell, 2009). HRM has seen significant transformation in practice which has led to its transition from a state of insignificance to one of prominence and strategic value (Anakwe, 2002; Schuler, Dowling and Cieri, 1993). In today's globalized market economy, where the emphasis is on the reduction of barriers to trade as a tool for achieving increased competitive advantage, profit, and better goods and services, the role of HR remains important and the management thereof (Wright & McMahan, 2011). More so the recent financial crisis has exposed the volatility and connectivity of the world economy and the need for organizations to pay adequate attention not only to the development of their human capital but also to a critical appraisal of those HRM practices that underpin human capital development. As a result, the role of HR has become increasingly germane to the survival and success of organizations. There has been an increasing focus of HRM contributing to the strategic apex. Hence, from a strategic viewpoint, this can be attributed to the erosion in the source of traditional power and the ascendancy of the value of human intellect (Huselid & Becker, 2011; Lengnick-Hall, Beck & Lengnick-Hall, 2011).

Whilst most people will subscribe that HR is essential to organizations competitive advantage, previous study proved differently (Way & Johnson, 2005). Long-standing tradition revealed that an organization does not rest their fortune on HR. In the past, the activities of HR department and personnel remains largely of little significance in most organizations, and competitive strategies have not arguably been based on the behaviour, skills, capabilities and wherewithal of its employees. Wilkinson, Redman & Snell (2009) concluded that employees

are considered as a cost that should be minimized if organizations are to remain profitable. Most often management will attempt to reduce employees' impact on production and maximize its profit by replacing labour with capital where possible whilst also creating artificial classes among employees' in their organization.

Today however, this is fast changing. The economic and control of market share largely depend on the intellect and wherewithal of the HR of organizations. HR is now at the forefront of organizations creativity that captures market and ensures competitive advantage. Evidence revealed that organizations that have gained and maintained good market share are those that recruit and retain creative, inspired and resourceful human labour (Bartlett, & Ghoshal, 2013; Lengnick-Hall, Beck, & Lengnick-Hall, 2011). In a study that examined the impact of strategic human resource practice on corporate performance in selected Nigerian Banks, Ojo (2011) revealed that a positive relationship subsists between organization performance and strategic human resource practice. Wang, Tsui, & Xin (2011) explore links between leadership behaviours and performance of firms and concluded that there is a direct link between leadership behaviours and firm performance. An argument is usually presented that many other organisational features can be copied/replicated but not the quality of human resources and human resource practices. This has resulted in more focus on the quality and role of human resources and associated HRM management strategies. In the case of developing countries, more questions are now being asked regarding strategies of HRM and whether a real shift from personnel management practices to HRM practices is possible and relevant to the Nigerian context. Personnel management practices are seen as broadly about control whereas HRM practices are to do with responsiveness and agility through business-driven-HR of high-impact HR.

HRM is concerned with the resourcing and management of employee and employment relationship on the one hand and the agreement that is established between the individuals and the organizations on the other. The later, in the past, often centres around organizations and management concerns instead of those of the employees. With the continued important role played by employees, the former appeared to be taking centre stage in most organizations. The current trend has therefore meant that whilst managing employment relationship and employees expectations, HRM, must also ensure the achievement of organizational goals and interest.

## **Theoretical models of HRM**

Like many fields of academic endeavours, HRM literature has witnessed a significant increase in empirically based studies. HRM research, within an international context, has seen a considerable difference in approaches employed by academics and practitioners from different disciplines. Among these disciplines, there are some common denominators. Dowling, Festing & Engle (2008) highlights some of the common characteristics, especially those that exist between nations. Available literature covers a wide range of spectrum of issues. They include the Harvard Framework, Guest's Model, Cultural Approach, Storey's Model, Patterson's Model, and Best Fit/Contingency Model (Guest, 2011; Huselid, & Becker, 2011; Jiang, Lepak, Hu, & Baer, 2012; Volberda, van der Weerd, Verwaal, Stienstra, & Verdu, 2012; Dartey-Baah, 2013; Storey, 2013).

The recognition of the growing relevance of effective HRM in a globalized economy has necessitated this new trend. However, our understanding of the process and strategies of managing people in less developed economies remain at best shallow despite technological advances and research investment to improve HRM and organisational practices. There abound theories attempting to explain how HR function are organized and managed in MNCs (Geary and Roche, 2001; Farndale, Paauwe, Morris, Stahl, Stiles, Trevor, & Wright, 2010). However, in spite of the continuing 'globalization' of the world economy, differences still exist among MNCs regarding HRM practices and strategies employed to manage HR in developed and developing world.

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 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, the 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 affects 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 (Tregaskis, & Brewster, 2006).

### **Data collection and analysis strategies**

Data for this study was collected over a period of three years. It involved three 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 and the impact the financial meltdown had on the sector of the firms. This is important as recent development revealed a change in HR strategy and practice in firms adversely affected by the financial crisis.

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. A total of 150 questionnaires were administered to HR officers and managers from 30 firms. The response rate was good. Over 70% of the questionnaire was returned. Although 108 participants returned their questionnaire, some were not included in the final analysis because they were either completed wrongly or omit to complete substantive important sections.

The use of this method was precipitated by the knowledge gained after the initial feasibility study. The feasibility study includes five interviews with HR managers and officers from five different firms, which were also from five different sectors of the economy. The feasibility study provided insight into how the different sectors have been affected by the financial meltdown and on the best approach for data collection. It revealed the likely challenges of using interview as the main data collection for the study

**Findings:** initial findings suggest that HRM strategies and principles employed by MNCs in Nigeria may defile current theoretical suppositions such as divergence and convergence theories. The idea that increase in international business and attempt to ‘globalize’ business activities often led to the convergence or divergence of HRM practices could not be established. The convergence argued that economic ideology is germane in any business system. Hence MNCs operating in developing economies will operate similar HRM strategy and principle with those in developed economies (Briscoe, & Schuler, 2004). Initial findings from this study

suggest otherwise. Furthermore, the supposition by the convergence disciples that developing economies will adopt the same economic ideology during the process of industrialization is also falling apart (Gentry, & Sparks, 2012; Festing, 2012).

The postulation of the proponents of the divergence view appeared to align with the practice in most MNCs studied. They argued for instance 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. However, it is not clear the extent to which culture influence HRM principles and strategies in Nigeria. Initial findings appeared to focus on government policies and the level of unemployment.

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

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