Discussion Paper

The Transfer of HRM Practices to Indian Subsidiaries in a South Korean MNC in the Auto Industry

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Chul Chung
Henley Business School, University of Reading
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dunning@henley.ac.uk

www.henley.ac.uk/dunning

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Abstract
As Korean multinational corporations (MNCs) expand their businesses into major Asian economies and intensify the depth of engagement with key Asian emerging markets, one of the key issues is how they manage their overseas workforce in foreign operations. The chapter presents a case study which examined a Korean parent company’s approach to its Indian subsidiaries’ employment practices as well as their responses to the Korean parent. A multi-sited case study of the Korean MNC in the auto industry, conducted at the headquarters in South Korea and at Research and Development (R&D), manufacturing and sales subsidiaries in India, exhibit an incident of the “dominance effect” and highlight the role of Korean MNCs in the diffusion of so-called, “global best practices” to India, one of key emerging markets in Asia.

Keywords
multinational corporation, Korea, India, employment practices, human resource management, dominance effect, global best practices, institutional theory

Forthcoming

Contacts
Chul Chung, Henley Business School, University of Reading, UK. Email: c.chung@henley.ac.uk
1 Introduction

In the current debates on South Korea's post-development dynamics, the significance of outward-FDI from Korea and the emergence of Korean multinational companies (MNCs) in the world economy have been highlighted. South Korean MNCs have grown rapidly in the recent decade and are now considered as exemplary cases of emerging MNCs from newly industrialized and emerging economies (UNCTAD 2006). South Korean MNCs have also invested significantly in Asian emerging markets. For example, the total FDI equity flows from South Korea to India between 2000 and 2012 were 1.16 billion US dollars, the thirteenth largest amount among all nations investing in India (Department of Industrial Policy and Promotion, Government of India 2012). In some industries such as electronics and auto, Korean MNCs enjoy leading positions in the Asian emerging economies.

In the introduction chapter, it is argued that in the post-development phase, Korean firms’ engagement in foreign markets have far more intensified than in the earlier export-driven model and initial expansions of their operations to overseas markets in 70s and 80s. The size of their subsidiary operations as well as the diversity in their operating functions, which include not only manufacturing plants but also knowledge-intensive functions such as research and development, have been increased significantly especially in Asian emerging markets such as India and China (for example, India or China operations of large Korea MNCs such as Samsung, LG, and Hyundai). As Korean MNCs expand their businesses into Asian emerging economies and intensify the depth of engagement in those markets, one of key issues is how they manage their workforce in foreign operations to compete against global major MNCs and emerging local players. To attract, motivate and retain skilled workforces in competitive local labor markets, much more sophisticated methods than the traditional Korean employment practices might be needed.

However, little has been known about Korean MNCs’ recent managerial policies and practices, especially their approaches to subsidiary human resource management (HRM) practices, and their role in shaping employment practices in those countries. Several questions can be raised: do they try to transfer their parent company practices to subsidiaries or adopt local practices?; or do they instead opt to adopt and transfer third-party practices?; what are the responses from subsidiaries in emerging markets to the approaches of Korean MNCs? While there is growing attention on MNCs’ HRM practices in emerging Asian markets, studies on Korean MNCs in this respect are still rare.
In the International HRM literature, there has been significant interest in the influence of MNCs on HRM practices in Asian emerging markets such as India and China. Researchers (Gamble 2006; 2010; Björkman and Lu 2001; Björkman et al. 2008) have examined the extent to which their home country practices can be transferred to local subsidiaries. In this stream of research, it has been largely assumed that (1) there exist established practices which are strongly embedded in a home country and (2) parent companies are willing to transfer those practices to foreign subsidiaries as they tend to have taken-for-granted views of the kind of practices that are effective (Björkman 2006; Chung et al., 2014). The thesis of country-of-origin effect in the diffusion of HRM practices through MNCs has been studied empirically in various settings in Asian emerging markets and evidence has been found to support the argument (e.g. Gamble 2006; 2010; Björkman and Lu 2001; Björkman et al. 2008). However, existing research has mainly focused on MNCs from developed economies such as the U.S., European countries, and Japan.

This chapter reports a case study which examines whether the widely held assumptions in the literature on the transfer of HRM practices of MNCs to subsidiaries in emerging markets apply also in the case of Korean MNCs. More specifically, it investigates the parent company’s approach to subsidiary HRM practices for white-collar employees and responses from Indian subsidiaries of a major Korean MNC in the auto industry. A multi-site case study of the Korean MNC, conducted at the headquarters in South Korea and at R&D, manufacturing and sales subsidiaries in India, shows that the firm adopts so-called “global best practices”, which were heavily influenced by U.S. practices, as a basis of its global template, rather than imposes parent practices from its home country to subsidiaries. Though several elements of the global template were implemented with significant modification by local actors, key parts of practices were partly implemented in the Indian subsidiaries. The findings of this study call into question the dominant assumptions about the diffusion of HRM practices by MNCs and highlight the role of Korean MNCs in the diffusion of so-called, “global best practices” to India, one of key emerging markets in Asia.

The chapter is organized as follows. The next section outlines extant theoretical approaches which explain patterns in the transfer of HRM practices within MNCs. After a brief review of literature on the HRM of MNCs in India and South Korean, the following section illustrates the methods and research settings of the study. The findings of the research are provided with regard to the parent company’s approaches to subsidiary HRM practices, subsidiary actors’ response to the parent approaches through the implementation of subsidiary HRM practices, and the factors which affect the transfer of practices to Indian subsidiaries. The final section...
discusses the implications and contributions to the literatures on the transfer of HRM practices within MNCs.

2 Transfer of HRM practices within MNCs

There has been considerable research regarding the cross-national transfer of HRM practices within MNCs in the last two decades. In this stream of research, parent firm’s practices were largely considered as a major source of practices for the transfer to subsidiaries. Thus, the similarity between parent firm’s practices and subsidiary practices has been taken for granted as a critical indicator of transfer or standardization of practices across countries (e.g. Hannon, Huang and Jaw 1995; Rosenzweig and Nohria 1994; Tayeb 1998; Björkman et al. 2008). In some empirical studies (e.g. Björkman and Lu 2001), it was found that subsidiary HRM practices tend to resemble either the parent firm’s practices or home country practices. This particular pattern of isomorphism, called “country-of-origin” effect (Ferner 1997), has been explained with institutional theories based upon two assumptions: (1) there exist established practices which are strongly embedded in a home country and (2) parent companies wish to transfer those practices to foreign subsidiaries as they tend to have taken-for-granted views of the kind of practices that are effective (Björkman 2006). An example of country-of-origin-effect can be found in the case of MNCs from the U.S.A. as they have been found to be more standardized and formalized than MNCs from other nations and more likely to transfer their home practices to subsidiaries (Ferner et al. 004).

Another important influence on the cross-national transfer of HRM practices is the local context of a host country. Transferred HRM practices can be confronted with local pressures stemming from unique local institutional contexts such as labor law, regulatory systems, and particular practices which are considered as appropriate ones in a local labor market, and thus the practices that the parent firm tries to implement tend to be subject to adaptations and even rejections by subsidiary actors. For example, Rosenzweig and Nohria (1994), in their research on HRM practices of 249 U.S. subsidiaries of MNCs, found that subsidiary HRM practices are generally similar to local practices with varying degrees depending on the kind of practices. Almond and his colleagues (2005) also found that practices of U.S. MNCs, such as diversity policies, needed to be changed in U.K. subsidiaries due to the national institutional environment of the host country.

It was also suggested that MNCs might opt to use third-party practices, not originated from home or host countries, as a source of practices for transfer (Pudelko and Harzing, 2007).
Especially, practices, which are widely considered as “best practices” as they are originated from a dominant economy, tend to be transferred to subsidiaries. This tendency of global isomorphism based on the notion of “best practices” has been called “dominance effect” (Smith and Meiksins 1995). For example, Pudelko and Harzing (2007) identified that German and Japanese MNCs tend to transfer US-style HRM practices to their subsidiaries, rather than imposing their parent practices.

In short, the cross-national transfer of HRM practices seems to be a highly complex phenomenon which involves the interplay of at least three broad influences—country-of-origin effect, local effect, and dominance effect. Empirical studies have shown that each type of effect finds empirical supports to some extent as mentioned earlier. Almond and his colleagues (2005) called for more in-depth analyses which examine multiple levels of embeddedness experienced by MNCs. It would be necessary to examine all three aspects of influences if we are to understand the cross-national transfer of HRM practices more holistically in a given context.

3 Changes in HRM in South Korea

It was reported that HRM practices in Korea changed dramatically after the Asian financial crisis in 1997 (e.g., Bae and Rowley 2001; 2003; Debroux et al. 2012). Before then, the HRM practices of Korean firms were largely characterized as having an internal-labor-market orientation, long-term employment, and seniority-based systems, similar to Japanese HRM practices in many ways (Bae and Rowley 2003). More specifically, companies were focused on mass recruitment activities targeting entry-level college graduates. Hired employees were expected to work for a long time in a company, and loyalty and collective equality were underpinned as core values. Pay and promotions were determined mainly by seniority, and so performance appraisals were not considered seriously (Bae and Rowley 2003).

After 1997, all the traditional practices were perceived as “problematic” as they were believed to be related to the loss of competitiveness and the collapse of the national economy (Bae and Rowley 2001). Market-driven, performance-based and individualistic approaches to HRM, largely influenced by US-style practices, were introduced, with the label of “global standards” or “global best practices”. Mass redundancies were made legal and Korean firms started to lay off employees in large numbers (Debroux et al. 2012). External labor markets were utilized more, leading to increased employee mobility. Performance-based pay and promotion systems were adopted mainly by large firms, and performance appraisals became a critical part of HRM practices (Bae and Rowley 2003). A study after the Asian financial crisis reported that more than
45 percent of Korean companies with more than 100 employees have implemented individual performance-based pay systems (cited in Chang 2006; Park and Yu 2002).

Although there seemed to be huge changes in HRM practices in Korea, actual degrees of implementation and internalization of the practices within firms could be questioned and varied considerably. Given the extent of change in orientation between the old and the new practices, it might not be surprising that the changes are still in progress and contested (Bae and Rowley 2003).

4 HRM in India

The origin of the personnel function in India can be traced back to the colonial era of the 1920s and their early developments seemed to be much influenced by the personnel function and practices in the U.K., with the concern for employee welfare in factories (Budhwar and Varma 2012). However, current rapid changes in HRM in India, mainly triggered by the economic liberalization in 1991 (Som 2006; Budhwar and Varma 2012). Since then, profound and wide reforms in the industrial, financial, and trade areas have been initiated and contributed to the rapid growth of the Indian economy (Som 2006). India has become one of the fast growing economies in the world and attracted a large number of MNCs from foreign nations (UNCTAD 2009). The foreign firms operating in India have created pressures on Indian firms to adopt more rationalized and structuralized approaches that emphasize human resource development and the contribution of HRM function to organizational performance in order to compete against subsidiaries of MNCs (Budhwar and Varma 2012). However, the actual implementation of the approaches can be found mostly in modern sectors such as IT and Business Process Outsourcing, and other sectors are still in the phase of rapid transition (Budhwar and Varma 2012).

Comparing developments in HRM in Korea and India indicates noticeable similarities. Both cases have a history of initial developments of their personnel functions, which were strongly influenced by external forces such as Japan and the U.K. They are both in a phase of rapid transition in HRM. The direction of changes in HRM seems to be similar, focused on the adoption of HRM practices from liberal-market economy.

Based on the review of the existing literature, three research questions were formulated to guide the study as follows.

1) Which origin of practices does South Korean MNCs utilize, when they transfer HRM practices to subsidiaries? (e.g. parent firm’s practices, third-party practices)
2) To what extent are the HRM practices, imposed by the parent company, transferred to Indian subsidiaries?

3) What are the local contextual factors which affect the transfer of practices to Indian subsidiaries?

5 Research Design

This study adopts a multi-sited and interview-based case study with MotorCo to examine both the parent firm's approaches to subsidiary HRM practices and subsidiary responses to the parent approaches. The research design allowed the researcher to evaluate the various effects on the transfer of HRM practices across different levels, such as country-of-origin, dominance, and local effect. Though the overall research design was intended to be flexible enough to be open to any unexpected finding, a part of data collection followed a structured approach with a research instrument which includes predefined categories—especially, a list of specific components of HRM practices—as guidance in parts of the interviews.

At the corporate headquarters in South Korea, five interviews were conducted with a corporate HR executive and senior HR managers who had been directly involved in the development of international HRM policies. Corporate-wide international HRM policies including approaches to subsidiary HRM practices, related initiatives, and particular motives underlying the policies and initiatives were asked. In India, seventeen interviews in the three subsidiaries of R&D, sales, and manufacturing function across different locations were performed. Interviewees included the heads of subsidiaries, subsidiary HR managers, HR expatriate, and selected local line managers across three subsidiaries. Information was sought on the unique contexts of each subsidiary, subsidiary responses to parent firm's approaches, and implementation of subsidiary HRM practices.

MotorCo was chosen due to several reasons. It was believed that the company could provide an ideal research setting in terms of high degree of internationalization in its business and its global presence in emerging markets, especially in India. In 2010, MotorCo's total revenue was over 55 billion US dollars and the proportion of sales abroad was around 75 percent. MotorCo had 124,000 employees worldwide and 30 percent of employees worked outside of Korea (2012 MotorCo annual report). The company also willingly allowed the researcher to access its subsidiaries in different locations with a promise of good support to the research. The three subsidiaries included in the study are located in different regions in India such as the sales subsidiary in Delhi, the R&D subsidiary in Hyderabad, and the manufacturing subsidiary in Chennai.

Parts of these interviews were highly structured by using pre-defined specific categories to enable comparisons across various research sites. The structured interview instrument solicited data about parent company's approaches to subsidiary HRM practices and actual implementation of HRM practices in subsidiaries in terms of particular orientations towards global standardization, localization or hybrid.
Collected data was transcribed, coded and analyzed. The coding of the structured interview data regarding the firm’s approaches to subsidiary HRM practices and the implementation of such practices could be coded in a straightforward manner. The semi-structured interview data was reviewed, coded and analyzed. After validating and refining the coding result of the interview data at the organizational level, comparisons were made between headquarters and subsidiaries as well as across the three subsidiaries.

6 MotorCo’s approach to subsidiary HRM practices

MotorCo is a part of MotorCo Group, one of the three biggest business groups in South Korea, focusing on a range of auto related industries from steel manufacturing to auto financial services. There is a corporate HR function which is responsible for international HRM strategy and policies for all the subsidiaries of MotorCo.

Since the mid-2000s, MotorCo has globalized its business operations aggressively by building overseas plants and engineering centers in China, India, North America and Europe. As businesses in foreign markets have grown, the number of locally hired employees has increased dramatically. The issue of how to manage local employees to sustain its growth in those markets has emerged as a strategic concern of the firm. Once each subsidiary was set up and stabilized, the senior managers in the subsidiary as well as in the corporate HR team began to consider the issues of developing, utilizing, and retaining local employees more seriously. The corporate HR team perceived that subsidiary HRM practices were determined mainly by the personal view of the head of a subsidiary, rather than by corporate policies. The subsidiary practices tended to be changed whenever a new head came into the subsidiary. The corporate HR team recognized that they needed guidelines and policies regarding subsidiary HRM practices in order to maintain a minimal consistency across subsidiaries as a global company.

The corporate HR team launched a series of global HRM initiatives intended to transform their HR functions toward being more globally integrated. The global HRM initiatives started in 2005. The corporate HR team developed a global HRM strategy and an initial draft of the “Global HR Standard”, which is a guideline describing the desired features of their subsidiary HRM practices. Since 2007, the corporate headquarters of the company has deployed their newly developed across five broad HRM areas that have widely been identified as core areas of practice in previous research (Huselid 1995; Youndt et al. 1996) such as (1) job and grades, (2) recruitment and selection, (3) learning and development, (4) performance management, (5) compensation and benefits. Other interview questions were designed to remain sufficiently open and flexible so as to avoid limiting findings to preconceived themes. Each interview was conducted on a one-to-one basis and lasted one to two hours. Documents were also collected and utilized to supplement the interview data.
“Global HR Standard” to each subsidiary, whose HRM function had previously been operated independently without the parent firm’s control. Subsequently, various initiatives to support successful implementation of the “Global HR Standard” were planned and implemented by the corporate HR team.

The particular orientation of their international HRM strategy, which guides those initiatives, was expressed as “Glocalization”, a term that interviewees used explicitly to describe their international HRM orientation as MotorCo pursued both global integration and local responsiveness simultaneously. It was apparent that interviewees were willing to express their international HRM strategy as neither sole globalization nor localization. They also tried to standardize their subsidiary HRM practices very selectively, based on decisions regarding whether each component of the various HRM practices needed to be standardized or not in order to facilitate global assignments or corporate value sharing.

One important aspect in the international HRM strategy of MotorCo was the adoption of so-called “global HRM best practices” as a reference for standardization of subsidiary HRM practices. Respondents reported that they had used extensively benchmarking with leading U.S. MNCs, and hired U.S.-based global consultancy to support the design of their “Global HR Standard”. In other words, they intended to adopt and transfer what was known as “global best practices” to subsidiaries, based on the information gathered through the benchmarking and work with the consultancy.

As discussed earlier, the HRM practices, influenced by US-based MNCs, have been widely adopted by large Korean firms since the Asian financial crisis in 1997 (Bae and Rowley 2003). MotorCo also tried to introduce those practices such as performance-based HRM practices. However, respondents reported that they couldn’t fully implement the practices in the parent company in Korea as there was strong resistance from their labor union. The industrial relation climate in MotorCo has been extremely hostile as there were strikes almost every year since 1987. Accordingly, performance-based HRM practices could be applied only to non-unionized upper middle manager groups and traditional seniority-based practices are still used for other employee groups in the parent firm. When MotorCo considered the transfer of HRM practices to subsidiaries, they avoided utilizing their parent companies’ current practices as the major reference of practices for the transfer. They believed that their current home practices were “compromised” ones and tried to develop and transfer the practices, which seemed to be more close to “global HRM best practices”.
This is evidence of the dominance effect (Smith and Meiksins 1995), previously noted in MNCs from Germany and Japan which were earlier into global markets than Korean MNCs (Pudelko and Harzing 2007) and supporting other evidence on the transfer of HRM practices within Korean MNCs (Glover and Wilkinson 2007; Chung et al. 2012).

The dominance effect occurred in the widespread adoption of U.S.-based HRM practices at the home country level. There were indications here of the three mechanisms of institutional change identified by DiMaggio and Powell (1983) – the coercive (e.g. restructuring and the adoption of market-oriented practices were forced by the government), mimetic (e.g. following other Korean competitors who adopted performance-based HRM practices), and normative (e.g. following a normative view on effective HRM, shared in increasingly professionalized HR communities in Korea). MotorCo also tried to adopt the new practices in its corporate headquarters, though it could implement them only partially. Here, the dominance effect had occurred at the home country level, indirectly affecting HRM practices in the corporate headquarters of MotorCo. The dominance effect also occurred more directly at the company level, when MotorCo designed the “Global HR Standard” to transfer to its foreign subsidiaries. The pre-exposure to the changing home institutional environment might facilitate the adoption of so-called “global HRM best practices” as a global template. Corporate HR actors seemed to feel more freedom or willingness to utilize so-called “global best practices” when they considered globally deployable practices.

7 Transfer of the “Global HR Standard” to Indian subsidiaries

The corporate HR actors of MotorCo have tried to deploy their newly developed “Global HR Standard” to each subsidiary including those in India. They carefully selected and defined the mandatory components of standardization, which every subsidiary was required to comply with, and recommendatory components, which were recommended for implementation subject to subsidiaries’ decisions.

The local HR managers in the Indian subsidiaries have shown some knowledge of the “Global HR Standard” as they had been given a detailed formal document to support the implementation of the practices. Although there are variations across subsidiaries, the interviewees in the Indian subsidiaries reported that some parts of the mandatory standardization components of the corporate guideline were adopted by the subsidiaries to some extent, depending on particular
components of the practices. Particularly, the components in learning and development and performance management practices were more often adopted than others.

For example, the forced distribution practice in performance management, where managers are required to distribute ratings for their employees into a pre-defined performance distribution guideline, was accepted in the subsidiaries in India as a necessary mechanism to ensure differentiated evaluation by managers:

Initially, the performance management system, the forced distribution was ... I personally feel that is definitely required... that gives you some competitiveness between my subordinates. And moreover,... as a leader, if I am allowed to give any rating, sometimes the leader becomes so weak he gives everyone the same thing...Very positive or very negative rating. So that does not give any motivation to the person who is working for you.

Line manager, India manufacturing subsidiary

The responses from local managers in Indian subsidiaries regarding the adoption of the corporate-wide “Global HR Standard” seems to be driven by the belief that systematic approaches to HRM might be more desirable than informal and less systematic ones, often found in indigenous Indian firms. One Indian HR manager clearly showed this view:

I feel it (less systematic approaches to HRM) is not very good also, sometimes, because the larger the organization, we need to follow the system and practices, which MNC does–this is good. But in many Indian companies, they just play a certain game–they give the employee promotion, they give the salary high level, which is not perhaps good. Indian companies are not very systematic–they ... look at people–suppose you are not happy with some reasons, you decide to go leave the company. They'll increase your salary, just to retain you, which is not good.

HR manager, India sales subsidiary

These results are consistent with the findings from previous studies. It was reported that Western MNCs’ practices such as employee development and performance management had influenced considerably on practices in India (Budhwar and Varma 2012), but some other practices of MNCs were subject to localization (Björkman and Budhwar 2007).

Although parts of the mandatory standardization components of the “Global HR Standard” were implemented in the subsidiaries, it was found that some of them were selectively adopted or modified by subsidiaries. Particularly in India, a major collision between the headquarters’ intentions and subsidiary practices emerged in the area of the grade system. The global five-level
grade system could not be implemented in the Indian subsidiaries and instead a ten-level grade system was adopted. Local managers could persuade corporate-headquarters managers and implement their own version of grade system. They argued that a highly differentiated hierarchical grade system might be perceived as a norm or standard in the local Indian labor markets:

Our grade system is much more differentiated than our global standard. It is a 10 level-grade system. We need to synchronize our grade system with India market practices...if we don't, it might affect the attraction and retention of our local employees.

HR expatriate, India manufacturing subsidiary

It was suggested that in India people are highly concerned with job titles associated with a particular grade system and many companies use more hierarchical grade structures with a number of grades to appeal to local people who want to be promoted within a short period of time. The rapid movement in the grade system was deemed to the improvement of social status and financial benefit in the society:

If you go to any multinational in India, it might be very common to see the grade system. That also are more or less, designations baskets will be given in each level. So based on the baskets they can, because Indian people are more fascinated by higher designation... (if) my designation (title) changed. I feel okay. I've done something...Today I was same G1 position, like level one. And today I'm an executive. In the level one, also senior executive. I've been given a title, senior executive, I would be happy.

HR manager, India R&D subsidiary

It should be noted that significant variations existed in the degree of adoption of the “Global HR Standard” among subsidiaries within India. For example, it was found that the subsidiary of R&D function showed relatively low levels of implementation of the “Global HR Standard”. It is not clear whether such sub-national variations were caused by differences in function or location. However, it could be an evidence to support the recent recognition of sub-national geography as an important level of analysis in international HRM (Almond 2011). Almond argued that existing literatures tend to mainly focus on “national culture and/or institutions in host countries” as major local contexts, while sub-national geography could be an important level of analysis in understanding local effect on HRM practices of MNCs (Almond 2011: 531).
8 The role of local institutional contexts in the transfer of practices

When it comes to the factors which might explain the variations in implementing the Global HR Standard across practices and function/location, two institutional factors stood out in this research: (1) the dynamic local labor market, and (2) the lack of bundles of coherent practices which are strongly embedded in local contexts.

The Indian economy is one of the major emerging markets, and respondents commonly described their local labor markets as highly dynamic as employees move readily between companies. Thanks to the fast growth in the Indian economy and a surge of foreign investments in Indian markets, there is high demand and many job opportunities in local labor markets, especially in the IT sector and in R&D function. Indian employees in those areas tend to move every three to four years to develop their career:

Currently we have major challenges in reta ining... In India actually people generally look at around three to five years’ experience. They will generally come and then change their job. Unlike a lot of countries, where they have one company for a long period...Since India is an emerging market these kinds of things are very common.

HR manager, India R&D subsidiary

Furthermore, MotorCo competes with major global players in the auto industry as many of them have entered Indian markets. Thus, attracting and retaining local employees is one of the key challenges across the Indian subsidiaries of MotorCo.

Basically, hiring, I would say, slightly difficult these days, because a lot of car players has come up. In India, (previously) we only had Maruti as a key player, plus MotorCo. And now, with the arrival of new players... now every MNC is here–and MotorCo is the biggest target for them, because if you work for MotorCo–any employee, if he has worked for MotorCo, that means he’s OK. If he’s OK in terms of quality, he’s the best (in the labor market). So everybody wants to get the best from their company–easy to get.

HR manager, India sales subsidiary

The situation in Indian labor markets seems to give local HR actors some power to persuade corporate HR actors. There might be a significant risk of losing local talents to competitors if they do not follow the local managers’ advices regarding HRM practices—as, for example, with the hierarchical grade system.
In short, employees’ potential mobility, enabled by dynamic local labor markets might be one of the major factors that explain why local practices were adopted instead of the “Global HR Standard” both in a particular practice area (e.g. grade system) and location/function (e.g. R&D subsidiary in Hyderabad). The possibility that local employees could move to other competitors, if particular practices they preferred were not adopted, was perceived as a considerable risk factor which could affect the firm’s business performance negatively. This might make it difficult for the corporate headquarters to force the subsidiaries to follow the corporate guidelines. This finding supports the view that emphasizes the role of distinctive local institutional context as a power resource for local managers to persuade corporate headquarters (Ferner et al. 2004; Geppert and Matten 2006).

Regarding the second institutional factors, the respondents considered that it might be difficult to identify HRM practices which are widely used across companies in India. It was reported that a range of different styles of people management practices exist together in India, as some Indian companies utilize less systemized approaches to people management, whilst MNCs from various countries use their distinctive practices originated from their home countries. Considering the state of institutional development and the range of different types of employers, such diverse practices in India are to be expected:

We don’t have a widely used HRM practices)...Not really in India actually. We have all bits and pieces kind of approaches. Like India’s culture of Eastern part and Western part. So if you look at the European companies and American companies, like IBM, they don’t actually have an agreement with the people.... Eastern side companies like Korea, Japan, these companies have a totally different system...India companies also have different approaches to HRM.

HR manager, India R&D subsidiary

Here, the lack of widely institutionalized practices in India appeared to be another important factor that affects the transfer of HRM practices to India. It seems to be clear that some corporate-initiated practices were implemented without serious local resistance partly due to the lack of bundles of coherent practices which are strongly embedded in the local context. Although there were a limited number of widely shared practices, the diversity in types of HRM practices was reported as key characteristics of HRM in India. In this context, corporate actors might have more freedom in their choice of practices in subsidiaries, as there are not many local practices which are strongly institutionalized and thus difficult to change. Furthermore, any systematic approach to HRM might be perceived as more advanced or “better” practices as
indicated in the interviews with local managers. To some degree, this context might be generalizable to other emerging markets.

9 Conclusion – Korean MNC as a distributor of “global HRM best practices”?

This study examined the Korean MNC’s approaches to subsidiary HRM practices and how they are implemented in the three subsidiaries in India. It revealed that the Korean MNC tried to adopt and transfer so-called “global best practices” influenced by U.S. firms and the practices are implemented, adapted or rejected depending on practice area and function/location of subsidiary. The dynamic labor market and the lack of locally institutionalized practices were found as major contextual factors that affected the transfer outcomes.

Then what are the contributions of the findings to the current literature? First, this research contributes to the understanding of Korean MNCs’ role in the diffusion of HRM practices in India, as one of rare empirical researches on the issue. Instead of adding more diversity to HRM practices in India, the Korean MNC adopted and distributed the influential U.S.-based practices to India. It can be considered as an incident of the dominance effect in the hierarchy of national economies (Smith and Meiksins 1995). Here we can observe a particular pattern of managerial knowledge flow at the global level, from (1) a dominant nation–U.S. to (2) a newly industrialized economy–South Korea and Korean MNCs, to (3) an emerging economy–India. In this flow of knowledge, the Korean MNC plays as an active agent in distributing so-called “global best practices” to India. The country-of-origin thesis, which assumes the existence of established practices embedded in a home country and parent companies’ willingness to transfer those practices to foreign subsidiaries and thus predicts the transfer of parent company’s practices to subsidiaries, could be called into question by the findings in this research.

Secondly, the finding of the dominance effect offers an insight on the transfer of HRM practices within MNCs in a specific context of a home country and a host country–newly-industrialized economies and emerging markets, respectively. This context has rarely been studied, but it is likely to increase in the future. Further studies will be helpful to see whether the dominance effect might be prevalent in this type of context.

Finally, the study also contribute to the literature on the transfer of HRM practices within MNCs by supporting the view that emphasizes the influence of multiple institutional contexts such as home, host, and transnational influences and highlights the “negotiated” nature of the practice transfer within the multiple influences (Ferner et al. 2004; Geppert and Matten).
The result of this research showed that no influence is entirely pervasive across various practices and functions/locations of subsidiaries, even in a single host country of an MNC, but the various influences are interwoven in practices selectively depending on particular practice area and function/location of a subsidiary.

The case study of a single MNC might limit the generalizability of the findings to other Korean MNCs. However, the case firm for the study is a major Korean MNC which might be considered as a representative company to some extent. Further studies with other Korean MNCs from different sectors, operating in India and other emerging markets, will supplement the findings of this research.
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