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**South African MNCs' HRM systems and practices at the subsidiary level:  
insights from subsidiaries in Ghana.**

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# **South African MNCs' HRM systems and practices at the subsidiary level: insights from subsidiaries in Ghana.**

## **Abstract**

Despite the extensive literature on the HRM systems and practices of MNCs from developed countries, there are serious gaps in our understanding of emerging countries multinationals HRM practices and systems at both home and host countries. We take a step towards enhancing our understanding on this issue by empirically exploring the similarities and differences of both HRM systems and practices of MNCs originating from South Africa, one of the BRICS countries, operating in Ghana. The study reveals that with the exception of compensation and industrial relation practices which are localised EMNCs HR systems and practices are mainly transferred to subsidiaries with minimal adaptation to contextual realities. Further research and practical implications are discussed.

Key words: HRM systems; HRM practices; diffusion, hybridisation, localisation, EMNCs, South Africa, Ghana

## **1. Introduction**

International management research has tended mainly to examine the transfer of managerial practices and for that matter human resource management practices from parent companies to subsidiaries and their adaptation to local contextual realities (Sorge, 2004; Yahiaoui, 2014). But in recent years, some burgeoning research has focused on the reverse transfer of subsidiary HRM practices to their headquarters (Geppert and Williams, 2006; Yamao et al., 2009). Others have recently concentrated on the duality approach by examining the hybridization of headquarters and local HRM practices and systems (Yahiaoui, 2014). Scores of studies in this area found evidence of diffusion, adaptation, and hybridisation of HRM practices in subsidiaries of multinational companies MNCs (Geppert and Williams, 2006; Horwitz, 2014; Yahiaoui, 2014). Diffusion, here, refers to the process of a MNC transferring practices to host subsidiaries whilst adaptation involves adjusting to local institutional systems and practices (Yahiaoui, 2014). Hybridization on the other hand refers to the transformation of

HR practices through diffusion or adaptation, shaped by organisational and institutional contextual realities to something different from both home or host country HR practices (Yahiaoui, 2014).

Much of this international management literature has paid attention on the transfer of developed countries MNCs HR practices to other developed, transitional countries and some developing countries in the East (Al-husan et al., 2009; Almond et al., 2005; Azolukwam and Perkins, 2009; Ellis et al., 2015; Gamble, 2010; Geppert & Williams, 2006; Nakhle, 2011; Shimoni, 2011; Yahiaoui, 2014). Despite the extensive literature on the HRM systems and practices of MNCs from developed countries (Brewster et al., 2008; Edward and Ferner, 2002), research is scarce on the diffusion, adaptation and hybridization of HR practices from emerging countries multinational companies (EMNCs) to their subsidiaries in other host countries. This is notwithstanding the remarkable emergence and global competitiveness of EMNCs particularly those from the BRICS countries.

A search of the major HRM journals such as Human Resource Management Journal, Human Resource Management, Journal of International Management, Journal of World Business, Journal of International Business Studies, Journal of Management, Academy of Management journal, Academy of Management Review, etc., revealed no research on BRICS MNCs' HRM practices. The dearth of research on the HR systems and practices of EMNCs from the BRICS is surprising considering the growing numbers of MNCs from these countries with substantial subsidiaries in many countries around the world. There are therefore serious gaps in our understanding of EMNCs HRM practices and systems at both home and host countries. We take a step towards filling this gap and in enhancing our understanding on this issue by empirically exploring the similarities and differences of both HRM systems and practices of MNCs originating from South Africa, one of the BRICS countries, operating in

Ghana. By this we explore the HRM systems and practices of South African MNCs operating in Ghana.

The business environments in African countries are not homogenous but diverse in their institutions, regulatory, political, economic, social and cultural systems (Adeleye, 2011; Ellis et al., 2015; Osabutey et al., 2015). In the same way, considerable differences in some HR practices among different African countries have been observed (Jackson, 2004). Horwitz (2014) notes that the general assumption of homogeneity of countries in the region tends to obfuscate the realities of the diversities. Given this level of complexity and diversity in Africa, scholars have alluded to the significant potential of impactful comparative research on HR practices and systems between regions or countries in Africa (Horwitz, 2014). Evaluating African MNCs' HRM systems and practices in their subsidiaries in other African countries' context is very important. Hence, the focus of this study, i.e., the examination of HRM practices and systems of South African MNCs subsidiaries operating in Ghana. To our knowledge, this is the first study of its kind to do so.

We first briefly review the main trends in MNCs HR systems and practices in their subsidiaries. Thereafter, we explain the methodology adopted in collecting and analysing the data in this study. Next, we present and discuss the findings and highlight the implications of the findings. The limitations and discussion of potential future research areas concludes the paper.

## **2. Literature review**

The increasing strategic nature of HRM has generated a great deal of research examining the extent to which MNCs deploy headquarters' HRM practices to subsidiaries in host-countries (Brewster et al., 2008; Jain et al., 1998). A review of the extant literature reveals

four approaches to MNCs HR practices in their subsidiaries. These are: the global standardisation approach, the transfer of home country HR practices to subsidiaries; the adoption of host country HR practices; and the hybridization of HR practices (Brewster et al., 2008; Edwards and Ferner, 2002; Geppert and Williams, 2006; Jain et al., 1998).

The stream of scholarly work in this area is underpinned by the belief that globalisation and global standardisation fuelled by the increasing inter-connectedness of national economies; the persistence of differences in national business systems; and the ‘dominant economy’ argument are key driving forces of MNCs HR systems and practices (Edwards and Ferner, 2002; Geppert and Williams, 2006).

The globalisation and standardisation perspective reflects the convergence argument that business cultures and policies around the world are converging (Geppert and Williams, 2006). It is believed that globalisation of firms and industries drives the move towards standardisation of systems and practices as well as centrally planned and co-ordinated actions (Horwitz, 2014). This is supposedly because national identities are eroding and being replaced by a unified global mission underpinned by common practice. At another level, it is suggested that the emerging trend of uniformity in consumer tastes across countries in recent times is facilitating MNCs integration of their HR systems and practices across their international operations (Edwards and Ferner, 2002). Homogenous HRM systems and practices coupled with the development of global mind-sets are therefore predicted by scholars to replace home and host country national identities (Geppert and Williams, 2006; Gupta and Govindarajan, 2002). The potential for synergistic linkages between subsidiaries have similarly informed some MNCs to embrace integrated and internationally business-based HR systems and practices (Edwards and Ferner, 2002).

A stream of the literature focusing on the ‘dominant economy’ argument also suggests that MNCs are effective in transferring knowledge across borders and tend to diffuse best

practices from subsidiaries in ‘dominant’ economies across their international operations (Edwards and Ferner, 2002). Accordingly, strong economic performance in one country serves as a recipe for diffusing elements of their systems and practices to other contexts (Geppert and Williams, 2006; Pudelko and Harzing, 2007). MNCs in this sense are seen as bearers of dominance effect and their systems and practices are likely to reflect the dominance of a particular economy, which could be the country of origin or a host country (Mayrhofer and Brewster, 2003; Pudelko and Harzing, 2007). Some MNCs may also imitate best practices of competitors and transfer them to subsidiaries (Yahiaoui, 2014). This view is also aligned to the argument that some MNCs create international HR divisions that integrate best practices from various subsidiaries and contexts and also for facilitating inter-subsidary learning of practices (Edwards and Ferner, 2002).

The institutionalist research perspective however raises doubts about whether globalisation has the potency of converging local business and HR practices (Geppert and Williams, 2006). A dominant view in international HRM research is that in spite of globalisation MNCs tend to deploy their home country HRM practices and approaches to subsidiaries in their host-countries (Brewster et al., 2008; Jain et al., 1998). Accordingly, the systems and practices in the MNC’s country of origin persistently influence MNCs behaviour and people management approaches in their subsidiaries (Noorderhaven and Harzing, 2003). The central logic in this argument is that MNCs are in fact national firms with international operations, such that the HRM systems and practices in the country of origin inform subsidiary behaviour in the host country (Geppert and Williams, 2006). Moreover, MNCs tend to have stronger links with their home country financial institutions, generally raising capital from them, and following the corporate governance structures of the country of origin (Edwards and Ferner, 2002). Similarly, MNCs headquarters and other key strategic activities such as research and development activities are usually based or concentrated more in the home country (Edwards

and Ferner, 2002). A consequence of this is that MNCs home national systems and interest of domestic stakeholders disproportionately influence politically and strategically sensitive decisions and the way labour is managed in MNCs even in subsidiaries located in host countries (Edwards and Ferner, 2002).

Notwithstanding, another perspective in this body of institutionalist research suggests that while national origin influences the actions and behaviour of MNCs, there is usually scope for them to draw on systems and practices in host countries (Edwards and Ferner, 2002). In this regard, cultural compatibility becomes one of the thorniest issues that confront MNCs attempt to send and implement home country HR practices at their subsidiaries in host countries (Jain et al., 1998). Directly deploying home country HR practices without adaptation may be perceived as undercutting host country values and traditions and imposing a foreign culture (Jain et al., 1998). Scholars therefore acknowledged that MNCs seeking to deploy their home HR practices, if they are culturally sensitive, can adapt their systems and practices to those of the host country (Geppert and Williams, 2006). It is further suggested that the country of origin effect tends to diminish with the length of the firm's operation at the international level (Edwards and Ferner, 2002).

It is also asserted that, the strategic position and performance level of a subsidiary within the MNC will influence the adoption of local practices or the diffusion of foreign practices into the subsidiary. Diffusion refers to the transfer and centralisation of knowledge and practices in the MNCs subsidiaries (Yahiaoui, 2014). A subsidiary that occupies a strategic position and performs very well tends to gain bargaining power to implement and protect local systems and practices, than a poor performing and less strategic subsidiary (Geppert and Williams, 2006). Accordingly, poor performance significantly weakens the influence of local management in the subsidiary and that paves the way for the headquarters to introduce country of origin or global best practices into the host subsidiary (Ferner, 2000; Geppert and Williams,



2006). Cross-border mergers and acquisitions also tend to reduce a single country of origin effect and rather enable the firm to draw on HR practices and systems in the host country (Edwards and Ferner, 2002).

The diffusion of the country of origin or country of dominance effects depends on the openness, amenability and receptiveness of the host country business system to new practices. In subsidiary host national business systems that are open, firms find it easier to introduce and implement country-of-origin or dominant country HR systems and practices (Edwards and Ferner, 2002). In closed economies with business systems that are highly regulated and distinctive, diffusion of global best practices or country of origin systems tend to be more restricted (Geppert and Williams, 2006). Some closed economies with business systems also tend to have efficient institutions that effectively enforce the regulations. Arguably, in weak institutional contexts, there is a much higher possibility of MNCs transferring country of origin, dominant country effects or global best practices to subsidiaries in these contexts than in closed systems. The strength of labour market institutions is particularly suggested to inhibit the diffusion of new systems and practices into subsidiaries in such context (Edwards and Ferner, 2002).

Another perspective in this area of research is that some MNCs subsidiaries tend to adopt the HR practices of the host country (Brewster et al., 2008; Jain et al., 1998). Some scholars have therefore demonstrated the enduring role of host country national business systems and institutional characteristics on people management and labour relations of MNCs subsidiaries on the ground (Geppert and Williams, 2006). Persisting and strong national contextual realities have been highlighted as pivotal drivers of competition in the dynamic and increasingly complex business environment (Horwitz, 2014). Thus, even when MNCs apply country of origin practices or best practices globally, local adaptation and responsiveness of these practices to host country contextual issues is required (Woywode, 2002). HRM systems

and practices must be supported by both cultural and institutional factors in the subsidiary's local context (Myloni et al., 2004; Scott, 2001). Geppert and Williams (2006) therefore argue that the relative enduring strength of national institutions when compared with international institutions means that the influence of national business practices on MNCs subsidiaries will continue and not diminish.

Against this background, this paper attempts to address the following questions: (i) what HRM systems and practices exist in South African EMNCs' subsidiaries in Ghana? and: (ii) do the South African EMNCs use global best practices or do they adopt host country HR practices or systems?

### **3. Methodology**

#### **3.1 Research context**

Given the limited research on EMNCs transfer or adoption of HRM practices in their subsidiaries, our intention to extend existing literature, and the explorative nature of the study, we used a qualitative approach (Regner and Edman, 2014). This is in response to recent calls for qualitative and multi-ethnic group interviews of HR managers and directors of the EMNCs operating in host countries (Birkinshaw et al., 2011; Eisenhardt, 1989; Marschan-Piekkari and Welch, 2004). The qualitative approach has been found to be appropriate in examining, uncovering and enhancing complex organisational issues and has been extensively used in similar studies in on MNCs HR systems and practices (Geppert and Williams, 2006; Yahiaoui, 2014).

In order to further enrich our understanding on the importation, localisation or the hybridisation of EMNCs HR practices in their subsidiaries, we focused on MNCs originating from South Africa, the only BRICS member country in Africa, and their subsidiaries operating

in Ghana also in Africa. South Africa is the last country to join the BRICS group of countries in 2010 and is home to majority of the MNCs originating from the entire African continent. Moreover, progressive reforms have been implemented post-Apartheid which have enhanced the business environment (Horwitz and Jain, 2011). The country consistently leads other African countries in the amount of outward foreign direct investment driven by its MNCs (UNCTAD, 2015). In 2014 MNCs from South Africa intensified intra-Africa investments with Ghana being one of the top destinations of such investments (UNCTAD, 2015). Ghana is among the fastest growing economies on the continent and has consistently been considered as the beacon of Africa's democracy and progress (Nyuur and Debrah, 2014). Ghana's prevailing favourable business environment has endeared it to many South African MNCs companies and they have established subsidiaries in various sectors.

There is considerable diversity of contextual realities in African countries' business environments, and yet scholars have the tendency to 'lump African countries together' as similar (Beugre and Offodile, 2001; Jackson, 2004). The 'Ubuntu' concept is generally perceived as underpinning African culture and people management practices (Horwitz, 2014; Newenham-Kahindi, 2009). But realistically it is mainly a South African phenomenon. Moreover, in a recent systematic review of HRM in MNCs in Africa, Horwitz (2014:18) found that 'much of the contemporary research on MNCs in Africa is concentrated in the African-Asian nexus'. Given the diversity and complexity of African countries, it has been suggested that a comparative research of MNCs HR practices between countries in the region would illuminate our understanding of HR practices in Africa (Horwitz, 2014). Thus, exploring South African HRM practices in their subsidiaries in Ghana is appropriate and timely.

### **3.2. Selection of informants**

Given the nature and aim of the study, we followed Geppert and Williams (2006) by focusing on the subsidiary HRM practices in the host country as the basis of our analysis. This

is based on the premise that such an approach allows the researcher to effectively examine and identify the globalisation, localisation or hybridization of HR practices in the subsidiary local context (Geppert and Williams, 2006). Moreover, others observe that the nature of EMNCs HRM systems become more visible and their practices are measurable at the local level where either practical problems or possibilities arise (Chowdhury and Mahmood, 2011; De Silva, 1998). Additionally, it's been suggested that examining headquarters practices alone often lead researchers to stress convergence (Geppert and Williams, 2006).

Our research is based on semi-structured interviews that were conducted with a total of 18 informants from nine different South Africa MNCs subsidiaries. According to Yin (1994) and Stake (1994), this approach is suitable because it enables the researchers to conduct group interviews (where possible) so as to be able to discover subsidiary-specific issues. These informants were identified through various approaches including snowballing approach, direct approach, and networking. These approaches have been suggested to be effective in such weak and underdeveloped institutional environments (Birkinshaw et al., 2011). We also contacted the South African Chamber of Commerce in Ghana to obtain a list of all South African MNCs operating in Ghana. The interviews covered a wide range of South African business interests in various sectors such as retail, insurance, telecommunications, banking, construction services, franchising and manufacturing as well as media and advertising. In addition to this list, we interviewed the President of the South African Chamber of Commerce who had an oversight responsibility specifically for South African multinationals operating in Ghana. The Chamber has the responsibility for ensuring that businesses from South Africa have a platform to discuss and share best HRM practices.

For further insights, two prominent private consultants who had worked with South African businesses and the Ghanaian government for decades both in Ghana and abroad were also invited to share their opinions and experiences regarding the approaches headquarters use

in managing their human resources in Ghana. Table 1 provides the list of firms, their background information, and the informants interviewed at each firm. Moreover, relevant documents and archival records provided critical evidence to the key institutional and socio-cultural factors that influence the HRM practices of these nine subsidiaries. Considering the work of Ghauri (2004), information collected from various unique sources led to triangulation, and further added to the authenticity of the data and conclusions to be drawn from the analysis.

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**Insert Table 1 about here**  
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### **3.3. Interviews and data analysis**

The interview lasted between 45-60 minutes per informant. The questions discussed during the interviews centred on themes relating to (1) the nature of MNCs HRM systems and practices (recruitment and selection, compensation, performance management, career management) at both the headquarters and subsidiary levels, (2) whether the HR systems and practices were transferred from headquarters to the subsidiary level, and the nature of the HRM practices transferred to the subsidiary level. Following Miles and Huberman (1984), field notes were taken during the interviews. The “24-hour rule” was adopted as the guideline for writing up the field notes comprehensively to ensure that every detail was captured while the information was still fresh in the interviewers mind (Gioia and Thomas, 1996). The written field notes formed the basis of our analysis in this study.

In analysing our data we sought to draw meanings and themes and not count words or sentences (Regnér and Edman, 2014). The analysis therefore proceeded with detailed coding of the transcripts into themes of diffusion, standardisation and localisation of HRM systems and practices at the subsidiary level. Two of the researchers separately coded the transcript and compared the two sets of themes for consistency. Few differences were identified and the two

researchers came together to critically examine and challenge the resulting few differences in the codes and categorisations. This triangulation was performed to help increase validity and provide confidence in the data. This process yielded distinct trends in the HRM systems and practices at the subsidiary level in this study context. We report below the key findings.

## **4. Findings**

### **4.1. Subsidiary HR systems**

Before presenting the various individual HR practices and whether they are transferred from the headquarters, adopted from the local context, or hybridized, we first present the nature of the overall HR systems in these subsidiaries. In this study we follow Lado and Wilson (1994: 701) definition of HR systems as the “set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources”. Arthur (1994) also refers to organisation HR systems as the basic approaches in managing human assets. Our fieldwork uncovered that the nature of HR systems in most subsidiaries are transferred from their headquarters in South Africa. **Table 2** presents summary of their HRM systems. The quote below helps to illustrative this point:

“The HRM system used is an Oracle based system which integrates the various functions of the business. It is replicated in all the 22 operating subsidiaries of this MNC. In other words we use the same system across board” (MTN1).

An informant further revealed that:

“in terms of HRM systems we have what is known as Systems, Applications and Products, otherwise known as the SAP – and we use this to manage our payroll and also for leave and holiday management. We also have People Fluent – and we also use this for the management of Performance and also for Reward Management and I will

say for a fact that this system is exactly the same across the Group and so are completely transferred” (STB2).

Moreover, another informant pointed out that:

“our current HR system is called *‘Our People Way’* and it’s from the Head Office. In this framework, we have compensation Management, Performance Management, Compensation and Benefits, Learning and Development. We have the same people Management Strategy and Calendar across the group... Job titles are all the same across the group” (SAB1).

Another director also revealed that:

“HR systems are the *same* ...we usually carry their templates to wherever we go. But we usually make room for very small adaptations of practices to meet local conditions” (STD1).

It is further evidenced from the above that South African MNCs tend to have different HR systems among themselves at home. Each firm develops its own integrated HR system with different features, names and approaches. These systems are then transferred to the subsidiary level but allowing some degree of adjustments of some HRM practices within the established and transferred system to meet host contextual requirements, mainly institutional and cultural requirements.

Some of the main reasons for SA EMNCs transferring headquarters HR systems to their subsidiaries in Ghana have also been captured by our data set. First, these same HR systems have been tried and tested by the EMNCs and found to be effective and reliable. Moreover, they have the knowledge and experience of managing the system as well as training subsidiaries on how to implement it. They therefore tend to have more confidence in their existing HR system than trying to develop or adopt a whole new HR system for the subsidiary. This perspective is evidenced by one informant who noted that:

*“is simply because it’s easy to manage and also it’s a system that works and so we don’t intend to change the system significantly” (MTN2).*

Another manager pointed out that:

*“We have systems that work and so we do not want to risk changing to a new system...we say if it isn’t broke, don’t fix it ....and since almost all the HRM systems are designed in South Africa that is what we have to also implement here in Ghana ” (WLH1).*

These comments clarifying ‘tried and tested’ HRM systems from home country suggest that EMNCs from South Africa operating in Ghana have a strong trace of their ‘country-of-origin’ within them. A second reason accounting for the trend of EMNCs transferring their HR systems from headquarters to their subsidiaries is the cost implications. Accordingly, developing new HR systems would be expensive and time consuming, and yet may still require adaptation to align it with the HR system at the headquarters.

*“This is because changing their existing systems would be costly and time consuming given the amount they put into the economy when they enter into the Ghanaian market. This could also add further costs” (SAC1).*

Furthermore, it emerged that some of the subsidiaries do not have a dedicated or well-functioning HR departments. In such subsidiaries, the HR functions are still undertaken by the headquarters’ HR department making it difficult and unsuitable to develop and operate a parallel HR system for the subsidiary to the one at the headquarters. For instance, one of the directors reported that:

*“we currently do not have an HR department or HR manager,...all branch managers are trained from our headquarters in South Africa...there are also laid down procedures from South Africa, which we have to follow... SA sends quarterly training materials for training and staff development. This happens because they expect us to work according to their standards and they usually come to Ghana to provide training...we believe that their systems are more superior and so we have to follow the laid down rules ” (WLH1).*



Another manager pointed out that:

*“we don’t have a much stronger HR department to implement some of HR policies and practices... but honestly speaking they are not any different” (STD1).*

Besides, it is apparent that the major purpose of diffusing their HRM systems is to exercise a degree of control over their subsidiaries to ensure that their resources and efforts are directed towards achieving the common objectives all MNCs share. We maintain that the motive for this control is to ensure that their subsidiaries operate in a specific way as determined by the headquarters to establish coherence of meaning and purpose within the larger enterprise. Moreover, it was suggested that most indigenous Ghanaian firms do not have such integrated and well developed systems with a central repository of information. Thus, these transferred HR systems are considered superior in helping to meet the objectives of the organisation.

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**Insert Table 2 about here**  
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## **4.2. Subsidiary HR Practices**

Our evidence further revealed patterns in the diffusion and adaptation of a number of HR practices in the subsidiaries. Some of these HR practices captured in the analysis of our evidence included recruitment and selection, performance management, compensation, employee relations, and training and development (Katou and Budhwar, 2006). In some cases innovative and exceptional practices from subsidiaries found to enhance performance are adopted for implementation at the headquarters across the EMNC group. We next examine each of these HR practices.

### 4.2.1. Recruitment and selection

From the analysis of our fieldwork evidence it emerged that the recruitment and selection practices of all South African EMNCs subsidiaries operating in Ghana are transferred from their headquarters. Some of the recruitment practices identified in these subsidiaries include initial screening, psychometric testing, presentations, and series of interviews. These practices are usually developed and implemented by the head office which the subsidiaries are required to also adopt in their recruitment of employees. The focus of these recruitment and selection practices is to ensure the selection of the right person with the required expertise or attitude. One of the informants (STD1) noted that recruitment procedures in domestic companies are not structured, systematic and straightforward, which MNCs subsidiaries find difficult to adopt. The process of transferring established and laid down recruitment practices from the headquarters thus minimises the possibility of recruiting candidates who may not fully fit the requirement of the position (Beugre and Offodile, 2001; Ghebregiorgis and Karsten, 2007). This was underscored by one informant that:

“Normally we select the best candidates...*they* are selected during our recruitment exercises and we offer positions according to the policies and practices. We have series of interviews, presentation or psychometric testing which are all based on existing *systems from our headquarters*” (MTN1).

Similarly, another informant revealed that:

“Methods used during our recruitment and selection events, staff training and performance management systems are all from Headquarters and there is not much we in Ghana can do about it. The last time we employed people , all the applicants went through an initial screening and testing...which are laid down procedures from our headquarters we have to follow...*we* believe that the headquarters systems are more superior and so we have *to follow the laid down rules*” (WLH1).

In subsidiaries without dedicated HR department, it was found out that all the recruitment and selection activities are determined and implemented by the HR department at the headquarters in South Africa. Whenever the subsidiary needs to fill a vacancy, they would submit a proposal

to the headquarters for approval before the recruitment process begins and it is the headquarters that facilitates the recruitment process or will poach from other MNCs' subsidiaries to fill the vacancy. This was noted by an informant who said that:

“When we realize the need to recruit more people, we will need to get the go ahead from Head office and it is they who then determine the timelines and the processes required to be able to attract the best talent for our branch... we do not do much here at the subsidiary level; all of it is done in SA” (WLH1).

Another manager pointed out that:

“...because, they always look at what is going on here in the Ghanaian environment, their main practice is that they headhunt from other multinationals before considering *recruiting the locals*” (STD1).

Notwithstanding, our evidence further showed that these transferred recruitment practices over time are to some extent adapted to meet local expectations, notably cultural and institutional requirements. In this regard, the subsidiaries try to refine the transferred recruitment practices by undertaking incremental adjustments (SAC1). However, the adaptations are usually minimal and have to align with the group's corporate culture and policies.

*“The company's recruitment and selection policy is aligned to the group's policies and practices and although not entirely the same, there are very minimal difference based on country-specific factors”* (MTN1).

This was concurred by another informant who pointed out that:

“...our recruitment practices are the same as in headquarters with slight modification...I think the key thing here is that the HR person may not be a South African and that also has a way of impacting the HRM systems and practices brought from South Africa. Culture plays a key role regarding how they deploy their existing recruitment and selection processes” (SAC1).

#### 4.2.2. Performance appraisal practice

Performance appraisal frameworks and practices in all subsidiaries captured in this study were transferred from the headquarters and in some cases appear to be standardised across all subsidiaries within the group. The president of the SA Chamber of Business (SAC1) also noted that performance management systems practices among SA MNCs are quite differentiated and different from one industry to another. However within the same group, the performance management practices are the same. These appraisal practices are used predominantly to evaluate the employees' achievement of targets and overall performance. It also became evident that the performance appraisal process is tied to promotion and other rewards in all the subsidiaries. Arguably therefore, the approach of transferring headquarters standardised appraisal practices is to ensure equity and openness in the rewards associated with the performance appraisal process and prevent dissatisfaction among employees. This was underscored by an informant that:

“Overall, our performance management framework and practices are exactly the same *for all staff within the Group... we all use SAP within the group and all HR management policies, practices and software are the same*” (STB2).

Another manager confirmed that

“We are promoted based on achievement and performance evaluation. All these standards and criteria for promotion are set by headquarters... annual targets are set by headquarters and we cannot change it by any circumstance” (WLH1).

Notwithstanding, it also became evident that subsidiaries of SA EMNCs in Ghana tend to tie their performance management systems to market conditions. Local market conditions influence the targets set and the evaluation of achievement of employees at the subsidiary. This and other local factors contribute to slight adaptations of some subsidiaries performance appraisal practices (STB, SAC). One subsidiary (SAB) revealed that their performance appraisal system was initially the same across the group. However, the subsidiary also developed a system known as “*Our Performance Management Way*” which became more

effective and the headquarters have adopted it for the rest of the group. This new process resulted from several years of experience and adaptation of the headquarters systems.

#### 4.2.3. Compensation Practices

At another level, the analysis of the evidence gathered highlighted that compensation practices of subsidiaries are localised. The compensation packages differ from one subsidiary to the other but they broadly consist of fixed salary, allowances, and end of year bonuses. A number of local factors were identified as influencing the compensation packages of subsidiaries. These include among others the prevailing economic conditions and regulatory requirements in the host country. Accordingly, the salary benchmark is set in consultation with other local organisations and not with headquarters. Other components of the compensation are based on the performance of the subsidiary. As a result they tend to recruit local HR partners who have the experience of determining the appropriate wages and benefits for their employees in the subsidiary to suit local Ghanaian standards (SAC). This was pointed out by an informant that:

“The compensation package is largely localized and is all country-specific and attempt to encompass local nuances and regulatory requirements. In addition to that, the salary benchmark is done with *local organizations in the country*” (MTN1).

Another interviewee asserted that:

“Our compensation packages are different and it is because we operate in different markets and different economies... we take into account local factors in determining our level of compensation for our staff. For example, in March of every year we do package reviews and we in Ghana have an average of 22% increment but SA only had 6.4% increment. Also some allowances available here in this subsidiary in Ghana are not available at the headquarters in SA” (STB1).

The president of the SA Chamber of business further noted that:

“...the exchange rates, interest rates and standard of living in these countries are different... I would imagine that the level of productivity may not necessarily be the same and so it's difficult to have similar standards and compensation packages... Usually compensation is at the subsidiaries in Ghana lower than what they give to employees at the head office in South Africa ” (SAC1).

However, one subsidiary without a dedicated HR department revealed that their compensation packages are prepared and implemented by the Head office in SA but local issues are still factored into the final compensation.

#### 4.2.4. Employee relations / trade unions

Employee relations were also found to be mainly localised in many subsidiaries and highly underpinned by the labour Act of the subsidiaries' host country, and guided by the international labour organisations (ILO) laws. It emerged that unions in the subsidiary context (Ghana) are comparatively not very strong and do not have much political clout as in South Africa. Employees only resort to industrial action when they are very dissatisfied and there is no other option available. Many EMNC subsidiaries do not have industrial relations specialist or develop proper industrial relations strategies in place. As two managers observed:

“Employee relations is localised and highly dependent on the Ghanaian labour Act. We try to always go *beyond the maximum requirements*” (MTN1).

“Of course, our employee relations strategies and events are not the same...there are occasions when we have to change and adapt procedures to be able to meet in-country standards and differences in our cultures ” (GMA1).

Another manager also reported that:

“You know... unions are not very strong in Ghana. They are rather much stronger in South Africa... I don't think this is very different from other EMNCs operating here in Ghana. EMNCs that have unions don't have proper industrial relations strategies in

*place. Generally, unions in Ghana don't have much political clout and they embark on industrial action when they are really pushed to the wall... we don't have an industrial relations specialist... but our employees in Ghana have never had to resort to any sort of strike actions to meet their demands” (STD1)*

The evidence further highlights that employee engagement and information outflow are the strategies EMNCs successfully use to manage unions' issues. Accordingly, EMNCs understand that local employees do not really care as long as they have a job that pays them well. EMNCs tap into this attitude through regular salary negotiations between staff and management in an open and honest manner. Management also tends to continuously engage and communicate very well with labour union leaders. In some subsidiaries, HR teams work directly with line managers to ensure that there is engagement with employees. Moreover, EMNCs tend to involve employees more in key decisions. These strategies have contributed to EMNCs succeeding with industrial relations issues in their subsidiaries' context. Notwithstanding, few EMNCS are beginning to recruit employee relations managers at the subsidiaries in anticipation of future issues that may emerge as they expand in the host context. Some of these strategies are however initiatives from the headquarters to ensure that the subsidiaries are in a position to address potential issues that may emerge and also to remain competitive. One manager revealed that:

*“We have open dialogue and negotiations... We also review the CBA (The Collective Bargaining Agreement) every 2 years to ensure that we remain competitive in the industry and also conform to the standards as set out in our operational manuals by Headquarters” (STB1).*

#### 4.2.5. Talent management

Talent management practices were found to be transferred from the headquarters and standardised across the group. This encompasses training and developing employees, as well

as career management issues. In many MNCs training and developments are frequently done by staff going to the headquarters in South Africa to be trained or managers from the headquarters travelling to the subsidiaries to train the employees. In some subsidiaries, all training and development are done at the head office. This was highlighted by one manager who noted that:

“Talent management is also aligned to our group policies and international standards. Talents are ring-fenced given the need for learning and development interventions and motivated accordingly to get them to constantly engage in their work” (MTN1).

Another manager noted that:

“Training happens every 3 months and most of the time some key members of staff are sent to South Africa to be trained on current thinking in HRM and on other aspects of the business and most of the time they come back with knowhow that is shared among the staff ... also the HR boss for the group just left here for South Africa after coming down here ...to provide the training needs of our subsidiary” (WLH1).

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**Insert Table 3 about here**  
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## **5. Discussion and conclusion**

This study sought to examine the nature of HR systems and practices of EMNCs from BRICS countries and the extent to which they are diffused to subsidiaries in host countries. In this effort we analysed the transfer phenomenon at two levels: the HR systems level and at each HR practice level. Our work uncovered that the HR systems from EMNCs are mainly transferred to subsidiaries with minimal adjustments to contextual requirements in some cases. This supports the view that MNCs tend to transfer their HR systems to subsidiaries in order to maintain control of subsidiaries activities (Yahiaoui, 2014). A number of reasons may account for the transfer of HRM practices from the MNCs headquarters. First, it's been noted that South



Africa is more developed than other countries in the Sub Sahara African region with skill capacity and appropriate HRM strategies (Horwitz, 2012). Accordingly, SA has relatively strong regulatory and institutional frameworks than Ghana (Horwitz, 2012). For instance in South Africa, there is a legislation prohibiting discrimination in HR activities but there is no such legislation in Ghana. Also, HRM in South Africa is more systematic than in Ghana. In Ghana, many local organisations follow ad hoc procedures, often no policies, breaches in HR legislation are not prosecuted (Debrah, 2000).

Managerial practices in Ghana lends itself towards the communitarianism culture whereby employees at the subsidiary may see themselves as part of the parent company and would need to consult headquarters before making any major decisions on HR practices such as recruitment, selection, training and promotion. It may be necessary for us to emphasise that the HR systems and practices that are mainly transferred from South Africa to Ghana with minimal adaptation to contextual realities are based on the universalistic culture as argued by Trompenaars (1996). Moreover, the HR systems from the EMNCs country of origin were considered to be superior to those in the subsidiaries' context. The transfer of already established and tested HR systems minimised cost for the EMNCs and also ensured reliability. Arguably, these contribute to the EMNCs imposing their systems in Ghana.

At a more refined level, we found that EMNCs adopt a mixture of transfer, localisation and hybridisation of different HR practices within the same subsidiary. Specifically, recruitment and selection, performance appraisal and talent management practices are predominantly transferred from headquarters with minimal adjustments in some instances to host country contextual realities. However, compensation and industrial relation practices are very much localised to suit subsidiaries contextual economic, regulator and cultural requirements. Notwithstanding the localisation of these practices, initiatives tend to emanate from the headquarters.

Finally, we established that the subsidiaries' HR systems and practices go through incremental adaptations to local conditions and global innovations resulting in a hybridisation of the HR systems and practices over time. Through better performance and innovations, the resulting hybrid HR practices are eventually adopted by the headquarters and transferred to other subsidiaries referred to as 'reverse diffusion' (Edwards and Ferner, 2004). The transfer of HR systems and practices thus take on a dynamic trend depending on local requirements, innovations and performance of the subsidiary (Geppert and Williams, 2006). This supports the view that transferred practices are usually reinterpreted, negotiated and modified due to local institutional variables (Yahiaoui, 2014).

### **5.1 Contributions to theory and practice**

Our findings complement and extend existing literature on the diffusion, localisation, hybridisation and standardisation of MNCs' HR systems and practices in the following ways. First, the study examines these issues at the HR systems and practices levels which led to more refined findings instead of mixing them up as in other extant studies (Katou and Budwar, 2006). This forms a foundation for international human resource scholars to approach the examination of MNCs international activities at these two distinct levels.

Second, the finding that MNCs' subsidiaries HR systems and practices (except compensation and employee relations practices) are mainly transferred from the home country is surprising. It departs from the institutional and cultural theoretical perspective that MNCs' subsidiaries are likely to adopt host country HRM systems and practices in line with contextual realities in order to gain legitimacy (Brewster et al., 2008; Kostova and Roth, 2002). The greater diffusion of EMNCs HR systems and practices with limited local recipes rather supports the dominance effects paradigm that MNCs from dominant systems would transfer their HR systems and practices to subsidiaries in less dominant host countries (Edwards and Ferner, 2002).

Third, the research by stating how the literature will benefit from knowing the diffusion of HRM systems by BRICS MNCs

literature has important theoretical relevance. Though SA has been mentioned in few previous studies (Krohmer, Homburg, and Workman 2002; Miles and Arnold 1991; Ruekert, Walker, and Roering 1985), its conceptualisation and examination has not been systematic and detailed. The study therefore provides a basis for scholars to further examine and develop an even more robust perspective on SMEs' SA.

Fourth, the establishment that only compensation and industrial relations practices are more localised among all the HR practices is novel and adds to the literature. The established view is that all the HR practices are transferred, localised or hybridised (Edwards and Ferner, 2002). This finding underscores that each HR practice has different local institutional and cultural implications. We therefore advance that compensation and industrial relations practices are more contexts specific than other HR practices. Finally, by examining the diffusion, localisation or standardisation of HR practices of EMNCs from a one of the BRICS countries to subsidiaries in a SSA country context, this study has enhanced our understanding of these issues from an under-researched and new geographical context (Budhwar and Debrah, 2001; Kamoche et al., 2004; Kamoche et al., 2012).

From managerial standpoint, our findings indicate that the level of economic and institutional development of the host country would influence their adoption of home or host country HR systems and practices. Systems and practices from the developed context would be perceived as superior and therefore adopted. We argue therefore that host countries that are more developed than home country of EMNCs would tend to adopt localisation approach. Notwithstanding, this argument does not hold for some specific HR practices such as compensation and industrial relations practices.

## 5.2. Limitations and recommendations for future research

While we consider that our study makes an important contribution, there are some inherent limitations worth noting. First, 9 of the South Africa EMNCs operating in the study context participated in this study. This may impact the generalisability of the study. Future studies could look to extending this line of research to include all subsidiaries of EMNCs from South Africa operating in Ghana as well as the headquarters. Additionally, since countries within Sub Sahara Africa are different, it would enhance our understanding of these issues if further studies examine the HR systems and practices of EMNCs from SA in subsidiaries in different host countries within the sub-region. Additionally, examining the reasons why certain HR practices are more localised while others more transferred from head office would be another line of fruitful research.

Moreover, it has been suggested that non-managerial employees have different perceptions and norms of HRM practices and tend to present divergent views from their managers with respect to transferred HR systems and practices (Yahoui, 2014). Yet, only managers with direct supervision of employees were interviewed at the subsidiary level in this study excluding other employees. Future studies that include employees not in managerial positions would have an impactful potential to enrich the findings and enhance the generalisability of the findings. Notwithstanding these limitations, this study has made substantial contribution to the existing literature.

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**Table 1: Informants and background information of EMNCs Operating in Ghana**

Case EMNC	Number of informants interviewed	Other secondary sources	Position of informant at the time of first interview	Informant ID	Industry	Ownership	Year of Entry into Ghana	Mode of Entry
MTN	3	7	HR Director (1) HR Manager (2)	MTN1 MTN2 MTN3	Telecommunications	Public	2006	Acquisition /Takeover
Shoprite	1	4	Manager (1)	SPR1	Retail/Property Management	Public	2003	Greenfield
Stanbic/ Standard Trust Bank	4	10	HR Partner (1) HR Manager (1) Business Development Manager (1) Head of Business Development (1)	STB1 STB2  STB3  STB4	Banking	Public	2006	Greenfield
Engen	1	3	Administrative Manager (1)	ENG1	Oil and Gas	Public	1998	Greenfield
SAB Miller	1	5	Director of HR (1)	SAB1	Brewery	Public	1997	Acquisition
Woolworth	1	3	Manager (1)	WLH1	Retail	Public	2002	Greenfield
Steeldale	3	2	Manager (1) Senior Consultant (1) Private Consultant (1)	STD1 STD2 STD3	Engineering/Construction	Public	1999	
Global Media Alliance	2	3	Director of HR (1) Managing Director (1)	GMA1 GMA2	Media and Entertainment	Private	2001	Greenfield
Metropolitan Insurance	1	2	HR Manager (1)	MET1 MET2	Insurance	Public	2006	Acquisition
South African Chamber of Commerce	1	1	President of the Chamber (1)	SAC1	Regulatory/Oversight Business Facilitation Support	Not-for-profit	2008	N/A



**Table 2: SA EMNCs and Summary of their HRM Approaches in Ghana**

Case MNC	HRM Approaches	Nature of subsidiary HRM Approaches/Orientation
MTN	Geocentric	Thriving HR department in Ghana with some degree of autonomy but major decisions require review and approval from head office (SA). Some practices are adopted from the head office and the head office also adopted some practices from the subsidiaries.
Shoprite	Ethnocentric	HR department and all HR activities done in South Africa. Subsidiary follows the policies and practices given from South Africa.
Stanbic/ Standard Trust Bank	Geocentric	HR department in Ghana but major HR decision made from SA. Events in home country largely determine the approach. Group interest supersedes host country decisions.
Engen	Ethnocentric	No HR department in Ghana. HR activities conducted from South Africa. Managers are however supported on how to manage the employees at the subsidiary very well.
SAB Miller	Geocentric	Thriving HR department in Ghana but group decisions overrides host country decisions. Home country determines HRM approaches implemented in Ghana. The same system across the group with some adjustments. Certain aspect are localised to meet local requirements.
Woolworth	Ethnocentric	NO HR department in Ghana. All HR policies and practices determined and implemented from home country. Branch managers are trained on the nature and structure of recruitment systems from South African perspectives.
Steeldale	Ethnocentric	HRM activities in home country. Host country factors are considered but home country factors largely determine all HRM issues.
Global Media Alliance	Polycentric	Most HRM policies and practices are determined in Ghana. The company now conducts most of their business in Ghana. But they have to meet the strict criteria and stringent standards of their partners in South Africa and Europe.
Metropolitan Insurance	Geocentric	HR department in Ghana but Group interest supersedes host country decisions. Events in host country largely determine their approach.
South African Chamber of Commerce		Provision of business support for South African MNCs in Ghana. Also provides some oversight role/responsibility for governance issues and safety and security of staff of these MNCs operating in Ghana.

**Table 3: EMNCs HRM Practices and approaches at the subsidiary level**

HR PRACTICES	Transferred, localised, Hybrid, or Standardised	Representative quotations from the fieldwork
Recruitment and selection	<ul style="list-style-type: none"> <li>Mainly transferred from headquarters</li> <li>Minimal adjustment to local contextual issues</li> </ul>	<p><i>“Methods used during our recruitment and selection events, staff training and performance management systems are all from Headquarters” (WLH1).</i></p> <p><i>“The company’s recruitment and selection policy is aligned to the group’s policies and practices ... there are very minimal difference based on country-specific factors” (MTN).</i></p> <p><i>“... We have exactly the same recruitment and selection policies and practices. It is a rigorous system and so why change if not for something much better?” (SPR1).</i></p>
Performance Appraisal	<ul style="list-style-type: none"> <li>Mainly transferred from headquarters</li> </ul>	<p><i>“Overall, the same policies across the Group. Performance management framework is exactly the same for all staff within the Group” (STB2).</i></p> <p><i>“We are promoted based on achievement and performance evaluation. All the standards and criteria for promotion are set by headquarters” (WLH1).</i></p>
Compensation	<ul style="list-style-type: none"> <li>Mainly localised.</li> </ul>	<p><i>“The compensation package is largely localized and is all country-specific ... salary benchmark is done with local organizations in the country” (MTN1).</i></p> <p><i>“The Head office brought consultants to do survey in Ghana in order to determining the salaries before they started their operations here” (ENG1).</i></p> <p><i>“our compensation is purely based on how much we make as a subsidiary ...and so wages, benefits are all aligned with the Ghanaian standards” (SAB1).</i></p>
Employee Relations	<ul style="list-style-type: none"> <li>Mainly localised.</li> </ul>	<p><i>“Unions that fight for the rights of employees are not very strong in Ghana compared to South Africa but it is not because of wide differences in the legal environment. I think that it depends on how and who applies the laws” (SAC1).</i></p> <p><i>“Of course, our public relations strategies and events are not the same... we had to change and adapt procedures in this respect to be able to meet in-country standards and differences” (GMA2).</i></p>
Training and Development/ Talent Management	<ul style="list-style-type: none"> <li>Mainly standardised and transferred from headquarters</li> </ul>	<p><i>“I think what our organization does very well is that they give opportunities for some our employees in Ghana to go to South Africa and learn their systems. At times people come from head office to train us ...I think it is a way of facilitating or contributing to the successful transfer of knowledge to Ghana” (ENG1).</i></p> <p><i>“I know for sure that all South African MNCs in Ghana do extensive training... they take training of employees seriously” (STD1).</i></p>

