Impact of Culture on HRM practices: a Comparative Study between foreign MNCs and South Asian Companies in South Asia

Md. Hamed Hasan Riyadh,  
(MBA, North South University).

Sonia Zaman,  
(Assistant Professor, Department of Business Studies, University of Development Alternative (UODA), Dhaka, Bangladesh)

Md. Mehedi Hasan  
(BBA, North South University)

Abstract: The main purpose of the study is to understand the impact of culture on HRM practices relating to the Foreign MNCs and local South Asian companies in South Asia. The study is conducted on the basis of questionnaire survey from the managers of U. S Subsidiaries, European Subsidiaries, Japanese Subsidiaries and Local South Asian companies in South Asia. The Main Findings of the study are that HRM practices have impact on organizational performance and only HRM practices are not adequate to achieve the organizational performance. Despite HRM practices, HRM Strategy and Style are also key factors. The main significant of this study is the practical implication of the findings. The findings certainly guide the management to establish proper HRM Practices, Strategies and Style in order to achieve the organizational performance. The basic limitation of the study is that the data collected from the managers only. The current study would enhance the knowledge relating to HRM aspects and would be used as reference of the related studies.

Key words: HRM practices, HRM strategy, Participative style, organizational performance.

I. Introduction

HRM practices along with the HRM strategy and HRM style are vital for achieving organizational desire goals. Due to economic development and globalization many firms from outside Asia likely the U. S. Subsidiaries, European Subsidiaries etc. have been started to come in south Asia in order to achieve competitive advantages through reducing cost and having skilled manpower (Ali & Opatha, 2008).

In order to achieve the competitive advantages now companies are focusing on the HRM practices along with the HRM Strategy and styles. The things are not so easy for the foreign subsidiaries to adopt a single standard HR policies. Because the culture and the nature of the employees are varied significantly to country to country. Thus foreign subsidiaries are conscious about to understand the Host countries culture. And according to the analysis they are going to formulate proper HRM practices along with Strategy and Style. (Bae, Chen, & Lawler, 1998).

The current study focuses on the company’s performance and its determinants in terms of HRM issues. The study is attempted in order to find out the comparison between Foreign MNCs and Local South Asian companies in the light of HRM practices (Budhwar, 2001).

The HRM practices vary organization to Organization and country to country in broader aspects. Thus a manager of a Foreign companies situated in South Asia must learn about the impact of HRM on organizational Performances.

In case of HRM practices only four practices are considered namely Recruitment and Selection, Compensation and Benefits, Performance Management, and Training and Development. Many studies (Ali & Opatha, 2008) (Haque & Azim, 2008) (Chang & Huang, 2005) found that only HRM Practices without HRM Strategy and Style cannot make sure the desire organizational performance. In order to achieve the organizational performance it is very vital to adopt the appropriate HRM strategy and Style.

In case of HRM strategy there are basically three HRM strategies namely Accumulator, Facilitator and Utilizer. (Snow, 1978). The appropriateness of these Strategies is based on the culture and types of the organizations.
And in terms of style there are two basic styles namely Participative and Autocratic style of the HRM practices. Among all styles, Participative HRM style is more widely used style. And Participative strategy certainly boosts the HRM practices and influence on the organizational performance.

The current Study is focused on the comparison between Foreign MNCs and Local South Asian companies regarding the impact of culture on HRM practices. The study would closely examine the determinants of the differences between Foreign MNCs and Local South Asian companies. The study is intend to answer two basic research questions likely:
1. What are the impacts of Culture on HRM Practices?
2. What are differences between Foreign MNCs and Local South Asian companies regarding HRM practices in South Asia?

In order to answers of these research questions an Empirical study has been conducted on the basis of questionnaire answers by the Managers.

Rationality
The rationalities of the study are as follows:
1. South Asia (DE Bloom, 1998) Annual Report : 2013, n.d.) is considered as the most potential business hub in the world. The Going rate of Trade and Commerce make the South Asia as the center of the attraction. Many foreign subsidiaries are now coming here to do the business. Thus the issue of HRM has come forward. In order to achieve success the HRM is a key Issue (Tzafrir, 2005). Thus the study is conducted.
2. Culture is the great Influential of any organization. And Cultural impact is very vital in case of business and its performance (Frenkel & Kuruvilla, 2002). The Impact of culture on HRM practices is vital because it determines the way of doing business and manage the manpower. Thus the study has focused on the cultural issue relating to the HRM practices. So the study has significant importance.
3. Firm performance is influenced by set of HRM practices (Wood & Wall, 2007). This research paper is intended to study the relationship between HRM practices and HRM style and its effect on organizational performance.
4. The study is focused on the HRM Practices, HRM strategy and HRM Style. And it also examine the association with company Performance.
5. To find out the differences between Foreign MNCs and Local South Asian Companies in terms of HRM practices. The current study is closely studied regarding the issue.
6. Strategic human resource management (SHRM) is one of the mean to achieve organizations’ competitive advantage (Chang & Huang, 2005). The present study covers the relationship between HRM strategy and HRM style and its effect on organizational performance.
7. Firm performance is influenced by set of HRM practices (Wood & Wall, 2007). This research paper is intended to study the relationship between HRM practices and HRM style and its effect on organizational performance.
8. Strategic human resource management (SHRM) is one of the mean to achieve organizations’ competitive advantage (Chang & Huang, 2005). The present study covers the relationship between HRM strategy and HRM style and its effect on organizational performance.

Home and Host country effect on HRM practices
Different country follows different HRM policies and HRM practices (Ferner, 1997). It is a critical job to transfer the HR policies and practices to different country (Bae, Chen, & Lawler, 1998). HR practices are mostly affected by host country’s culture and business strategy and style. In this paper we are conducting comparative study between foreign MNCs and South Asian companies in South Asia. Here home countries are south Asian companies in South Asia and host country are foreign MNCs. HR practices of the organization are influenced by internal and external environment of the organization. The internal environment in work culture of the organization and external environment is country’s business environment, market characteristic, and industry practice and so on (Aycan, . Z., et al., 2000). The HR practices are recruitment and selection, Training & development, Compensation and benefits and performance appraisal. In one study we have found that South Asian companies HRM style is most autocratic (Miah & Bird, 2007). South Asian managers follow autocratic style to manage their employees. They take decision independently without taking any input from the team. Employees do not have any decision making authority where else the style is usually view as controlling, bossy, and dictatorial.

On the other hand Japanese company’s managers follow higher level of participative HRM style. According to (Huselid, 1995) HRM practice has positive relationship with organizational performance including work attachment, firm financial performance, and productivity. In an another study, (Delaney & Huselid, 1996) found that practices consistent with a high involvement HRM strategy, such as highly selective staffing,
Incentive compensation, and training, were positively linked to organizational performance. Managers of foreign MNCs follow participative HRM style if they think this style is applicable for their organization.

**Theoretical Framework**

The theoretical framework reveals the way that has been used to conduct the research work. In the research work the main focused on three basic HRM parts namely HRM Practices, HRM Strategies and HRM Style (Arthur, 1994) (Budhwar, 2001) (Rosenzweig, 1994). The relationship between recruitment and selection with the participative HRM style is important in case of the impact of organizational Performance. (Chang & Huang, 2005) Recruitment and selection practices performed well when the participative HRM Style has been used (Kraiger, K.; Ford, J. K., 2007) (Chang & Huang, 2005) (Wright P. A., 2003). In case of Autocratic model the recruitment and selection process would be affected by the biasness and nepotism (C.E.S. & M.D., 2001). Compensation and Benefits are also associated well with participative HRM Style than the Autocratic HRM style and its impact on organizational performance is significant (Delaney & Huselid, 1996) (Billah & Islam, 2009). In case of the subsidiaries companies likely U. S. Subsidiaries, European Subsidiaries etc. compensation and benefit has higher association with the participative HRM style but it has low association with the organizational performance (Budhwar, 2001) (Edwards, Almond, Clark, Colling, & Fener, 2005). In case of Autocratic style Recruitment and Selection are not functioning well due to obstacles created by the management (Cunningham, 1999) (Ferner, 1997). In order to ensure the organizational performance, performance management is vital (Adhikari, 2010). There is very strong relationship between Performance Management and participative HRM style. Because participative HRM style facilitate the practice of Performance Management and influence on the organizational performance (Adhikari, 2010) (Akhter, 2002) (Billah & Islam, 2009). Autocratic style does not support well the practice of Performance Management (Chang & Huang, 2005). In order to ensure the organizational performance by adopting proper Training and development programs is vital. The training and development practices are well supported by the participative HRM style (Harzing & Sorge, 2003) (T h a n g & D., 2008). To accomplish the organizational achievement likely the performance the soul HRM practices are not adequate. Along with the HRM practices, HRM strategy is also vital for achieving the business objectives (Khatri, 2000) (Chang & Huang, 2005). There are namely three basic HRM strategies namely Accumulator, Facilitator, and Utilizer (Snow, 1978). All the strategies are work well under the participative HRM style rather than Autocratic style of HRM (Edwards, Almond, Clark, Colling, & Fener, 2005) (Evans, Pucik, & Barsoux, 2002). The culture is also played vital role in case of choosing the best fit HRM strategy in order to ensure the organizational performance (Bae, Chen, & Lawler, 1998) (D, 2002) (T z a f r i, 2006) (Aycan ., Z., et al., 2000). Accumulator strategy mainly focuses on the individual achievement and responsibility linked to the organizational performance. (Akingbola, October 2006). And this strategy works well when the organization deals the business with single product or service (Dalton & Benson, 2002). And there is close association between Accumulator strategy and participative HRM thus the organizational performance (SAYLI, 2011). Facilitator Strategy is intended to accomplish the organizational performance by ensuring the proper participative HRM style and engaging each and every employees to work together in order to achieve organizational performance (Wright P. A., 2003) (Wood & Wall, 2007). Facilitator strategy mainly focus on the group achievement and commitment towards the organization. And it ensures the proper
decentralization of work in order to ensure the proper participative of the workforce (Snow, 1978). Utilizer is most narrowly used strategy yet it has significant relation with the participative HRM style and organizational performance. (Delaney & Huselid, 1996) (Chang & Huang, 2005).
The whole model is well synchronized and interrelated to each other in order to accomplish the organizational performance.

Hypotheses Development

Hypothesis 1:

Recruitment and selection process is affected by the culture of the organization. The method of recruitment and selection is effective if it fits with the organizational performance (Milikic, 2009). Various research works have focused on several aspects of recruitment and selection. According to (Miah & Bird, 2007) participative management style refers to the attitude of a superior who, except in unusual circumstances, makes decision by consensus and then issues organizational goals only after all members involved are consulted and the opinion thoroughly considered. In participative HRM style people can feel empowered and they can take decision independently. People can be more active and participative. If this is the scenario HR manager of that organization can recruit the right person at the right time at the right place without any biasness and nepotism. According to (Huselid, 1995) HRM practice has positive relationship with organizational performance including work attachment, firm financial performance, and productivity. In an another study, (Delaney & Huselid, 1996) found that practices consistent with a high involvement HRM strategy, such as highly selective staffing, incentive compensation, and training, were positively linked to organizational performance (Katou & Budhwar, 2006) their study of 178 Greek manufacturing firms found support with the universalistic model and reported that HRM policies of recruitment, training, promotion, incentives, benefits, involvement and health and safety are positively related to organizational performance. In previous research it has found that organization which follow participative HR experience better firm performance than the organization which follows autocratic style. Given this we are lead to the following hypothesis:

Hypothesis 1: higher level of recruitment and selection practices will be positively associated with participative HRM style and better firm performance perceived data from managers from South Asian Companies.

Hypothesis 2:

Compensation and benefit packages are one of the major HRM practices. Compensation and benefit refers to all forms of financial payment and reward received from organization as part of employment relationship (Ahmed, Tabassum, & Hossain, 2005). Pay structure is the relative pay of different jobs (job structure) and how much they are paid (pay level) (Noe, Hollenbeck, Gerhart, & Wright, Human Resource Management, 2006). In one research (Ahmed, Tabassum, & Hossain, 2005) study we have found that compensation and benefit practices are highly associated with firm’s performance (Delaney & Huselid, 1996). Good compensation and benefit package can motivate employees. Motivated employees can make the firm more profitable. Organization which follow participative HRM style have HRM policies which are very much result oriented and their intention is to create innovative and creative employees (Khatri, 2000). This organizational environment encourages employees to be more innovative and creative. Company performance is heavily depends on the compensation and benefit system especially the financial pay and rewards (Zhou, Georgakopoulos, I., & Konstantinos, 2011). So Pay and reward practices often considered the most powerful tool which connects employees to the organizational interest (Ehnert, 2009). Given this we are lead to the following hypothesis:

Hypothesis 2: Higher level of compensation and benefits practices will be positively associated with participative HRM style and better firm performance perceived data from managers from South Asian companies.

Hypothesis 3:

To evaluate an employee during his job tenure performance appraisal management is effectual logical progression which leads to the better firm performance. In a company performance appraisal influences recruitment and employee relations. Promotion, Salary Enhancement, increment, bonus is positively depends on performance appraisal management system. (Absar, Azim, Balasundaram, & Akhter, 2010). Firm Performance largely depends on how effectively employees perform their jobs (Heneman & Schwab, 1982). Through the Performance Appraisal system it is easier to monitor how an employee is performing in his/her job. Performance Appraisal easily sorts out different measurements and through those measurements it is easy to construct job performance of employees in a company. PA is kind of system where u can easily control the performance of an employee and implies different techniques to control employees performance in an organization. Every employee of an organization need to fulfill the allocated target which is given by the management for achieving competitive which ultimately improved firm performance for a longer tenure (Ali & Opatha, 2008)
Performance Appraisal is one of the most vital aspects in Human Resources System to rating, evaluating any employee’s performance. Most of the time employee’s performance leads with various decisions in an organization which ultimately depends on key performance and profitability of any organization. Ultimately we can say different action and outcome positively depends of PA system of an organization. If a firm wants to maintain their excellent and beyond standard performance they need to comply with the Performance Appraisal system. Through the performance appraisal system a company can expect quality full word environment, quality of work, attendance, punctually which ultimately leads to the better firm performance (Judge & Ferris, 1983). Hence, these arguments lead to a hypothesis as follows:

**Hypothesis 3:** Higher levels of performance appraisal and management practices will be positively associated with participative HRM style better firm performance perceived data from managers from South Asian companies

**Hypothesis 4:**
In Human Resources Practice Training and development’ is measured as a most influential and effective practice (Tzafrir T., 2006). To identify current & future needs of employees skills, abilities, knowledge ‘Training and development’ leads to a vital impact in an organization. (Aswathappa, K., 2008). ‘Training and development’ has a significant positive impact on firm performance (Garcia, 2005). To enhance firm performance Training & development refers to employees superior knowledge, skills, abilities, attitude those actually correlated with organizations total objective (T hang & Buyens, 2008).

Training & development is a systematic approach where individual can improve him/herself for the assigned job which ultimately create a good team building habits which is one of the most extensive Human Resources practice for any organization (Kraiger & Ford, 2007). Training & Development focus on development and improvement of firm performance and it identifies the relationship between firm performance and outcomes of Training & Development (Kraiger et al., 2004). Hence, these arguments lead to a hypothesis as follows:

**Hypothesis 4:** Higher levels of training and development practices will be positively associated with participative HRM style and better firm performance perceived data from managers from South Asian companies

**Hypothesis 5:**
Accumulator Strategy is mainly focus on reliability and capability in Human Resources practice in an organization. This strategy is positively correlated with HR practice in any firm (Warner & Lee, 2002). A particular or selected employee among chunk of employee who have the significant potential skill, knowledge, ability, creativity towards works which leads with the firm objective can be the main focus of this strategy (Verma & Lansbury, 2008). Those potential employees enrich themselves continuously in line with the basic need of an organization. These types of strategy play a positive role to build up strong relationship between employer and employee (Tsui-Auch & Lee, 2003). This strategy impact positively on participative Human Resources Practice in an organization because the level of or rate of participation between employer and employee is high over here. By carrying out this strategy in any firm employee can be benefited in their payment, reward, promotion, increment, job security. This strategy mainly searches for a potential employee. After getting the potential employee firm looks for developing the potential based on the firm needs for better firm performance in accordance with participative Human Resources Practice (Rowley, 2000). Hence, those arguments lead to a hypothesis as follows

**Hypothesis 5:** Higher levels of accumulator HRM strategy will be positively associated with participative HRM style and better firm performance perceived data from managers from South Asian companies

**Hypothesis 6:**
The participative style will help to focus on new knowledge and new knowledge creation to generate better performance (Billah & Islam, 2009). A facilitator strategy seek to develop the human resources of the firm as effectively as possible through the acquisition of self-motivated personnel and the encouragement and support of personnel to develop their own skills and knowledge to achieve firm overall performance. A self-motivated creates new knowledge has found in participative style is associated with higher levels of firm performance (Miah, Wakabayashi, & Tomita, 2001). Firms with a Facilitator strategy may seek to offset the potential schizophrenic outcomes of a mixed staffing policy by carefully recruiting employees with a desire for self-development which ultimately help them to more participative in management style. Participative HRM style will encouraging and supporting self-development, a firm can focus its activities more fully on the accurate placement of personnel and the design of flexible teams. Given this we are lead to the following hypothesis:

**Hypothesis 6:** Higher levels of facilitator HRM strategy will be positively associated with participative HRM style and better firm performance perceived data from managers from South Asian companies
Hypothesis 7:
A Utilizer strategy is predicated on minimal commitment and high skill utilization (Mayfield & Myfield, 2007). According to (Bird & Beechler, 1992) it seeks to deploy the human resources of a firm as efficiently participative as possible through acquiring and dismissing personnel based on short-term needs and matching employee skills to specific task requirements with firm performance. Participative style firms are expected to employ a utilizer HRM strategy geared towards providing appropriate, readily available skills consistent with the companies' constantly changing needs (Sangwan, 2009). As a consequence, selection policies focus on closely matching skills to immediate task requirements for firm performance. The view of employees as another resource of the firm and the emphasis on resource utilization and deployment encourage the development of appraisal and reward systems based on firm results (Kagono, Tadao, Nonaka, Sakakibara, & Okumura, 1985). In terms of the impact of specific combinations of HRM strategy on participative HRM style and organizational performance. In participative style an organization (Mayfield & Myfield, 2007) aim at employing, maintaining and developing innovative and competent human resource to achieve firm objective. In this strategy, various management techniques are applied with the purpose of achieving ability development in human resources, (Akingbola, October 2006) besides the adoption of employing versatile employees for flexible or participative job designs. The policy that an encouraging product-based performance evaluation is adopted. The above discussion leads to the following hypothesis:

Hypothesis 7: Higher levels of Utilizer HRM strategy will be positively associated with participative HRM style and better firm performance perceived data from managers from South Asian companies

Hypothesis 8:
A number of authors (Harzing, 2006; Ichniowski, Levine, Olson, & Strauss, 2000 (eds); Myloni, 2002) characterize the participative approach to decision making as the most distinctive and well-known feature of US and Europe organizations. For example, (Myloni, 2002) found that the extent of face-to-face communication in organizations bears no relationship to employees' perceptions of their level of participation in decision making. He found that while communication in the US and Europe firms in his sample was high, it should not be confused with participative decision making (Pudelko, 2006b) found in a study of 106 factories in the US and Europe found that authority was more centralized in the Japanese plants but that participation in decisions was also more decentralized in the US firms. In addition, these authors found that the major centralized decisions were always made by the top management in Japanese and South Asian local firms. In their study of Japanese entrepreneurs, (Inohara, 1990) showed that the overall attitude of Japanese managers is not more consultative rather than participative and that they are reluctant to share their decision-making power with employees. However, more studies (Myloni, 2002) showed that the more decision making power and responsibility granted to employees, the more profit and market share the entrepreneur enjoyed in US and European subsidiaries companies. While the empirical evidence in this area is mixed, accepted wisdom regarding high levels of participation in decision making in US and EU subsidiaries/joint ventures leads us to hypothesize that:

H8: US and EU subsidiaries/joint ventures will demonstrate higher levels PHRM style and higher levels firm performance compare to Japanese and South Asian local firms in South Asia

Hypothesis 9:
Japanese subsidiaries/joint ventures may have less confidence in participative HRM style compare to US, EU, and South Asian local firms. Japanese subsidiaries will have moderate levels of employee participation in HRM practices than American, European and South Asian firms (Beechler, Najjar, Stucker, & Bird, 1996). Japanese subsidiaries were found to average more management levels than American subsidiaries firms (Ballon, 2002), encouraging moderate commitment to the organization and less facilitating the lifetime employment process (Jacoby, 2005). In Japanese subsidiaries and joint ventures of South Asian, there may exist a mixed configuration effect of both host and parent corporate culture, functioning under a third culture framework for managers (Graen, Wakabayashi, & Chun, 2000). Thus we have concluded above review by establishing following hypothesis-

H9: Japanese subsidiaries/joint ventures will demonstrate moderate levels participative HRM style and moderate levels firm performance compare to US, EU, and South Asian local firms in South Asia

Hypothesis 10:
Managers may found a very autocratic HRM management style in South Asian companies. In South Asian firms only help to support the autocratic HRM style and firm performance of the company. In general, most of South Asian managers are traditionalists and prefer their own way (Miah, 2000). They tend to resist change and develop culture-based, traditional superior/ subordinate relationships based on local culture. South Asian managers never believe in human resource development (Miah, M.K.; Kitamura, Y., 2005). They always
believe human is less important than plant and equipment (machinery of factory) (Miah, M.K.; Bird, A., 2007). Thus the following hypothesis can be constructed:

**H10: South Asian Local companies will demonstrate higher levels Autocratic HRM style and lower levels firm performance compare to US, EU, Japanese firms in South Asia**

II. Methodology

Sample:
The sample drawn from four sources: 102 US subsidiaries, 146 Japanese subsidiaries, 129 European subsidiaries and 190 local South Asian.

**Dependent variables**

**HRM style:** Likert’s Profile of Organizational Climate (POC) measure (Likert & Likert, 1976) each firm’s managerial system on an autocratic-participatory continuum in which a high score indicates a participative HRM style and low score indicates an autocratic HRM system.

**Firm performance:** Firm performance in South Asian companies was measured an 8-point scale.

**Independent variables**

**HRM strategies and practices:** We measured the major HRM Strategies are Accumulator, Facilitator, and Utilizer; and HRM practices are Recruitment & selection, Compensation & Benefits, Performance Appraisal, Training & Development.

**Factor Analysis:**
Generally, Kaiser (1974) recommends accepting values greater than 0.5 as acceptable, but values between 0.5 and 0.7 are moderate, values between 0.7 and 0.8 are accepted, values between 0.8 to 0.9 are great and values above 0.9 are superb. (Hutcheson, 1999). Bartlett’s test is significant at (p<0.05), highly significant at (p<0.001).

In The Table 1( Factor analysis) indicates the interrelationship among the independent variables (jr, Black, Babin, & Anderson) where the table consists of values of factor loading, variance Explained, Alpha, KMO, Bartlett’s test values, Degree of Freedom and Significant values. From the Table 1 it is found that the factor loading relating to participative HRM style is significant (Alpha 0.92, KMO 0.92, BTS 7557.64 and Sig. 0.00). And the factor loading represents the 32.76% of total variable. Factor Loading consist of Autocratic HRM.
Impact of Culture on HRM practices: a Comparative Study between foreign MNCs and South ....

Style is also shown significant in terms of KMO 0.92, BTS 7557.64 and Sig. 0.00 but it represents only 16.86% of total variables.

In overall Case of HRM Strategy the factor loading is significant from the point of view of KMO-0.85 (Good), BTS- 1536.89, and Significance level of 0.00. Among HRM Strategy, Accumulator strategy shows the good factor loading values along with 53.46% of variance Explained and alpha of 0.78, Utilizer Strategy shows the better factor loading values but it is poor in terms of variance explained (13.18%), and Facilitator strategy indicates the lowest percentage of variance explained but its factor loading indicates the significant relationship in between the variables relating to facilitator strategy.

KMO value of HRM practices (0.913) indicates the highly significant factor values regarding the interrelationship between variables in case of HRM practices. BTS (3267.402) and significant level (0.00) is also good for HRM practices. Among HRM practices Training and Development satisfies the most explained variables along with significant alpha values.

**Scree Plot:**

![Scree Plot](image1.png)

![Scree Plot](image2.png)

**Figure: Participative and Autocratic HRM Style**

![Scree Plot](image3.png)

**Figure: HRM Practices (R&S, T&D, Performance, Compensation)**

**Figure: HRM Strategy (Facilitator, Utilizer, Accumulator)**

Scree plot is the graphical display of Factor Analysis (j, Black, Babin, & Anderson). The Scree plot is shown above indicating the point of inflexion on the curve. The plot showed the degree of variance of the variables (j, Black, Babin, & Anderson). The curve in all boxes is going to be flat after 3 or 4 variables thus it is justify to retaining either two or four factors.

**III. Result:**

**Firstly,** The Tables 2(a), 2(b), 2(c), 2(d), and 2(e) indicate the descriptive statistic and coefficient correlation of all variables that are used for current study. The table 2 (a) indicates the correlation of all variables in overall cases, Table 2(b) states the correlation in between variables in case of US subsidiaries, and Table 2(c), 2 (d), 2(e) are for EU subsidiary, Japanese Subsidiary and Local South Asian companies respectively.

In the study the Hypothesis 1 that is higher level of recruitment and selection practices will be positively associated with participative HRM style and better firm performance is well supported. Participative HRM has highly Significant value (507** at p< .01) with respect of Organizational performance and...
Recruitment and Selection has also highly significant correlation (.347" at p< .01) (Table 2(a)). Among all companies the Japanese subsidiaries has highly significant correlation between participative HRM style and organizational performance (.599" at p< .01) (Table 2-d) and Recruitment and selection also shown highly significant correlation with company Performance (.449" at p< .01) (Table 2-d).

All the tables 2-a, 2-c, 2-d, and 2-e indicate the highly significant correlation between Compensation and benefits and organizational performance (.213", .264",.257", .189" at p< .01) thus the hypothesis 2 is sustained.

Similarly the table 2 (e) supports the Hypothesis -3. It indicates the highly positive correlation between Performance Appraisal and Participative HRM style (.434" at p<0.01) and Performance Appraisal with organizational performance (.537" at p<0.01).

In case of Hypothesis 4 that is the higher levels of training and development practices is associated with participative HRM style and organizational performance in case of south Asian companies is also established by the coefficients of correlation between T & D and Participative HRM style (.486" at p<0.01) and T & D with organizational performance (.537" at p<0.01) (Table 2-e).

The Table 2 (a) is also shows the highly positive correlation between Accumulator strategy and participative HRM style (.397 " at p<0.01) and Accumulator strategy with organizational performance (.537" at p<0.01); Facilitator strategy with Participative HRM style (.408 " at p<0.01) and Facilitator with organizational performance (.561" at P<0.01); Utilizer Strategy and Participative HRM style (.426" at p<0.01) and Utilizer strategy with Organizational performance (.550 at p< 0.01). Thus the hypothesis 5, 6, and 7 are all well supported by the correlation coefficients.

Secondly, Table 3(a), 3 (b), 3(c) are the values of regression analysis. From the regression analysis the degree of relationship among the variables can be understood (jr, Black, Babin, & Anderson). The table 3(a) shows that there is little significant relationship between Recruitment and selection with organizational performance (β =0.05, t= 1.41) but the table 3 (b) indicates the negative relationship in case of recruitment and selection and participative HRM style (β= -0.01, t= -0.15) thus the Hypothesis 1 is not fully satisfied. And the value indicates the positive association between recruitment and selection with participative HRM style.

The table 3(a) also indicates the negative association between Compensation and benefits and overall company performance ( β= -0.02 t= -0.56) except local south Asian companies( β= 0.07 t= 1.03) all other subsidiaries likely US (β= -0.00 t= -0.04), Japanese Subsidiaries(β= -0.03 t= -0.48), European Subsidiaries( β= -1.00 t= -1.43) show the negative association between compensation and benefit with Organizational Performance. But compensation and benefit is highly associated with participative HRM style (β= -10 t= 2.47) except in case of European Subsidiaries (β= -0.00 t= -0.02). Thus the second hypothesis is partially satisfied with the empirical result.

Performance Appraisal is also highly associated with overall company performance (β= 0.10 t= 2.05) but the US subsidiaries (β= -0.03 t= -0.28) and Japanese subsidiaries (β= -0.03 t= -0.48) indicate the negative association between Performance Appraisal and organizational performance (Table 3 (a)). The table 3(b) is shown good positive association between performance appraisal and participative HRM style (β= 0.18 t= 3.37). Thus the Hypothesis 3 is well supported by the regression result.

From Table 3 (a) it is found that the relationship between Training and Development and significantly associated with the Organizational Performance (β= 0.12 t= 2.74, sig. 0.01) and it is also highly significant in case of participative HRM style (β= 0.21 t= 3.98, sig. 0.00). Hence the Hypothesis no 4 is highly supported by regression result.

Table 3(a) also depicts that there are highly positive association between Accumulator strategy with organizational performance (β= 0.22 t=5.09, sig. 0.00); Facilitator Strategy with organizational performance (β= 0.20 t= 4.79, sig. 0.00); Utilizer strategy with organizational performance (β= 0.20 t= 4.59, sig. 0.00). And from Table 3(b) it is also found that there is positive association between Accumulator strategy and participative HRM Style (β= 0.05 t= 1.05, sig. 0.30); highly significant association between Facilitator strategy with participative HRM style (β= 0.13, t= 2.57, sig. 0.01); and good positive association between Utilizer strategy and participative HRM style (β= 0.09 t=1.91, sig. 0.06). Hence the Hypothesis no 5, 6, and 7 are significantly supported.

Table 3 (c) is regression table where the dependent variable is Autocratic HRM style. The table shows that Compensation has significant association with autocratic style of HRM (β= 0.33 t= 7.54, sig. 0.00). And performance Appraisal is significantly negative in case of Autocratic HRM style in Local south Asian companies (β= -0.29 t= -2.88, sig. 0.00).

In Step two, the table 3(a) shows better R square value (0.65) in case of Japanese Subsidiaries that means In Japanese subsidiaries HRM practices and strategies have better influence on organizational performance. From Table 3 (b) it is clear that Japanese subsidiaries practice the better participative HRM style (R² = 0.53) that other subsidiaries. And from table 3 (c) it is estimated that Local South Asian companies follow the Autocratic style of HRM (R² = 0.37) than other subsidiaries.
Finally, The ANOVA test was done to compare the four types of companies in terms of HRM practices, HRM strategies and HRM Style and organizational performance.

Table 4 indicates that European Subsidiaries has better mean value (3.98) than other in terms of organizational performance and the F – value is 3.84 and sig.0.01. Thus European subsidiaries have better organizational performance. In case of HRM Practices US subsidiaries follow better Recruitment and Selection practices (Mean = 3.80) than others. The mean value is significant in terms of F- value (3.74). And in case of Compensation and benefit, US subsidiaries also provide better compensation comparing to others (Mean value =3.58) the significant level is 0.03. In the part of HRM strategy, European Subsidiaries have followed accumulator strategy (Mean=4.14) and the value is significant at F= 2.64 and significant level of 0.05.

IV. Discussion:

The main purpose of this study is to find out the relationship among the HRM practices, HRM strategy, HRM style and Organizational performance. The empirical study also been done in order to justify the hypotheses that were developed in the first part of the study. The Empirical results have indicated some interesting findings.

Based on the earlier studies conducted by (Adhikari, 2010)(Agarwala, 2008) (D, 2002) (Harzing A . Response styles in cross-national mail survey research: A 26-country study, 2006) our empirical study also found the strong association among the HRM Practices, HRM Style and organizational Performance.

The study results indicated that Recruitment and Selection is positively associated with organizational performance but participative HRM style. The subsidiaries especially US subsidiaries do not heavily rely on the recruitment and selection practices. The reason behind is that in case of US subsidiaries in South Asia, in most of the case they are tried to recruit the local people in order to localize the culture and practices of HRM within the organization thus they are not highly choosy in terms of selecting employees (Edwards, Almond, Clark, Colling, & Ferner, 2005)(Harzing, A.W.K.; Noorderhaven, N.G., 2006). Again The result shows that US subsidiaries follow the Accumulator strategy more than other subsidiaries thus Accumulator strategy enables US subsidiaries to focus on a particular point of interest and work on it to develop the business and organizational performance(Wright P. a., 2002)(Wright P. A., 2003)(Mayfield & Myfield, 2007).

The study also found that except in Local South Asian companies, Compensation and Benefit is not highly influential in case of other subsidiaries in the association of Organizational performance. The rationality behind the findings is that in case of subsidiaries likely US, European and Japanese in most of cases the employees are form affluent families. They are not working for earning livelihood rather to satisfy their interest but those who are working in local south Asian companies they are from lower income group in most of the cases. Thus they are working for earning livelihood not to satisfy the interest hence compensation is very influential factor for these employees and its association with employees dedication to achieve the organizational goals(Agarwala, 2008)(Akhter, 2002)(Ali & Opatha, 2008).

Compensation and benefit can be fulfilled or to maintain a desire the level by adopting the participative HRM style than Autocratic HRM style. Because the participative HRM style give values to the workforce more than autocratic style of HRM (Boliko, 1997).

The correlation coefficients and regression results satisfy the positive association between Performance Appraisal and organizational performance. Performance Appraisal is highly associated with the adaptation of participative HRM style but in case of Autocratic HRM style it is negatively associated. The finding is also found by earlier studies conducted by (Adhikari, 2010)(Akhter, 2002)(Aswathappa, Human Resource Management: Text and Cases, 2008).

And local south Asian companies follow this HRM practice more than other subsidiaries. In local south Asian companies employees are compensation sensitive thus they are always looking to get better compensation and benefits hence Performance Appraisal is vital in order to satisfy the employees in case of providing incentives and other financial benefits based on performance Appraisal(Absar, Azim, Balasundaram, & Akhter, 2010)(Agarwala, 2008)(Budhwar, 2001).

Training and Development is highly associated with the organizational performance regardless of types of subsidiaries. And Training and Development is also highly significant in case of adopting the Participative HRM Style. Because in Participative HRM style it follows to make the workforce as Human Capital thus to accomplish it this style provides more training and development programs to improve the skills, knowledge, and change attitudes of the workforce(Agarwala, 2008)(Edwards, Almond, Clark, Colling, & Ferner, 2005).

But interestingly The Japanese subsidiaries show the negative association with the Training and Development practices though they follow the participative HRM style more than other (R square value is more than others). The reason is that Japan is country that values its experience employees. So most of the Employees are recruited based on the experience they have thus these employees do not need that much training and development programs. On the other hand the expenses of Training and Development certainly increase the cost hence reduces the organizational financial performance (Khatri, 2000).

DOI: 10.9790/487X-17634661 www.iosrjournals.org 55 | Page
Accumulator HRM strategy is more widely used than other two strategies likely Facilitator and Utilizer regardless of the types of the organizations. (Bird S. B., 1992). Accumulator Strategy works well in US Subsidiaries because it allies with the culture and corporate culture of US firms. Accumulator basically emphasizes on the individual responsibilities and development of Human capital (Bird S. B., 1992).

Facilitator strategy works well in Japanese subsidiaries and it has close positive association with organizational performance. In studies conducted by (Cole Ehmke, Strategies for Competitive Advantage, 2008)(Dalton & Benson, 2002)found that over 40% of Japanese subsidiaries have adopted the Facilitator Strategy because it works well in participative HRM style. And Japanese subsidiaries follow participative HRM style than other subsidiaries (Better R square value in our Empirical Study). And Facilitator strategy does not work well in Autocratic HRM Style (Wright P. a., 2002) (Ichniowski, Levine, & Olson, The American workplace: Skills, compensation, and employee involvement, 2000 (eds))

Among all the strategies Utilizer has been used less regardless the type of the organization. And European subsidiaries use this strategy more than other that indicates that European Subsidiaries follow their Home country HRM practices than to adopt the other HRM practices (Bird S. B., 1992).

Among all the Subsidiaries and local South Asian Companies, Autocratic Style is highly used in Local South Asian Companies (Better R square value in our Empirical Study). The rationality behind the finding is that most of the workers in Local South Asian companies are X type people (McGregor, 1960) who are not interested to work by themselves but to need coercion to make them work. The adjusted R square is not that different than R square value that indicates that no addition of HRM practice would improve the overall scenario of the Local South Asian companies regarding HRM Practices.

V. Conclusion:

This study is all about the relationship among the HRM practices, HRM strategy, and HRM Style and Organizational performance. The findings of the empirical study do not support all the hypotheses developed but certainly the impact of culture on HRM practices is far reaching. The results of the study have some sort of unusual behavior regarding the correlation and Regression values. The earlier studies (Agarwala, 2008) (Bae, Chen, & Lawler, 1998) (Budhwar, 2001) (Cole Ehmke, Strategies for Competitive Advantage, 2008) also supported some of the findings of the current study.

No study is fulfilling without having theoretical implication, Managerial Implications, and Practical implications.

The study certainly opens new avenue of research work in the light of achieving competitive advantages to achieve the desire performance. The empirical data of this study is also indicating some sort of theoretical implications. The results indicate that the HRM practices have positive impact on company performance (Akhter, 2002) (Adhkari, 2010) (Aktar, Islam, & Hossen, September 2012) but in the study it is found that only HRM practices cannot ensure the organizational performance (Aswathappa, Human Resource Management: Text and Cases, 2008)

HRM practices cannot work well until and unless adopting the best HRM strategy and HRM style. Ensuring all input of HRM but maintaining the Autocratic style of HRM would not bring any good things for the organization (Boliko, 1997) (Ehnert, 2009). Moreover HRM strategy also plays very vital role in case of ensuring company performance (C.E.S. & M.D., 2001) (Singh, 2004). The findings also indicate the positive relationship between HRM practices and company performance yet without linking up the HRM strategy and HRM style it could be difficult to justify any hypothesis and other stiffs. Thus it would have theoretical implication to great extent.

The managerial implications of this study are also significant. To achieve the organizational performance is the prime target of any management. And HRM is the one of the ways to ensure the organizational performance (Ali & Opatha, 2008) (Miah, Wakabayashi, & Tomita, 2001).The study is important for the managerial implications because it covers the very essential part of the HRM practices along with HRM Strategy and HRM style. Only pursuing the technical HR tasks likely recruitment and selection, Compensation and benefits, performance Management, and Training and development cannot ensure the desire outcomes without acknowledging the appropriate HRM Strategy and HRM Style (Edwards, Almond, Clark, Colling, & Ferner, 2005) (Dalton & Benson, 2002). So as a manager of any organization, it is essential to adopt appropriate HRM strategy and HRM style in order to ensure proper HRM practices within the organizations. The result of the study shown that all sort of HRM strategy is not appropriate in all organization and participative HRM style is more likely to ensure proper HRM practices thus it would have important managerial implications (Budhwar, 2001). The result also indicates that in case of some organization Autocratic Style works well than participative HRM style so before adopting any style it would be important to understand about the culture of the organization and demography of the employees (Zellars, 2003) (Wright P. A., 2003).

The practical implication of this study is significantly important. The scope of the study and the findings of the certainly have significant implication in terms of practical use. The subject area is not mere HRM
practices and its impacts on organizational performance but it covers the all aspects of HRM namely HRM strategy and HRM style. The study also shows all the association of these with organizational performance. Thus from the point of the acceptability and coverage the study is unique. The study found that all HRM practices are not equally important to motivate employees to achieve the organizational achievement such as financial performance. Likely in US, European and Japanese subsidiaries compensation and benefit do not have significant influence on organizational performance. But in case of local south Asian companies compensation and benefit are very vital issue to motivate and make employees loyal to the organization (Edwards, Almond, Clark, Colling, & Ferner, 2005) (Akhter, 2002). In some cases allowing budget to training and development would increase the cost rather than increase the benefit (Khatri, 2000). And in most of the cases Accumulator strategy is being used more than other strategy (Harzing & Sorge, 2003) . So in case of practical implications the study’s findings are vital and significantly implacable across the types of organization in South Asia.

The research work is significant in terms of findings however several limitations should be addressed. The first limitation of this study is the subjective data based on the judgmental response of the respondent. Though the subjective response is vital where objective response is unavailable (Dress, 1986). Another limitation of the study is that all the respondents were manager thus real situation regarding the HR practices could not be identified.

Another significant limitation of the study is that the covering organizations were from some selected countries’ subsidiaries thus the findings cannot be true for across the south Asian companies.

The study has opened the new avenue of the field of HRM. The current study has focused on the triple integrations along with the organizational performance. Thus the future study could be done on the single integration along with the organizational performance. The current study is bilingual study means that only influences of independent variables on dependent variable were examined. But both side impacts are yet to be addressed. So future study could cover this issue as well. And the findings of this study would be used as reference in some other related studies.

Works Cited


DOI: 10.9790/487X-17634661 www.iosrjournals.org 58 | Page


DOI: 10.9790/487X-17634661 www.iosrjournals.org 59 | Page
Impact of Culture on HRM practices: a Comparative Study between foreign MNCs and South Asian local companies.


DOI: 10.9790/487X-17634661  www.iosrjournals.org 60 | Page
Impact of Culture on HRM practices: a Comparative Study between foreign MNCs and South ...