

Factors Impeding Global Human Resource Management Transformation: The Case of South African Multi-National Corporations

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Abstract

The objective of this research was to explore the current challenges experienced in global human resource during the period 2010-2014. Purposive sampling was used to select 25 human resource specialists of global multi-national corporations (MNCs) and gather data on their views regarding challenges in global human resource transformation. A standardized structured questionnaire was used to collect data on the respondents' level of agreement regarding the prevalence of global human resource management challenges. The Keiser-Meyer-Olkin (KMO) measure of sampling adequacy (MSA) and Cronbach's alpha values for discrete dimensions of global human resource management transformation challenges show that the data used for the research was structurally valid and reliable. Results derived from frequencies and descriptive statistics indicate that implementation of change, recruitment and selection of employees, performance management and review of labour laws of host countries, currently remain as global human resource transformation challenges. Based on the results computed from the Principal Component Analysis (PCA), strategic talent management emerged as the most significant challenge in global human resource transformation; followed by strategic workforce planning, global alignment of human resource policies and resistance to change.

Keywords: global, human resource management, transformation, challenges, MNCs

1. INTRODUCTION AND BACKGROUND

According to Chambers (2013), many multinational corporations (MNCs) across the globe are recently experiencing numerous challenges in adopting global human resource management practices across global boundaries. The respective firms are struggling to duplicate practices among their culturally and geographically dispersed subsidiaries due to the presence of dynamic and complex practices in human resource management (Chambers, 2013:24). The focus now is quite demanding: how to sustainably transform global human resource into core business processes that can achieve the business outcomes, which stimulate organizational growth and development.

In the recent dynamic and complex global environment, multinational corporations face the need to effectively manage global workforces that enhance sustainable growth and development of their businesses (Ananthram & Chan, 2013:8). Nevertheless, managing a global workforce remains very challenging since labour is highly mobile, quite heterogeneous in respect of knowledge and skills, and not bound by geographic and cultural boundaries (Schuler, Jackson & Tarique, 2011: 511). Due to challenges associated with global human resource management, many professionals and experts in the domain of human resource management emphasise integrating global human resource management strategies as fundamental to human resource planning and strategic management (Vaiman, Scullion & Collings, 2012:932).

The existence of heterogeneity in labour remains a challenge to the practice of effective human resource management in multinational organizations (Farndale, Scullion & Sparrow, and 2010:166). In addition Tarique and Schuler (2011:24), contend that transformation of global human resource management becomes more challenging during times of macroeconomic instability and uncertainty. In this respect, there exists general consensus that organizations experience huge challenges in attracting, retaining and developing human capital needed in numerous functions of their core business activities. The changes taking place in the global environment have, therefore, contributed to the advancement of traditional multinational corporations into global organisations that are more networked in nature (Kapoor, 2011:6).

Global networking form an effective coordinating mechanism for organizing roles and activities that enhance firms to efficiently function on beneficial interdependence bases, which further increase organizations' potential to retain talented employees. Furthermore, global human resource management shapes and maintains a culture of external linkages for a global organisation. According to Tarique & Schuler (2012:18), global human resource management facilitates the integration of internal functional relationships within the various competency centres of the global organisation. However, despite the benefits associated with global human resources management,

the expanded number of relationships needed in both the internal and external global network settings however, increases the complexity of establishing an appropriate global human resource system (Tarique & Schuler, 2012:22).

Following Cheese (2010:4), rapid globalisation, advanced technological changes and increasing deregulation have created a new competitive landscape for human resource management at the global level. These developments have led to the evolution of dynamic hypercompetitive rivalries between firms, which share markets characterized by dissimilar resources. Such trends have further shifted the sources of the global organisation's competitive advantage from its global market positioning activities toward its internal resource base (Barzantny, 2011:466). Additionally, global strategic flexibility augments the importance of resource flexibility, where the critical resources encompass strategic leadership, human capital, technological and manufacturing advances and cooperative synergies between both organisational cultures and structures (Davenport, Harris & Shapiro, 2010:56).

As such, global organisations have to achieve knowledge integration across globally dispersed internal and external knowledge sources to achieve a sustained superior performance. Emphasis on the integrated global human resource management strategy accentuates the importance of the new strategic human resources role to facilitate the development of the MNC's through use of human resources specialists with capabilities for knowledge management (Harvey & Novicevic, 2011:48). In this context, knowledge management implies that the processes of knowledge creation, integration and application across the entire global network becomes a prime requisite to competitive strategy in the global market place (Cheese, 2011:5). Similarly, an adaptive global organisation should be oriented towards dynamic and anticipatory strategic flexibility as one of its primary core competencies (Harvey & Novicevic, 2011:48). Furthermore, Harvey and Novicevic (2011:37) maintain that due to turbulent changes taking place in the global competitive landscape, MNCs are increasingly modifying their opportunity boundaries. This enhances organisations to maintain a high degree of flexibility in their structures and cultures, and permits feasible restructuring of strategic relationships within various global networks on an on-going basis (Davenport, Harris & Shapiro, 2010:55).

However, in order to sustain dynamic global networking, human resource specialists have to possess multiple competencies that are relational and contingent in nature (Gratton, 2010:17). In that respect, global human resource specialists should therefore demonstrate competencies in multicultural interpersonal and inter-organisational trust within which members of the networked organisations can learn to cooperate (Gratton, 2010:19). While the problems of managing intercultural cross functional and inter-organisational dependencies and orientations have consistently remained a challenging task for traditional international human resource management, transformation of the respective aspects into a network perspective poses a set of unique opportunities and challenges to the global human resource managers. In turn, these issues complicate the varying demands for flexibility in global human resource system designs (Gratton, 2010:21). Resultantly, these challenging issues require attention by global human resource managers who are responsible for human resource effectiveness within global networks.

1.1 Research Objective

The objective of this research was to explore the current challenges experienced in global human resource management transformation during the period 2010-2014.

1.2 Outline of the Paper

This paper is organised as follows: Section 2 reviews literature on challenges in global human resource transformation. Section 3 specifies the methodology and statistical analysis procedure adopted in the study; while Section 4 presents and discusses the results. Section 5 provides conclusion and recommendations for further studies.

2. LITERATURE REVIEW

Globalisation and advanced technological changes have created many challenges within the global human resources management field (Chen & Eldridge, 2010:248). Additionally, Forstenlechner (2010:182) asserts that at the operational level, human resource specialists in multinational corporations should familiarize themselves with the business dynamics and employment legislations in foreign or host countries so that they are will become effective in managing the organisation's staff and labour stakeholders' local and international interests. At the executive level, human resource management executives are faced with similar challenges when it comes to developing a customized framework for implementing and managing change when it comes to internal workforce planning and performance management systems relevant to business practices in host countries

(Almond, 2011:264).

At global level, most multinational corporations experience challenges when it comes to duplication of human resources management practices and systems among their geographically and culturally dispersed subsidiaries (Gordon, 2010:44). Thus, transformation of local human resources management systems and business practices into global core business processes is critical in order for the organisations to effectively manage these changes. Some of the human resource management practices that must be transformed include rewards and compensation, workforce planning, recruitment and retention of talent staff and labour laws (Lee & Wu, 2010:126). In order for the human resources transformation to be implemented effectively, human resources management challenges at micro level and meso level must be identified and addressed (Kapoor, 2011:6). At the micro level, differences in cultural practices and language barriers have created challenges when it comes to the planning and the development of the organization's talent workforce (Rosenzweig, 2012:648).

At the meso level, some of challenges experienced by human resource practitioners include the inability to respond to issues of labour unions operating frameworks and labour laws applied when addressing labour unrests and disputes in host countries (Dalton & Druker, 2012:592). All these challenges at micro and meso levels become global human resource management challenges specifically when it comes to the workforce planning, implementation of change and performance management and review. Tarique and Schuler (2010:14) proclaim that in multinational organisations, the replication of global human resources management practices across international boundaries becomes a challenge for the human resources practitioners. However, multinational companies that have addressed these challenges and are able to replicate their practices on a global level achieve a competitive advantage. In that respect, Lee and Wu (2010:122) assert that successful replication of human resources practices is linked to the organisation's capacity to operate across countries and transfer knowledge.

From a global talent management perspective, in order to remain competitive, global companies are developing expansion and retention of talent staff strategies (Gordon, 2010:45). Kapoor (2011:4) asserts that in order to achieve competitive leverage, global companies must link their growth strategy to global talent management processes which involves attraction, hiring and retention of local talent staff in host countries. Sullivan (2012:648) share the same view that organisations which adopt growth strategies across international boundaries ensure that their talent management initiatives support global expansion (Ekuma, 2012:117). In general, global talent management refers to the systematic utilization of International Human Resources Management (IHRM) systems and procedures to attract develop, and key talent aligned to strategic organizational priorities in a diverse highly competitive and global environment, (Tarique & Schuler, 2010:13).

Similarly, cultural differences existing within multinational organisations create strategy execution challenges for global human resources managers (Kapoor, 2011:5). Thus, it is critical that the alignment of human resources practices with strategic support must take into consideration these cultural challenges (Kapoor, 2011:3). In addition, global human resources practitioners must have clarity and understanding of different individuals' cultural differences and competencies in order to deal with strategy execution challenges (Barrera, 2010:49). This understanding assists in the facilitation of effective social engagements amongst employees from different cultural backgrounds (Kapoor, 2011:3). Integrating talent management with compensation, expatriate compensation becomes important factor in the management and retention of key talent. This is due to the fact that expatriate compensation and benefits processes and practices vary across international boundaries. According to Barrera (2010:48), differences in compensation and benefits processes are due to differences in local customs and labour laws. In addition these cultural differences, local practices pose an impact in how talent employees are motivated, compensated and retained. As such, Kapoor (2011:6) notes that disparities in employee compensation prospects remain as a challenge when it comes to strategic alignment.

On the other hand, the resource-based view focuses on the important role resources play in the development of policies and procedures (Das, 2010:29). This has provided understanding on how high performing and competitive organisations acquire, utilize and manage their resources in order to increase their competitive edge. Thus, to further increase their competitive advantage, an organisation can use learning programmes as means to implement and sustain their human resource practices and transformation (Almond, 2012:265). In the same line of argument, Chambers (2011:23) support the understanding that highly performing and competitive organisations implement effectively managed and strategically aligned human resource management systems.

3. METHODOLOGY

3.1 Research Design

This research study was conducted based on quantitative descriptive and exploratory designs. The primary

dimensions of analysis in respect of challenges experienced in global human resource transformation were implementation of change, workforce planning and staffing, and performance management and review.

3.2 Target Population

The target population for this research study comprised of human resource management experts employed in MNCs based in the Gauteng province, South Africa. The MNCs operate in different sectors, which include retail, manufacturing, banking and finance, transport and logistics, accounting, consumer goods, business consulting, information and communications technology and mining.

3.3 Sample and Sampling Approach

Purposive sampling was used in the study on the basis that the elements from which data had to be collected had to be homogeneous cases (Cheese,2010:4).. The ultimate sample size was determined by accessibility and possibility of voluntary participation of respondents.

3.4 Data Collection Instrument

A structured self-administered standardized questionnaire was used as the primary data collection instrument in this study. The questionnaire comprised of sixteen questions under three broad dimensions of global human resource management challenges namely; implementation of change, workforce planning and staffing, and performance management and review.

3.5 Structural Validity

The structural validity of the measurement instrument was examined through factor analysis; a process by which by which total correlation analysis of items are evaluated. Prior to conducting factor analysis, the Keiser-Meyer-Olkin (KMO) analysis was undertaken to determine suitability of the size of sampling to factor analysis. The KMO value was used to determine whether the data was suitable for factor analysis and principal component analysis. Moreover, the Bartlett's test of sphericity was also conducted to determine whether factor analysis could sufficiently be performed on the data (Ekuma, 2012:116).

3.6 Scale Reliability of Items

In order to evaluate the degree to which the chosen set of items measures a single one-dimensional latent construct, internal consistency or scale reliability of the research instrument's items was examined using the Cronbach's alpha statistic. The Cronbach's alpha was determined to examine homogeneity of internal consistency of the underlying research instrument's items.

3.7 Statistical Analysis

In order to derive benefits associated with research triangulation, data integrity tests were undertaken through application of relevant statistical techniques with SPSS program version 21 for windows. The data was analyzed using the following statistical techniques frequencies, descriptive statistics, exploratory factor analysis and principal component analysis.

4. RESULTS AND ANALYSIS

4.1 Descriptive statistics

This subsection provides the mean statistics and standard deviations of the participants' responses regarding their level of agreement on whether or not certain factors explored are current challenges in global HR transformation.

Table 4.1: Descriptive statistics

	N	Mean		Std. Dev
	Statistic	Statistic	S.E	Statistic
Global coordination of human resources policies and procedures	28	4.29	.101	.535
Global alignment of human resources policies and procedures	28	4.32	.116	.612
Resistance to change by employees	28	4.36	.128	.678
Objections from line managers	28	4.29	.135	.713
Adaptation to new HRM technology	28	4.11	.157	.832
Strategic workforce planning	28	4.18	.146	.772
Recruitment and selection	28	4.11	.157	.832
Retention of key talent staff	28	3.96	.174	.922
Strategic talent management strategy	28	4.46	.120	.637
Labour laws in host countries	28	4.00	.154	.816
Cultural differences across countries	28	3.68	.225	1.188
Defining employees' roles	28	3.86	.152	.803
Dealing with future talent gaps	28	3.89	.195	1.031
Training and development strategy	28	4.07	.154	.813
Remuneration and compensation benchmarking	28	4.00	.154	.816
Managing labour costs	28	3.96	.150	.793
Valid N (listwise)	28			

Based on the results presented in the Table 4.1 above, the mean statistics indicate that the HR executives on average agree that all factors explored remain as challenges in global HR transformation. In approximate terms, all factors scored a mean scores equal to 4 (mean = 4); reflects that respondents generally agree that the factors are challenges.

4.2: Internal Consistency of Items

Table 4.2: Scale Reliability of Items

Constructs	Items	Cronbach's Alpha	No of Items
Implementation of change	Global coordination of HR policies and procedures Global alignment of HR policies and procedures Resistance to change by employees Objections from line managers Adaptation to new HRM technology	0.252	5
Workforce planning and staffing	Strategic workforce planning Recruitment and selection Retention of key talent staff Strategic talent management Labour laws in host countries Cultural differences across countries	0.612	6
Performance management and review	Defining employees' roles Dealing with future talent gaps Training and development strategy Remuneration and compensation benchmarking Managing labour costs	0.700	5
Overall reliability		0.743	16

Given that the minimum overall accepted Cronbach's alpha for scale reliability is 0.743, this indicates that the items of the research instrument were reliable (Azmi, 2010). In other words, the items of the research instruments met the internal consistency condition.

4.3 Structural Validity of Items

Table 4.3: Structural Validity

Constructs	Items	KMO	Barlett's Test of Sphericity	Eigenvalue % Var	Cum % Var
Implementation of change	Global coordination of HR policies and procedures	0.432	14.557	30.000	78.747
	Global alignment of HR policies and procedures			28.476	
	Resistance to change by employees			20.271	
	Objections from line managers			13.931	
	Adaptation to new HRM technology			7.323	
Workforce planning and staffing	Strategic workforce planning	0.550	25.128	36.156	71.875
	Recruitment and selection			18.676	
	Retention of key talent staff			17.042	
	Strategic talent management strategy			13.880	
	Labour laws in host countries			8.937	
Performance management and review	Cultural differences across countries	0.668	31.643	5.308	69.733
	Defining employees' roles			47.211	
	Dealing with future talent gaps			22.522	
	Training and development strategy			14.356	
	Remuneration and compensation			10.337	
Managing labour costs	5.574				

The Kaiser-Meyer-Olkin (KMO) approach was used to determine the suitability of the size of sampling for factor analysis. The KMO and Barlett's test scores of all the constructs indicate presence of sampling adequacy. The eigenvalues reflected the number of components extracted; while more than half of variances in all components were accounted for by the individual items provided under each major dimension of the global HR transformation challenges.

4.3 Principal Component Analysis of Dimensions

Table 45: Principal Component Analysis

	Component						
	1	2	3	4	5	6	7
Global coordination of human resources policies and procedures				.662			
Global alignment of human resources policies and procedures							.887
Resistance to change by employees				.864			
Objections from line managers					.695		
Adaptation to new HRM technology							.551
Strategic workforce planning						.888	
Recruitment and selection			.791				
Retention of key talent staff			.778				
Strategic talent management strategy					.944		
Labour laws in host countries	.726						
Cultural differences across countries	.789						
Defining employees' roles	.683						
Dealing with future talent gaps	.594						
Training and development strategy		.717					
Remuneration and compensation benchmarking		.856					
Managing labour costs				.505			

Based on the results derived from the Principal Component Analysis conducted, strategic talent management

emerged as the most significant (factor) challenge in global HR transformation; followed by strategic workforce planning, global alignment of HR policies and procedures and resistance to change; accordingly. In the first component, cultural differences across countries recorded as the most significant challenge followed by labour laws in host countries. In component 2, remuneration and compensation benchmarking was explored to be the key challenge in global human resource management transformation.

Overall, results of the Principal Component Analysis (PCA) indicated that strategic talent management remains the most significant challenge in global HR transformation; followed by strategic workforce planning, global alignment of HR policies and procedures and resistance to change; accordingly. The results conform to Kapoor (2011:6) who indicates that implementation of change and workforce planning; coupled with remuneration and compensation, and rewards systems remain as challenges in global human resource transformation. Only Adaptation to new HRM technology (score = 0.551) and managing labour cost (score = 0.505) recorded as the lowest significant challenges in global human resource transformation.

4 CONCLUSION AND RECOMMENDATIONS

The primary findings from the study indicate that the challenges being experienced in global human resource transformation include implementation of change, recruitment of employees, labour laws in host countries and performance management and review. Against the background of the results of this analysis, the propositions of this study cannot be rejected.

In light of the findings, it is imperative that human resource management experts working in cross border MNCs consistently review the effectiveness of the policies and procedures they adopt in global HR transformation. Global organisations should realise the importance of effectively attracting and retaining strategic talent staff. Organisations should thus focus on retaining key talent staff in their organisations and reduce costs of managing labour, improving their benefits and reward strategies and provide ongoing training to key staff in the organisation. Similarly, HR executives in global HR transformation need to ensure that the working environment in their respective organisations are conducive to employees from diverse cultural backgrounds and also, factoring into account labour laws existing in different countries.

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