

Role of HR Managers During Internationalization: An Empirical Study on Indian MNCs

Dr. Zuhaib Ahmad

Post Doctoral Researcher
Faculty of Management Studies and Research
Department of Business Administration
Aligarh Muslim University
Aligarh, Uttar Pradesh, India

Abstract

In this study review of literature is carried out regarding HR Roles during Internationalization in Indian MNCs. Some literature is also reviewed to understand the relationships among HR roles and to increase our understanding on how these HR roles are evolved, further various HR topologies are reviewed and the study tries to capture till date literature in the area. For measuring HR roles, most popular four roles model of Ulrich (1997) is used in the present research. Degree of Internationalization (DOI) is measured through Composite scale developed by (Sullivan 1994). The scales were tested for unidimensionality, reliability and all kind of concerned validities. Thereafter measurement model was developed for the proposed relationships using Structural Equation Modelling (SEM) through the capabilities of Lisrel 8.80. The findings are in line with the existing literature reporting strong relationship of DOI with all the four roles proposed by Dave Ulrich especially with strategic role.

Keywords

Internationalization, HR roles, IHRM, Degree of Internationalization, Human resource strategy, Multinational corporations.

Introduction

This study introduces the concepts related to the internationalization of Indian MNCs and HR roles. It highlights the concept of degree of Internationalization and further delves into the recent changes in the roles and context of HRM vis-à-vis internationalization of an organization. Rationale for the study, research objectives and research methodology is also mentioned in the subsequent sections of the paper.

Rationale of the Study

The substantial body of literature exists in the area of internationalization of the firm (Bilkey & Tesar, 1977; Czinkota, 1982; Johanson & Vahlne, 1977) but there has been a paucity of research in the area of Human Resource Management (HRM) vis-a-vis internationalization of the firm. However, there has been considerable number of studies which deals with other dimensions of human resource management during internationalization process (Adler & Ghadar, 1990; Brewster & Scullion, 1997; Harvey et al. 1999) but both theoretical discussions and empirical researches that build on roles of human resource (HR) managers in the context of internationalization are scarce.

Extensive literature review suggests that there is a paucity of research on the roles of human resource professionals in the context of internationalization as a whole. Some of the studies focused on mergers and acquisitions (Ruth et al. 2004; Pawne, 2005), some on early phases of internationalization (Welch & Welch, 1997), while others were focusing on some other mode of entry to international market (Schuler, 2001; Shariff, 1998).

Objectives of the Study

The primary objective of the study is to empirically examine the role of HR managers vis-a-vis the internationalization process of Indian MNCs.

Literature Review

The globalization of business activities has created an increased pressure to link HRM with firm-level outcomes (Chadwick & Cappelli, 1999). The literature also highlights the increasingly vital role of HRM in the internationalization strategies (Brewster & Scullion, 1997; Harvey et al. 1999; Huselid, Jackson & Schuler, 1997; Scullion, 1999; Scullion & Starkey, 2000; Wright & Snell, 1998). This research, therefore try to establish a link between Degree of Internationalization and HR roles empirically.

Degree of Internationalization

Internationalization process is normally categorized into two approaches viz. traditional approach or stages model and born global or new approach to internationalization (Crick, 2009). Traditional internationalization process theory builds upon the “incremental process of a firm’s experiential learning in foreign markets” (Johanson & Vahlne, 1977). Despite its intuitive elegance and enduring prominence in the international business literature,

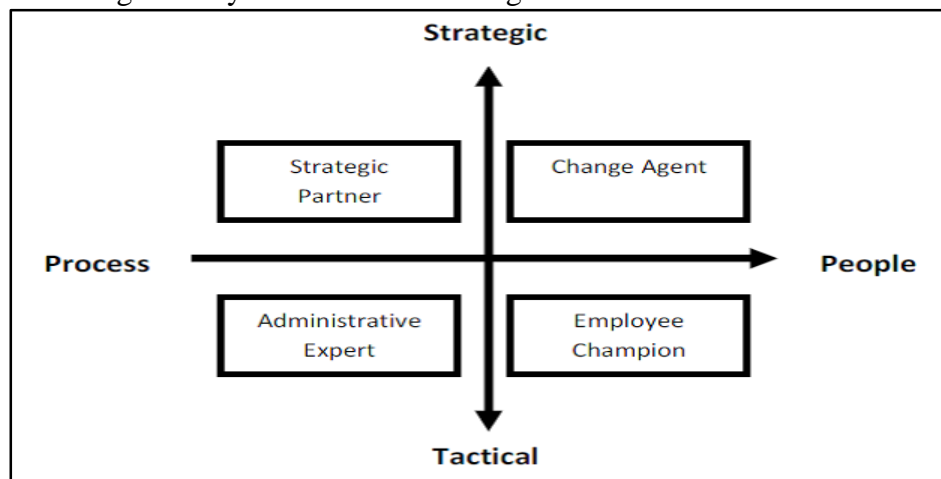
this knowledge-based process theory or so called Uppsala Model has been challenged theoretically as well as empirically (Mellahi, 2005).

The present era of globalization, integrated with fast technological changes globally, has given birth to a new concept of born global firms in the internationalization literature. A body of literature exists concerning firms that internationalized soon after the start-up phase; these have largely been found to exist in technology-oriented industries although such behavior has been found in other industries too (Knight, 2000; Knight & Cavusgil, 2004; Moen & Servais, 2002; Oviatt & McDougall, 1994). Born-global firms have started international operations soon after their inception, thus circumventing the traditional incremental route to internationalization.

In the process of reviewing literature, the study reviews existing literature on internationalization and argues that internationalization can be measured through degree of Internationalization and no single agreed theory exists to fully explain firms' internationalization. Some other researchers also agree on this observation (e.g. Bell et al. 2004; Crick and Jones, 2000; Coviello and Jones, 2004). Therefore in grounding this study in the context of earlier work, it is important to recognize the importance of Suvilians composite scale for measuring Degree of Internationalization (DOI).

HR Roles Vis-a-vis Internationalization

The typology developed by Ulrich (1997) also uses two dimensions (people versus process and strategic versus operational) in order to highlight the following roles by which the HR managers can contribute to added value.



Source: Ulrich, D. (1997). "Human Resource Champions". Harvard Business School.

Exhibit 1.0: HR Roles Framework by Dave Ulrich

1. **Administrative Expert:** In this role the HR professional designs and delivers efficient HR processes for staffing, training, appraising, rewarding, promoting, and otherwise managing the flow of employees through the organization. The deliverables from this role is administrative efficiency.
2. **Employee Champion:** The employee contribution role for HR professionals encompasses their involvement in the day-to-day problems, concerns and needs of employees. The deliverables aimed at are increased employee commitment and competence.
3. **Change Agent:** This role focuses on managing transformation and change. The deliverable is aimed at developing a capacity for change. HR managers help employees to let go of old and adapt to a new culture.
4. **Strategic Partner:** The strategic HR role focuses on aligning HR strategies and practices with business strategy. The deliverable is strategy execution. HR practices help accomplish business objectives.

The study also includes contributions from HRM literature for conceptualization of HR roles. The study uses model of Ulrich as it appear as a popular model and empirical research built on this model is scarce especially in Indian context.

Methodology

The empirical basis of this study consists of quantitative questionnaire data collected through face-to-face interviews and for independent variable (i.e. DOI) various secondary sources were also reviewed. The data was collected in 2016 from a sample of 130 Indian MNCs. All data was collected from human resource/personnel managers.

We chose India as an empirical context to test the proposed model as from the past two decades; the HR departments in Indian firms have experienced radical changes due to liberalization. In the early stages of economic development in the 1970s, the HR departments in most Indian firms were largely conceived to be administrative offices that mechanically implemented institutionalized systems of seniority-based HRM.

However, since the 1990s and with the emergence of intensified global competition, Indian firms have been forced to explore new roles for their HR departments. On the one hand, the HR departments started taking initiatives as employee champions to drive harmonious workplace climates, enhance employee commitments, and generate firm-specific organizational culture.

On the other hand, the HR departments were expected to attend to the needs of top management and assume the role of strategic partners. Some organizations took a step further and assigned change management as an explicit role of the HR department. The resulting significant variation in the role of the HR department and its relationship with degree of Internationalization of the company make the Indian contextual setting well suited for this study.

The survey was conducted in 2016 as part of a Post doctoral research on HR roles in Indian firms. The sample was drawn from Business Standard that contains information on more than 1000 firms, including major companies in India. To enhance the representativeness of the sample, Indian firms that have some international operations were included in the study. Finally, 900 firms were selected to participate in the study out of which 130 responds to the questionnaire. To avoid the problems of common method bias, two separate questionnaires, one for independent variables and the other for dependent variables, were sent to all the firms. Most of the respondents were senior HR executives because they are purportedly the most knowledgeable people for this information.

Measures

Researchers should design questionnaire items that capture the specific substantive focus of the HR component being assessed (Arthur & Boyles, 2007). Hence, efforts were made to keep the items as simple, specific and objective as possible.

Degree of Internationalization (DOI)

Sullivan's (1994) composite scale has been used to measure degree of internationalization (DOI). The DOI index incorporates 5 objective ratio measures of overseas involvement. They are

- a. Foreign sales as a percentage of total sales (FSTS)
- b. Foreign assets as a percentage of total assets (FATS)
- c. Overseas subsidiaries as a percentage of total subsidiaries (OSTS)
- d. Psychic dispersion of overseas operations (PDIO)
- e. Top management International experience (TMIE)

The DOI score for each MNC is a sum of each individual measure, where the range of values is 0.0 for no international involvement to 5.0 for extensive involvement, FSTS and FATA are represented by 3yr averages (2014, 2015

and 2016) and were obtained from company's annual reports and further converted to 5 point scale. Frequencies and distribution of MNCs necessary to calculate OSTs and PDIO also came from company's annual reports. For TMIE the data is collected through questionnaire by asking HR managers about their International experience.

HR Roles (HRR)

To measure HR roles Ulrich (1997) four roles framework is adapted and trimmed according to the context of this study. Each HR role is measured by five statements.

This was measured using the adapted version of the Scale developed by Ulrich (1997) to measure HR roles. A total of 20 items (five items for each role) were used to assess HR roles. (e.g. HR managers help the organization accomplish strategic goals), to measure Strategic Role. For Administrative Expert role (e.g. HR managers spend considerable time on administrative issues) for Employee champion role (e.g. HR managers spend considerable time addressing employee needs vis-à-vis internationalization) and for Change Agent Role (e.g. HR managers spend considerable time on promoting behaviors that support internationalization). All items were answered on a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Conceptual Model

A research model may have both independent and dependent variables. Endogenous constructs have antecedents specified within the model, whereas the causes of exogenous constructs are outside the model and not of interest (Anderson & Gerbing, 1991).

When structural models are specified, observed measures of exogenous constructs and endogenous constructs are simultaneously estimated with the structural model to ascertain if any relationship exists (Joreskog & Sorbom, 1993). The model is given in exhibit 1.1

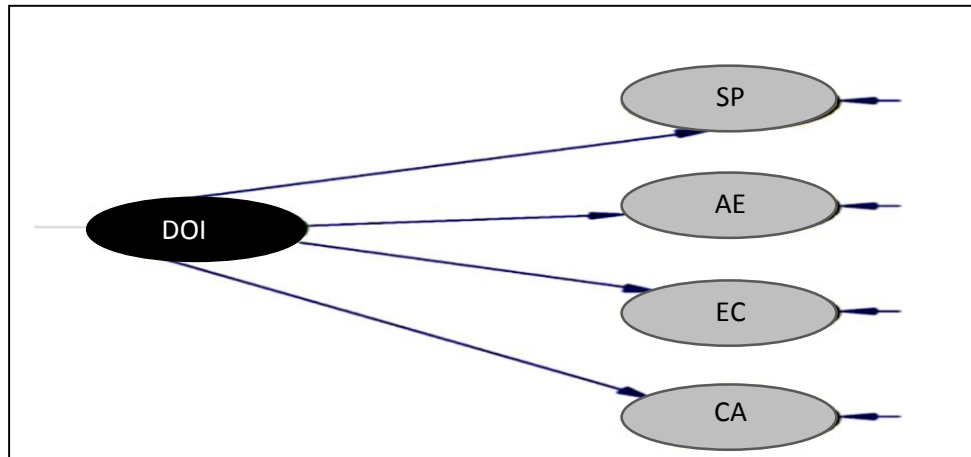


Exhibit 1.1: Conceptual Model Relationships between IO, THRD and HR Roles.

The model specification of the study may be given as:

$$SP = f \{DOI\}$$

$$AE = f \{DOI\}$$

$$EC = f \{DOI\}$$

$$CA = f \{DOI\}$$

Where

SP= Strategic Partner Role (Endogenous/Dependent variable).

AE= Administrative Expert Role (Endogenous/Dependent variable).

EC= Employee Champion Role (Endogenous/Dependent variable).

CA= Change Agent Role (Endogenous/Dependent variable).

DOI= Degree of Internationalization (Exogenous/Independent variable).

Analysis Plan

Data analysis begins with an illustration of the profile of the respondents and responding organizations. Thereafter, Structural Equation Modelling (SEM) was deployed using LISREL 8.80. SEM entails two interrelated steps: first, the estimation of the measurement model, which refers to the relationships between latent and observed variables, secondly the estimation of the structural model, specifying linkages between different latent variables (Anderson & Gerbing, 1988; Bollen, 1989).

The measurement model for each construct was assessed before assessing the structural model. For estimating the measurement model, Confirmatory Factor Analysis (CFA) was used (Shown in exhibit 1.1). The scales were assessed for unidimensionality, validity and reliability.

GFI of more than 0.90 or even 0.8 for the model suggests that evidence for unidimensionality exists (Joreskog & Sorbom, 2002). Apart from GFI, the fit for the model can be determined based on the following fit indices viz AGFI, CFI, NFI and NNFI, all of which should ideally be greater than 0.9 (Joreskog & Sorbom, 2002). Value of less than 0.08 for RMSEA or even less than 0.1 is acceptable (Hu & Bentler, 1999; Schumacher & Lomax, 2004). The chi square/ degree of freedom ratio of less than 3 has been advocated as an acceptable level of fit (Carmines & McIver, 1981). The factor loadings should be statistically significant. Item loading retention rules indicate that item loadings should be more than 0.3 (Hill & Petty, 1995; Tinsley & Tinsley, 1987) and at least three items should load on each factor (Bawa, 2004; Tansey et al. 2001).

All the scales are found to be uni-dimensional the lowest standard loading was 0.44, suggesting that all the items are measuring their respective constructs. DOI Scale was excluded from confirmatory factor analysis as this was an adapted and pre tested scale used in many studies (Downes, Thomas & McLarney, 2000) and was comprised from the items collected through secondary sources. Therefore this scale needs not to be tested for unidimensionality.

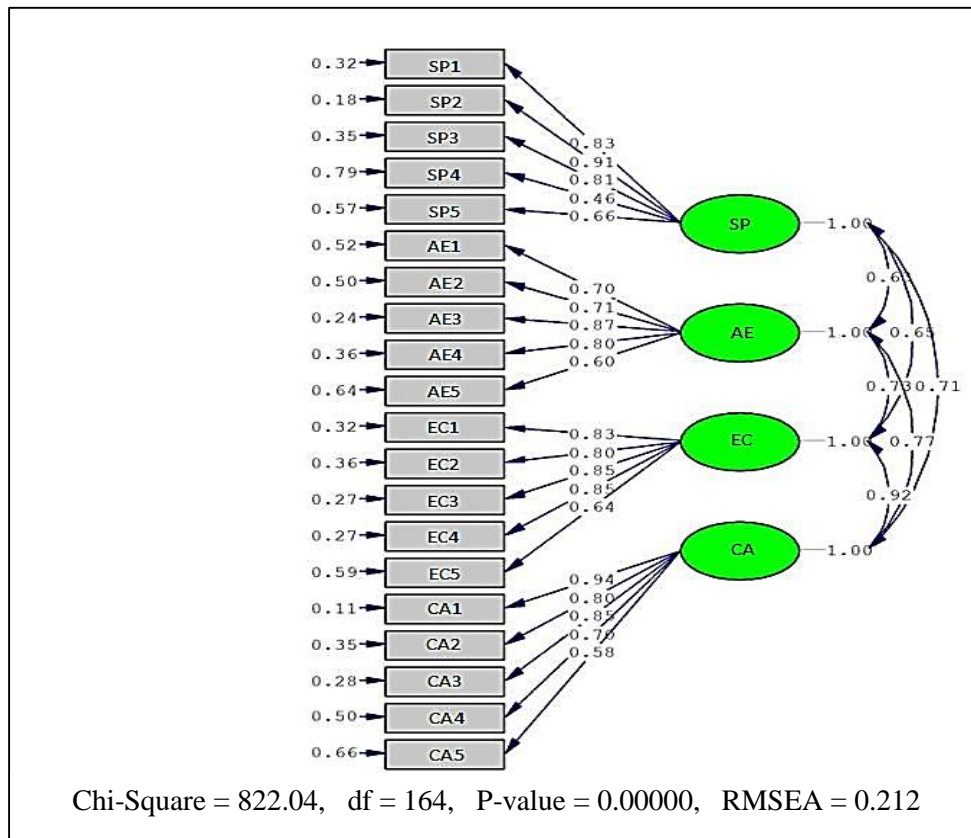


Exhibit 1.2

Findings and Conclusion

Most of the respondents are very well experienced and were working at Top Management Positions as it is believed that experienced and senior managers are reliable informants. The responding organizations are big size corporations as it is believed that large organizations tends to have well organized HR departments and most of them were publically owned and belongs to a service sector.

The model shows good fit with the data and all the relationships are positive and significant as the lowest path coefficient for the model is 0.72 and the highest is 0.99. The model implies that degree of internationalization has a significant and direct relationship with all four HR roles.

Discussion

The study contributes to the literature pertaining to HR roles and tries to explore the role of HR managers during internationalization process of Indian MNCs. There were numerous studies advocating change in the role of HR managers during internationalization process (Brewster & Scullion, 1997; Harvey et al. 1999; Huselid, Jackson & Schuler, 1997; Scullion, 1999; Scullion & Starkey, 2000; Wright and Snell, 1998). Some of the authors strongly agree that HR manager's role change significantly as the internationalization grows on the firm. Intensity of internationalization is measured through composite scale developed by Sullivan (1994) on Degree of Internationalization and four HR roles proposed by Ulrich (1997) was used as dependent variables following the footsteps of other researchers in the area (Guzman, 2011; Chang & Chi, 2007; Bhatnagar & Sharma, 2003; Lemmergard, 2008; Buyens, 2001; Bjorkman et al., 2006). The model shows that all four roles are influenced by Degree of Internationalization (DOI), all the path values are positive and significant. Therefore it can be concluded that all four roles are strongly affected by Degree of Internationalization (DOI) and all hypotheses stand accepted.

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