

MAIN ARTICLES

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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Abstract

A good number of companies have resorted to seeking growth through expansion beyond their national borders to take advantage of globalisation and this has resulted in an ever increasing number of large multinational companies (MNCs). These companies however need to adapt to the peculiarities of their new business environments in order to succeed and human resource management is key to their success or otherwise.

This paper draws on International Human Resource Management (IHRM) practices and theories and highlights similarities and differences between the United Kingdom and Ghana as a host country. The article also discusses some of the key issues that MNC human resource managers will have to come to grips with once they locate in Ghana, given the pivotal role that human resource management plays in almost every progressive and successful company.

Introduction

It is axiomatic that human resources are one of the most valuable assets of every human organisation be it public or private, profit or non-profit. The profitability, success or failure of any organization, hinges

to a large extent on the quality of its human resources and how well these resources are harnessed towards productivity. Abdulai reinforces the importance of human beings in organisations thus; "Without the meanings that are provided by the human mind, organisations are only piles of stone and metal and blobs of ink on pieces of paper" (Abdulai, 2003:4, Eddy W (1981). The importance of human resources in human endeavour can therefore not be overemphasised, however; human resource management in a multinational company (MNC) presents a different set of challenges because human resource management in a multinational company takes place in an environment created through the interplay of socio-economic, political and legal settings of the host country, often new to the MNC managers.

This article shall examine how different human resource management might be for European MNCs especially those from the United Kingdom seeking to enter the Ghanaian market and also give pointers to human resource practitioners who orientate European expatriates posted to Ghana.

The first part of this report shall deal with both general and specific theories underpinning international human resource management of MNC's. The second part will draw on the theories to discuss the

differences and similarities of key factors of human resource management in both Europe (with emphasis on the United Kingdom) and Ghana.

These theories shall cover broadly, the legal, socio-economic, political, industrial relations and issues relating to national culture because the challenges of international human resource management of multinational companies are in the main, situated in an environment created by these factors. Literature on comparisons between the UK and Ghana in terms of human resource management is scanty if any. This article shall therefore rely on information from governmental institutions like the Social Security and National Insurance Trust (SSNIT) and the Ghana Investment Promotion Centre (GIPC) that may affect the implementation of IHRM of an MNC operating in Ghana.

Literature review

According to Joseph Stiglitz, globalisation is the closer integration of the countries and peoples of the world brought about by the enormous reduction of cost of transportation and communication, and the breaking down of artificial barriers to the flow of goods, services, capital, knowledge and people across borders (2003). The artificial barriers have been reduced by the ratification of the World Trade Organisation agreements by most governments across the world vis-à-vis the effects of the United Nations Conference on Trade and Development (UNCTAD). These have made it easier for companies to seek growth markets, world wide branding, cost reduction and profitability as well as synergies across the world. Globalization however does not take away the different legal systems i.e. civil law, common law and Islamic law under which MNC's operate across the world and the cultural difference between country of origin and host country. Trade barriers would have reduced significantly but the challenges of the environment in which multinational companies operate still exist. These factors are the key issues that

confront MNC's in host countries in which they operate and are largely socio cultural with a tinge of local politics. Issues of language barriers have not disappeared with globalisation. Language is a crucial factor in communication and effective communication relies upon a shared language (Harzing, 2007:3).

Harzing A., cites language barrier as a source of frustration to UK expatriates working in a foreign country hence she recommends that language is an independent variable having its own specific effect on strategy, structure and management in an MNC. The importance of language has attracted a lot of attention in recent times and Hofstede's work on cultural distance has been criticised for its exclusion of language and the exclusion described as inappropriate (Harzing: 2007:7, Harzig, 2004).

Regardless of recent criticisms of Hofstede's work, his theory of cultural distance is an enduring one. Hofstede's work on cultural distance details four dimensions of culture i.e. individualism, uncertainty avoidance, power distance and masculinity may affect MNC management in a host country. According to Monir Tayeb (2003:53-54), Hofstede defines individualism as the degree to which decision making is accepted and encouraged by society and uncertainty avoidance as the degree to which people feel threatened by ambiguous situations and try to avoid them. Power distance is the degree to which power difference is accepted and sanctioned by society. Some societies like those with the caste system where some are ranked above the other can be seen as high power distance because the high degree of inequality is accepted and well defined. Masculinity is how important things considered traditional masculine values are accepted. Masculine values in this context are considered to be wealth and assertiveness. Tayeb (2003:51) also cites the work of Edward T. Hall on culture that uses context,

space and time to compare societies. Context is how detailed and clear a message has to be for communication to be effective while space has to do with how much personal space is required and time as being either polychromic or monochromic. Similar to this concept of time is that of Fon Trompenaars who uses the terms sequential and synchronous to describe the same concept (Tayeb, 2003:59). People from certain cultures concentrate on one activity at a time and strive to attain set goals and generally keep strictly to time while others who are either polychromic or synchronous are more inclined to do more than one activity at a time and are normally not sticklers to time.

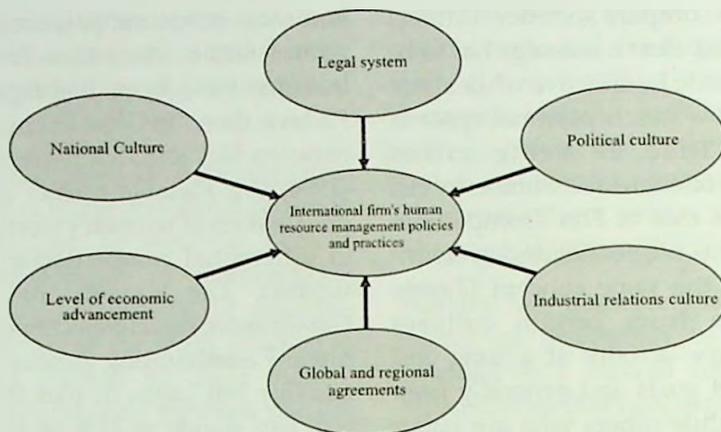
Trompenaars also uses the concept of neutrality versus effectiveness and collectivism versus individualism. These concepts have an effect on the way people behave in an organisation. The United Kingdom for instance has a neutral culture and emotions are held back while English speaking West Africans tend to be on the effective side, loud and easily excited and warm. Achievement based culture as against ascription is also a factor that would come into prominence when an European MNC and in particular one from the UK, opens a branch in Ghana.

Management style of the MNC would also play a key role in success because the social and cultural environment would dictate whether a benevolent autocratic management style for instance has to be adopted. Staffing therefore becomes important at the managerial level. Four main options exist according to Tayeb (2003:253) Ethnocentric, Polycentric, Geocentric and Regiocentric approaches could be adopted but of particular interest to this paper are ethnocentric where managerial positions are filled from the headquarters and polycentric where local managers are chosen because of their local knowledge i.e. culture and language. The issue of equal pay for equal work by either sex may be differently treated in different countries according to the culture

and socio-economic practices. The issue of remuneration disparities in the UK for instance have been highlighted by Irene Padavic thus: "in Great Britain, women earn between 66% and 76% percent of men's pay (1994:109). Padavic further posits that the devaluation of women's work is a key factor in differential compensation for men and women. The equality bill by the UK Government Equalities Office is a major step toward ameliorating gender pay gap. The equality bill states in part that the gender pay gap stands at 21% as at 2008. Gender pay gap is a critical issue for any MNC because it may create a dysfunction in working teams depending on the cultural and socio-economic environment.

Country-of-origin-effects are a tricky issue to deal with in MNCs. It is a delicate area that needs judicious decision making because an MNC may have a strong inclination to transfer a particular practice deemed excellent to a foreign country but this may not work. A home country model may not be transferable for instance if it is highly dependent on specific national institutional and regulatory infrastructure (Heinz-Josef Tuselmann *et al* 2007; Clark and Almond 2004). Harzing and Noorderhaven attempted to narrow down the concept of country of origin effect by defining it thus; "the country of origin effect consists of that part of the difference in internationalization strategies and international control strategies of MNCs that can be ascribed to the different national origins of these MNCs, rather than to variations in their task environment" (2003;8). Country of origin, Harzing asserts may not necessarily be the location of MNC headquarters as it can be relocated but can be identified by where the MNC "grew up" (2003;9).

Finally, the total effect of the external factors i.e. home country factors that might affect how HR is managed is illustrated in the diagram below.



Source:Tayeb 1996 page 108.[External influences on human resource management]

Discussion

Political / Legal & Labour Issues

Ghana has a hybrid political system with a directly elected President who appoints a cabinet and its parliament membership comes from the four main political parties i.e. The New Patriotic Party (NPP) which is to the right of center, the National Democratic Party (NDC) which brands itself as a social democratic party (debatable though), the Convention Peoples Party (CPP) and Peoples National Convention Party (PNC) which are clearly to the left of center. Since 1992, governance has been by either the NDC or NPP but regardless of which of these parties is in power, labour/unions are not affected as they (unions/labour) enjoy the same support and cooperation from government. In contrast, in the UK workers enjoy more protection under Labour governments (Tayeb, 2000:111,115).

In Ghana the labour act empowers unions and collective bargaining is mandatory but in the UK, (Mayrhofer et al 2004:55) governments approach is a tradition of voluntarism characterised by a "hands off" minimal legislation procedure for collective bargaining. It is noteworthy however that in Ghana, government is the largest employer hence the thriving of labour movements in Ghanaian companies because the private sector take their cue from the public sector in this regard

and government is keen not to get bogged down with extended labour disputes which may hurt its electoral chances .

Since every company practices human resource management in a legal environment, we shall look at the rights guaranteed under the labour laws of Ghana vis-à-vis that of the United Kingdom and salary disparities. Even though there are traces of male chauvinism at Ghanaian work environments there is no gender gap in relation to salary as the competence of women is not doubted (Budhwar and Debrah, 2001:198). Women at the same level as men get paid equally unlike in the UK where there is still a marked disparity between remuneration of women and men. The Guardian of September 18th 2008 reported that equal salary for women is several generations away. On November 15th 2008, the Guardian newspaper in the UK again published the research findings of a UK Office of National Statistics indicating a disparity of 17% between men and women of similar designations.

The Ghana Labour Act article 10 (b) and 68 both state clearly that there has to be equal pay for equal work and this is not only in writing but in deed.

The social security system in Ghana is quite

different from that of the UK. In Ghana there is only one security system managed by the Social Security and National Insurance Trust (SSNIT). Apart from a group of professionals who by statute are exempted from SSNIT contributions, under the PNDC Social Security Law (PNDC Law 247), each employer is mandated to contribute 13% of salaries of employees while the employee contributes 5.5%. An European multinational company especially one from the UK may find this arrangement different from the situation in the UK even though there are similarities in terms of both employers and employees contributions.

There is a striking difference between the UK and Ghana in terms of both maternity and paternity leave. Thirty nine (39) weeks of maternity leave is the norm in the UK but in Ghana the labour law stipulates only 12 weeks of maternity leave while it makes no provision for paternity leave. The absence of paternity leave in Ghana may be because Ghana is essentially a patriarchal society where the upkeep of infants is considered a feminist job.

Given the exit barriers in Ghana in terms of redundancy payments when a company decides to fold up or exit for whatever reasons, it is certain that it is not as easy to exit or lay-off labour in Ghana as it may be in Europe in general or the UK in particular. It must be stated however that there are differences among the European Union countries when it comes to laying-off workers. In Ghana, the employer is mandated to negotiate with the employees under article 65 of the Labour Act and also inform the Chief Labour Officer and Union concerned. The normal award as has been given in numerous court decisions is for every one year that a person works, he is paid a total of three months salary. It means redundant staff who have worked for 10 years get 30 months salary. Vodafone Ghana for instance did advertise for its workers in Ghana to take

such package as voluntary redundancy when it took over Ghana Telecommunications Limited.

There are hurdles with regards to the number of foreign employees an investor in Ghana can appoint. This is defined according to the level of paid up capital of foreign investors. Such MNC also have to sign an undertaking in certain cases to transfer knowledge to the locals within a specific time.

Cultural Effects

Communication and Time Management Style

Applying Fons Trompenaars model of business culture, the United Kingdom according to Tayeb (2003:58) is a high neutral culture meaning, emotions are held back as much as possible, and feelings are not easily expressed explicitly. This is in sharp contrast to the effective culture of Ghana where people are vivacious, talk loudly when excited and hospitable by nature. This may pose problems to a manager from the head office transferred to manage people in Ghana. Ghanaians are synchronous in nature i.e. they tend to do more than one thing at a time and are not normally punctual to meetings. This is in sharp contrast to the UK where people are sequential i.e. sticklers to time and punctuality and keep to schedules as planned. The managers of MNC would therefore have to make provisions for some of these cultural differences. Communications must be explicit as non verbal communication is not a predominant norm in Ghana especially in formal situations.

Recruitment & Staffing

There is more merit in the recruitment practices in most European countries especially in the UK as adverts are placed, interviews are conducted and references made all with a high level of objectivity to

choose the most qualified person even though this method is considered unreliable by some researchers (Mayrhofer *et al* :2004:60). The UK recruitment system is based more on the principle of universalism where objectivity is of importance unlike Ghana which is more of particularism in nature characterised by less objectivity (Budhwar & Debrah, 2001:199).

In recent times however, there are signs of gradual shifts towards objectivity but unhelpful cultural practices are still pervasive; like undue respect for the elderly and prominent people in society which is exploited by some to put undue pressure on managers to employ relatives, friends and acquaintances. Some managers also come under pressure from their relatives to get them employed because of the extended family system in Ghana. Most European countries especially the UK is relatively shielded from such influences because of the prevalence of the nucleus family system.

With certain positions in MNC in Ghana, an ethnocentric approach of recruitment may be the best option but when transfer of tacit knowledge is critical for example in the service industry, a local manager may be the only way of passing on useful experiences. Tacit knowledge can be described as learned skill that stems from experience and not a codified form of knowledge (Vance & Paik, 2006:87).

Discipline at work place/Disruptive Cultural Activities

Discipline is a major challenge in Ghana as prominent and elderly(respected) people in society use their influence to plead for wrongdoers when there is the need for punishment (Budhwar & Debrah 2001:198). Such unhealthy meddling in human resource

management, invariably lead to indiscipline and makes management of human resources extremely challenging for HR practitioners in Ghana. The hot-stove-rule of punishment may be a good way out as punishment is quick and leaves little room for interference by outsiders.

Another major challenge for MNC operating in Ghana or intending to come to Ghana is the Ghanaian culture of funerals. The employee would normally take days off when bereaved and by the collective bargaining agreement, the employer is supposed to play defined roles in certain cases. In the case of an employee passing away, the employer in most cases is required to provide a casket, money and transport. Management by tradition is expected to be present at the funeral. This may become disruptive when the burial is in a remote location and happens to be on a week-day.

Conclusion

From the literature review and discussions, it is clear that there are significant differences between the IHRM environment of Europe (UK) and Ghana. The differences range from the legal backing of unions, through the challenges of undue cultural practices which affect quality staff recruitment and discipline at the work places to the inability of the Ghanaian to be punctual either at work or to meetings. Globalisation has bridged all manner of gaps between the developed and the developing world but some enduring barriers do remain with regard to the practice of International Human Resource Management which must be managed with knowledge and skill to create a harmonious working environment in a multicultural work place.

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About the Author

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