Building flexibility into multi-national human resource strategy: a study of four South African multi-national enterprises

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Abstract

The study describes four approaches for configuring corporate HR strategy by firms from an emerging market when dealing with the integration-differentiation dilemma. Most research on strategic international HRM is on the perspective of the affiliate or discusses the degree of isomorphism between the HRM practices of the parent and affiliate. The authors apply a cross-case analysis of the cases of Nando's International, MTN International, Sasol and SABMiller, focus on the implementation of corporate HR strategies from the parent's perspective and show that MNEs differ in the scope and level of abstraction of their corporate HR strategies. It is further suggested that this is primarily due to differences in business model, the need to accommodate national culture, the type and role of organizational culture in the MNE, which impact on the level of convergence of HR management practices. In all of the cases, there is a large degree of variance in these factors.

Introduction

With global expansion, multi national enterprises (MNEs) are under pressure to find the appropriate balance between global and local practices. The standardization of global practices across the MNE help to smooth the transfer of MNE competencies across the organization while local conditions may require that the affiliate in a host country adopt different practices, for example, to comply with local regulations or accommodate a culture diverse from that of the MNEs original country (Aycan, 2005). The primary issue in the co-ordination of an MNE's global operations is the co-ordination of management practices to enable the transfer of firm-specific advantages (FSAs) between the parent and affiliates, whether they are location based or not

(Rugman and Verbeke, 2003). Key in this regard is the degree of influence that the parent exercises over its affiliates, and many studies have used similarity between the HRM practices of parent and affiliate as an indicator of this relationship (Hannon *et al.*, 1995; Martinez and Ricks, 1989; Rosenzweig and Nohria, 1994), and leads to a search for HRM practices that are flexible enough to co-ordinate and integrate multiple affiliates but still enable the transfer of FSAs (Braun and Warner, 2002). This is particularly pertinent to MNEs from emerging markets in general and Africa in particular. African MNEs differ from Asian MNEs in that their competencies are developed in countries that have distinct disadvantages due to the erosion of natural resources and a lack of investment in infrastructure, both physical and human capital (Wells, 2003). Despite these location problems, the four South African MNEs managed to develop the necessary strategic capabilities to compete in the global arena, *viz.* national responsiveness, global integration (efficiency) and worldwide learning (Bartlett and Ghoshal, 1987; Malnight, 2001). Additionally the South African social and regulatory environment would have played a role in the development of these capabilities. According to Gomez and Sanchez (2005), a country's institutional environment and, in particular, its regulatory framework has a very powerful influence on the way a firm is managed. In the case of South Africa, the four firms have had to contend with the management and advancement of diversity as driven by regulations such as The Employment Equity Act (55 of 1998; Republic of South Africa, 1998) and an emergent black middle class with diverse demands and tastes and rapidly expanding economic power. These developments have meant that for South African firms to be successful, they would have to have developed the competencies to manage high degrees of complexity and ambiguity, capabilities that would provide an advantage when operating in different national cultures.

Additionally Hannon *et al.* (1995) found that when a subsidiary (or affiliate) is highly dependent on the parent to provide crucial resources that the parent was likely to exert influence through formal coordination mechanisms. The exercise of influence is done mainly through the use of integrated international human resource (IHR) strategies, which are intended primarily to balance the tensions between local responsiveness and global integration (e.g. Taylor and Beechler, 1996).

Substantial and important previous work on strategic international human resource management deals with the content of an MNEs corporate, or parent level, strategy and compares differences in approaches based on country (e.g. Aycan, 2005; Luthans

et al., 1997), while others deal with the issues arising from the management of an MNE across a variety of countries (e.g. Ghoshal and Nohria, 1993; Taylor and Beechler, 1996) but do not deal with the design problem of building the appropriate level of flexibility into an MNE corporate HR strategy. This is consistent with the observations of Brewster *et al.* (2005), who point out that HR functions at a variety of levels in an MNE, including philosophy, policy, practice and process. This in turn requires an understanding of deeper complexity than the traditional IHRM focus on comparative studies of cultural relativity in the implementation of core HR functional processes, such as high performance work systems (HPWS) (e.g. Huselid, 1995).

Configuration of HR strategies

Very little work has been done on the configuration or the methods for implementing and controlling the translation of HR strategy by affiliates of an MNE. The configuration of the MNE's corporate strategy has to take into account the balance between those activities that need to be centralized or standardized and the degree of flexibility required by the affiliate to operate in the host country.

The configuration of HR strategies is distinguishable by variance in terms of level of abstraction and scope. The level of abstraction refers to the level at which the HR strategy is focused. According to Schuler *et al.* (1993), there are different levels of abstraction in the design of a global HR system. Levels vary from recommendations, or policy-, to operational-level procedures. With a policy-level of abstraction, affiliates are given the freedom to implement their own HR strategies within the broad parameters of the standardized policies. However, with an operational level of abstraction, affiliates are expected to implement a more detailed HR management practice. Scope refers to the extent of HR management practices dealt with in the HR strategy. For example, the HR strategy may have a narrow scope and focus on two or three key areas, or it may have a wide scope and deal with the more comprehensive list of practices such as those described in the HPWS movement (e.g. Huselid, 1995; Ulrich, 1997). The four possible configurations are shown in Figure 1 above.
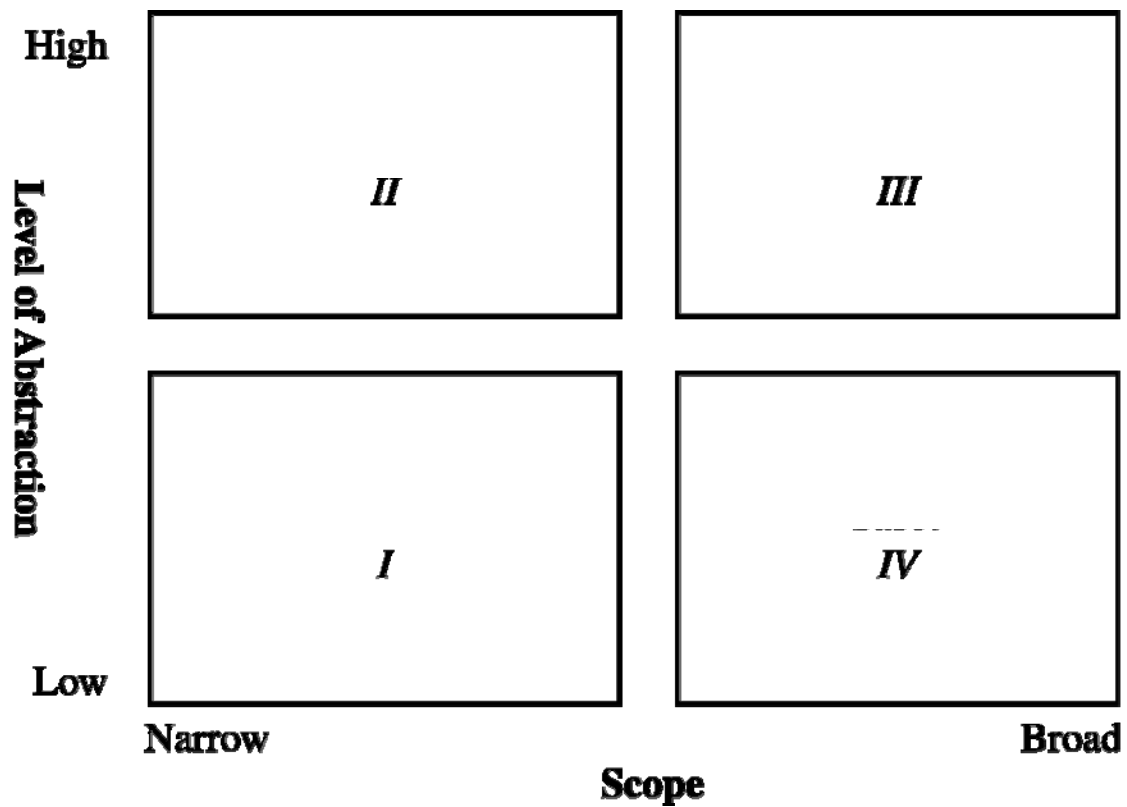
Figure 1. Types of corporate HR strategy

In the four MNEs examined, we found that the determination of the appropriate configuration model is largely dependent on the business model, the impact of national culture on the business model, and the role of an MNE's organizational culture in directing and controlling affiliates, which has an impact on the degree of convergence, or isomorphism present in the organization. This is demonstrated in Figure 2.
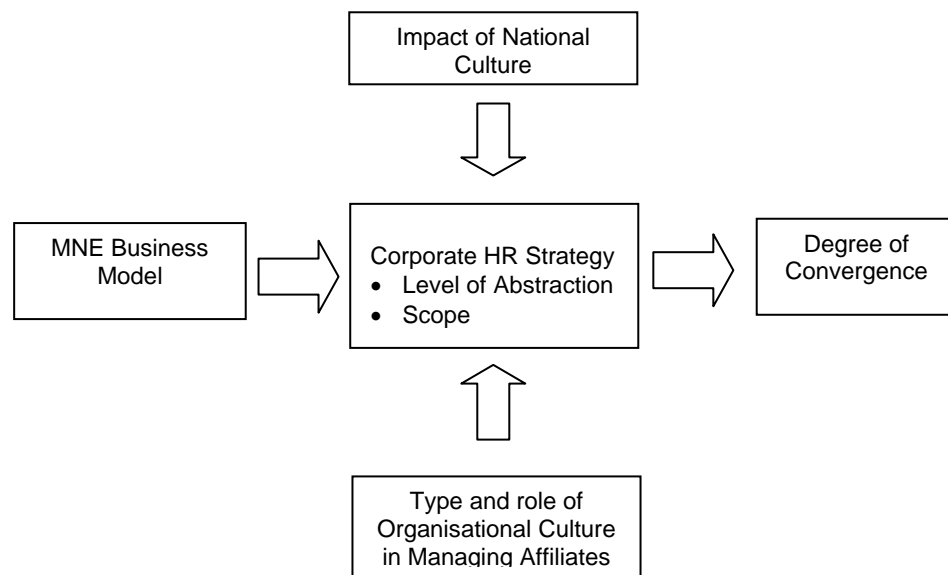
Figure 2. Variables impacting on the configuration of corporate HR strategy

Business model

The business model largely drives corporate HR strategy and there is a need for congruence and alignment of HR management practices and business strategy (Briggs and Keogh, 1999; Mabey *et al.*, 1998; Schuler, 1992). The increased complexity of MNEs is the result of MNEs pursuing value-creating opportunities that become available when firms have a global presence (e.g. Gupta and Govindarajan, 2001), but the increased complexity requires the appropriate organizational architecture, of which HR is a critical component.

A most useful way of explaining MNE business models is the eclectic paradigm (Dunning, 1988). In terms of the paradigm firms invest across national borders because of an interplay between a firm's ownership-specific advantages (Firm Specific Advantages), the location attractiveness of countries or regions, and advantages gained from internalizing cross-border operations within the MNE; the so-called OLI approach. The first factor, Ownership, refers to a firm's specific competencies and an understanding of how they develop, the second, Location, relates to an appreciation of the transferability of a firm's competencies between markets, while the third factor, Internalization, deals with the alternative modes of market entry in a competitive context. The choice of location is influenced by a combination of

FSAs and country-specific factors, such as the availability of natural resources, access to markets, or assets that complement the FSA. These respective approaches are referred to as Resource Seeking Foreign Direct Investment (FDI), Market Seeking FDI and Strategic Asset Seeking FDI (Dunning, 2003). Resource and market seeking activities were the primary drivers of FDI since the 1970s but this trend has reversed as the value of services and intangible assets increase. This has led to MNEs seeking more knowledge-based assets in the form of intellectual capital or low-cost skilled labour, which in turn favours destinations with knowledge intensive assets or learning advantages away from those with purely natural resources. In all four cases, the firms are primarily exporting knowledge intensive FSAs that will either give them access to new markets (Nando's) or support their existing FSAs (SABMiller, MTN and Sasol). By implication, it can be expected that the role of social capital, and consequently HR, plays a more significant role in strategic asset seeking MNE business models than resource seeking or purely market seeking business models (Gomez and Sanchez, 2005). This is consistent with the findings of Malnight (2001), who found that MNE business models are evolving into differentiated businesses that are characterized by a global dispersion of operations, interdependence and tight coupling of subunits, and an emphasis on cross-subsidiary learning and structural flexibility. Malnight (2001), in his study of two pharmaceutical firms, found varying evidence of this trend towards a common model and a greater complexity was developing within firms which was characterized by a growing internal differentiation in internal structures of MNEs. This is also discussed by Rugman and Verbeke (2003) who refer to firms with a high level of internal differentiation as differentiated network MNEs and these firms are characterized by a high level of transfer of knowledge, both location and non-location based, in multiple directions. Rugman and Verbeke (2003) show that different approaches to managing subsidiaries arise from the varying needs of subsidiaries for access to different bundles of knowledge, these may be location bound (e.g. local market responsiveness) or non-location bound (LB and NLB knowledge bundles). In addition, the movement of the bundles may be unidirectional - from parent to affiliate, or multi-directional - affiliate to parent or from networks of subsidiaries.

The impact of national culture on the MNE

The impact of national culture on the operations of an MNE is experienced most strongly in its HR management practices. National culture impacts on the implementation of corporate HR strategy as personal motivations, the way that information is synthesized, and economic utilities are culture bound (Grossman and Schoenfeld, 2001; Hofstede, 1993; Schwartz and Sagiv, 1995; Trompenaars, 1993). Rowley and Benson (2002) show that national culture provides an important role in limiting the depth and acceptance of universal management practices across an MNE. The significance of national culture on moderating HRM practices was explored by Ferner *et al.* (2001), who examined the differences between management practices in MNEs and their operations in host countries and found in their study of German MNEs operating in Britain and Spain. They discovered that although there are pressures on MNEs to adopt US-style business practices such as standardized international policies on appraisal, performance management and so on, that the influence of the German business system persists.

This view was a challenge to a study by Child *et al.* (2000), who examined what types of changes would be introduced to British companies when taken over by foreign companies. In particular, the study tried to identify whether there were nationally distinct approaches to management following the acquisitions. The study found that the process of acquisition was rapidly followed by significant changes in management practice but that some practices were common to all companies while others conformed to accepted characterizations of national management practice. The national conformation was clear in the case of Japanese and US acquirers, but less so for French and German firms.

Organizational culture in management of corporate HRS

Countering the role of national culture and local conditions is organizational culture; a strong organizational culture unites employees in their actions which, in turn, influences performance (Ghobadian and O'Regan, 2002; Levin, 2000). Organizational culture is often seen as an instrument to maintain unity and control between parent

and affiliate, and can play a role in moderating the freedom of the affiliate to change and adapt its HR strategy from the corporate HR strategy. Yaconi (2001) found that substantial differences in management role expectations exist both across and inside MNEs, which suggests that differences result from more than national cultures and may indicate the role of organizational culture.

Ghobadian and O'Regan (2002) explore the relationship between organizational culture, strategy and performance. They find that there is a positive relationship between culture and performance and that strategy is influenced by culture, which in turn, influences and develops the corporate culture. It then follows that it is in the interest of organizations to establish and build an organizational culture that provides both a competitive advantage and a distinctive identity. Aycan *et al.* (2000) distinguish between internal work culture and external culture. Internal work culture is similar to organizational culture and is construed as a pattern of shared managerial beliefs and assumptions that directly influence HR practices. These beliefs and assumptions in turn relate to both the task and employees. Managerial assumptions about the task relate to the nature of the task and how it should be performed, while those assumptions relating to employees relate to the nature and behaviour of employees. Managerial assumptions of task and employees are influenced, in turn, by institutional level culture and societal-level culture. The transfer of organizational culture is often done through the use of expatriates. Expatriates from the MNEs parent country are used in managing the interests of the organization and transferring its competencies, systems and even aspects of its organizational culture to its subsidiaries in foreign locations. This is referred to as an ethnocentric approach, as opposed to a polycentric approach where affiliates are staffed by host country nationals, or a geocentric approach which staffs affiliates and subsidiaries with staff from a third country (Perlmutter, 1969).

For MNEs, organizational culture fulfils an additional role in that it determines the method of exercising control or influence over the affiliates and the cross-MNE implementation of corporate HR strategy. In an organization with an organic culture (Reigle, 2001), formal control systems are likely to cause dissonance while the same is true for an organization with a mechanistic culture not utilizing formal processes.

Convergence

Convergence, also known as isomorphism, is the process whereby MNEs will gravitate towards a series of universal management practices that provide competitive benefits for themselves (Childs and Yanni, 2001; Pauly and Reich, 1997). The drivers of convergence at organizational level are efficiency, growth, and the development and utilization of technology. Convergence can be regarded as continuous organizational learning and the development and application of practices that lead to organizational efficiency, but are still flexible enough to be applied generally (Hickson and Pugh, 2001). It follows that convergence is also occurring in the adoption of international HR practices; with increased complexity facing MNEs, there has been less emphasis on formal structure and a greater focus on HR management policies and practices, which form an integral part of the process-input control systems of modern MNEs. This has led to an upsurge in the search for global best practices or HR strategies that can be applied across all cultures (Braun and Warner, 2002).

The contingent view of HR strategy in MNEs emphasizes that there is one best method, even within contingent variables such as stage of internal corporate evolution (Rowley and Benson, 2002). Typical of the contingent view is that of Bjorkman and Lu (1999) who investigated the standardization of Western practices in Chinese-Western joint ventures. The study showed that overall HRM practices had become similar to those in Western MNEs, especially when compared with data gathered in 1992. This was seen as due to the spread of Western ideals in the Chinese business network, the greater emphasis that Western MNEs were placing on HR management, and the limited liberalization of Chinese employment legislation. It was noted that few Western companies had made the total transfer of HRM policies to China; this was not due to national cultural differences but local conditions.

Gooderham *et al.* (1999) came to a similar general view, although in a different context when they compared HRM practices in European firms in six divergent countries. Gooderham *et al.* (1999) found that although there were differences in management practices across these firms, that this was more likely due to the role of legal and political structures in the various countries than cognitive orientation. Most firms wanted to adopt the latest management practices prescribed in American

literature and supported by business consulting firms across Europe, but could not because of varying regulative and political conditions.

Some evidence is emerging that there exists a hybrid between divergence and convergence (Horwitz *et al.*, 2002). This is defined as cross-vergence, which refers to cross-cultural diffusion of high performance work practices (HPWPs). The motivation for adopting HPWPs includes the need for efficiency, productivity, and high quality goods and services but these are tempered by contextual factors present in the host country. Cross-vergence provides an integrative alternative to the convergence/divergence debate and accommodates diversity, at both country level and within-country level. Cross-vergence also implies reverse diffusion.

Additional factors influencing the configuration of HR strategies

Additional factors that would influence the configuration of MNE HR strategies are institutional and cognitive factors. Institutional factors include regulatory factors in the home country that would impact on the translation of corporate HR strategy by an affiliate in a host country. Gomez and Sanchez (2005) point out that a country's institutional framework and its cognitive sets impede or enhance the application of HR practices such as performance appraisals. Rosenzweig and Nohria (1994) in a study of 249 US affiliates of foreign-based MNEs found that in general, affiliate HRM practices closely resemble practices of local (US) firms. Where differences do exist, these are influenced by method of founding, dependence on local inputs, the presence of expatriates and the extent of communication with the parent. These findings were further elaborated by Martinez and Ricks (1989) and Hannon *et al.* (1995) who found that the affiliate's dependence on host institutions would be reduced when a subsidiary (or affiliate) is highly dependent on the parent to provide crucial resources and when the parent was likely to exert influence through formal coordination mechanisms.

Methods

The methodology used for the study was a qualitative type using a multiple-case study approach. This approach is appropriate for this type of study, as qualitative studies

produce a description to reveal the nature of situations, settings and relationships and allow for the verification of assumptions, claims, theories or generalizations within real-world contexts, and can provide a means through which a researcher is able to judge the effectiveness of particular policies, practices or innovations (Holliday, 2002; Leedy and Ormrod, 2001).

Multiple-case sampling is a method of deductive reasoning where a range of similar and contrasting cases are studied to enable a high degree of generalization. The choice of cases is made based on conceptual grounds rather than representation. Additionally the multiple-case sampling method is essentially a replication strategy where one is able to generalize from one case to another based on agreement with underlying theory. In other words, a finding is more robust if it is shown that it holds true in one setting, and then holds true in a comparable setting, but it does not hold true in a contrasting setting (Miles and Huberman, 1994).

Sampling in qualitative research generally consists of small samples of people nested within their context and studied in-depth, unlike quantitative research, which aims for larger numbers of context-stripped cases and seeks statistical significance (Miles and Huberman, 1994). For this reason, qualitative samples are generally of the non-probability type. The use of case-study techniques requires information-rich data, which is more important for analysis than the ability to make statistical inferences about the characteristics of the population. Generalizations about a population may still be made from the samples but not on statistical grounds. The research conducted used purposive, or judgemental, sampling to determine the cases and populations that would best answer the research questions (Saunders *et al.*, 2003).

This study was limited to four South African MNEs, selected for the profundity that they may provide as stand-alone cases. The MNEs chosen are prominent in South African society and have been successful examples of MNEs from emerging markets. The MNEs are from the petro-chemical (commodity) industry, the Fast Moving Consumer Goods (FMCG) industry and manufacturing industry, the telecommunications industry and the fast-food retail industry. This particular selection of MNEs permitted both comparisons and contrasts in business models and corporate HR strategies. Key employees who were interviewed had to be at the appropriate levels within the MNEs to provide detail and richness to the cases. The respondents were the senior executives responsible for the company wide HR strategy at parent level and the HR executives at affiliate level. Specifically the persons interviewed per

organization were: the Group HR director, or equivalent; the HR director, or equivalent, of an identified affiliate; and selected support staff at parent and affiliate responsible for planning and implementation of the HR strategy across the group. In total, 24 persons were interviewed for the study. Triangulation was achieved by additional sources of data, including company documentation, published research and newspaper or journal reports, and personal interviews at various levels in the respective firms.

Data were analysed by means of content analysis, and in particular, according to the method suggested by Leedy and Ormrod (2001) in which the data is first analysed in a coherent form together with a brief description of each firm and its context. The data is then categorized into meaningful groups, which were derived from prior theory and additional themes that occurred through the process. Following this process, interpretation of specific instances was performed to explore specific meanings related to the theory. Finally, the syntheses and generalizations of each case were compared by means of a cross-case analysis.

The four South African MNEs

The four South African MNEs selected as cases to compare were Nando's International, Sasol, MTN International and SABMiller.

Nando's International

Nando's International is an international food franchise organization that was started in 1987 from the successful Nando's brand in South Africa to take advantage of the opportunities offered by taking the brand international. In 1995, the company had grown to 45 outlets in South Africa with an additional 17 in other southern African countries (Namibia, Botswana, Zimbabwe and Swaziland). By 2003, Nando's International was operational in 22 countries and had revenues of about US$300 million.

Nando's International does not yet have a formal HR strategy although key elements of such a strategy are present. The lack of HR strategy is a product of the recent history of Nando's International's global expansion, the nature of the industry and the franchise relationship. Nando's International's first forays into international markets were largely unstructured and based on trial and error, with mixed success. Lessons

learnt were applied to the operating systems and financial reporting systems. As Nando's International moved up the learning curve and understood its product better, it began to adopt global practices, most notably in the form of standardized operating systems and financial reporting systems. HR systems lagged and guidelines were offered from the South African context to guide franchisees but country operations are free to interpret these for local conditions.

Because of the franchise arrangements, Nando's International's role is that of a facilitator of group-wide HR management practices. Nando's International identifies best practice and policies and encourages the dissemination of information and management practice between affiliates in various countries. For example, the group has identified the UK operation as the best practice in recruitment while the South African operation is best from a technical point of view. The process of searching for best practice across the group is not yet deeply entrenched and is limited to direct interventions from Nando's International and annual conferences.

SABMiller

SABMiller is a South African based brewing company with operations in eastern Europe, Africa, Central America, Asia and North America. At the end of the 2003 financial year, SABMiller had achieved total beverage volumes of 151.4 million hectolitres, of which 115.8 million hectolitres were lager. Revenue was US$9.1 billion with earnings of US$1.2 billion.

The SABMiller growth model is people-dependent, not brand-dependent as brands are largely regionally based, with very few international brands being successful in the industry. The business strategy with newly acquired businesses is to send a core of expatriate managers, usually numbering between four and six, into the operation to begin transferring the SABMiller organizational culture and to evolve the operations to ideal efficiencies and quality at which time SABMiller's global brands are introduced to that market. The enormity of the challenge can be understood when one considers that the South African operation's workforce is only approximately 5,000, yet it has managed to create about 160 senior executives to expand the business globally.

MTN International

MTN is a mobile telecommunications supplier and offers cellular network access and associated services through subsidiaries and joint ventures in Nigeria, Cameroon, Uganda, Rwanda and Swaziland. In 2003, MTN had a subscriber base of about 2 million outside of South Africa and revenues of US$ 1 billion in 2003.

The Human Resources function is an integral part of the MTN Group's operations and it plays a key role in leveraging business areas through performance management, talent management, human capital development and allocation. The key components of the MTN HR strategy are an ongoing policy and procedure development across the group, which are implemented from start-up of operations in all affiliates and subsidiaries. The provision of robust quality practices and policies by the head office would support developing countries to achieve their business plans. This is supported by the use of expatriate managers and technicians seconded from South Africa into new operations. This, in itself, has led to certain obstacles created by a largely Western-oriented leadership while lower level employees and customers have a local orientation.

By the end of 2003, 80 per cent of HR policies were standardized across all subsidiaries with the objective of achieving 100 per cent standardization. Policies that were standardized include recruitment policies, job grading systems, remuneration policies and Human Resource Information Systems.

Sasol

Sasol is a South African petro-chemical corporation built on the application and commercialization of unique technologies. Sasol has a global value chain with upstream and downstream operations, from coal and gas upstream, through to synthetic fuels, and chemicals and waxes downstream. By 2003, Sasol was operational in 23 countries, exporting to more than 100, and was one of the top five publicly listed companies in South Africa, with listings on the JSE Securities Exchange and NYSE. Revenue was about US$ 11 billion. Exports from South African operations and revenue from operations outside South Africa accounted for 52 per cent of group revenue.

The impact of Sasol's global business strategy is to centralize the content of its HR strategy and the drive towards global best practice is becoming stronger with the transfer of knowledge across the global value chain and the vertical integration of

businesses across national boundaries. This drive is increasing as Sasol rolls-out its business strategy and global HR standards are dictated from the centre. To achieve its HR strategy, Group HR has created six Centres of Expertise: talent management (retention); talent attraction; development of people; remuneration; productivity improvement and diversity management. These Centres of Expertise guide the development of policy across the group in their respective areas. They continuously research for best practice and update HR policy in addition to enabling line managers to be effective channels for people management.

Analysis and findings

When one applies Figure 1 to the four case studies, Nando's fits into quadrant one, SABMiller into quadrant two, MTN International into quadrant three and Sasol into quadrant four, as shown in Figure 3.
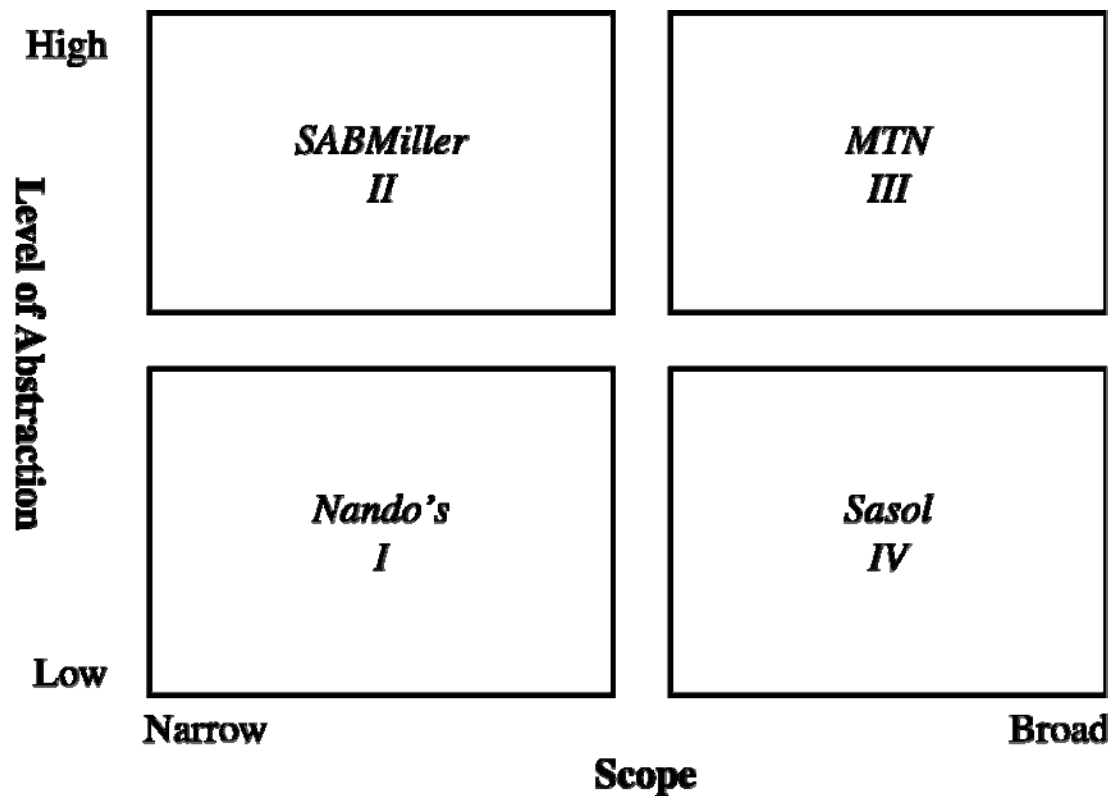

Figure 3. South African MNEs and corporate HR strategy configuration

Nando's has the narrowest scope in its HR strategy of the four cases, and it has a low level of abstraction because of the detail in identified-best practice. There is no

formalized corporate HR strategy, although elements are present in terms of values and recruitment guidelines. Affiliates are able to implement their own HR strategies, as long as these do not contradict the overall Nando's product and experience. Components of a corporate HR strategy are emerging with the adoption of best practice amongst affiliates. This is developing as Nando's country operations are assisted to compare best practice with other national operations and to adopt best suitable practice for their respective operations. On the other hand, Sasol's corporate HR strategy is the most comprehensive, yet it has the lowest level of abstraction. Affiliates are required to implement a comprehensive set of practices at operational level, developed by centres of expertise and which are coordinated from the centre. MTN International has a comprehensive HR strategy that has a high level of abstraction. At MTN International, corporate HR strategy is developed by the centre and is at policy level to allow flexibility at operational level. In MTN International, the drive is for conformance by affiliates to operational, marketing and HR policies in line with its vision of a single continent-wide network. SABMiller's Africa-Asia hub HR strategy is less comprehensive than that of MTN and Sasol and deals with three core areas: performance management, strategic people resourcing and capacity to manage organizational change. Yet, like MTN International, the level of abstraction is high, as affiliates are free to develop their own HR strategies, as long as they incorporate the three core areas. This is carefully monitored from the centre, with assistance being offered and given where and when required by the affiliate.

In all of the cases, the HR strategy, whether implied or formalized, is an integral part of the business strategy. This supports the view of Ulrich (1997), who argues that, in addition to HR strategy being an important component of the business strategy, alignment and congruence with the business model are essential.

A comparison of the four MNEs by business model, impact and accommodation of national culture on host country activities, type of organizational culture, and degree of convergence is represented in Table 1.

Table 1   Comparison of four South African MNEs

	Type I: Nando's	Type II: SABMiller	Type III: MTN International	Type IV: Sasol
(a) Corporate HR strategy: level of abstraction and scope	Low level of abstraction, narrow scope	High level of abstraction and narrow scope	High level of abstraction and wide scope	Low level of abstraction and wide scope
(b) MNE business model - emphasis on global integration or local market responsiveness	Local responsiveness	Maintain the balance between global integration and local responsiveness	Focus on global integration with degree of local responsiveness	Global integration of value chain and focus on efficiency
(c) Accommodation of national culture	High level of adaptation	Medium to high level of adaptation	Low to medium level of adaptation	Very limited adaptation
(d) Organizational culture and primary method of managing affiliates	Organic culture; personal relationships and coaching used to influence affiliates	Organic culture; relationships and development primary method of influence over affiliates	Mechanistic-organic culture; mixture of formal processes and relationships to influence affiliates	Mechanistic culture; formal systems and processes primarily used to influence affiliates
(e) Convergence of IHRM practices	Lowest degree of convergence - evidence of cross-vergence	Medium convergence	Medium convergence	High convergence

The choice of business model is driven by the degree of emphasis on either global integration of operations to gain efficiencies, or local market responsiveness. The business model will determine the degree of global integration or localization of business practices and this is reflected in the comparison of Sasol and Nando's where Sasol's need is for efficiency when selling industrial commodities to other MNEs, while Nando's requires a high degree of localization for the successful interpretation of its core values. A higher level of global integration requires the HR strategy to be more comprehensive as more operations need to be standardized to gain efficiencies across the group. A higher degree of standardization of operations and standards are generally aided by the rollout of enterprise resource planning systems and the development of a core group of critical human resources that are able to operate in any of the enterprise's diverse locations.

National culture and local regulations will have varying degrees of influence on the practicality of the corporate HR strategy for the affiliate and this is reflected by the degree of adaptation of the corporate HR strategy by the affiliate. In all four cases, the impact of national culture on the implementation of the respective HR strategies is clear, consistent with the views of Murray *et al.* (1976) and Schuler and Rogovsky (1998). National culture is regarded as an independent variable as it affects the implementation of a MNEs corporate HR strategy, as it did in all four cases. However, the impact and the degree of accommodation of national culture varied between the cases where the HR strategy was adapted more in the case of those firms that needed a higher degree of local responsiveness than those that had a more integrated value chain. The level of responsiveness is offset somewhat against the resource dependency of the affiliate on the parent (Taylor and Beechler, 1996) and the flow of location and non-location bound information (Rugman and Verbeke, 2003). This is illustrated in a comparison between SABMiller and Sasol, in the case of SABMiller the local operation's high level of local responsiveness to national culture declines as the operation modernizes and global brands are successfully introduced. Global brands are introduced as the operation matures and the local operation develops the capacity to replicate the SABMiller FSAs with limited assistance from the parent. In the case of Sasol, the local operation is closely integrated into the global value chain, which requires a high level of certainty and consistency as its fortunes are closely tied to that of the other operations and the emphasis is on co-ordination of the global value chain.

Organizational culture, an important component of social capital, is another variable in building flexibility in MNE HR strategy. The role of organizational culture is most strongly experienced as a control mechanism in HR strategy. In all four organizations there was evidence that organizational cultures were important enablers of HR strategy, in line with the views of Gomez and Sanchez (2005), but that the role of the culture varied according to mechanistic or organic cultural orientation (Reigle, 2001). Organizations with a more mechanistic culture, Sasol and to a lesser degree MTN, preferred to use more formal mechanisms to control the manner in which local operations implemented the corporate HR strategy, while those with a more organic culture, Nando's and SABMiller, relied on relationships and coaching to implement and control the direction of the corporate HR strategy.

The design and implementation of corporate HR strategy and the evolution of the modern MNE into a differentiated enterprise is likely to lead to higher levels of convergence in HR management practices (Braun and Warner, 2002; Malnight, 2001). This view is consistent with all respondents who expressed a wish for universal, or standardized, HR management practices across all operations. Advantages of universal practices identified by respondents included the ability to allocate scarce skills across the global organization, consistency in the measurement and reward of high performers across the group, succession planning and management, and building a strong organizational culture. By implication then, a stable HR strategy that is sufficiently flexible to accommodate the complexities of foreign conditions is likely to lead to HR management practices that are universally applied in all of an MNEs operations.

Contributions of the research

The four dimensions of the model show that flexibility is an important component of the design of a MNE-wide HR system. The model addresses both main streams of thought in IHRM, the degree of similarity between parent and affiliate HR management practices (e.g. Aycan *et al.*, 2000; Budhwar and Sparrow, 2002; Taylor and Beechler, 1996), and country comparisons (e.g. Hickson and Pugh, 2001; Hofstede, 1993).

The model further demonstrates that IHRM researchers need to consider IHRM in at least two dimensions, the level of abstraction and scope. These are important when designing systems to manage the transferability of FSAs across the organization and

add greatly to the dilemma about centralization vs. decentralization in MNEs. Additionally, the model builds on the work in the field of international human resource management by integrating the concepts of MNE business models (e.g. Bartlett and Ghoshal, 1987; Gupta and Govindarajan, 2001; Rugman and Verbeke, 2003), organizational culture (e.g. Reigle, 2001), national culture (e.g. Hofstede, 1993), human resource strategy (e.g. Ulrich, 1997) and convergence (e.g. Braun and Warner, 2002). The HRS configuration model also highlights the role of corporate HR strategy and organizational culture in the culture free-culture rich (or convergence-national culture) debate, an area not adequately researched to date and shows how business models impact on the design of HR strategy in MNEs.

The limitations of the study relate to the sample and the methodology used. The size of the sample was limited to four and included a wide scope of business model, industry and nationality, which highlighted inter-case differences. However, the limited size of the sample does preclude conclusions drawn from differences between cases in the same industry, nationality or using the similar business models. The sample used South African-based MNEs that, while reducing confounding variables, such as the nationality of the MNE, may also limit the ability of the study to generalize for other MNEs that are from countries with a large cultural distance from South Africa. In addition, the complex nature of international business means that there are additional variables and factors that could impact on the development and implementation of corporate HR strategies in multi-nationals. Additional variables could include the role of expatriates (although this is implied in the choice and implementation of the corporate HR strategy), the maturity of the industry or business cycles.

Finally, with a caveat, the four MNEs all originate from South Africa and are recent MNEs. Their experience and competencies have been formed against the backdrop of a rapidly changing society that values and embraces diversity. This has meant that these four MNEs learnt lessons about managing and serving diverse customers while pursuing efficiency and standardization within one country. MNEs from more stable and homogenous home countries would likely follow a slightly different route to developing the ability to balance stability with flexibility and the translation of their FSAs in their HR strategies.

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