Diversity valued but not treated equally in all MNCs

May 18, 2010

A new study by IESE looks at the personnel management policies of MNCs operating in Spain to make a comparative international analysis of HR policies and practices in the organizational context of MNCs.

In 2009, the volume of investment by MNCs totaled $2.7 trillion, according to the United Nations. MNCs and their subsidiaries employ some 86 million people worldwide, or one out of every five workers in developed countries. This shows the enormous influence of MNCs on the global economy.

The functioning of these business giants requires not only an overall coordinating strategy but also people to implement it. In this regard, human resources practices play a relevant role in the results of these organizations.

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Common HR policies

In 40 percent of cases, there is a common, worldwide HR philosophy that applies to operations in all of the countries where a company is active.

However, common HR policies are lesser developed in Spanish MNCs, where only around half have a committee responsible for harmonizing the HR policies of their subsidiaries, compared with 83 percent of U.S. MNCs that do, and an average of 63 percent for all the companies surveyed.

Spanish MNCs exercise greater control over operations outside Spain than inside the country, in areas such as executive compensation packages, executive career paths, overall labor costs, staff size, and employee attitude and satisfaction. The areas in which there is the least control are absenteeism and workplace productivity.

U.S. leads in employee participation

The report finds that MNCs operating in Spain — both foreign and Spanish — pay above the going rate for executives and key groups.

In nearly all cases, salaries for executives and the rest of the staff are based, first and foremost, on variable bonuses and, secondly, salary incentives based on shares in the company, profit-sharing and stock options. These three things are used more frequently in subsidiaries of U.S. MNCs.

MNCs operating in Spain invest 2.2 percent of their payroll in training and career development, less than half the European average of 4.5 percent.

Around 72 percent of the foreign MNCs operating in Spain encourage the training of executives and key groups, compared with 59 percent of Spanish MNCs, where promotions are mainly based on seniority.

More than 70 percent of all companies surveyed engage in systems to communicate with employees and get them participating in the firm. This rate is highest among foreign firms (79 percent), especially U.S. ones, and lower among Spanish firms (67 percent). It is also more frequent in manufacturing firms, and in ones with more diversified interests.

The value of diversity

Diversity is a widespread corporate value shared by 78 percent of MNCs that operate in Spain, with U.K. and U.S. firms topping the ranking when it comes to valuing diversity. Around half acknowledged that inequality was unfair and actively sought to promote equal opportunities.

The most well-established practices to retain employees are to facilitate work/home life conciliation, followed by career development and leadership training programs aimed at fostering a diverse staff. Quota policies are the least favored, with many reporting bad experiences.

Companies that implement diversity management policies in Spain believe in them wholeheartedly and consider them to be a source of competitive advantage. They cite more creativity, adaptivity to change and better problem solving.

Executives of foreign MNCs in Spain indicate they are able to use a lot of their own discretion and autonomy in implementing such policies. This gives them greater latitude to adapt to the specific socio-cultural circumstances of a given country. Spanish MNCs, on the other hand, take a more ethnocentric position than others with respect to their overseas operations.

In this, size was a factor. Larger companies of more than 5,000 employees tend to centralize their diversity management policies, while those of between 1,000 and 5,000 employees give their subsidiaries greater leeway.