Approaches to HRM in non-Western countries

IESE's Yih-teen Lee and Marta Elvira help HR practitioners gain nuanced insights into HRM in emerging economies.

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The processes involved in HR management (HRM) may be perceived to be universal. After all, a workforce needs to be recruited, deployed, assessed, trained and paid, all within the conditions that allow motivation to be developed and sustained.

However, studies indicate that the way HRM is conceived varies greatly by context, particularly geographic context.

In an Academy of Management symposium, IESE's Yih-teen Lee and Marta Elvira, along with an international team of academics from Australia, Austria, Mexico and the United Kingdom, examined the differing approaches to HRM in non-Western countries.

Latin America

IESE's Marta Elvira and Anabella Davila, of ITESM, note that in Latin America, business organizations have assumed the role traditionally played by other social institutions. Firms don't just get involved in people's working lives; they also serve a community function, too, fulfilling social as well as economic purposes.

That said, recent market liberalization in these countries has weakened paternalistic labor laws that used to be quite strong. As such, workers do not enjoy as many protections as they did before.

This results in lower levels of trust among employees, which is opening up new tensions for Latin American firms.

Given these new competitive pressures, the role of HRM becomes crucial in helping companies to achieve their financial and social goals.

To meet these twin objectives, Latin American firms need to invest in more training and education, as well as adjust compensation levels to keep pace with local purchasing power and quality-of-life concerns.

Working in their favor is the fact that Latin American firms are generally committed to their workers and act as transformative agents for community development.

Since Latin American governments frequently have limited resources, this social role played by the firm becomes all the more important.

Sub-Saharan Africa

Although less is known about the African context, it would be wrong to assume there is no HRM there. Indeed, Geoff Wood, of the University of Sheffield in the United Kingdom, identified some key distinctions of African HRM and made several recommendations.

Owing to capacity shortfalls, firms do not focus as much on the long term, so reinvestment in people seems to be a lower priority for now -- an issue that needs to be addressed.

Low wages are sometimes offset through ad hoc financial assistance. While the informal economy gives companies more room for maneuver, the flip side is that it also results in an overall lack of trust in the system.

Similar to Latin America, management takes a paternalistic approach based on strong conceptions of family-based ties and chieftainship. This patriarchal role tends to be played by older male managers, often to the detriment of female managers.

Structural adjustment policies have had a destructive effect, resulting in job losses and undercutting the bargaining power of unions.

Given external economic shocks felt across all sectors, the effect has been to make firms even more risk averse and reinforced the tendency toward tighter supervision. This has led to drops in productivity and morale.

Despite limited resources, the authors urge African firms to offer their employees more training, even if it has be informal and on the job. Otherwise, the knowledge imbalances that currently exist will only be exacerbated.

Asian countries in transition

Ngan Collins, of RMIT University, Melbourne, and Ying Zhu, of IGSB, University of South Australia, examined three Asian countries in transition.

China and Vietnam have a number of similarities in terms of their social and political systems, as well as their people management models, given their shared ties to the teachings of Confucius.

Economic reforms introduced by both countries since the late 1970s have influenced industrial relations and HRM policies at national levels.

Both countries have moved away from the job-for-life mentality. State-owned enterprises have been allowed to set their own wage and payment methods.

Now that the government is no longer the sole determinant of an enterprise's practices, HRM has grown more complex.

Market demands and political ideologies are in a constant state of conflict, which are often resolved by striking informal compromises.

Unlike China and Vietnam, North Korea has been more cautious about introducing reforms. It continues to follow a top-down, centrally planned model to all things.

North Korea has learned from its neighbors, creating special economic zones and industrial parks. Yet the lack of foreign investment, technology and management know-how means that its reforms have not been as successful. In contrast with the rest of Asia, North Korea continues to struggle.

The State remains in control over production and management, with little or no input from other institutions into employment policy.

IESE Prof. Yih-teen Lee convened the presentation, leading a lively discussion on these themes, and providing summarizing remarks for the symposium.

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