

DEGREE OF INTERNATIONALIZATION AND THE ROLE OF HR MANAGERS IN INDIAN MNCs ZUHAIB AHMAD¹

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ABSTRACT

With the increasing globalization, more integrated markets, growing number of Multinational Corporations (MNCs) in India and dearth of studies in the area of internationalization and Human Resource (HRR) roles posed a line of enquiry into this aspect as the study is intended to explore the role of HR managers with the degree of internationalization in Indian MNCs. The roles of HR Professionals are also changing due to dramatic rate of change in today's organizations. It has been advocated that the role of the HR Professionals must parallel the needs of changing organization. It has been argued that globalization leads to more strategic role for Human Resource (HR) managers (Scullion and Starkey 2001). 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, response and non response biases and all kind of concerned validities. Thereafter measurement model was developed for the proposed relationships using Structural Equation Modeling (SEM) through the capabilities of Lisrel 8.80. The findings corroborates 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.

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

India is now considered as one of the most important emerging markets. India's economy is expanding quickly and the country is becoming an important destination for companies (Budhwar, 2001). 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.

In the light of above literature, it can be safely concluded that there has been a marked shift in roles played by HR managers in Indian organizations as they become increasingly strategy driven. Thus, the present study was driven by a desire to explore and understand the mechanics of HR roles vis-à-vis internationalization.

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 business organizations.

The above objective can be broken down into the following sub-objectives:

- I: Developing measures for measuring Degree of Internationalization (DOI) & Human resource roles (HRR)
- II: Empirically establishing the unidimensionality, reliability and validity of the above measures.
- III: Examining the relationship between Degree of Internationalization and HR roles.

LITERATURE REVIEW AND HYPOTHESES

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;

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Scullion, 1999; Scullion & Starkey, 2000; Wright & Snell, 1998). Although, the growing interest in international HRM, redirects the growing recognition that the effective management of human resources internationally is a major determinant of success or failure in international business (Azmi, 2008). As far as internationalization of the firm is concerned HR managers has an important role to play, many researchers explored the role of HR in this context (e.g. Scullion & Starkey, 2001; Welch & Welch, 1997). This research, therefore try to establish a link between Degree of Internationalization and HR roles empirically.

DEGREE OF INTERNATIONALIZATION

Internationalization refers to a state of growth and expansion in the global domain. The growth of a firm provides the background to internationalization (Buckley & Ghauri, 1993). Internationalization is gaining importance and has now become an important strategic issue for many companies. Lu (2000) stated that internationalization of firms is expected to gain further momentum because the world economy is becoming increasingly integrated with continued decline in government-imposed barriers and advances in technology. 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

Many researchers have explored the changing roles of HR managers (Bhatnagar & Sharma, 2005; Blancero et al., 1996; Conner and Ulrich, 1996; Caldwell, 2003; Dyer, 1999; Schuler, 1990; Storey, 1992). Some of them advocated that with this transition HR function is also transforming, writing on "transitions" in human resource management (HRM) during the closing decades of the last century Sparrow and Hiltrop (1994, pp. 25-26) pointed several key developments. In the present study HR roles are examined in the context of internationalization of the firm and for that purpose the role model proposed by Dave Ulrich (1997) has been used. This framework has

been used in many researches (e.g. Caldwell, 2003; Chang & Chi, 2007; Friedman 2007) and has a great relevance in the HRM literature. 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 and proposes four roles namely Strategic partner, Administrative expert, Employee Champion and Change agent.

METHODOLOGY

The empirical basis of this study consists of quantitative questionnaire data collected through questionnaires and for independent variable (i.e. DOI) various secondary sources were also reviewed. The data was collected in 2016 from a sample of 110 Indian MNCs. All data was collected from human resource/personnel managers.

Procedure and Sample

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. 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. 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

Respondents were also asked to mention their designation, experience in terms of years in the present position and total experience in the organization. The instrument utilized a 5-point Likert scale anchored with end points labeled as strongly agree (5) and strongly disagree (1). Five point Likert scale has been commonly used and believed to be appropriate in HR research (e.g. Ahmad & Schroeder, 2003; Cogburn, 2005; Khandekar & Sharma, 2005; Khilji & Wang, 2007; Gomez, 1988).

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 Foreign sales as a percentage of total sales (FSTS), Foreign assets as a percentage of total assets (FATS), Overseas subsidiaries as a percentage of total subsidiaries (OSTS), Psychic dispersion of overseas operations (PDIO), 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. 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. All items were answered on a five-point scale ranging agree (1) to strongly disagree (5).

Research Hypotheses

The research hypotheses were framed in light of the research objectives. Degree of Internationalization (DOI) has been taken as an independent and initial variable in the model which is hypothesized to influence HR Roles. Previously, many researchers have use HR roles as dependent variables in their researches (Antila 2007; Bjorkman et al., 2009; Scullion & Starkey, 2000). Hypothesis for each role were framed in the light of the above relationships:

HSP1: Degree of Internationalization (DOI) has a direct positive relationship with Strategic partner (SP) role.

HAE1: Degree of Internationalization (DOI) has a direct positive relationship with Administrative Expert (AE) role.

HEC1: Degree of Internationalization (DOI) has a direct positive relationship with Employee Champion (EC) role.

HCA1: Degree of Internationalization (DOI) has a direct positive relationship with Change Agent (CA) role.

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). Measurement model estimates the unidimensionality, reliability and validity of each construct while structural model involves estimating the relation between independent (exogenous) and dependent (endogenous) variables. If the chosen indicators for a construct do not measure that construct, the specified theory cannot be tested (Anderson & Gerbing, 1991). After confirmatory factor Analysis 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 (CFA) 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.

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 good informants and their inferences are quite reliable.

Exhibit 1.2: Profile of respondents and Responding Organizations

Demographics	Particulars	Percentage (%)
Respondents Profile		
Total Experience	More than 20 years	69.3 percent
Position	Senior Managers	100 percent
Responding Organizations		
Ownership	Public	52 percent
Sector	Service	51 percent
No. of Employees	More than 10,000	90 percent

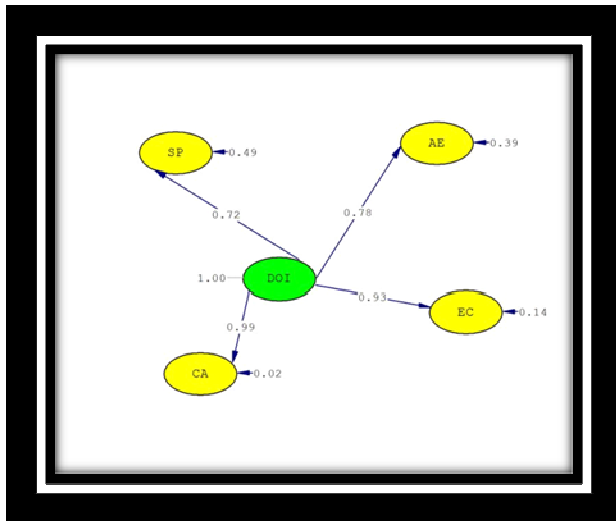


Exhibit 1.3: Structural Model showing relationships between DOI and HR roles.

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. However, it was found that strength of relationship of degree of Internationalization (DOI) with Change Agent Role is relatively high and with Strategic Partner Role is relatively low (as shown in Exhibit 1.3).

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 due to globalization (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 on Degree Of Internationalization and four HR roles proposed by Ulrich was used as dependent variables following the footsteps of other researchers in the area (Guzman, 2011; Chang & Chi2007; 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. The path values implies that DOI strongly affects change agent role, which is evident from the fact that during internationalization organizations are changing continuously, Hence HR managers has to play Change Agent role proactively. Employee champion role is also strongly affected by DOI, the reason behind this may be derived from the fact that during internationalization HR managers are busy in addressing employee needs to minimize cultural differences. Even Strategic Partner role is also affected by DOI as the researchers in the area advocated for strategic role of HR in Indian MNCs. 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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