

# Strategic HR roles during internationalization process: Evidence from Indian MNC's

Dr. Firdous Ikram

**Abstract:** The study seeks to explore strategic role for HR managers. The study is built on Primary Data Collection methodology. The data was collected from 90 respondents. The results indicate that the role of the HR department was more strategic during internationalization process. It was also observed that size of the organization and the structure of the HR department was positively associated with the strategic role of the HR department. The study contributes to the literature on internationalization process and strategic HR roles in Indian MNCs by examining the role of the HR department, which has received little attention in previous researches, especially the role of the HR department. The study collects data from 90 MNCs in order to study the relationships between dependent and independent variables. The study also responds to calls for more robust theoretical frameworks and thorough empirical researches examining the strategic development of HRM in India over time.

**Keywords:** Internationalization process, International business, Human resource management, HR roles, Strategic HRM, Indian MNCs.

## 1 INTRODUCTION

In old days, HR function was merely a clerical function; HR managers were just the paper pushers and were not very connected to the strategic objectives of the company [1]. The recognition of HR function was negligible [2]. However, in the past two decades the role and influence of HR function as a whole increased substantially. Voices from both practitioners and academicians are calling for significant change and contribution of HR as a source of sustainable competitive advantage [3], [4]. Indian context is significant as India's economy is growing and the nation is becoming a hub for MNCs [5]. Indian industries have also realised the significance of effective management of HR for long-lasting competitive advantage. The economic reforms introduced had direct implications for Indian HRM [6]. Some of the researchers have perspectives on Indian HR managers (e.g. Bhatnagar & Sharma) However there is still a lack of studies on HR roles in the context of internationalization of MNCs. Therefore, this study aims to explore the changing nature of HR roles played in Indian MNCs during internationalization.

### Internationalization Process and Orientation: Conceptual Frame

Internationalization is a phenomenon researched extensively over the last few decades. Internationalization refers to the geographical expansion of economic activities over a national country's border [7]. Internationalization of organizations has traditionally been defined as "the process of increasing involvement in international operations" [8]. Most academics still subscribe to the view that internationalization is more a work in progress, the boundaries of which are still hard to fathom [9]. Aharoni's (1966) work is considered important since it paved the way for other studies in the area of internationalization process of firms. Gomez (1988) regarded international orientation as an overarching construct that affects the internationalization process of any company and is considered as a major predictor of the extent and type of internationalization carried out. Therefore, international orientation is regarded as an important variable in the present research too.

## 2 RESEARCH OBJECTIVES

**The objective of the study is to examine the Strategic role of HR practitioners in Indian MNCs during internationalization.**

The primary objective can be divided into the following sub-objectives:

- I. Developing measures of international orientation, International Human Resource strategies and HR roles, particularly strategic HR roles.
- II. Empirical assessment of unidimensionality, reliability and validity of the study measures
- III. Assessing the influence of international orientation and IHRS on HR roles.

## 3 RESEARCH DESIGN

Quantitative data was collected through primary data collection method to attain the research objectives. Initially research instrument was designed in order to collect primary data, based on a thorough literature review. After pilot test, the responses were collected from study sample. Reliability and validity were established. this refined data was then analyzed.

## 4 RESEARCH CONSTRUCTS

This study explores HR manager roles in Indian MNCs during internationalization. For this purpose, research constructs were identified and studied.

### 4.1 International Orientation

International orientation is a independent construct in this study and regarded as initiating construct and influence and shape internationalization process [10]. International orientation of an enterprise is defined as the intensity of international connectedness of an enterprise in terms of the *presence* of trade (imports, exports both goods and services) or investments (inward and outward) and the *degree* of influence and control across borders [11]. It is regarded as a initial move on the part of an enterprise [12]. Therefore this study considered international orientation as the independent variable.

### 4.2. HR Roles

The area of HR roles is a well-researched area and many authors proposed several models for it [13], [14], [15].

• *Dr. Firdous Ikram, Asst. Prof, Department of commerce, AMU, Aligarh. 202002*

However, in this study Ulrich's model was used, Ulrich's model is considered to be a very comprehensive for examining HR roles. The four roles model proposed by Ulrich has a strong appeal to HR managers. Secondly, in the present scenario as more focus is being put on strategic HR roles. Thirdly, the model is simple to understand and finally these roles are based on logic [16]. However, researches on this model is lacking, except few which paved the way for empirically test this model during internationalization process of an MNC. Therefore, Ulrich's four roles model was considered for the present research.

Ulrich (1997) model proposed four HR roles: they are

(1) **Strategic partner** (2) **Change agent** (3) **Employee champion** and (4) **Administrative expert**

## 5 STUDY MEASURES

### 5.1. Independent Variables: International Orientation (IO) - 4-item scale

Following the footsteps of Gomez (1988) international orientation is measured through 4 item scale. Statements like "Moreover whether international orientation is regarded as a source of opportunity for the organization".

### 5.2. Dependent Variable: HR roles - 5-item scale each

- Strategic Partner Role (SP)
- Administrative Expert Role (AE)
- Employee Champion Role (EC)
- Change Agent Role (CA)

In the context of present study this scale is derived in the context of internationalization. Five-point Likert scale is frequently used in HRM researches [17]. It is tried to keep all the items of questionnaire specifically simple and according to the objective.

## 6 SAMPLING TECHNIQUE AND PROCEDURE

A rigorous sampling technique was adopted to generate valid and reliable responses.

### 6.1 Sampling Element

The questionnaire was filled by senior level managers one from each firm as they are regarded in a best position to respond on this issue. Chan *et al.*, (2004) also advocated the role of senior HR managers as they are the 'subject experts'.

### 6.2 Sampling Frame

The sampling frame was taken from business standard 2018. The sampling frame was finalized in two steps

**Step 1.** Initially from BS 1000 companies, 940 Indian companies were identified.

**Step 2.** From the shortlisted 940 Indian companies, Companies with international operations were selected. This was done since the study focused on international orientation and related HR roles. Finally, 709 Indian companies were selected for final data collection.

### 6.3 Sampling Approach and Sample Size

Census approach was used. the whole sampling frame (i.e. 740) was contacted. Data from the respondents belonging to

sample companies was collected. Contacts were arranged from different HR networks in the country.

### 6.4 Data Collection Method

A total of 100 e-mails bounced back due to many reasons, making a final study sample of 652 respondents. Overall, 94 usable questionnaires were received. Four questionnaires were inappropriate and were not completed were discarded. The remaining 90 questionnaires were used contributing to 11.65 % response rate. Response rate for Indian studies remains low as 7 percent. This kind of response rate is consistent in e-mail surveys. However, in this type of studies cautious interpretation of results is necessary. The confidentiality of respondents was secured to increase the response rate [18].

## 7 RESEARCH HYPOTHESES

The hypotheses were framed according to research objectives and the justification is sought from the literature. IO is taken as independent variable and HR roles as dependent. HR roles as dependent variables are widely used and endorsed in many previous HRM studies

**HSP1:** International Orientation (IO) directly affects Strategic Partner (SP) role.

**HAE1:** International Orientation (IO) directly affects Administrative Expert (AE) role.

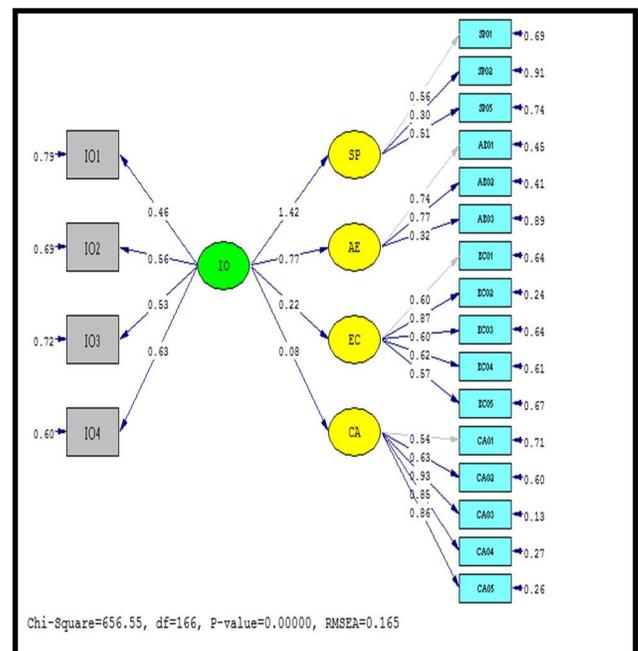
**HEC1:** International Orientation (IO) directly affects Employee Champion (EC) role.

**HCA 1:** International Orientation (IO) directly affects Change Agent (CA) Role.

## 8 METHODS OF ANALYSIS

Initially SPSS 17.0 was used for obtaining descriptive statistics of measures. Thereafter measurement model and structural model were assessed.

Exhibit; 1.3: Measurement Model and Structural model



## 9 CONCLUSION AND DISCUSSION

Results of the data analysis suggest strong presence of all HR roles during internationalization process in Indian MNCs. However, it is interesting to find out which HR role Managers play more during transforming internationalization process.

The research models proposed and hypothesized assumes positive relationship between IO and all HR roles. Actual findings also support these relationships. The data also shows IO measures strongly affect Strategic HR roles. The findings are consistent with market dynamics and can be interpreted as during internationalization usually companies undergo transformation and HR managers are continuously engaged in performing strategic duties and try to manage change during this phase. This finding does not corroborate with some studies as Ramadevi (2016) calls for non-strategic roles for Indian MNCs. Some researchers suggested slow development of a strategic approach towards HR and HRM in corporate sector and advocated that future for strategic roles is uncertain. This can be due to the historic skepticism associated with management, low status of HR, negligible recognition of HR etc (Bach, 1994; Barnett et al., 1996).

The results for strategic roles corroborate with Horgan and Muhlau, (2003) they concluded that that strategic bundle of HRM practices, contributes in more successful implementation of corporate strategy. This emerging significance in the academic field of strategic HRM also demands strategic HR role. The findings of this study regarding degree of strength of relationships can be attributed to the fact that the measures of IO and HR roles and conceptual research model itself is adapted from studies carried out in the west. [19]. This study was carried out in India; the prevailing market conditions could be different from the West. There can be existence of other mediating variables in the relationship that need to be investigated. The problem of vague and unclear relationships can be assigned to the scenario during internationalization and transformation taking place. These dynamics was also reported in earlier studies as in the context of European countries when they were facing economic transformation, internationalization process was initiated, companies have to reorganize their resources, in those situations usually the strategic contribution of HR increased substantially. These findings are also in line with other researchers eg. Schuler and Jackson (2001) and several other authors also pointed the relevance and growing importance of Strategic HR roles [20]. However, this does not mean that Administrative or functional roles are now outdated. These roles still regarded as important in internationalized HR departments [21]. This is confirmed through a research on Dutch MNCs that HR managers are only allowed to play more strategic and change oriented roles, if the basic HR processes were taken care of and carried out in an effective manner. Many researches in UK and Netherlands confirm these findings and stated that HR is playing an important role of "service provider". in Multinational companies [22].

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