Chapter 5
Dynamics of Human Resource Strategies and Cultural Orientations in Multinational Corporations

Isaac Idowu Abe
University of KwaZulu-Natal, South Africa

Ethel N. Abe
University of KwaZulu-Natal, South Africa

ABSTRACT

The search for new market opportunities in order to expand operations has been on the increase globally, and organizations are progressively pouring their resources into these expansions probably because of the huge turnover and return on investment derived from new market explorations. Multinational corporations (MNCs) that seek the market expansions in other developing countries transfer specific advantages and benefits to the emerging markets in order to operate effectively. The MNCs are required by law to comply with the legal obligations, local regulations, and cultural adaptations in the bid to transfer specific advantages. The situation becomes more complex because of the different cultures in different countries. New strategies are introduced to resolve the new challenges that each new market entrance offers. These strategies pose tremendous risk to expanding markets and their operations, especially to developing markets. Recommendations are suggested to HRM practitioners and scholars, and issues are considers for future research.

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INTRODUCTION

As the global markets become progressively more saturated, the multinational corporations (MNCs) have redirected their efforts towards locating new markets in the developing economies like India, Indonesia, Brazil, Mexico and South Africa. The aim was to use these markets as significant locations for future growth. In the bid to enter these markets for future growth, the MNCs have concentrated their efforts on targeting the elites and the rich in the economy. When they focused on the wealthy and partner organizations to sell up market products, it was observed that they did not reach the verse majority of the economy. According to Prahalad and Lieberthal, (1998), the firms that focused on the wealthy consumers and partnership organizations to sell existing products to upscale markets in the emerging economies have only seen a tip of the iceberg. Almost completely ignored until in the early 2000, when the MNCs came up with a strategy to reach the medium class in the economy. The focus of this chapter is on the South African retail sector. The sector adopted this strategy of reaching the medium class with the aim of reaching the vast African untapped market potentials (Mason, 2016).

As the scramble for retail space in the rest of Africa increases, there are concerns that some retailers may focus on the opportunities and overlook the challenges in attendance, and this could be detrimental. A recent case in point is when Woolworths withdrew from Nigeria citing challenges and operational difficulties in that market including high rental cost, duties, and supply chain process (Games, 2013). Yet Shoprite has succeeded in opening a new store in Kano (Northern Nigeria) defying security concerns in that part of Nigeria, which is home to the rebel group Boko Haram (Mason, 2016). This raises the question of challenges versus strategies. As Douglas (2013) explains, the expectation that Africans in other countries should know household name retailers in South Africa is not true.

Earlier assumptions were that traditional explanations of a company's internationalization process should be rooted in economic theory and that the decisions to internationalize and choice of entry mode were motivated by culturally-based ownership, location and internalization advantages (Dunning, 1998). Subsequently, research studies were of the view that cultural characteristics are vital keys to effective internationalization (Hofstede, 2001). National culture was differentiated along five dimensions, namely power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity time orientation. The view of this chapter is that there are other cultural demographics that need human resource attention in the internationalization process that is not discussed. The scope of this chapter is limited to the mentioning of the cultural dimensions and the cross-cultural dynamics. The objectives of this chapter are: