

## International Human Resource Management in South African Multinational Companies

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### Abstract

With the paucity of published research on human resource management (HRM) policy and practice in the BRICS countries (Brazil, Russia, India, China and South Africa), the rationale for this article is to evaluate the nature of HRM practices, their development, application and diffusion in South African MNCs. It provides an exploratory analysis in a systematic literature review referring to qualitative case study research and research survey literature to better understand HRM strategies and practices developed and diffused by growing emerging market MNCs from South Africa.

The findings underline significant challenges of human resource development and controversies regarding host country issues alongside a degree of ‘sophistication’ in the HRM practices of firms analysed. An aim of the article is to identify areas for further research on business and HRM models of Emerging Market MNCs (EMMNCs) in the African context and develop a set of seven research propositions.

**Keywords:** BRICS, emerging markets, emerging market multinational companies (EMMNCs), human resource management (HRM), South Africa.

## 1. Introduction

### *1.1. Growth of South African Emerging Market MNCs*

The main aim of this article is to address a gap in international HRM literature about HRM practice, strategies and host country controversies regarding EMMNCs from South Africa. For economic development and growth to be sustainable in the long term, there are significant human resource and infrastructural development challenges in most emerging markets. Their internationalisation has also not been without certain controversies in their host countries in Africa with a Pan-African business development strategies, aggressive purchasing strategies and standardisation of employment practices Wood (2015).

An empirical question is whether the African continent is beginning to experience a sustainable renaissance and to identify what HR challenges need to be addressed, particularly by its own rapidly growing EMMNCs. Research on business models and strategies of Emerging Market Multinational Companies (EMMNCs) though embryonic, increasingly includes both theory development and empirical analyses (Demirbag and Yaprak 2015, Madhok and Marques (2013), Wilkinson et al (2014); examination of human resource management (HRM) policies and practices (Horwitz and Budhwar 2016) and investigations of HRM in BRICS countries such as South Africa (Horwitz and Mellahi 2009, Horwitz 2012

and Horwitz and Budhwar 2016). Much of this work reflects two theoretical perspectives; that of institutional theory (Wood and Horwitz 2015, Wilkinson, Wood and Demirbag (2014) and secondly for cultural and cross-cultural frameworks (Jackson 2015, 2014, and 2002).

Emerging markets account for more than 50 percent of global economic output and emerging market MNCs from South Africa, such as the Anglo American Group, SABMiller, Naspers-Tencent, Nandos, Sasol, Sappi and MTN, have become global players (Horwitz and Budhwar 2016). Notwithstanding their volatility, Van Agtmael (2007:10-11) predicts that 'in about 25 years the combined gross national product (GNP) of emergent markets will overtake that of currently mature economies causing a major shift in the centre of gravity of the global economy away from the developed to emerging economies'. He posits (op cit. p.12) that by the middle of this century, emerging markets in aggregate will be nearly twice as large as the current developed economies. Some 18 South African MNCs were amongst the top 200 emergent market companies (Morgan Stanley Capital International Inc., 2003), and more recently in the African context some 38 out the top 50 African companies in terms of turnover are South African EMMNCs (Smith, (Ed) 2011).

South Africa is a member of the BRICS group of leading emerging market countries (Brazil, Russia, India China and South Africa) as a geo-political grouping of large economies from five regions, sometimes referred to as 'transitional economies' given their relatively recent political economy transformation; this especially being the case for South Africa. Whilst HRM research concentrates on the West and the East, initially on comparative Japanese studies and more recently on international HRM (IHRM) issues in China and India, the debate on HRM in Africa has languished somewhere between these two geographical spaces (Kamoche et al 2004, Horwitz 2015 and Horwitz and Budhwar 2016). These are however complex, often socio-economically and politically volatile transitional societies with diverse demographic and ethnicity mixes and difficult challenges of human development, social stratification and inequality (Peilin et al 2013, Horwitz and Mellahi 2009). From this complexity and diversity emanate firms experienced in working with these issues. This arguably provides a measure of resilience and deployment of competitive capabilities which may position them adroitly in international markets, though not without criticism by host African countries for insufficient local capacity development and advancement and local product sourcing (Wood 2015).

The article is structured in the following way: firstly exploring theoretical perspectives and HRM models in EMMNCs with a focus on Southern African firms, secondly providing an analysis of EMMNC HRM and associated labour market factors from an institutional theory perspective, thirdly considering the socio-cultural context for HRM practices. A key aim of this work is an assessment through a systematic literature review of HRM practice research and diffusion in South African EMMNCs using case study and empirical research evidence. The article discusses issues of hybridity and contingency approaches and finally provides a set of seven research propositions and conclusions aimed at advancing a research agenda.

## **2. Emergent Market Multinational Companies (EMMNCs) – theoretical perspectives, business and HRM models**

Luo and Tung (2007:4) and Luo and Zhang (2016:334) define EMMNCs as ‘international companies that originated from emerging markets and are engaged in outward foreign direct investment where they exercise control and undertake value-adding activities in one or more foreign countries’. Thite (2016) identifies common features of EMMNCs as including a high degree of adaptability in overcoming uncertainties in the external environment (Gulli  n and Garcia-Canal, 2009); ability to overcome ‘institutional voids’ turning adversity into an opportunity (Khanna and Palepu, 2005); pursuing a ‘springboard strategy’ of simultaneous entry into developed and developing country markets (Luo and Tung, 2007); entry via global alliances and acquisitions (Sun et al., 2012); often deploying lower cost advantages (Madhok & Keyhani (2012) relevant in the African EMMNC context, and building political connections using social networks and government support (Wood 2015, Gammeltoft et al., 2010). Though grand theory seeking is illusive, there is potential for developing models and conceptual frameworks that recognize and incorporate indigenous or Southern African HR systems in studying EMMNCs (Thite 2014, Jackson 2014, Horwitz, 2012, Cooke and Lin (2012).

This theme is taken further through a literature review leading to a set of research propositions. According to Wilkinson, Wood and Demirbag (2014), the recent surge of FDI by EMMNCs and their aggressive market-entry strategies has triggered a new debate around the rigour of existing theories of internationalisation (2014: 838). Madhok and Marques (2013) postulate that business models adopted or developed by EMMNCs are characterised by agility, risk taking, willingness to experiment and responsiveness to change is relevant to South African EMMNCs’ strategies as discussed in this article. The relative lack of sophisticated institutions in other emerging markets is not unfamiliar to EMMNCs, thus enabling quick entry and adaptation to similar institutional conditions and a local socio-cultural context.

Thite (2015) identifies a number of HR challenges for EMMNCs. Pertinent to Southern African EMMNCs, these include developing global HR competencies, developing innovation-centric mind-sets and global leadership pipelines rather than an over-reliance on home-grown talent moved abroad as expatriates, developing and managing talent in economies outside of the home-country base, increasing workforce capabilities and managing expectations of employees in foreign operations. Matthews (2006) posits a framework of linkage, leveraging and learning (LLL) in this regard. There is an emergent managerial belief in South African EMNCs, that there is much to be learned from Indian, Chinese and Japanese managerial practices, particularly as these might have a higher likelihood of adoption in the African cultural context (Horwitz 2012). This may, however, be a somewhat normative belief because there are fundamental differences between them (Horwitz 2012). Thite (2015) argues in this regard the need to move away from static distinctions of convergence and divergence between HR practices and move towards cross-vergence models and from descriptive cross-cultural adoption to within cultural variables (Horwitz, 2012; Jackson, 2001, Chatterjee and

Pearson, 2001). For example, the literature on HRM in EMMNCs seems to support the Afro-Asian nexus proposed by Horwitz (2012) and Indian MNCs (Cappelli et al., 2010a and 2010b). As Zheng (2013) argues existing IHRM models are inadequate in their application to EMMNCs given that motives for internationalisation and different institutional contexts are dynamic rather than static.

### **3. Institutional analysis – human resource and labour market critique**

The context of HRM in EMMNCs in South Africa is important. Relations including employment relations often reflect the centrality of a social contract with EMMNCs, that is more of a socio-economic pact than an overtly politically motivated or driven relationship (Wood 2015, Horwitz 2015) (see Table 1 theme 6). Economic rather than political motives of EMMNCs will likely have a different impact on HR decision choices. This ‘pact’ seeks export of Africa’s commodities which other emerging markets require such as oil, but with a ‘promise’ of social and human resource development; hence a different model from a traditional or pure commercial and instrumental exchange. Following a labour market mode of analysis referred to above, the literature on comparative political economy theory also offers a set of analytical frameworks. This includes institutional analysis of particular institutional contexts of different forms of capitalism (Asiedu 2006, Boyer, 2002, Frynas and Paulo, 2007, Hall and Soskice 2001, Hancke et al 2007, Thelen 2012, Streeck 2009 and 2012, Wood 2013, Wood and Lane 2011, and Wood and Frynas 2006). The idea of particular competencies of the EMMNC itself such as experience in managing large, complex markets and infrastructural development such as telecommunications is consistent with Gugler (2008). Institutional and regulatory theory have been criticized by labour process theorists such as Braverman (1974), Thompson and Vincent (2010) and Pontussen (2005).

These critiques posit that the dynamic and complex of nature of institutions and regulations is neglected in such analyses. In a critical vein, and sometimes using a labour process perspective, are evidence based exploratory/investigative analyses in the South African Labour Bulletin, a journal with analyses focusing on labour movements and trade unions in Africa. It often publishes work on labour practices in MNCs and the effects of foreign direct investment on labour standards and minimum wages. Jackson (2014) argues that trade unions in Africa are generally weak, given the lack of institutionalised regulatory processes for collective bargaining, dispute resolution and suspicion towards them. This enables MNCs to adopt low wage-low cost strategies which have often been controversial in terms of accusations of foreign exploitation of local workers. This is consistent with Wood (2015).

These analyses are augmented by work dealing with ‘harmful impacts’ such as the state of trade unions and employment losses affected by foreign direct investment in industries such as clothing, textiles and oil; and the impact of the AGOA (African Growth and Opportunity Act published in the US) on preferential access for certain African exports effects on employment and working conditions (Power, 2008). This has been followed by trade and investment agreements with the BRICS countries.

Labour market, employment and human resource effects of South African EMMNC investments are increasingly studied. Researchers such as Adisu et al (2010), Bhorat (2007), Hanson (2008) Jackson (2014), Kaplinsky et al (2007) and Wood (2015) critically evaluate these issues. Various they found evidence of adverse impacts on wage levels, employment and skills transfer to the local population. Such trade and investment for example, squeezes local domestic markets and competition in external markets from export oriented EMMNCs with cheap products and pricing structures which adversely affect local competitiveness; this given the considerably larger production base and economies of scale of MNCs from countries like China. A further variable in addition to these economies of scale and lower pricing is the associated lower production costs including the cost of labour (Tull, 2006; and various articles in the South African Labour Bulletin for example).

Using research case studies and other qualitative research methods, a second area of research considers impacts on local trade unions and domestic firms arising from the lack of skills transfer from foreign EMMNCs to the local work force, with little positive effects on HR development. Cheap imported and manufactured clothing and textiles have forced closure or take-over of local firms in South Africa. Adverse effects on employment standards have been found where long hours of work, pay below minimum regulatory wages and undercutting local pay rates have reduced employment with little pressure from the host country such as China and India (Akorsu and Cooke Ibid, 2011). This forms a further argument regarding the relative strength or weakness of local institutions and regulatory regimes affecting the HR policies and practices of South African and other EMMNCs in Africa, which may influence the degree of autonomy and flexibility these EMMNCs have in relation to local or regional employment relations laws and institutions; that is the extent to which they may circumvent, ignore or comply with local legislative regimes. The South African telecommunications EMMNC MTN (discussed later) in Nigeria has for example received a substantial fine for irregularities in relation to local commercial laws.

A detailed assessment of employment relations in Southern Africa, using multiple research methods, was published in a special edition of *Employee Relations* edited by Wood (2008). Both thematic and country analyses are made, although only some of this work explicitly evaluates employment relations and HRM in a MNC context. This SI critically assesses the general state of research on employment relations in Southern Africa considering the paucity of research a concern. In sum, the institutional environment and the following section on the socio-cultural contexts form an important analytical backdrop for evaluating HRM in South African EMMNCs.

#### **4. South African EMMNCs, Cultural context and HR practice**

‘African management is cross-cultural management’ (Jackson 2004:16).

A central theoretical lens or line of analysis is the potential for identifying a nexus of institutional and cross-cultural theory. Cultural and institutional context factors may limit or assist the adoption of HRM practices such as performance related pay and merit promotion (See Table 1 themes 3 and 4). Deference to seniority, service and age remain important in

countries where family control of large enterprises remains strong for example in Malawi and South African retail firms. This supports Jackson's (2004) framework and is based on historical racial and ethnic disparities. A controversial debate in this regard is the question of cultural sensitivity in relation to local markets with accusations of local food growers and suppliers being disadvantaged over accessing produce through supply chains directly from South Africa. Institutional perspectives add further insight to this debate given that in many African countries have public policies which aim to generate positive advantage and advancement of local labour and suppliers. South African institutions aimed at advancing previously discriminated Black employees, suppliers and businesses through Black Economic Empowerment (BEE) and Employment Equity (EE) legislation are discussed below. This raises important questions too regarding a politically acceptable mix of expatriate and local staff especially in middle and senior management positions.

In South Africa, such institutional interventions have begun to result in an emergent black middle class which has begun to occupy decision making roles. Class mobility is likely to have an impact on managerial culture and inform strategic choices about appropriate organizational culture, business and HRM practices in the African context. Organization and national culture in South Africa reflect considerable diversity and pluralism, with procedural regulation of conflicts in South Africa particularly. The latter lends support for the post-instrumental model in Jackson's framework. The advent of democracy especially in South Africa, and 'glasnost' effect of global competition begs the on-going question as to the inevitability of HRM convergence and global hegemony of 'best practice' over local exigencies. In practice, hybrid or 'cross-vergent' models appear more likely in EMMNCs from these countries.

Hybrid forms of HRM may occur in nomenclature, design, content and implementation processes. In South African EMMNCs, indigenous African terms are now being given to adapted east-Asian practices, often in preference to using Japanese terminology, for example, the Zulu term 'Indaba' groups for TQM or 'lean' work process teams or 'Sebenza' problem solving teams. 'Indaba' refers to 'debate in groups'. The former term means work or workplace. Human resource strategies need therefore to be firm specific. Though the African notion of 'Ubuntu' is not widespread in parts of modern Africa, some view it as a basis for fostering an Afrocentric managerial culture with aligned HRM practices (Horwitz, 2012, Jackson 2012, 2014). The notion of 'Ubuntu' literally translated means 'I am who I am through others'; this in contrast to the Western tenet of 'cogito ergo sum – I think therefore I am' It is this contrasting of a form of communal humanism with individualism and instrumentalism, which has a normative appeal for advocates of an African economic and cultural renaissance.

An important allied theme is diversity management. It is erroneous to assume cultural homogeneity within South Africa too. Many African countries have diverse ethno-cultural communities (Kamoche et al., 2004: xvi). Many South African SOEs, for instance, have been bought by South African companies, whose managers apply employment practices based on those of the parent company. The Southern African region (in particular Botswana and South Africa) has emerged as a catchment area for talent from other parts of Africa, in particular

East and Central Africa. As previously mentioned, South Africa's employment equity and Black Economic Empowerment (BEE) legislation seeks enhance Black employee representation in middle and senior management roles, share ownership and other forms of employee empowerment. Industry charters are developed setting targets for BEE for example in insurance, mining, oil and energy (Horwitz 2012).

The rationale for these policies is to redress employment skills and access to managerial, professional and economic opportunities by groups previously denied these opportunities. In South Africa the constitution permits policies aimed at redress of unfair discrimination based on race, culture and ethnicity and gender. Managerial styles, HRM practices and preferences for particular types of conflict resolution may be mediated by ethnicity factors, including the degree of cultural ethnocentrism, and tolerance or intolerance of diversity. Qualitative changes in workplace attitudes, institutional culture, and leadership styles are however equally important. Based on the experience of the above national contextual and regulatory factors More South African EMMNCs organizations have diversity training aimed largely at promoting expatriate cross-cultural understanding and integration adaptiveness (Bluen 2014), though these have been criticized as unwittingly promoting cultural stereotypes.

An analytical framework within which the notion of an Afro-Asian nexus can be suitably framed is that posited by Jackson (2004:20-22) - a typology of western instrumentalism and African humanism and east-Asian attributes. The latter concept reflects values such as sharing, adherence to social obligations, collective trust, deference to rank and seniority, sanctity of commitment and good social and personal relations. As discussed above, these arguably reflect a conceptual proximity to Confucian humanism and Chinese Guanxi, with social cohesion and cooperative rather than adversarial and competitive relations. However, there is a danger in presenting both African and east-Asian EMMNC organisation culture and systems in this way. An unrealistic, idealized or indeed romanticized conception may not have significant empirical or managerial support. Second, there is a latent assumption of both homogeneity and unique distinctiveness, which obfuscates the reality of inter-regional, inter-country and inter-ethnic diversity. Hence a cross-divergence perspective may be more important for analysing EMMNCs.

## **5. Human resource practice research and HRM diffusion in South African multinational firms**

This section analyses key themes in the literature regarding EMMNCs, providing a systematic literature review of HRM research in African and South African EMMNCs. Following the above discussion on the efficacy of business and HRM models, research on HRM policy and practice of EMMNCs in this case from South Africa, offers insight into the transfer of knowledge from home countries to host country operations and the issues and processes involved. According to Wood (2015) this area is not without its controversies as discussed previously, for example the accusation by some host African countries that local human resources are not being properly developed and advanced, and low utilisation of local product supply chains. Wood (op cit p.235) also notes that this is also associated with a perceived historical baggage carried by South African MNCs. Extended from Horwitz

(2015); the following section evaluates research conducted in this regard, identifying relevant themes and controversies in the development and diffusion of South African EMMNCs policies and practices.

**Table 1**

**Systematic literature review: human resource research themes in MNCs in Africa**

<b>Theme</b>	<b>Methodology</b>	<b>Researcher</b>
1. Business and HR models in MNCs in Africa	Case study research, semi-structured interviews, secondary data	Jain et al (2008, ) Klein & Wocke (2007), Lawler et al (2008), Wocke et al (2007), Horwitz (2012, 2015), Jackson et al (2013), Contessi & El Ghuzully (2010), Newenham-Kahindi et al (2013), Wood (2015).
2. The notion of an Afro-Asian nexus	Primary and secondary data, qualitative research methods such as semi-structured interviews, and firm-level case study research.	Jackson et al (2013), Horwitz et al (2002 & 2006), Horwitz (2012, 2015), Newenham-Kahindi et al (2013).
3. Convergence, divergence, ‘cross-vergence’, hybridisation, & diffusion of HR and knowledge in MNCs.	Critical theory analysis, secondary data and case study research.	Azolukwam, & Perkins (2009), Cheah et al (2014), Giese & Theil (2012), Harvey (2002), Horwitz & Mellahi (2009), Horwitz et al (2006), Kamoche et al (2004), Kamoche (2011), Kamoche et al (2012), Kamoche & Newenham-Kahindi et al (2013), Newenham-Kahindi (2005), Mamman et al (2009), Sartorius et al (2011), Wood & Brewster (2007), Brewster et al (2015)
4. Cross-cultural issues and diversity, Indigenous thought systems, policy and practice, employment equity and discrimination	Comparative analysis, theory development, case evidence research	April & Shockley (2007), Booysen (2007), Mbigi (2002), Jackson (2015), Jackson et al (2013, and Jackson (2004), Kamoche (2013), Kamoche et al (2004), Horwitz & Jain (2011), Human (2005), Jain et al (2012), Mangaliso (2001), Nkomo et al (2015), Nkomo (2011), Newenham- Kahindi (2011), Wells (2003), Wood (2015).
5. Specific HRM and employment practices:		
- Performance management	Case study data, employee and	Mamman et al (2009), Magoola & Horwitz (2010), Newenham–



- Human resource and career development, human capital, talent management	management questionnaire surveys, semi-structured interviews and other qualitative methods.  Triangulated research methodologies – qualitative and survey data, case study research, secondary data	Kahindi (2011), Lawler et al (2008)  Agbola (2013), Harvey et al (2002), Horwitz (2013), Kamoche (2013), Kamoche et al (2004), Kraak, (2004), Lorentzen (2005), Nkomo et al (2015), Nafukho (2013, 2010), Lorentzen 2005), Newenham-Kahindi (Ed)(2013), Nyerere & Friso (2013), Onguco et al (2013), Nzepa (2004), Parry et al (2015), Sydhagen & Cunningham (2007), Skuza et al (2015), Wood (2015).
6. HRM, decent work and fair labour practices	Critical analyses, labour process critique, employer and government survey data, firm level case study data	Akorsu and Cooke (2011), Compagnon & Alejandro (2013), Geren (2010), Harvey (2002), Wood (2015), Wood et al (2011), Wood & Brewster (2007), Wood et al (2011), Wood & Horwitz (2015)

Source: Extended from Horwitz, F. M (2015). 'Human resource management in multinational companies in Africa: a systematic literature review'. *International Journal of Human Resource Management*, 26 (21-22), 2789.

These thematic challenges are both theoretically and empirically multi-faceted. EMMNCs increasingly both compete and collaborate (Luo and Rui 2009) adopting LLL strategies (Matthews (2006) previously discussed. Given the diversity of the thematic HR challenges faced by EMMNCs, theorising has largely been derived from an eclectic composite of related subject disciplines or areas of study, such as international business, political economy, institutional theory and cross cultural frameworks or models.

Following the above literature review the section below presents a further analysis of HRM research themes on South African EMMNCs Pertaining to themes 1, 2 and 5 in Table 1 a study of four SA EMMNCs by Wocke et al. (2007) found a considerable degree of variance in corporate HR strategies due to differences in business model, the need to accommodate national culture, the type and role of organizational culture. This variance in turn influenced their ability to converge with international HR best practices. They also found that the more the cultural distance between the home and host countries, the more the divergence in HR practices. Another study found that according to the HR practitioners in SA EMMNCs, performance improvement, employment equity, training and development and managing trade union expectations were the most important workplace challenges (Grzeschke and Moehring, 2004). South African MNCs also consider workforce capability development, talent mix in hoist country operations and managing both expatriate and local employee expectations are key IHRM challenges (Horwitz 2014, Grzeschke and Moehring, 2004).

Wocke, Bendixen and Rijamampianina's (2007: 829) study of four South African MNCs, namely Nando's International (fast foods), Sasol (synthetic fuels and chemicals), SABMiller (beer) and MTN International (ICT) concludes that 'focus on implementation of corporate HR strategies from the parent's perspective shows that EMMNCs differ in:

- (1) Scope and level of abstraction of their corporate HR strategies. This is primarily due to differing business models (emphasizing global integration or local market responsiveness).
- (2) A need to accommodate national culture (extending from limited to very high levels of adaptation).
- (3) Type and role of organizational culture, often transferred by deployment of expatriates in the MNC, which variously impacts on the level of convergence of HR practices, and
- (4) Degree of convergence of international HRM practices.

In all four cases a large degree of variance in these factors was found. Wocke et al's (2007) study found a range in the extent of convergence of international HRM practices from high convergence (Sasol) to low convergence with evidence of 'cross-vergence' in Nandos. (op cit: 840-841). Their research also shows some measure of support for the construct of 'cultural distance', where implementation of HRM practices from parent to host country may vary inter alia, because of deep cultural differences. In all four cases a large degree of variance in these factors was found. Wocke et al's (2007) study found a range in the extent of convergence of international HRM practices from high convergence (Sasol) to low convergence with evidence of 'cross-vergence' in Nandos. (op cit: 840-841). Their research also shows some measure of support for the construct of 'cultural distance', where implementation of HRM practices from parent to host country may vary inter alia, because of deep cultural differences. Sasol, South Africa's MNC in the synthetic fuels industry converting coal into petroleum has become the world's leader in this process, diversifying into chemicals, with operations in China, Europe, Nigeria and United States. South African Breweries which bought Miller beer from the food arm of Phillip Morris has a large presence in other countries from Africa to Eastern Europe, Russia and China, in most cases through joint ventures or acquisitions, has become the second largest global brewer.

Following Table 1 theme 3 Wocke et al (2007) above, cultural context factors may also limit or assist the adoption of HRM practices such as performance related pay and merit promotion, where deference to seniority, service and age remain important in Japan and countries where family control of large enterprises remains strong e.g. chaebols in South Korea and Malawian firms in Africa. In contrast, meritocratic values and individual goal orientation evident in Singapore (Chew and Horwitz 2004), Hong Kong and to a slightly lesser degree in South Africa, would permit greater flexibility in adopting performance appraisal, merit pay and promotion, and financial incentive schemes.

Another study of HRM and business practice in South African EMMNCs found that they considered the following to be the most important factors to operate successfully in China: understanding the market complexity, important of joint venture partnerships, building

*Guanxi* relationship networks, human capital formation and deployment, language and communications, both national and corporate culture, and the regulatory environment (Horwitz et al., 2005). Research participants indicated that the extent of cultural diversity in the home environment equipped South African managers to operate effectively in markets that are culturally dissimilar to them. Supporting this view, Wocke et al. (2007, p. 830) state that the competencies developed by South African firms to manage high degrees of complexity and ambiguity in the domestic market gave them an advantage when operating in different national cultures.

Considering theme 2 in Table 1, a significant number of Asian EMMNCs, particularly from China and India, are currently operating in South Africa, and several South African EMMNCs in China, India and the Middle East, Horwitz (2012, 2014) identifies an Afro-Asian nexus in tracing the evolution of HR function and practices in South African EMMNCs, which are similar to Jackson's (2001) humanistic versus the instrumentalist locus of values towards employees between the East and the West. Some of the common cultural traits that highlighted in the above two studies between African, Chinese and East Asian cultures are focus on internal stakeholders, collective solidarity, consultative and participative decision making and extended family orientations. This nexus explores how the HRM practice in the African continent is converging on East Asian firms but with its own distinct indigenous thought systems and contextual factors. This line of work has found evidence of cross-vergence or hybrid models of HR policy and practice. Further, a number of studies have been made of HRM and the global business strategy of SABMiller until recently the world's second largest beer company (Bluen, 2014, Ashton 2012, Human and Horwitz, 1992, Purkayastha and Fernando (2006), White (2012 and 2013), and Wocke et al 2007), Naspers (Harris 2012, Horwitz et al 2005) one of the largest emerging market media MNCs and MTN (Games 2012, White 2012, 2013) The main findings from these studies identify and evaluate a number of key HRM dimensions of practice as summarised in Table 2 below:

Table 2

## Case Comparison Summary of Key HRM Policies and Practices in Three South African Emerging Market Multinational Companies

	SAB Miller	MTN	Naspers
<b>Organisation Culture</b>	<ul style="list-style-type: none"> <li>• “SAB WAY” – entrepreneurial and performance driven culture; strong leadership driven values of responsibility, accountability and self-management with clear objective setting across international operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong entrepreneurial culture, emphasizing local partnerships – like SAB Miller primary focus in globalising strategy has been other emerging markets especially in Africa (e.g. Nigeria) and UAE/Middle East.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong entrepreneurial and externally focused culture with growth from home country national context to international media market MNC based on joint venture partnerships.</li> <li>• Emphasis on cultural sensitivity to local customs and practices including brands. This is similar to SAB Miller also in respect of internationalisation strategy focused on other emerging markets.</li> </ul>
<b>HRM Value Proposition</b>	<ul style="list-style-type: none"> <li>• Clearly articulated as self-management in an empowering system that is diverse and performance driven; “tough but fair” culture, diversity management, developing people and strategic people resourcing.</li> </ul>	<ul style="list-style-type: none"> <li>• Learning/acquiring capabilities for establishing effective cross-cultural joint ventures.</li> </ul>	<ul style="list-style-type: none"> <li>• The HR Value proposition appears premised on a growing cross cultural sensitivity and adaptability as key success factors in other emerging markets.</li> </ul>
<b>Talent Management</b>	<ul style="list-style-type: none"> <li>• Recruitment and development done on local country basis. Talent pipeline for succession, strong leadership direction from corporate centre.</li> </ul>	<ul style="list-style-type: none"> <li>• Recruiting “best fit” talent for identified markets; use of psychometric assessment to evaluate cross-cultural adaptiveness in different regional contexts.</li> </ul>	<ul style="list-style-type: none"> <li>• Talent management has seen an increased emphasis on identification and development of strong local management teams and less reliance over time on home country</li> </ul>

		<ul style="list-style-type: none"> <li>• Talent management has strong emphasis on (1) HR development in local operations in the MTN Training Academy; (2) talent diversity in recruitment and selection; (3) enhancing awareness of cultural, ethnic and religious diversity in particular countries such as Nigeria, Iran and Afghanistan.</li> </ul>	expatriates.
<b>Expatriate Staffing</b>	<ul style="list-style-type: none"> <li>• Over 200 executives from home country deployed in key positions globally, but increasing local talent identification and development.</li> </ul>	<ul style="list-style-type: none"> <li>• Broadening management team by deploying and relocating expatriates from home and international operations (similar to SAB Miller).</li> <li>• Building integrated multi-national teams from different countries; and reducing number of expatriates in international operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Expatriate staffing policy has evolved over time on the basis of the above talent approach e.g. recruitment and development of talent in joint venture operations e.g. though its stake-holding in Ten Cent Holdings which has grown into one of the largest internet firms globally since Naspers' initial joint venture.</li> <li>• In some operations there are now no expatriates from the home country South Africa.</li> </ul>
<b>HR Structures and Systems</b>	<ul style="list-style-type: none"> <li>• Formal clearly articulated performance management system based on performance objectives, evaluation and development objectives.</li> <li>• Each country manages operations as independent business units.</li> <li>• Through talent recruitment and selection it seeks strong alignment of</li> </ul>	<ul style="list-style-type: none"> <li>• HR Systems and structures are increasingly geocentric considering local customs and practices, and institutions e.g. in recruitment and selection processes and structures for local representation of 'voice'/empowerment.</li> </ul>	<ul style="list-style-type: none"> <li>• The company has a polycentric HR system with both the centre/home country head office and regional operations influencing HR policy.</li> <li>• The Centre contributes know-how and expertise to transfer knowledge and capabilities to new joint ventures and</li> </ul>

	<p>individual and business goals.</p> <ul style="list-style-type: none"><li>• Relatively standardized structures for global operations e.g. procurement function based in Switzerland.</li></ul>		<p>partnerships.</p> <ul style="list-style-type: none"><li>• HR development contributes to identification and development of local talent in international operations at various levels.</li></ul>
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From Table 2, there is some evidence of ‘reverse diffusion’ (Edwards 1998). SABMiller’s jointly owned breweries in the Czech Republic and Poland have successfully implemented best operating practices and management know-how on systems, process and technology based on Japanese practices and its experience in emergent economies, and South African restaurant groups in Singapore and the United Kingdom such as Nandos draw on home-country practices. Similarly, the South African based consultant firm Competitive Capabilities (CCI), using Japanese world class manufacturing and operations methodologies and building on its African experience, has extended these precepts into its work in Australia and Singapore. In the southern African context it appears that ‘as is’ adoption is rarely effective and that either some or extensive modification occurs, thus reflecting the need for sensitivity to local circumstances and support for the notion of cross-vergence. For example in most of the above cases where performance-based pay and variable pay were introduced, these tended to be work group or team-based schemes rather than individually based; this especially so in unionized firms. In over 85 per cent of the cases reviewed, the HRM practices were of Japanese origin, though Malaysian and Taiwanese firms have also implemented home-based policies and practices. In the latter case however, managerial practices are somewhat traditional, based on low labour cost/cost reduction methods, and cannot be considered ‘high performance’.

Comparative research on performance management in South African and Uganda organizations identifies the need for a much higher level of ‘performance literacy’ at both organizational and public policy levels (Magoola and Horwitz, 2010, Horwitz 2012). These studies using triangulated research methods of both qualitative and survey data from SAB Miller, the Rand Water Board and Uganda Revenue authority identified the following key success factors for raising ‘performance literacy’ and hence improvement in African organizations:

- Organizational member alignment: diffusion of performance management knowledge and skill. This is consistent with Matthew’s (2006) LLL framework previously discussed.
- mechanisms or processes for organizational and individual learning and human resource development
- Participative and effective maintenance of performance management systems
- Enabling institutional/regulatory mechanisms in both intra and pan-African diffusion of performance management processes. This is frequently absent or poorly developed in African countries reflecting a significant barrier to effective performance management.

Relating to theme 5 in Table 1, Grzeschke & Moehring, (2004) investigated HRM practices in both foreign MNCs and South African EMMNCs’ which HR practitioners considered the most important workplace challenges. These included performance improvement, employment equity, training and development and managing trade union expectations. It is estimated that South African EMMNCs spend between 1.5-4.5 percent of

the payroll on training compared to 5 percent of European, 5.5% of American and 8 percent in Japanese MNCs. The apartheid legacy in SA created a racial segmentation of the labour market in respect of access to higher level technological skills (Barker, 2007). Training and development are seen by both managers and frontline employees in the services industry as vital in addressing the skills gap and developing the capacity to meet competitive demands (Horwitz 2012).

Van Agtmael (2007 op cit. pp. 227-247) refers to a revolution in ‘cheap brainpower’ in discussing emergent market MNCs. Yet the demand for qualified staff continues to outstrip supply in most emerging markets such as South Africa. Turnover is higher; poaching is rampant and pay packages often overheated. A recent World Bank survey also revealed that a shortage of skills was the factor most identified by management in the over 800 firms questioned as strongly retarding their further development (Economist 2007 and Horwitz 2012). This is similar to a ‘systematic shrinkage of skills’, which may require importing certain high priority skills in the short term (Abedian 2007). Poor knowledge and education about the opportunities for technical training together with perceptions that artisan and technical work is somehow of a lesser status to graduate qualifications, continue. While improving the supply side production of graduates, technicians, artisans, and health care professionals from emerging market tertiary education institutions is critical, for corporate leaders the challenge lies in attracting, motivating and retaining intellectual capital. Talent management research in environments of uncertainty, complexity and ‘unknowability of transitional economies’ like South Africa and shows that professional workers at high skill levels in knowledge intensive industries rate the following as critical to work motivation, effective utilization and retention in MNCs host country operations and domestic markets (Table 2) (Bluen 2014, Bussin and Smit 2014, Fakude 2014, Horwitz 2014, Judge et al 2009: 1746) and Sutherland and Jordaan 2004).

**Table 3**

**Literature review on talent management factors in the South African transitional economy context**

<ul style="list-style-type: none"> <li>• <b>Organizational capacity or ‘readiness’ for change and resilience – a ‘meta-capability’, talent management alignment with business strategy (Bluen 2014), Fakude (2014), Horwitz, (2014), Wood (2015).</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Mix of emergent and deterministic strategies - adaptiveness rather than overly robust organizational directives (Fakude, (2014) Judge et al, (2009: 1741), Wood (2015).</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Opportunity to recruit and develop and reward talent both in home and host country providing challenging work and international career opportunities</b></li> </ul>



<b>(Bluen 2014), Horwitz (2014), Bussin and Smit (2014), Skuza et al (2015)</b>
<ul style="list-style-type: none"> <li>• <b>An ‘engaging’ culture with direct communications, collegial peer and managerial relations and stimulating, challenging work assignments (Bluen (2014), Horwitz (2014), Jackson (2015).</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Human resource development, and in certain BRICS firms - flexible remuneration (Allen et al 2001), Bluen (2014), Bussin and Smit (2014), Fakude (2014) &amp; Horwitz (2014), Skuza et al (2015).</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Credible strategies for talent retention in South African emerging market MNCs is a particular challenge given the churn of marketable talent to developed countries (Bluen 2014), Fakude (2014), Skuza et al (2016).</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Finding a workable mix of expatriate and local host country talent especially at managerial and professional levels (Bluen 2014), Briscoe (2016), Fakude (2014). A failure to do so effectively is variously a critique by African host countries of MNCs from Southern Africa (Wood 2015).</b></li> </ul>

Skills requirements in organizations should also be closely aligned with an organization’s strategy (Bluen 2014, Fakude 2014, Horwitz 2014). As positive indications of economic growth are now occurring, concomitant social development and service delivery is clearly dependent on an ability to motivate and retain scarce skills; this given the shortage of specialized and professional skills. Getting to this point though begins with understanding and addressing the unique needs of scarce skills knowledge and professional workers today, which include: market-related pay and benefits and employment practices; intrinsic work factors such as job satisfaction and peer group relations, recognition and reward; personal and professional development and work which might be at the leading edge in an industry or sector; (Horwitz and Mellahi, 2009: 273).

But a purely market driven approach to skills development is not likely to be effective in emergent market MNCs. The notion of a developmental state occurring in emerging markets such as South Africa and China committed to developing the country’s human resources in joined up partnerships with the private sector and organized labour can remove the many constraints to international competitiveness such as skills development and better education (Soko 2007).

Cross-cultural variation (theme 4 in Table 1) in the labour market and skills supply for addressing market needs is an important consideration by EMMNCs in the decision regarding their own foreign direct investment (FDI). Most African countries have regional economies

with an oversupply of manual, relatively unskilled workers, and dualistically a shortage of artisan, technical, financial and managerial skills. In South Africa this was exacerbated by the apartheid legacies, which until recently deliberately reserved access to skilled work on a racial basis.

Migrancy and the flight of knowledge workers from Southern Africa or between African countries is becoming critical as more South African EMMNCs seek to attract, develop and retain key skills to grow their economies and compete both domestically and globally. An allied issue is the widespread move towards labour market flexibility and an increase in sub-contracting and outsourcing as work is externalised. The casualization of the labour market is increasing even in countries with more regulated legal regimes such as South Africa. Numerical and temporal flexibility and even pay flexibility have a profound effect on employment security, the psychological contract and work place arrangements.

Knowledge worker research in South African EMMNCs shows that professionals in knowledge intensive firms rate opportunity to plan and control their own work, challenging and stimulating work, sound workplace relations, work-life balance, personal development and growth more highly than remuneration (Bluen 2014, Horwitz, et al 2004 and 2006). Good working conditions, career opportunities and competitive pay are vital. Retention of needed talent requires organizations to create a challenging and stimulating work environment, employee engagement, opportunities for personal growth and development, flexible and competitive remuneration, offering stretching and interesting assignments/projects and collegial, supportive peer relations (Bluen 2014, Horwitz, et al 2006, and Sutherland 2006).

Relating to theme 5 in Table 1 HRM practices, job evaluation, performance management systems and work process redesign are increasingly important facets of HR work in emerging market MNCs. Although Western managerial practices have prevailed for decades in African countries there is an increase in South African EMMNCs adopting Japanese and East Asian practices (Horwitz, 2009 op cit p.465, Horwitz 2015). These include lean manufacturing, just-in-time methods and other operations management measures to reduce product defects, stock holdings, inventory and waste. Quality and productivity improvement measures have sought to benchmark international standards in South African hospitality EMMNC's, the Sun International and Protea hotel groups. As previously mentioned increasingly the ideas of lean thinking have gained currency in South African EMMNC's such as Bell Equipment, Nampak Management Services, SABMiller and Sasol Polymers. The motivation for these measures is primarily productivity and work process improvement.

Also pertaining to the diffusion of HR practices mentioned in Table 1 theme 5, research has found that functional types of flexible work practices have increased are less common (under 15 percent) in relation to use of cost effective numerical flexibility such as downsizing and outsourcing, and temporal flexibility types such as part-time, temporary and casual, short term work (Allen et al 2001.) But flexible work practices, including functional forms of flexibility such as multi-skilling and performance based pay, are more common in EMMNCs including South African EMMNCs than in local firms (Horwitz and Smith, 1998: 590-606).

South African organizations tend to emphasize collective and procedural relations, in comparison with Asian MNCs which have more distinctive often diffused HRM practices based variously on group cohesion, individual relations and in cases of Chinese and Taiwanese clothing and textile firms low-cost work practices and employment practices. This supports the proposition that EMMNC influence on global integration and work practice standardization, may reveal cross cultural convergence of HRM practices within EMMNCs through adoption of 'best global practice', compared with a higher degree of divergence in local firms.

Pertaining to the cross-cultural theme referred to in Table 1 and the above literature review research on South African MNCs have also seen South African firms increasingly investing and doing business in China (Horwitz, Ferguson, Rivett and Lee, 2006). Several of these such as SAB Miller have joint venture operations, investments and growing market share in China. Horwitz, Ferguson, Rivett and Lee (2006) examined perspectives of 13 multinational corporations (MNCs) from South Africa (SA) in respect of variables considered important in labour and markets in China. These included how EMMNCs first interpret and understand cultural, human capital, regulatory factors and employment practices, before considering how they might adapt to or seek to influence them. A survey of thirteen SA firms operating or trading in these markets and interviews with South African EMMNC managers who had undertaken exploratory assignments in China, were done. Key factors were identified and evaluated based on relevant literature and research. The following six focus areas were found to be important for business effectiveness in this market: understanding its market complexity, importance of joint venture partners, *Guanxi* relationship networks, human capital, language and culture, and regulatory environment. Respondents were asked if or how their South African experience equipped them for working in China. The responses below are examples of tacit knowledge gained.

*'Perpetual change in the workplace over the last ten years has given South Africans the capacity to cope with ambiguity and non-closure. This means we're well-positioned in a place like China, but you still need to work hard on fitting in.'*

Roy Bagattini, SABMiller China

*'South Africans are sought after employees globally, not just in China. One reason being is that managers who have worked through the change of regime in SA are more culturally aware and have the experience to work respectfully with sensitive nationals'.*

Penny Fisher, International SOS

*'I think South Africans may have the advantage of being more used to working with cultures different from their own. South Africans seem to have a better idea about doing business in developing countries'.*

J.P. Mulder, Kumba Resources

*South Africa has in recent years gone through a major transformation, economically, socially and politically. I felt I had an advantage as a result of our economic developments in South*

*Africa. I could relate to the developments in the Chinese economy easier than expats from more developed economies.*

Richard Julius, One Stop Services (Pty) Ltd

Respondents ascribe this to increased cultural sensitivity from experience in a multicultural society, business experience in a developing context, reasonable salary expectations and flexibility with regard to working conditions. However, these are generalizations, and there are likely to be exceptions. In sum these included how EMMNCs first interpret and understand cultural, human capital, regulatory factors and employment practices, before considering how they might adapt to or seek to influence them. Five HRM related focus areas were found to be important for business strategies in other emerging markets such as China this market: Understanding its market complexity, importance of joint venture partners, *Ubuntu* (African) *Guanxi* (Chinese) relationship networks, human capital, including developing local skills capacity, culture, employment relations regulatory and institutional environment, and language (Horwitz, Ferguson, Rivett and Lee 2006).

South African EMMNCs therefore perceive they have certain comparative advantages for operating in other emerging markets like China and elsewhere in Africa. This supports the springboard theory (Luo and Tung 2007) and Gullien & Garcia-Canal (2009), and as with SABMiller, Naspers-Tencent (China) Anglo-American and Sasol (Fakude 2014, Wood 2015, Wocke et al 2007), the use of global partnerships, alliances and acquisitions (Sun et al 2012). These notions further reinforce characteristics identified by Thite 2015 and as ‘dynamic capabilities’ of emerging market firms. South African EMMNCs expecting to perform well in other emerging markets will therefore increasingly need to recruit and develop quality local staff and managers. The most effective way of achieving this is by offering a highly competitive salary and good career prospects. Economic reforms and the influx of other emerging market MNCs are bringing a more strategic approach to human resource management in China, with a greater emphasis on merit-based recruitment and career development. An important lesson is to ensure that employees recruited by a joint venture partner are often willing to receive incentive pay. EMMNCs may therefore have particular strengths, dynamic capabilities in operating in other emerging markets (Horwitz et al 2005) or what Judge et al (2009) describe as an ‘organisational capacity for change’ in transitional economies. These findings are also consistent with Wocke et al. (2007).

## **6. Contingency and hybrid approaches in South African EMMNCs**

Relating to theme 3 in Table 1, SASOL, and South Africa’s MNC in the synthetic fuels industry converting coal into petroleum has become the world’s leader in this process, diversifying into chemicals, with operations in China, Europe, Nigeria and United States. South African Breweries which bought Miller beer from the food arm of Phillip Morris has a large presence in other countries from Africa to Eastern Europe, Russia and China, in most cases through joint ventures or acquisitions, has become the second largest global brewer and subject of a recent acquisition. The growth of South African EMMNCs raises the question of contingency approaches and mediating variables affecting organizational level application of

HRM practices- in different markets. In South Africa, whilst personal achievement is valued, group solidarity and identity strongly prevail. Whilst there is a paucity of empirical research on managerial culture in southern African firms a masculine dominance is evident across ethnic groups (Horwitz 2000:217), underlined by individualist values and a relatively large power distance between groups. This supports Jackson's (2004, 2012) framework and is based on historical racial and ethnic disparities. However, an emergent black middle class has begun to occupy decision making roles. Class mobility is likely to have an impact on managerial culture and inform strategic choices about appropriate organizational culture, business and HRM practices in the southern African context. However, organization and national culture tend to reflect considerable diversity and pluralism, with procedural regulation of conflicts in South Africa particularly suggesting elements of the stakeholder approach in respect of the posited framework of an Afro-Asian nexus. The advent of democracy especially in South Africa, and 'glasnost' effect of global competition begs the on-going question as to the inevitability of HRM convergence and global hegemony of 'best practice' over local exigencies.

In practice, hybrid models appear more likely. South African work place practices are often more collectivist than individualist often with strong masculine and patriarchal cultures. This supports the cross-cultural and contingency features of the proposed Afro-Asian nexus typology. HRM practices such as team working based on group and collective behaviour and norms operate effectively, especially if reward systems are designed for group or team performance and performance management objectives. These issues reflect important concerns about the way people are managed and impediments managers have to overcome before HRM can come of age. Multinational corporations through their local managers are increasingly adopting contemporary management ideas and HRM practices. Given collective decision making and extended family orientations in many African, Middle East and Asian countries where South African EMMNCs have operations cultural adaptation of HRM practices and expatriates is expected to contribute to achieving organization objectives. These realities suggest that the application of standard management tools cannot always be expected to work, underlining the value of contingency approach.

But adoption of HR practices does not exist in a vacuum. It is important to understand host country social and institutional circumstances within which expatriate managers operate, the challenges they face, and how they respond to these. As mentioned earlier, this underlines the need to understand the African context and indigenous thought systems. Jackson (2004:18) argues that paradoxical cultural value systems – Western instrumental and individualist versus humanistic systems may be found in home and host countries and within a particular home country with diverse ethnic and cultural groups for example as found in African tribal and rural communities. But collective orientations can enable team-based practices and group incentive systems suggesting support for the contingency variable in the Afro-Asian nexus typology (Table 1 Theme 2).

## **7. Research propositions – a future research agenda**

In terms of future research and theoretical directions on IHRM in EMNCs, the analytical lenses of national and organisational level culture discussed above, and the institutional regulation approach whilst often used, reveal a complexity of emerging markets which precludes over-simplified analysis. Given the controversies around strong versus weak institutions in various African countries the issue regarding mechanisms South African EMMNCs deploy to deal with regulatory regimes requires further research.

Other theoretical perspectives such as Perlmutter and Heenan's (1979) framework of ethnocentric, polycentric and transnational MNCs are an instructive lens for analysis. But as Bjorkman and Welch (2015) observe, there are research boundaries between the various theoretical frameworks in the international HRM field for example, the overlap of related areas such cross-cultural management comparative employment relations. This paper has focussed on the MNC as a unit of analysis. Bjorkman and Welch (2015 op. cit.pp.138-145) posit a broader multi-level framework of analysis within which future research might be located. This includes different (though potentially related) levels of analysis such a macro (country or region or industry/sector), HRM functional level and individual level (such as expatriate experiences and performance).

### **Proposition 1**

Most South African EMMNCs adopt a mix or hybrid of polycentric, multinational and transnational human resource strategies.

### **Proposition 2**

2.1. Most South African EMMNCs have an over-reliance on ethnocentric home base driven strategies

2.2. This limits host country talent attraction, development and retention, and local product sourcing (Wood 2015).

### **Proposition 3**

Most South African EMMNCs do not experience the notion of 'reverse diffusion' (Edwards (1998)

This construct sees practices of overseas subsidiaries flow to domestic operations or headquarters, or more recently where the new elite emerging market EMMNCs' practices are introduced in their overseas markets, e.g. the Indian MNC Tata Steel's operations in South Africa. It appears that the adoption of east Asian HRM in southern African firms derives from both increased investment and consequent influence these firms have in Africa, and an emergent managerial belief in southern African firms, that there is much to be learned from Indian, Chinese and Japanese managerial practices, particularly as these might have a higher likelihood of adoption in the African cultural context. Whilst it may be argued that Chinese HRM other than in outside EMMNCs may tend to not be based on the ILO notion of 'decent

work'. South SAB Miller, until its recent take-over became the second largest brewing MNC globally with operations in Eastern Europe, China USA and elsewhere; and other South African MNC's such as Kumba Resources (mining and iron ore) and Naspers-Tencent (China - media communications) have significant operations in China. Murray & Roberts a South African construction and property development EMMNC which has grown significant interests in the Middle East. This may however, be a somewhat normative belief. Whilst there are indeed some similarities between African and east Asian cultures, there are also fundamental differences between them. In this section we attempt to formulate a rationale for a more critical analysis of the diffusion of practices between these two regions.

A qualitative research approach can be adopted in seeking to fill a gap in the literature in respect of integrating both the importance of contextual variables and Afro-Asian comparative IHRM (see for example the case-study approach of Wood 2015, Horwitz & Chew, 2002 and Horwitz et al 2006). It is important to identify process implementation factors such as the extent to which HRM is introduced (1) "as is" – transplanted intact cross-culturally, or (2) with some adaptation based on local culture and factors such as labour relations institutions, or (3) whether these practices are significantly transformed because of local exigencies and (4) the nature and degree of convergence which may occur. Strategies may vary greatly with differing demands in the global environment. Conflicting demands may occur as EMMNCs attempt to enhance their capacity to be locally responsive while also maintaining influence over global corporate structures for example by fostering a global corporate culture with associated human resource practices (Horwitz and Mellahi 2009).

#### **Proposition 4**

HRM strategies of most South African EMMNCs have a low level of alignment with business/organisational strategies and business models.

South African EMMNCs such as SABMiller, Naspers, Shoprite and Anglo-American can also be considered as making effective use of springboard strategies and first-mover advantage (Wood 2015, Luo and Tung 2007), as well as dynamic capabilities (Cuervo-Cazurra and Genc 2008); the latter defined as 'the ability of a MNC to integrate, build and reconfigure internal and external competencies to address rapidly changing environments' (Teece 1997, p.516). This is done by leveraging organisationally learned relevant capabilities (Dixon et al 2010) developed in a home country or regional context, for example in dealing with cross-cultural diversity, expatriate deployment and redeployment across global operations, working with complex regulatory regimes and managing through turbulent socio-political transitions. Therefore both the springboard and dynamic capability frameworks resonate conceptually and have explanatory value for research on South African EMMNCs.

#### **Proposition 5**

Contingency approaches and mediating variables affect development and implementation processes for organizational level application of HRM practices in most South African EMMNCs.

While there is anecdotal evidence of ‘reverse diffusion’ (Edwards 1998), further research is needed on whether and how EMMNCs transfer the best practices learned from their overseas subsidiaries to home countries and markets (Horwitz, 2014 and 2012, pp. 2940- 2942). Given controversies in host African countries regarding the real commitment of South African EMMNCs to local talent identification, development and career advancement, utilisation of local product sourcing (Wood 2015), a key research need is to determine and evaluate the extent and purposes for which expatriates from the headquartered home country are used and whether this undermines or simply avoids addressing the importance of local host country talent development. Much of the work on expatriates focusses on selection criteria, adjustment and integration of expatriate managers and re-adjustment when returning to their home environment, as well as on organizational and self-initiated expatriate work assignments (Arp 2014, Cerdin & Selmer 2014, Doherty, 2013, and Doherty et al 2011). It is not necessarily a question of whether or not to use expatriate talent but to determine what type of mix and fit for purpose would be most effective for an organisation in the context in which it operates. These needs are not static either and will vary too over time as the EMMNC develops and enhances its effectiveness in a host country.

### **Proposition 6**

South African EMMNCs have increased the mix/balance of local talent appointments in managerial positions in relation to expatriate deployment

Briscoe’s (2016) work emphasizes the importance of HR developing the ability to adapt to local talent pool needs and simultaneously co-ordinate and integrate these talent pools in addressing economies of scale, research and innovation needed in the host country. There is a real research gap in expatriate management by emerging market firms as they internationalise their operations - i.e., expatriate selection and deployment ‘in the other direction’ (Briscoe 2016, Thite, Wilkinson and Budhwar 2011, Sim 2012 and Sirkin et al 2008). An emerging stream of international HRM research therefore identifies strategies and practices of EM MNCs’ deployment and integration of expatriates into new markets they compete in. (See for example Briscoe and Everett 2013a and 2013b).

Hybrid forms of HR based on EMMNC and local firm practices may occur in nomenclature, design, content and implementation processes. Even firms in countries within the same market economic type will experience some degree of localization in HRM practices and policies and therefore need to adjust both the role and most importantly the configuration of global HRM strategy; HR structures and practices accordingly (Fakude 2014, Bluen 2014, Horwitz and Mellahi, 2009). The same HR practices for example, performance appraisal, or those pertaining to cross-border mergers and acquisitions, that could build trust in one country context, may fail to do so in another - each HR practice that an EMMNC considers implementing should be filtered through a ‘localization mesh’ that identifies clashes with local values, resource capabilities (such as technical and managerial



competencies), culture and institutional/regulatory environment. This analysis should allow for modifications that will render the practice ‘culturally fit’, given that ‘understanding the HR-performance relationship essentially requires exploring the heterogeneities of implementation’ (Khilji and Wang, 2006:1173). An Afro-Asian typology or framework would therefore appear to be relevant in analysing case examples of southern African EMMNCs given the pertinence of HR development, cultural diversity, need for adaptive contingency approaches to HRM and the increasing global influence of South African EMMNCs like SABMiller, MTN and Naspers-Tencent and Nandos in other emerging markets such as the Middle East, Central and Eastern Europe and Asian countries.

### **Proposition 7**

Mid-range or hybrid theory development of South African EMMNC HRM is premised on identifying common themes from emerging market HRM literature and systematic literature reviews (see Horwitz 2015).

## **8. Conclusion**

South Africa has a diverse institutional and socio-cultural context and is still experiencing the legacy of the apartheid era for example in the paradox of an over-represented unskilled labour market and shortage of high level skills. Natural resources are its biggest national competitive advantage and the firm-specific advantages derive mainly from the ability of South African firms to deal with domestic turmoil and upheaval to act as a protective incubator against external economic sanctions in the 1970s and 1980s (Klein and Wocke, 2009). South African EMMNCs have seen rapid reorganization of conglomerates and strong ties with the European business community (Goldstein and Prichard, 2009). Considering this it is also debatable how long the paradigm of emerging markets and the developed/developing economy construct will be able to explain a global shift in the economic power balance.

This also underlines the merit of further work on identifying and developing business models of EMMNCs in general (Madhok and Marques 2013, Madhok and Keyhani 2012, Wilkinson et al 2014) and in South African EMMNCs. HR strategies cannot be evaluated in isolation of the underlying business models and attendant strategies EMMNCs adopt. The interrelationship and alignment or fit of IHRM strategy and practices and business strategies, whether the latter are deliberative or emergent (Lampel, Quinn, Mintzberg and Ghoshal (2013), or follow Perlmutter and Heenan’s (1979) typology, in emerging market MNCs is worthy of investigation; this in part with a view to (a) developing a theory(ies) of EMMNCs and (b) further understanding the relationship dynamics of IHRM strategies and business models underlying EMMNC internationalisation strategies. This article has identified gaps in the link between business models and IHRM policies and strategies of South African EMMNCs. It has sought to foster further research through an identified research agenda.

This agenda reflects a potentially rich tapestry of diverse South African EMMNCs in varied sectors operating in global markets. It also offers a valuable opportunity to conduct more comparative and cross-cultural studies between IHRM practices in emerging market multinationals companies from different countries.

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