

Drivers of human resource management competences development in Brazilian multinational subsidiaries: a multilevel research

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RESUMO

Desenvolvimento de competências de gestão de recursos humanos em subsidiárias de multinacionais brasileiras: uma pesquisa multinível

Neste artigo, tem-se por objetivo investigar os fatores associados ao desenvolvimento de competências de gestão de recursos humanos (GRH) em subsidiárias estrangeiras de multinacionais brasileiras. Essas competências são essenciais por permitirem às unidades estrangeiras adotar práticas de GRH consistentes com os países ou mercados nos quais operam. Uma pesquisa multinível foi realizada, envolvendo as matrizes e subsidiárias de empresas brasileiras; na análise empírica empregou-se modelagem hierárquico-linear. Apesar do debate recorrente sobre standardização global *versus* adaptação local, identificou-se que a integração de políticas de GRH (focando simultaneamente diretrizes globais e resposta local) pode estimular o desenvolvimento de competências. Além disso, a interação com redes externas no país hospedeiro pode intensificar o desenvolvimento de competências de GRH. No entanto, determinados fatores culturais da empresa podem inibir tal desenvolvimento nas subsidiárias estrangeiras.

Palavras-chave: competências de gestão de recursos humanos, cultura, redes externas, multinacionais emergentes, subsidiárias, pesquisa multinível.

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1. INTRODUCTION

The present study aims to verify the factors that are associated with the development of human resource management (HRM) competences in foreign subsidiaries of Brazilian multinationals (BrMNs). The literature assumes that developing competences abroad is one way in which companies in emerging countries become globally competitive (Bartlett & Ghoshal, 2000; Rugman, 2009). This is mainly explained by the fact that upon developing competences abroad, companies not only adapt to local conditions, which is the basic requirement for successful competition in foreign countries, but may also obtain competences that are impossible to develop in one's native country. This impossibility is due to the institutional delays in undeveloped countries or may occur because of opportunities to explore institutional gaps in other developing countries (Cuervo-Cazurra & Genc, 2008; Khanna, Palepu & Bullock, 2010).

However, studies based on the internationalisation models of companies from developed countries focus primarily on multinationals' strategies and on the characteristics of the host-country. The influence of the country of origin is indirect, reflecting the competences that are created at the headquarters and transferred to the units abroad (Dunning, 1995; Rugman & Verbeke, 2001). At most, this debate considered multinationals' need for adaptation as a result of institutional distance.

In the specific case of HRM practices, this approach is rather widely employed; studies investigate the influence of the host country's institutional environment on the way in which these practices are configured in subsidiaries (e.g., Fenton-O'Creedy, Gooderham & Nordhaug, 2008; Farndale *et al.*, 2010). Exceptions include the studies of Aycan *et al.* (2000) and Chang, Wilkinson and Mehalli (2007), which emphasize the pressures of home-country characteristics.

Even so, the weight of the institutional dimensions of the country of origin has been relegated, at a certain extent, to the background in the international business literature. In general, this is explained by the internationalisation model employed by companies from developed nations, which is generally used in countries with small institutional distance. When the distance is greater, this explanation is associated with the fact that the country of origin often features institutional conditions that are stronger than those of the host country, as in the classic case of North-South internationalisation or the centre-periphery dynamic.

Therefore, the present article seeks to verify how the institutional conditions of the country of origin influence the development of HRM competences in foreign subsidiaries of emerging multinational companies, specifically Brazilian companies. This approach recognises the fact that the environment in the country of origin of emerging multinationals highly influence the way they develop and internationalise (Fleury, M. & Fleury, A., 2011; Cuervo-Cazurra, 2012; Williamson, Ramamurti, Fleury, A. & Fleury, M., 2013) and the way the

HRM competences required for international competition evolve in these organisations (Muritiba P., Curitiba, S., Albuquerque, Fleury & French, 2012). Nevertheless, the "country-of-origin effect" is known for resulting from the culture and institutions of the multinational corporation (MNC)'s home country and may be able to influence the company's HRM model (Noorderhaven & Harzing, 2003; Chang *et al.*, 2007).

National culture (Hofstede, 1991) is one of the key components of the institutional environment (Hennart & Larimo, 1998; Ryan, McFarland, Baron & Page, 1999; Peng, Wang & Jiang, 2008; Festing & Eidems, 2011) and it has been one of the most widely used and debated dimensions within international business (Kirkman, Lowe & Gibson, 2006; Tsui, Nifadkar & Ou, 2007).

The culture of the MNC's country of origin influences the configuration of competences in the domestic market and affects competence development in subsidiaries (Gupta & Govindarajan, 2000; Bhagat, Kedia, Harveston & Triandis, 2002; Bhagat, Englis & Kedia, 2007; Fleury, M. & Fleury, A., 2011); it also influences the adoption of HRM practices in foreign units (Ferner, Quintanilla & Varul, 2001). Thus, we analyze the impacts of Brazilian cultural characteristics (Hofstede, 2001), which are strongly associated with a "Brazilian" management style" (Hickson & Pugh, 1995; Tanure & Duarte, 2005; Chu & Wood, 2008), on foreign subsidiaries' HRM competences.

However, this article does not solely focus on the impact of cultural dimensions on subsidiaries. As internationalisation is a dynamic process which encompasses multiple stages — from exportation to complex operations abroad — gradual exposure to foreign markets may offset the influence from the country of origin environment and from the headquarters on foreign subsidiaries (Kynighou, 2013). In fact, other elements (e.g., business networks) may grow in relevance in this respect and, as internationalisation progresses, diverse HRM configurations may emerge (Bélanger, Edwards & Wright, 1999; Ferndale *et al.*, 2010; Khavul, Benson & Datta, 2010; Rupidara & McGraw, 2011).

For this reason, our theoretical approach adopts, as a starting point, the early work of Hendry (1996), whose model captures the organic development of HRM throughout the internationalisation endeavour, from the initial steps of internationalisation to mature operations abroad. This approach sheds light on multiple factors that may affect HRM configurations through this process. Whilst at the initial stages HRM is mostly shaped for the domestic context, the organisation may later advance to the definition of corporate international HRM (IHRM) strategies. These strategies encompass policies and guidelines for attracting, developing and maintaining human resources in the globalised firm (Festing & Eidems, 2011); the choices related to the standardisation-responsiveness dilemma constitute a key issue in this process. As most BrMNs are still sketching how human resources should be managed in their global operations (Muritiba, 2009; Curitiba *et al.*, 2012), it is worth understanding how their policies have impacted their foreign subsidiaries.

Nevertheless, business networks in host countries also play an increasingly relevant role in shaping subsidiaries competences as internationalisation advances (Hendry, 1996; Myloni, Harzing & Mirza, 2004). This happens because external networks significantly influence subsidiaries' strategies (Rezende & Versiani, 2007) and, as a consequence, HRM is also affected. In fact, in mature subsidiaries, networks may exert even more influence on HRM practices than corporate policies (Kynighou, 2013).

We therefore propose a multilevel model that verifies, simultaneously, the influence of external factors in the country of origin (cultural dimensions) and in the host country (external networks) and measures the impact of the internal strategic guidelines of MNCs (IHRM strategic policies). Therefore, the present study specifically investigates the following points:

- What is the impact of cultural factors of the country of origin on the competences development in foreign subsidiaries of BrMNs?
- What is the impact of IHRM policies on the competences development in foreign subsidiaries of BrMNs?
- What is the impact of business networks in the host country on the competences development in foreign subsidiaries of BrMNs?

Thus, one contribution of this article is that it adopts an approach that combines different drivers at the company level (e.g., cultural factors and IHRM policies) and the subsidiary level (e.g., external networks). Toward this end, a multilevel survey has been conducted involving major BrMNs. This article also contributes to the debate regarding mechanisms related to the development of HRM competences in emerging MNCs. There is a lack of empirical studies that focus the factors that differentiate competences in subsidiaries (Foss & Pedersen, 2004; Cantwell & Mudambi, 2005), especially in emerging multinationals. In fact, most studies on competences development emphasise MNCs from developed countries. Emerging companies may show, however, singular characteristics, one of them is that they tend to lack competences "in-house" and must acquire and develop them "on the road", during their internationalisation process (Bartlett & Ghoshal, 2000; Guillen & Garcia-Canal, 2009). Furthermore, for emerging MNCs, previous studies do not specifically discuss the factors that influence the formation of HRM competences (Borini & Fleury, 2011). In BrMNs, these competences remain in their infancy and require gradual development (Muritiba *et al.*, 2012), despite their importance for international operations. The present study addresses this gap in the literature.

The article is structured as follows. First, the theoretical framework outlines the stages of HRM evolution, from the context of domestic business to internationalisation. These stages emphasize the relevance of the aspects investigated in the multilevel research within the context of BrMNs: national culture, the integration of IHRM policies, and external networks in the host country. Next, the hypotheses tested in the survey are presented

based on the theoretical framework. Finally, the adopted multilevel methodology is described, and the results are discussed.

2. THEORETICAL FRAMEWORK

The literature on HRM in multinationals has centred on certain topics. Above all, it has focused on the debate regarding the convergence and differentiation of HRM best practices and the debate regarding MNC standardisation versus local adaptation (Pudelko & Harzing, 2007). This second aspect, which includes the debate on centralised control versus subsidiary autonomy (Ferner *et al.*, 2004), has been one of the most frequently discussed. Some studies distinguish between the HRM models for companies that operate only in the domestic market and those for MNCs (Farndale, Brewster & Poutsma, 2008). These studies generally do not explore the evolutionary process of companies that internationalise or determine how their HR strategies and policies are configured from a longitudinal perspective.

However, the model proposed by Hendry (1996) presents the stages of a company's internationalisation process and links specific characteristics to these stages, examining the evolution of HRM in the internationalising company. The focus is gradualist and does not reflect what occurs in born-global companies. Because the author characterises internationalisation from its initial stages and examines its implications for HRM, this focus is adequate for analysing companies in emerging countries whose international expansion has been relatively recent. In fact, most Brazilian companies have also experienced a slow, gradual internationalisation process (Cyrino, Penido & Tanure, 2010; Fleury, M. & Fleury, A., 2011). It is thus used as a starting point for the theoretical framework employed in the present study.

Hendry's model describes the reconfigurations that take place in HRM as the firm advances from its domestic environment to international operations. The author's model comprises two main stages: Initial steps towards internationalisation; and HRM through the internationalisation process and HRM in the established international firm.

The first stage involves the beginning of internationalisation. This transition is characterised by an emphasis on competitiveness in the domestic market, the construction of internal and international networks for the expanding organisation and the initiation and maintenance of international commitments. During this stage, HRM competences are consolidated for operation in the original environment; they are strongly influenced by the management models (and culture) of the headquarters which, in turn, are embedded in the country of origin institutional and cultural environment. In fact, national culture (Hofstede, 1991; 2001) as one of the main components of the institutional environment (Hennart & Larimo, 1998; Ryan *et al.*, 1999; Peng *et al.*, 2008; Festing & Eidems, 2011; Kynighou, 2013) may influence management models and competences

configuration. Nevertheless, as global expansion progresses, HRM competences are gradually moulded for international expansion, according to the establishment of units abroad.

In the second stage, HRM practices that are appropriate for use by mature international organisations tend to take place. This stage involves developing inter-cultural competences and consolidating IHRM policies and practices. The formation of new competences plays a relevant role during this process.

Organisational competences involve the articulation and coordination of company resources (Mills, Platts & Bourne, 2003). In this sense, an organisation as a whole may be understood as an “architecture” of competences (Pralhad & Hamel, 1990). There may be several competence types, including production, marketing and sales, HRM and innovation (Birkinshaw, Hood & Jonsson, 1998; Rugman, Verbeke & Yuan, 2011). HRM competences involve the coordination of the HR practices used to manage the company’s human capital pool (Wright, McMahan & McWilliams, 1994; Dunford, Snell & Wright, 2001). These competences are related to practices of attracting, compensating and developing people within the organisation (Peck, 2007; Fleury, M. & Fleury, A., 2011).

Foreign subsidiaries are exposed to the local conditions of the environments in which they operate, and as a function of exposure to international competition, a company will tend to develop new HRM competences. The units abroad play an important and active role in this development process, which may involve both developing new competences and improving already existing ones (Borini & Fleury, 2011).

The subsidiaries abroad gradually begin to form the complex international network that characterises an MNC (Nohria & Ghoshal, 1997). Organisational competences are disseminated among the units or may form within the subsidiaries and get transferred in several directions, i.e., to other units or to the headquarters (Birkinshaw *et al.*, 1998; Rugman & Verbeke, 2001; Foss & Pedersen, 2004). Thus, the competitive advantage and organisational competences of MNCs do not exist exclusively at the headquarters; rather, they also depend on the competences formed in the subsidiaries.

From the HRM perspective, the development of competences in the subsidiaries themselves is relevant, such that each unit may adapt itself to the conditions of the market in which it operates and may cease to depend exclusively on solutions intended for the domestic market or generated at the headquarters. As internationalisation advances, implications for and developments within HRM arise. Above all, IHRM policies must be generated that are aligned with international business strategies. Such policies may help to guide and align HR selection, development, compensation, etc. in the subsidiaries.

3. HYPOTHESES

Given the relevance of HRM competences in the subsidiaries, it is necessary to examine factors that may influence

the development of these competences. As aforementioned, these factors are interwoven with different stages of the internationalisation process (Hendry, 1996). Three main factors are discussed below: country of origin’s culture; the company’s integration of IHRM policies; and interaction with external networks in host countries.

3.1. National culture

National culture (i.e., the culture of the MNC’s country of origin) influences the configuration of competences in the country of origin and affects competence development in subsidiaries (Gupta & Govindarajan, 2000; Bhagat *et al.*, 2002; Bhagat *et al.*, 2007; Fleury, M. & Fleury, A., 2011). This factor influences the evolution of the company’s HRM from the national context to its international operations (Hendry, 1996; Aycan *et al.*, 2000). However, certain cultural characteristics may promote organisational “rigidities” that impede the ability to respond to the environment and reconfigure existing capabilities (Leonard-Barton, 1992).

Local cultural characteristics have a relevant role in shaping the competences of companies in a particular country (Sethi & Elango, 1999; Aycan *et al.*, 2000). For Brazilian companies, which are the focus of this research, the literature discusses how traces of a “Brazilian management style” are often visible. This style includes different characteristics (Hickson & Pugh, 1995; Hofstede, 2001; Tanure & Duarte, 2005; Chu & Wood, 2008) emphasising short-term thinking and “creative improvisation” (and “*jeitinho*”), manager paternalism and subordinate complacency, personal ties and loyalty, uncertainty avoidance and power distance. The “Brazilian” management model influences HRM practices at these companies, such as performance evaluation, promotion and team management (Hickson & Pugh, 1995; Tanure & Duarte, 2005). This management model may thus have implications for the HRM competences exhibited by companies that begin international competition.

With regard to internationalisation, two dimensions of “Brazilian management” are particularly relevant: power distance and uncertainty avoidance (Hofstede, 2001). These factors are associated with hierarchization, centralised decision-making at headquarters (Chu & Wood, 2008), intensified control over subsidiaries and reduced subsidiary autonomy. They may thus inhibit the development of competences abroad. The present study focuses on these dimensions due to their implications for subsidiary operations. These dimensions received the highest scores in the studies by Hofstede. They are frequently mentioned in the literature on Brazilian management and have a more pronounced effect on the management of Brazilian subsidiaries abroad (Silva, 2010). Cultural traits that promote greater control create barriers to knowledge transfer (Gupta & Govindarajan, 2000). In cultures with significant power distance, companies are less receptive to knowledge from subsidiaries, and there tends to be greater control over the movement of knowledge

among the units of MNCs (Bhagat *et al.*, 2007). In terms of HRM, these cultural characteristics may stimulate dependence of guidelines and competences from headquarters and lessen autonomy, making it more difficult for foreign units to develop solutions that are appropriate for their local environment.

Hypothesis 1 – A company’s cultural characteristics (more specifically, power distance and uncertainty avoidance) are negatively related to the development of HRM competences in its subsidiaries. In other words, the higher the presence of such cultural traits, the lower is the development of HRM competences in units abroad.

3.2. Integration of IHRM policies

The IHRM literature has systematically debated the question of centralised control versus subsidiary autonomy (Ferner *et al.*, 2004). However, one of the most intriguing options — and one of the most difficult to operationalize within the transnational model (Bartlett & Ghoshal, 1998) — is strategic integration. This model does not assume centralisation or decentralisation; rather, it presupposes integrated activities. As Evans, Pucik and Barsoux (2002) argue, the centralisation/decentralisation issue is one of the relevant dualities faced by MNCs. To be effective, an organisation must have attributes that can be seen as opposing, paradoxical, or even contradictory. This is the main challenge imposed by the transnational solution which requires continuously balancing local response and global standardisation. It involves more of an “and” approach as opposed to an “either/or” choice (which prioritizes one focus to the detriment of the other). Therefore, with regard to HRM, international policies should manage such duality, integrating global alignment to subsidiaries’ autonomy.

However, not all of the organisation’s activities must be integrated. Rather, centralised, decentralised and shared activities should exist. In this scenario, shared decisions become the main strategic decisions for the subsidiary. This section explores the use of this form of integration and examines when to centralise, decentralise or share decisions.

Subsidiary autonomy in the development of competences may be positive for the subsidiaries when the subsidiary intends to achieve strategic relevance within the multinational network, as is consistent with the evolution of its role (Birkinshaw & Hood, 1998). Studies show that subsidiary autonomy is profitable when combined with specialised resources, normative integration and frequent communication between the subsidiary and other subsidiaries and headquarters (Nohria & Ghoshal, 1997; Bartlett & Ghoshal, 1998).

However, truly autonomous subsidiaries do not operate in an integrated manner and receive less knowledge and fewer competences from their headquarters and other subsidiaries. The integration of subsidiary activity into the corporation network

is essential to the strategic alignment of the subsidiary with the strategic processes, activities and guidelines of the headquarters and the other subsidiaries (Frost, Birkinshaw & Ensign, 2002). Thus, a corporation does not always look favourably upon a high degree of subsidiary autonomy. When autonomy is not associated with the core MNC competences, it may even harm the subsidiary itself (Moore, 2001).

A lack of autonomy, however, is also harmful. A strong relationship between headquarters and subsidiaries provides a form of control (Bartlett & Ghoshal, 1998; O’Donnell, 2000). This control may be bureaucratic and centralising, minimising the opportunities for a subsidiary to develop global competences.

Importantly, autonomy must be aligned with the headquarters’ strategic decisions for MNCs in favour of a non-centralised but integrated management structure. In this scenario, the headquarters determines the strategic guidelines, and the subsidiary, working within the general guidelines, has the autonomy to adapt its practices to the country in which it is installed. The consolidation of more mature IHRM systems involves the establishment of global HRM guidelines/policies (e.g., global policies for attracting, compensating or managing human resources), and it is necessary to coordinate the adaptation processes for subsidiaries in their respective environments or markets. In fact, transnational HRM systems involve “company-wide HR policies and guidelines combined with integrated local adaptations” (Festing & Eidems, 2011, p. 163).

Some Brazilian companies emphasise one of these strategies, whereas some MNCs combine the two in advanced HRM, integrating different IHRM policies (Muritiba, 2009; Curitiba *et al.*, 2012). This approach also promotes less dependence on the competences of headquarters, favours subsidiary autonomy (without encouraging a lack of attention to global policies) and stimulates competence sharing among the units. Attention to IHRM guidelines integration appears to help firms to develop competences at the subsidiary level.

Hypothesis 2 – The company’s integration of IHRM policies (which includes simultaneously global guidelines and local response) is positively related to the development of HRM competences in its subsidiaries. In other words, the higher the level of integration, the more intense is the development of competences in foreign subsidiaries.

3.3. Interaction in external networks

Networks are sets of organisations that are interconnected by means of generally diverse ties, composed of nodes (companies) and relationships that interconnect these nodes (Hakansson & Ford, 2002). These relationships are enduring ties that have strategic significance for the companies involved and may include strategic partnerships (Gulati, Nohria & Zaheer, 2000). Foreign subsidiaries are assumed to exert power and influence through relationships, but local partners may also benefit from such connections (Giroud & Scott-Kennel, 2009).

MNCs exist in various networks, transforming into a web of multiple networks (Dyer & Hatch, 2006). For subsidiaries, Andersson, Forsgren and Holm (2002) reveal that such networks may provide access to new resources by strengthening ties with companies within the network. In a subsequent study, Forsgren, Holm and Johanson (2005) develop the concept of the “*embedded multinational*”, in which they explore the role of the subsidiary and its operations as well as those of other actors related to the subsidiary, showing that business relationships are sources of knowledge and competences and thus that subsidiaries have an incentive to develop and coordinate these relationships to develop competitive advantage. Internal MNC networks interact with the external networks that each subsidiary has in its local market. Thus, developing relationships in such a network may lead a subsidiary to develop relationships in other regions.

The position of a subsidiary in external networks appears as the catalyser in the development of its capabilities and competences (Andersson *et al.*, 2002). Network membership confers relationships with other companies, local institutions, local partners, suppliers and research institutes. Interactions with the supplier network may facilitate the development of new managerial practices or offer opportunities for learning, trust and commitment (Johanson & Vahlne, 2009; Lichtenthaler, 2011). Membership in an external network helps a subsidiary to legitimise its operations abroad (Subramaniam & Youndt, 2005). Interaction with the network accelerates learning processes: on the one hand, it enables the accommodation of pre-existing knowledge within the new market, while on the other hand, it also creates opportunities for assimilating the new knowledge and practices obtained through this interaction. Due to their ability to establish relationship networks and international partnerships, some companies achieve a type of international expansion that is not aligned with the gradualist/sequential model (e.g., born-global companies).

With regard to HR practices, participation in external networks enables the gain of access to new knowledge and ideas. Participation in such networks also enables the verification of the value of and adherence to particular HRM practices. Firms are able to select the best practices to implement (Sumelius, Björkman & Smale, 2008) and to mimic other firms (Rupidara & McGraw, 2011). Indeed, trading knowledge and experience with other MNCs helps firms improve the technical capabilities of their subsidiaries, permitting access to ideas related to efficient HRM practices and advice on how to adapt these practices within the context of foreign countries (Sumelius *et al.*, 2008).

Hypothesis 3 – Participation in external networks abroad is positively related to the development of HRM competences in foreign subsidiaries. In other words, the higher the degree of participation in external networks, the more intense is the development of competences in foreign subsidiaries.

4. METHODOLOGY

The multilevel research design made it possible to test the effect of multiple levels of variables for subsidiaries “nested” within companies (Snidjers & Bosker, 1999; Mathieu & Chen, 2011). To test the hypotheses described above, company-level variables (level 2), i.e., cultural factors and integrated IHRM policies, were considered, as were the subsidiary-level variables (level 1), the development of external networks and HRM competences development (with the latter as the dependent variable).

Data collection was carried out from June 2010 to June 2011, involving the distribution of questionnaires at the organisations’ headquarters (to address the company-level variables) and at their subsidiaries (to address the subsidiary-level variables).

The empirical analysis involved hierarchical linear modelling, which allows for verifying the hierarchical relationships among the levels, simultaneously considering intra-group variations (subsidiaries) and inter-group variations (companies). Thus, hierarchical linear modelling allows for a great degree of precision in the analysis of variations between levels of the hierarchy and prevents aggregation practices that are frequently adopted in ordinary least squares regression analysis. Moreover, hierarchical linear modelling does not require independent observations.

4.1. Data collection and sampling

First, 97 Brazilian companies with assets abroad were identified as the universe of Brazilian MNCs; all were invited to participate in the study. Those that agreed to participate were also invited to include their subsidiaries in the process. The questionnaires contained Likert-style multiple-choice items with five options (from least to greatest in terms of agreement). The respondents from the headquarters were directors or presidents; 64 questionnaires for headquarters were returned, but only 37 were employed in the current study. Responses from headquarters were only included if the subsidiaries also responded.

The respondents of the subsidiaries were general managers. Although 81 questionnaires were returned, due to missing cases only 75 subsidiaries were included in the empirical analysis.

Eventually, in the final sample, each participating company had one respondent from headquarters and 2.1 respondents from the subsidiaries on average; some companies involved as many as seven foreign units and others involved only one. The significance and representativeness of the sample was ensured by the response rate and the sample composition. The response rate was close to international business research patterns: approximately 20 to 30% of respondents (e.g., Birkinshaw *et al.*, 1998; Bjorkman, Barner-Rasmussen & Li, 2004; Ambos, Anderson & Birkinshaw, 2010). In the case of headquarters, 37 companies were included; this accounts for 38.1% of the universe of 97 Brazilian companies identified as having assets abroad. Furthermore, 75 out of 337 subsidiaries (total number

of possible units) returned valid questionnaires, representing a rate of 22.3% of respondents. Therefore, the response rate was close to international business research standards for both headquarters and subsidiaries. Regarding sample composition, Table 1 shows the diversity of industries that compose the sample. Moreover, this is a group of major companies which are among the leading representatives of Brazilian multinationals.

4.2. Constructs

4.2.1. Company variables (level 2)

The measurement of the company's cultural factors — “Brazilian management” characteristics — consisted of assertions from the work of Hofstede (1991; 2001) with a reduced number of items for the sake of efficiency. As mentioned above, we only focused on two dimensions: power distance and uncertainty avoidance; these were adapted from the literature (Hofstede, 2001). These dimensions are strongly associated with “Brazilian management”. In international business research, the focus on specific cultural dimensions is usual (e.g., Bhagat *et al.*, 2002; Tsui *et al.*, 2007). The adapted scale was employed in a previous study on BrMNs (Silva, 2010).

Thus, the cultural factor construct is a composite index that covers the following: whether the company's employees had goals and functions defined by their managers; whether managers had total authority to determine their subordinates' activities; whether subordinates accepted the activities and responsibilities

that their superiors assigned to them (all items related to power distance); the existence of clear rules to be faithfully followed; the importance given to event and position stability; and the need for people to base decisions on data and facts (all items related to uncertainty avoidance). The Cronbach's alpha for cultural factors was 0.713.

The construct for integration of IHRM policies included the following: whether the company defined HRM policies for its subsidiaries abroad; and whether HR policies and practices were adapted to the local contexts of the subsidiaries. The Cronbach's alpha was 0.794.

4.2.2. Subsidiary variables (level 1)

Several competences were included; thus, it was possible to compare them as functions of the subsidiaries' ages (Figure 1). The following were the subsidiary competences: HRM, production and supply chain, marketing and sales (including consumer relationships), and products/services development (Birkinshaw *et al.*, 1998; Borini & Fleury, 2011; Fleury, M. & Fleury, A., 2011). The respondents evaluated whether the subsidiary had developed each competence through the Likert-type items described above. The Cronbach's alpha for the competences development scale was 0.83. Only HRM competences development was considered in the multilevel empirical analysis.

The subsidiary external networks construct referred to relationships with the following strategic partners (Andersson & Forsgren, 2000; Andersson *et al.*, 2002): local governmental institutions,

Table 1

Sample Profile

Types	Examples	Headquarters		Subsidiaries	
		n	%	n	%
Natural resources	Petrobras, Vale	3	8.1	11	14.7
Basic inputs	Braskem, Oxiteno	8	21.6	19	25.3
Systems builders	Embraer, Marcopolo	5	13.5	11	14.7
Parts, components and sub-systems	WEG, Embraco	7	18.9	7	9.3
Consumer goods	AMBEV, Natura	4	10.8	8	10.7
Engineering and construction	Odebrecht, Camargo Correa	2	5.4	2	2.7
Information technology	Bematech	5	13.5	5	6.7
Technical and specialised services	PromonLogicalis, All-logistica	1	2.7	6	8.0
Building supplies	Tigre	2	5.4	6	8.0
Total		37	100.0	75	100.0

international supra-governmental institutions, corporate clients in the country, consumers in local markets, suppliers located in the country, suppliers located in other countries, corporate clients in other countries, local universities or research institutes, R&D units of other local companies and local engineering companies. The Cronbach's alpha was 0.791.

5. RESULTS AND DISCUSSION

This section first presents the descriptive results, aiming to show the companies' general characteristics in terms of the variables under study. With regards to subsidiary competences, different competences (marketing and sales, production and supply chains, etc.) were considered so that the relative position of the HRM competences was emphasised. After the descriptive overview, the results of the multilevel analysis are presented.

5.1. Descriptive results

For the company independent variables, the cultural factors indicator displayed an average score of 3.90 ($SD=0.69$), and the IHRM integrated policies indicator had an average of 3.76 ($SD=1.10$). For the subsidiary independent variable, the external networks indicator had an average of 3.47 ($SD=0.91$).

The competences developed by the subsidiaries generally had average scores below 3.0, possibly because of the low competence development activity that tends to characterise most Brazilian

subsidiaries (Borini & Fleury, 2011). The greatest activity was centred on competences related to products and services development ($M=2.75$; $SD= 1.42$), followed by HRM competences ($M=2.61$; $SD=1.31$), marketing and sales ($M=2.57$; $SD=1.29$) and production and supply chains ($M=2.28$; $SD=1.09$). The differences among the means were significant (t -test).

The units examined in this study are rather young; their median amount of time in operation was 7 years (this value was used to compose the dummy variable inserted into the multilevel model; see below). Figure 1 represents the relationships between operating time and the scores for the different competences developed in the subsidiaries. The intervals were obtained by identifying the quartiles: 4, 7.5, and 14 years (minimum: 1 year; maximum: 41 years). The marked increase in the age of the last interval (14–41 years) indicates that a low number of units that have been in operation for a long time. The vertical dotted lines indicate the average scores for the different competences at the different intervals.

The figure offers a perspective on the development of competences in foreign units of BrMNs. In the subsidiaries that are between 4 and 7.5 years old (see the arrow in Figure 1), the greatest activity is focused on HRM competence development. For firms that are younger, the scores are lower. The transfer of competences from the headquarters is the main mechanism of competence development for these units (Borini & Fleury, 2011).

Between 4 and 7.5 years, the process of locally adapting HRM practices and processes may accelerate. The process may

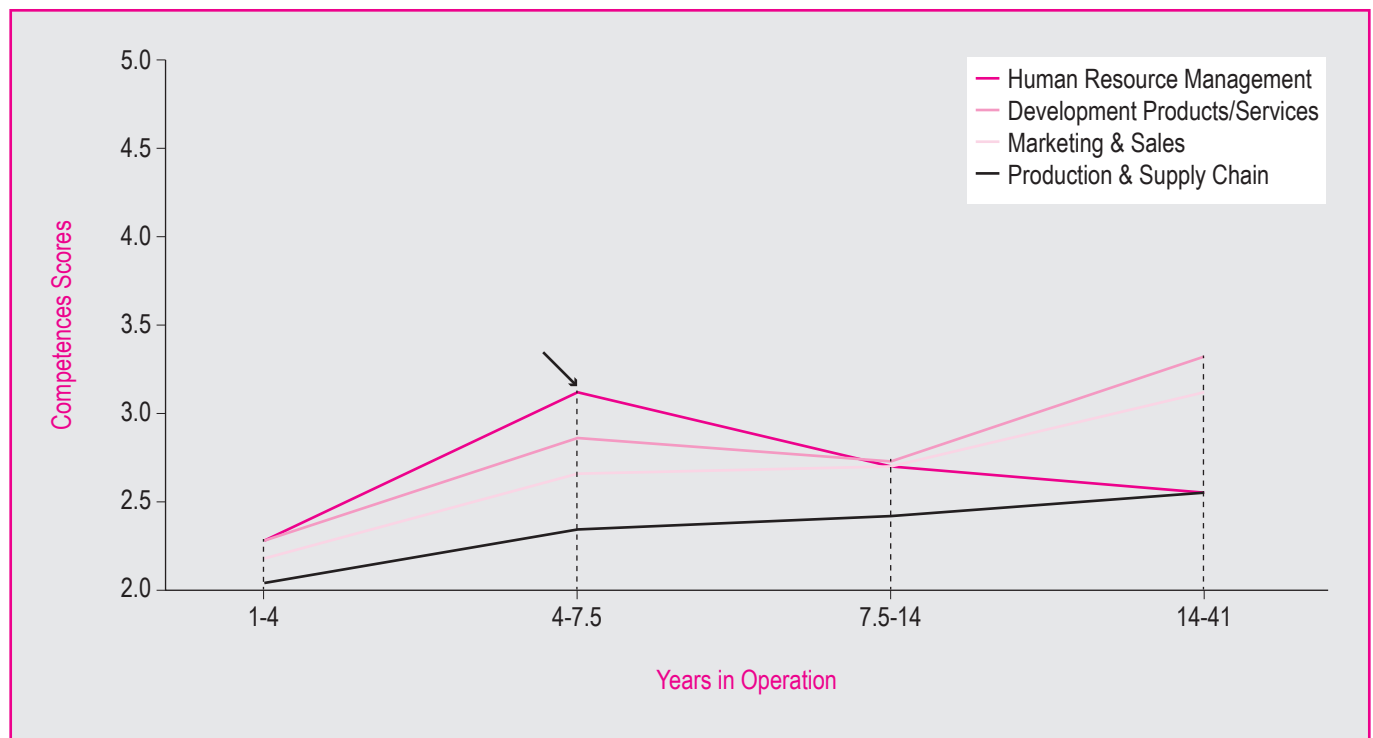


Figure 1: Competences Development Versus Years in Operation (Subsidiaries)

involve both the adaptation of existing competences and the development of new capabilities, both of which should be aligned with the new operation environment. Among the more mature units, however, such activity is focused on the development of products and services as well as on marketing and sales. In fact, the average scores for these competences are higher than for HRM and for production and supply chain competences.

5.2. Multilevel empirical analysis

A hierarchical linear model was employed in the multi-level analysis, and the HLM7 software was used. The dependent variable alone was first introduced into the model (HRM competences development). The inter-class correlation coefficient was then measured as 0.24. In other words, 24% of the variance in the HRM competence scores is among the companies and 76% is among the subsidiaries.

Next, the complete model was tested, including all of the relevant variables. At level 1 (the subsidiary level), the dependent variable was included (HRM competences development), as was the control variable “subsidiaries’ time in operation” (0=up to seven years; 1=more than seven years). The following level 2 (company-level) independent variables were included in the model: the integration of IHRM policies and cultural factors. Robust standard errors were adopted, and no evidence of multicollinearity was identified. The Table 2 presents the results: IHRM = integrated IHRM policies, CULTURE = cultural factors, NETWORK = external networks and AGE = a dummy for operation time.

The cultural characteristics of the country of origin (the degree of power distance and uncertainty avoidance) displayed a negative effect on the development of HRM competences in the subsidiaries ($b=-0.50$; $p=0.00$). As the intensity of the

cultural characteristics in question increases, the development of HRM competences lessens. This result supports hypothesis 1.

The aforementioned elements of the “Brazilian management” style not only may influence management in the internal market in the stages that precede internationalisation (Hendry, 1996), but also interfere in the formation of competences by foreign subsidiaries of companies that already operate abroad. As mentioned in the theoretical framework, many BrMNs tend to centralise their strategic decisions at their headquarters, exerting pronounced control over their subsidiaries and prioritising the transfer of competences from the headquarters over local development. In such a case, interference may inhibit the formation of HRM competences, which may harm the unit’s ability to respond to local peculiarities (e.g., the labour characteristics of the region or strategies for attracting and developing local talent that are aligned with the existing conditions).

In addition to the impacts of the two key headquarter-level cultural traits addressed (i.e. power distance and uncertainty avoidance), it is worth mentioning that other known Brazilian management traits might also exert influence on HRM competences of subsidiaries, such as the importance of social relations and flexibility (Freitas, 1997; Chu & Wood, 2008). It is likely that such traits impact competences configuration as well, even counterbalancing the negative effect of the dimensions investigated herein. Concerning social relations, Tanure and Duarte (2005) describe how Natura has achieved competitiveness building on this cultural dimension. The flexibility trait, in turn, has been linked to the creative adaptability of Brazilian firms, which allows them to continually adjust to turbulent and ever-changing environments (Sull & Escobari, 2004). Therefore, this attribute might be of benefit for local responsiveness. Impacts of such characteristics should be addressed in future research. Nevertheless, it would

Table 2

Human Resource Management Competences: Influencing Factors

Fixed Effect	Coefficient	Standard Error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, β_0					
INTRCPT2, γ_{00}	0.869692	0.955243	0.910	30	0.370
IRHM, γ_{01}	0.349508	0.128495	2.720	30	0.011
CULTURE., γ_{02}	-0.505185	0.143719	-3.515	30	0.001
For AGE, β_1					
INTRCPT2, γ_{10}	-0.212194	0.442032	-0.480	32	0.634
For NETWORK, β_2					
INTRCPT2, γ_{20}	0.823241	0.276391	2.979	32	0.005

be relevant to examine to what extent their influences would be at the subsidiary level rather than at the headquarters level.

The results also indicate the positive and significant effect ($b=0.35$; $p=0.01$) of integrated IHRM policies on HRM competences development in Brazilian subsidiaries abroad. The inclusion of this variable is founded on the assumptions regarding transactional organisations, whose strategies involve global efficiency, local responsiveness and learning throughout the entire multinational network (Bartlett & Ghoshal, 1998). In other words, companies with global HRM policies as well as local response guidelines tend to display greater competence development. This result supports hypothesis 2 and suggests that BrMNs should use integrated IHRM policies in their subsidiaries.

The membership of subsidiaries in external networks is positively related to HRM competences development ($b=0.82$; $p=0.00$). A greater abundance of relationships and strategic partnerships is associated with intensified development activity for HRM competences, thus supporting hypothesis 3. However, the results for the control variable of operating time are not significant.

The positive association between network insertion and competence development is expected because this relationship allows the subsidiaries to learn and select the best practices to implement. Low network insertion may result in the use of HR practices that are not aligned with the local environment and may lead to a consequent decrease in competitiveness, as the subsidiary may use practices that extend beyond or are inadequate compared to those expected and offered by local stakeholders. Thus, aligning a subsidiary's HR practices with those of its network partners, in addition to leveraging competitiveness, also makes it possible to develop competences that are not centralised at the headquarters but instead

focus on the subsidiaries. This strategy, in turn, increases local competitive advantage.

Therefore, the outcomes of this study are summarized in the Figure 2, where the arrows indicate the identified relationships among variables.

If the results for hypotheses 1 and 3 are considered together, it is possible to realize that cultural dimensions (specifically power distance and uncertainty avoidance) and networking may exert unaligned/opposing influences on subsidiaries HRM competences. The first one may provoke centralisation and overcontrol, inhibiting competences development at the units; the second, in its turn, involves interaction with host country's environment and may improve HRM competences. This paradox may cause unexpected reactions, such as the eruption of "rebellious" subsidiaries (Borini, Fleury, M., Fleury, A. & Oliveira Jr., 2009), which adopt initiatives based on their local contexts, regardless of headquarters strategic guidelines. Moreover, it has been argued that globalised organisations are bound to face paradoxes/dualities (Evans *et al.*, 2002) concerning issues such as: centralisation and decentralisation, cooperation and competition, global and local relationships, short term and long term decisions, etc. As such opposing tensions are unlikely to be completely reconciled or eliminated, the continuous pursuit of a dynamic balance is advisable (Tanure, Evans & Cançado, 2010). This is probably one of the most challenging facets of the transnational solution.

6. FINAL COMMENTS

Literature has shown that, at their earliest steps, subsidiaries mostly rely on competences which are transferred from headquarters; the same pattern occurs in Brazilian companies.

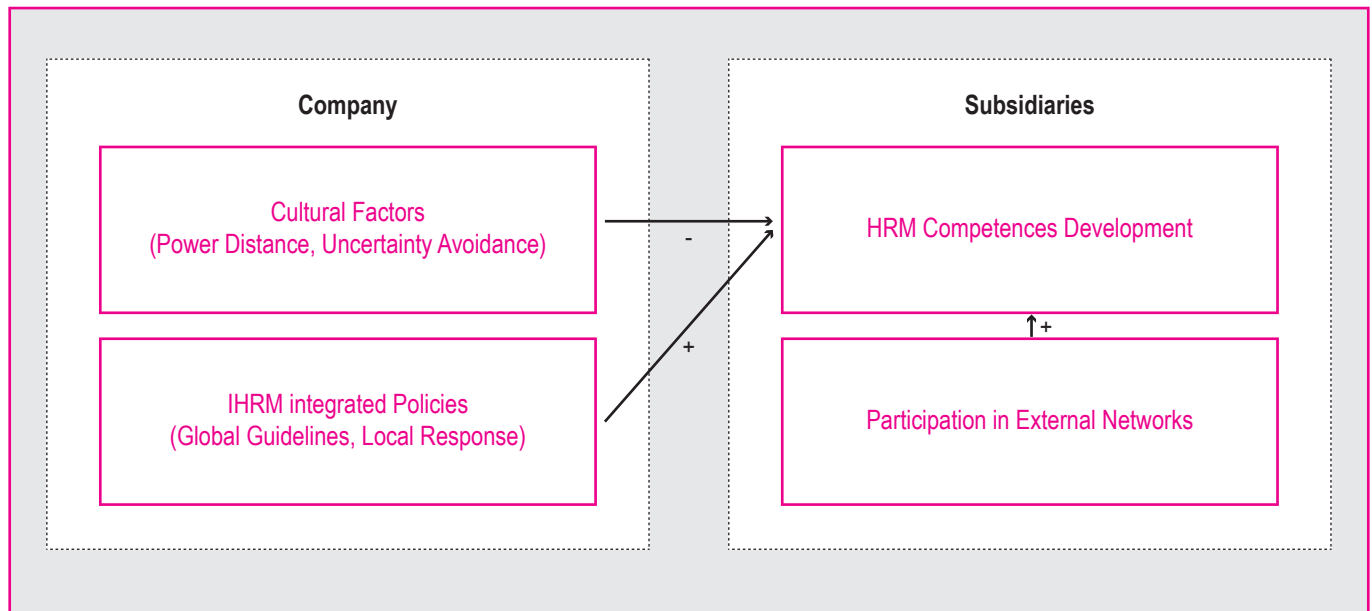


Figure 2: Drivers of Human Resource Management Competences Development in BrMNs' Subsidiaries

Therefore, domestic approaches may influence HRM practices at foreign subsidiaries in their first stages of internationalisation. However, when these units have been in operation for between 4 and 7.5 years, local HRM competences development is considerably intensified (see Figure 1). This may involve the improvement of transferred competences and also the configuration of new ones, in order to adopt HRM practices that are more consistent with their host countries. This intensification possibly reflects an inflection towards adapting pre-existing (domestic) HRM approaches to foreign contexts.

Factors that may impact HRM competences development in Brazilian subsidiaries were investigated. It was identified that subsidiaries which are integrated into business networks abroad learn and develop more competences than those that are not well integrated. In fact, partnerships (with suppliers, universities, local institutions, other companies, etc.) allow knowledge exchange, learning, accommodation of pre-existing knowledge, and the development of new managerial practices. For Brazilian subsidiaries, they represent a means to enhance and adapt HRM abroad. Hence, it is required that they have the initiative to build external relationships; at the same time this network development depends on the support and autonomy given by the headquarters. Subsidiaries lacking enough autonomy to connect to local institutions and external partners may be obliged to continue relying mostly on transferred competences; these units may be at risk of being unable to respond to host countries' specificities. Alternatively, they might turn into "rebellious units", as previously mentioned. In this case, one of the main risks is to have these subsidiaries becoming gradually unaligned with the strategy of the organisation.

Despite the recurrent debate on MNC centralisation versus decentralisation (and standardisation *versus* local adaptation), it was confirmed that IHRM policies that are globally aligned and integrated, whilst respecting local differences, lead to competences development in MNCs. Thus, BrMNs should continuously balance the dualities imposed by these two orientations, instead of choosing either one. In this context, headquarters should disseminate global strategic guidelines (for attracting, developing and maintaining human resources) while subsidiaries are given the autonomy to adapt HRM practices to the host country's environment.

IHRM integration increases the development of competences at foreign units as it promotes a simultaneous coordination of competences transfer (from headquarters) and local development (within subsidiaries). Nevertheless, competences developed in foreign subsidiaries can, in some cases, provide global competitive advantage, when these competences can be replicated in other MNC units (Rugman & Verbeke, 2001; Rugman *et al.*, 2011). Although subsidiary competence transfer is more easily found in certain competences (e.g., production competences), they can also be found in competences that are typically associated with a

local application, such as some marketing and sales competences. The same trend may apply to HRM competences: locally developed HRM competences which have a potential for global application may benefit other units of the multinational network and should be shared.

Some limitations of the present study should be mentioned to put the results in perspective and guide future research. First, the sample (mainly the group of subsidiaries examined) could be expanded; because the sample is not random, statistical generalisations could not be made. In addition, the cross-sectional approach did not allow for understanding how the investigated variables influence competences over time, and longitudinal studies would provide further insights in this regard. Future studies could also consider other elements of national culture (e.g., collectivism and "creative improvisation") and evaluate organisational culture as a mediating variable. Additional variables such as entry methods and organisational structures could also be included.

Although the literature supports the above results, the main contribution of the article is that it reveals the influence of the country of origin, which has previously been relegated to the background in the literature. The results show that the culture of the country of origin exerts a strong influence on a company's management style, directly influencing HRM competence development in subsidiaries.

In the Brazilian case, the studied culture dimensions (power distance and uncertainty avoidance) are negatively associated with competence development. In addition to calling attention to the institutional factors in studies of emerging companies, the results advocate a more heterogeneous view of such companies. Differences in institutional dimensions, especially the cultural ones examined in this article, can have a varied impact on the internationalisation strategy of companies from emerging countries.

New studies can expand this analysis in two ways. First, other institutional dimensions besides cultural factors may be investigated, including administrative, political and economic factors, to determine how each factor influences the companies' management styles. It would also be appropriate to investigate emerging MNCs in different countries using comparative studies of the management style of each MNC and its impact on competence development.

This study also offers specific insights into HRM. First, Brazilian companies can clearly advance in designing global integrated HRM policies. Some companies are still taking their first steps in formulating IHRM guidelines of this type. In addition, companies must consider the cultural traits mentioned in the present study and their possible implications for the HRM styles that they adopt. The mechanics of this influence should be further explored in future studies, and the process through which external networks contribute to the formation of HRM competences must be clarified. The use of qualitative research methods could help elucidate these points. ♦

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ABSTRACT

Drivers of human resource management competences development in Brazilian multinational subsidiaries: a multilevel research

This article aims to verify the factors associated with the development of human resource management (HRM) competences in foreign subsidiaries of Brazilian multinationals. These competences are essential in that they allow foreign units to adopt HRM practices that are consistent with the countries or markets in which they operate. A multilevel research was conducted, involving headquarters and subsidiaries of major Brazilian companies; the empirical analysis employed hierarchical linear modelling. Despite the recurrent debate on global standardisation versus local adaptation, it was identified that the integration of international HRM policies (addressing simultaneously global guidelines and local response) may stimulate competences development. In addition, interaction in external networks in the host country may enhance the development of HRM competences in the subsidiaries. However, specific cultural factors of the company may inhibit development activity in units abroad.

Keywords: human resources management competences, culture, external networks, emerging multinationals, subsidiaries, multilevel research.

RESUMEN

Desarrollo de competencias de gestión de recursos humanos en subsidiarias de multinacionales brasileñas: un estudio multinivel

El objetivo en este artículo es analizar los factores asociados con el desarrollo de competencias de gestión de recursos humanos (GRH) en subsidiarias extranjeras de multinacionales brasileñas. Estas competencias son fundamentales, pues permiten que las unidades extranjeras adopten prácticas de GRH que estén en consonancia con los países o mercados en los que operan. Se llevó a cabo un estudio multinivel, con la participación de matrices y subsidiarias de empresas brasileñas. Para el análisis empírico se utilizaron modelos lineales jerárquicos. A pesar del recurrente debate sobre la estandarización global en oposición a la adaptación local, se verificó que la integración de las políticas de GRH (con enfoque simultáneo en directrices globales y respuesta local) puede estimular el desarrollo de competencias. Asimismo, la interacción con redes externas en el país de acogida puede incrementar el desarrollo de competencias de GRH. Sin embargo, algunos factores culturales de la empresa pueden inhibir el desarrollo de esas competencias en sus subsidiarias en el extranjero.

Palabras clave: competencias de gestión de recursos humanos, cultura, redes externas, multinacionales emergentes, subsidiarias, investigación multinivel.