HR Manager Roles in the Context of Globalizing MNC Environment; Empirical Study

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ABSTRACT:
With the increasing globalization, more integrated markets, growing number of Multinational Corporations (MNCs) in India and dearth of studies in the area of internationalization and Human Resource (HRR) roles posed a line of enquiry into this aspect as the study is intended to explore the role of HR managers with the degree of internationalization in Indian MNCs. The roles of HR Professionals are also changing due to dramatic rate of change in today’s organizations. It has been advocated that the role of the HR Professionals must parallel the needs of changing organization. It has been argued that globalization leads to more strategic role for Human Resource (HR) managers (Scullion and Starkey 2001). For measuring HR roles, most popular four roles model of Ulrich (1997) is used in the present research. Degree of Internationalization (DOI) is measured through Composite scale developed by (Sullivan 1994). The scales were tested for unidimensionality, reliability, response and non response biases and all kind of concerned validities. Thereafter measurement model was developed for the proposed relationships using Structural Equation Modeling (SEM) through the capabilities of Lisrel 8.80. The findings corroborates with the existing literature reporting strong relationship of DOI with all the four roles proposed by Dave Ulrich especially with strategic role.

Keywords: Internationalization, HR roles, IHRM, Degree of internationalization, Human resource strategy, Multinational corporations

INTRODUCTION
This study introduces the concepts related to the internationalization of Indian MNCs and HR roles. It highlights the concept of degree of Internationalization and further delves into the recent changes in the roles and context of HRM vis-à-vis internationalization of an organization. Rationale for the study, research objectives and research methodology is also mentioned in the subsequent sections of the paper.

Rationale of the Study
India is now considered as one of the most important emerging markets. India’s economy is expanding quickly and the country is becoming an important destination for companies (Budhwar, 2001). After the liberalization of economic policies, the increased level of competition by overseas firms has put a lot of pressure on the human resource function in domestic firms to prepare and develop their employees, so that these firms are able to compete with overseas firms in skills, efficiency and effectiveness (Krishna and Monappa, 1994; Venkata Ratnam, 1995; Budhwar and Sparrow, 1997; Sparrow and Budhwar, 1997).

The substantial body of literature exists in the area of internationalization of the firm (Bilkey & Tesar, 1977; Czinkota, 1982;
Johanson & Vahlne, 1977) but there has been a paucity of research in the area of Human Resource Management (HRM) vis-a-vis internationalization of the firm. However, there has been considerable number of studies which deals with other dimensions of human resource management during internationalization process (Adler & Ghadar, 1990; Brewster & Scullion, 1997; Harvey et al., 1999) but both theoretical discussions and empirical researches that build on roles of human resource (HR) managers in the context of internationalization are scarce.

As the review of literature suggests that, there are several studies on changing role of HR such as Bhatnagar and Sharma (2003) argued that in the past personnel managers were mainly paper-pushers, who handled administrative tasks. Scullion and Starkey (2000) also argued that some writers (e.g. Miller, 1987; Schuler, 1984) are more concerned with the question of what role human resource management should play in the strategic planning process while the reasons for the existence of corporate HR function and the actual roles performed have been neglected, particularly in the context of the international firm.

Extensive literature review suggests that there is a paucity of research on the roles of human resource professionals in the context of internationalization as a whole. Some of the studies focused on mergers and acquisitions (Ruth et al., 2004; Pawne, 2005), some on early phases of internationalization (Welch & Welch, 1997), while others were focusing on some other mode of entry to international market (Schuler, 2001; Shariff, 1998).

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

**Literature Review**

The globalization of business activities has created an increased pressure to link HRM with firm-level outcomes (Chadwick & Cappelli, 1999). The literature also highlights the increasingly vital role of HRM in the internationalization strategies (Brewster & Scullion, 1997; Harvey et al., 1999; Huselid, Jackson & Schuler, 1997; Scullion, 1999; Scullion & Starkey, 2000; Wright & Snell, 1998). Although, the growing interest in international HRM, redirects the growing recognition that the effective management of human resources internationally is a major determinant of success or failure in international business (Azmi, 2008). As far as internationalization of the firm is concerned HR managers has an important role to play, many researchers explored the role of HR in this context (e.g. Scullion & Starkey, 2001; Welch & Welch, 1997). This research, therefore try to establish a link between Degree of Internationalization and HR roles empirically.

**Degree of Internationalization**

Internationalization refers to a state of growth and expansion in the global domain. The growth of a firm provides the background to internationalization (Buckley & Ghauri, 1993). Internationalization is gaining importance and has now become an important strategic issue for many companies. The decline in trade barriers and developments in new technology have been the two major drivers towards greater globalization. The decline in trade barriers enable companies to view the world as their market, rather than just looking at their domestic market (Borsheim & Solberg, 2004). Lu (2000) stated that internationalization of firms is expected to gain further momentum because the world economy is becoming increasingly integrated with continued decline in government-imposed barriers and advances in technology. The investigation into factors that influence the choice regarding strategy and performance during internationalization is important to both researchers and business professionals (Solberg et al., 2002).

Internationalization process is normally categorized into two approaches viz. traditional approach or stages model and born global or new approach to internationalization (Crick, 2009). Traditional internationalization process theory builds upon the “incremental process of a firm’s experiential learning in foreign markets” (Johanson & Vahlne, 1977; 1990). Despite its intuitive elegance and enduring prominence in the international business literature, this knowledge-based process theory or so called
The Uppsala Model has been challenged theoretically as well as empirically (Mellahi, 2005).

The present era of globalization, integrated with fast technological changes globally, has given birth to a new concept of born global firms in the internationalization literature. A body of literature exists concerning firms that internationalized soon after the start-up phase; these have largely been found to exist in technology-oriented industries although such behavior has been found in other industries too (Knight, 2000; Knight & Cavusgil, 2004; Moen & Servais, 2002; Oviatt & McDougall, 1994). Born-global firms have started international operations soon after their inception, thus circumventing the traditional incremental route to internationalization.

In the process of reviewing literature, the study reviews existing literature on internationalization and argues that internationalization can be measured through degree of Internationalization and no single agreed theory exists to fully explain firms’ internationalization. Some other researchers also agree on this observation (e.g. Bell et al., 2004; Crick and Jones, 2000; Coviello and Jones, 2004). Therefore in grounding this study in the context of earlier work, it is important to recognize the importance of Suvilians composite scale for measuring Degree of Internationalization (DOI).

**HR Roles vis-a-vis Internationalization**

In the past decade, discussion concerning the role of the HR function and of HR managers has been very active. Many researchers have explored the changing roles of HR managers (Bhatnagar & Sharma, 2005; Blancaero et al., 1996; Conner and Ulrich, 1996; Caldwell, 2003; Dyer, 1999; Schuler, 1990; Storey, 1992). Some of them advocated that with this transition HR function is also transforming, writing on “transitions” in human resource management (HRM) during the closing decades of the last century Sparrow and Hiltrop (1994, pp. 25-26) pointed several key developments, but most especially a detectable shift from traditional and specialist areas of HRM towards a broader concern with the strategic nature and impact on the HR role.

In the present study HR roles are examined in the context of internationalization of the firm and for that purpose the role model proposed by Dave Ulrich (1997) has been used. This framework has been used in many researches (e.g. Caldwell, 2003; Chang & Chi, 2007; Friedman 2007) and has a great relevance in the HRM literature. The typology developed by Ulrich (1997) also uses two dimensions (people versus process and strategic versus operational) in order to highlight the following roles by which the HR managers can contribute to added value (figure 1):

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**Figure 1: HR Roles Framework by Dave Ulrich**

(1) **Administrative Expert**: In this role the HR professional designs and delivers efficient HR processes for staffing, training, appraising, rewarding, promoting, and otherwise managing the flow of employees through the organization. The deliverable from this role is administrative efficiency.

(2) **Employee Champion**: The employee contribution role for HR professionals encompasses their involvement in the day-to-day problems, concerns and needs of employees. The deliverables aimed at are increased employee commitment and competence.

(3) **Change Agent**: This role focuses on managing transformation and change. The deliverable is aimed at developing a capacity for change. HR managers help employees to let go of old and adapt to a new culture.

(4) **Strategic Partner**: The strategic HR role focuses on aligning HR strategies and practices with business strategy. The deliverable is strategy execution. HR practices help accomplish business objectives.

The study also includes contributions from HRM literature for conceptualization of HR roles. The study uses model of Ulrich as it appears as a popular model and empirical research built on this model is scarce especially in Indian context.

**Objectives of the Study**

The primary objective of the study is to empirically examine the role of HR managers vis-a-vis the internationalization process of business organizations.

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

I: Developing measures for measuring Degree of Internationalization (DOI) & Human resource roles (HRR)

II: Empirically establishing the unidimensionality, reliability and validity of the above measures.

III: Examining the relationship between Degree of Internationalization and HR roles.

**Hypotheses Development**

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

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

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

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

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

**RESEARCH METHOD**

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

**Procedure and Sample**

We chose India as an empirical context to test the proposed model as from the past two decades; the HR departments in Indian firms have experienced radical changes due to liberalization. In the early stages of economic development in the 1970s, the HR departments in most Indian firms were largely conceived to be administrative offices that mechanically implemented institutionalized systems of seniority-based HRM.

However, since the 1990s and with the emergence of intensified global competition, Indian firms have been forced to explore new roles for their HR departments. On the one hand, the HR departments started taking initiatives as employee champions to drive harmonious workplace climates, enhance employee commitments, and generate firm-specific organizational culture. On the other hand, the HR departments were expected to attend to the needs of top management and assume the role of strategic partners. Some organizations took a
step further and assigned change management as an explicit role of the HR department. The resulting significant variation in the role of the HR department and its relationship with degree of Internationalization of the company make the Indian contextual setting well suited for this study.

The survey was conducted in 2016 as part of a Post doctoral research on HR roles in Indian firms. The sample was drawn from Business Standard that contains information on more than 1000 firms, including major companies in India. To enhance the representativeness of the sample, Indian firms that have some international operations were included in the study. Finally, 900 firms were selected to participate in the study. To avoid the problems of common method bias, two separate questionnaires, one for independent variables and the other for dependent variables, were sent to all the firms. Most of the respondents were senior HR executives because they are purportedly the most knowledgeable people for this information.

Measures

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

Researchers should design questionnaire items that capture the specific substantive focus of the HR component being assessed (Arthur & Boyles, 2007). Hence, efforts were made to keep the items as simple, specific and objective as possible.

Degree of Internationalization (DOI)

Sullivan’s (1994) composite scale has been used to measure degree of internationalization (DOI). The DOI index incorporates 5 objective ratio measures of overseas involvement. They are

a) Foreign sales as a percentage of total sales (FSTS)
b) Foreign assets as a percentage of total assets (FATS)
c) Overseas subsidiaries as a percentage of total subsidiaries (OSTS)
d) Psychic dispersion of overseas operations (PDIO)
e) Top management International experience (TMIE)

The DOI score for each MNC is a sum of each individual measure, where the range of values is 0.0 for no international involvement to 5.0 for extensive involvement, FSTS and FATA are represented by 3yr averages (2014, 2015 and 2016) and were obtained from company’s annual reports and further converted to 5 point scale. Frequencies and distribution of MNCs necessary to calculate OSTS and PDIO also came from company’s annual reports. For TMIE the data is collected through questionnaire by asking HR managers about their International experience.

HR Roles (HRR)

To measure HR roles Ulrich (1997) four roles framework is adapted and trimmed according to the context of this study. Each HR role is measured by five statements

This was measured using the adapted version of the Scale developed by Ulrich (1997) to measure HR roles. A total of 20 items (five items for each role) were used to assess HR roles. (e.g. “HR managers help the organization accomplish strategic goals), to measure Strategic Role. For Administrative Expert role (e.g. “HR managers spend considerable time on administrative issues) for Employee champion role (eg. “HR managers spend considerable time addressing employee needs vis-à-vis internationalization) and for Change Agent Role (eg. HR managers spend considerable time on promoting behaviors that support internationalization). All items were answered on a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Conceptual Model

A research model may have both independent and dependent variables. Endogenous constructs have antecedents specified within the model, whereas the causes of exogenous constructs are outside the model and not of interest (Anderson and Gerbing, 1991).
The model specification of the study may be given as:

\[ \text{SP} = f \{\text{DOI}\} \]
\[ \text{AE} = f \{\text{DOI}\} \]
\[ \text{EC} = f \{\text{DOI}\} \]
\[ \text{CA} = f \{\text{DOI}\} \]

Where

- \( \text{SP} \) = Strategic Partner Role (Endogenous/Dependent variable).
- \( \text{AE} \) = Administrative Expert Role (Endogenous/Dependent variable).
- \( \text{EC} \) = Employee Champion Role (Endogenous/Dependent variable).
- \( \text{CA} \) = Change Agent Role (Endogenous/Dependent variable).
- \( \text{DOI} \) = Degree of Internationalization (Exogenous/Independent variable).

When structural models are specified, observed measures of exogenous constructs and endogenous constructs are simultaneously estimated with the structural model to ascertain if any relationship exists (Joreskog & Sorbom, 1993). The model is given in figure 2.

**Analysis Plan**

Data analysis begins with an illustration of the profile of the respondents and responding organizations. Thereafter, Structural Equation Modelling (SEM) was deployed using LISREL 8.80. SEM entails two interrelated steps: first, the estimation of the *measurement model*, which refers to the relationships between latent and observed variables, secondly the estimation of the *structural model*, specifying linkages between different latent variables (Anderson & Gerbing, 1988; Bollen, 1989).

Measurement model estimates the unidimensionality, reliability and validity of each construct while structural model involves estimating the relation between independent (exogenous) and dependent (endogenous) variables. The testing of the structural model may be meaningless unless it is first established that the measurement model holds. If the chosen indicators for a construct do not measure that construct, the specified theory cannot be tested (Anderson & Gerbing, 1991).

The measurement model for each construct was assessed before assessing the structural model. For estimating the measurement model, Confirmatory Factor Analysis (CFA) was used (shown in figure 3). The scales were assessed for unidimensionality, validity and reliability.

GFI of more than 0.90 or even 0.8 for the model suggests that evidence for unidimensionality exists (Joreskog & Sorbom, 2002). Apart from GFI, the fit for the model can be determined based on the following fit indices viz AGFI, CFI, NFI and NNFI, all of which should ideally be greater than 0.9 (Joreskog & Sorbom, 2002). Value of less than 0.08 for RMSEA or even less than 0.1 is acceptable (Hu & Bentler, 1999; Schumacher & Lomax, 2004). The chi square/ degree of freedom ratio of less than 3 has been advocated as an acceptable level of fit (Carmines & McIver, 1981). The factor loadings should be statistically significant. Item loading retention rules indicate that item
loadings should be more than 0.3 (Hill & Petty, 1995; Tinsley & Tinsley, 1987) and at least three items should load on each factor (Bawa, 2004; Tansey et al., 2001).

RESULTS
Most of the respondents are very well experienced and were working at Top Management Positions as it is believed that experienced and senior managers are good informants and their inferences are quite reliable. The responding organizations are big size corporations as it is believed that large organizations tends to have well organized HR departments and most of them were publically owned and belongs to a service sector (table 1).

![Figure 3: Showing CFA for all the research constructs](image)

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Particulars</th>
<th>Percentage (%)</th>
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<tbody>
<tr>
<td>Respondents Profile</td>
<td>Total Experience</td>
<td>More than 20 years</td>
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<tr>
<td></td>
<td>Position</td>
<td>Senior Managers</td>
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<td>Responding Organizations</td>
<td>Ownership</td>
<td>Public</td>
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<td></td>
<td>No. of Employees</td>
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DISCUSSION

The study contributes to the literature pertaining to HR roles and tries to explore the role of HR managers during internationalization process of Indian MNCs. There were numerous studies advocating change in the role of HR managers due to globalization (Brewster & Scullion, 1997; Harvey et al., 1999; Huselid, Jackson & Schuler, 1997; Scullion, 1999; Scullion & Starkey, 2000; Wright and Snell, 1998).

Some of the authors strongly agree that HR manager’s role change significantly as the internationalization grows on the firm. Intensity of internationalization is measured through composite scale on Degree of Internationalization and four HR roles proposed by Ulrich was used as dependent variables following the footsteps of other researchers in the area (Guzman, 2011; Chang & Chi2007; Bhatnagar & Sharma, 2003; Lemmergard, 2008; Buyens, 2001; Bjorkman et al.,2006).

The model shows (figure 4) that all four roles are influenced by degree of Internationalization (DOI), all the path values are positive and significant. The path values implies that DOI strongly affects change agent role, which is evident from the fact that during internationalization organizations are changing continuously, Hence HR managers has to play Change Agent role proactively. Employee champion role is also strongly affected by DOI, the reason behind this may be derived from the fact that during internationalization HR managers are busy in addressing employee needs to minimize cultural differences. Even Strategic Partner role is also affected by DOI as the researchers in the area advocated for strategic role of HR in Indian MNCs. Therefore it can be concluded that all four roles are strongly affected by Degree of Internationalization (DOI) and all hypotheses stand accepted.

CONCLUSION

All the scales are found to be uni-dimensional the lowest standard loading was 0.44, suggesting that all the items are measuring their respective constructs. DOI Scale was excluded from confirmatory factor Analysis as this was an adapted and pre tested scale used in many studies (Downes, Thomas & McIarney 2000) and was comprised from the items collected through secondary sources. Therefore this scale needs not to be tested for unidimensionality.

The model shows good fit with the data and all the relationships are positive and significant as the lowest path coefficient for the model is 0.72 and the highest is 0.99. The model implies that degree of internationalization has a significant and direct relationship with all four HR roles. However, it was found that strength of relationship of degree of Internationalization (DOI) with Change Agent Role is relatively high and with Strategic Partner Role is relatively low (as shown in figure 4).

![Figure 4: Structural model showing relationships between DOI and HR roles](image-url)
REFERENCES


