as well as upswings in the business cycle, given the current global crisis and varied paths of economic recovery, should also be considered in IHRM research.

Discussion questions

1. Discuss the different IHRM approaches that have contributed to the development of HRM.
2. Universalistic and contingent theorists have differing views on how IHRM is used in the international context. Discuss the core arguments on both sides.
3. How do you think HRM practices might be transferred between countries?
4. What might be some of the constraints on the transfer of Western HRM approaches to Asian economies?
5. Choose a country and discuss the implications of the latest change in that country to the 'best practices' in HRM approach.

CASE STUDY

HSBC in East Asia (before the 2008 credit crisis)

(Data are extracted from companies' websites, industry reports and authors' long-term research and work experience in this region)

The forces in the world economy have necessitated many financial institutions to become more international in outlook in order to survive in the global industry. Noticeable changes, for example mergers and acquisitions, emergence of new players, de-regulation, and application of modern technology, have all been influencing the structure of the global financial industry (Qing, 2001). These changes have intensified competition among financial institutions in many countries, such as East Asian economies. Rapid changes in the industry can pose serious challenges even for the giant financial institutions and their approaches to HRM. Three areas of HRM that have been concerning the banks most in their Asian operations are recruitment, rewards, training and development. The following case considers HSBC's HRM policies and practices in East Asia and discusses how relevant and applicable existing IHRM approaches are to other parts of the world, what institutional and cultural factors influence HRM approaches in global firms, and what the implications of change are for HRM approaches in the finance and banking industries.

Company background

HSBC Holdings plc, number one in the Fortune Global 500 in 2007, is the world's largest company and bank. The Holdings was established in 1991 to become the parent company to the Hong Kong and Shanghai Banking Corporation. It has a significant presence in the major financial markets. By 2008, HSBC operated a network of around 600 offices in 20 countries in the Asia-Pacific region. Its long history in East Asia can be traced back to the nineteenth century. It has been the largest note-issuing bank in Hong Kong since the 1880s, handled the first public loan in China in 1874 and was the first bank to be established in Thailand in 1888.

Recruitment

When entering the Asian market, many MNCs have adopted an ethnocentric approach to their recruitment policies. Key top positions were often filled by expatriates from home countries although a number of MNCs have used a geocentric staffing policy to search for the best people. A key issue, however, for many Asian economies, such as China and Vietnam, which have had a large pool of unskilled and semi-skilled workers, is they have local labour market shortages of sufficient numbers of well-trained managers and technical people. Furthermore, recruiting qualified bankers in these local markets can be very difficult.

Business expansion during recent years has fuelled a talent war in the labour market. For instance, HSBC had planned to double its number of branches in China over the next few years. According to its manpower planning policy, there has always been 'a need to recruit managers to oversee new branches and handle new services, but experienced and talented bankers are limited in the market'. Consequently, HSBC implemented a global talent management process to attract, motivate and retain its employees. HR professionals first visited all countries to describe key principles and nomination guidelines for talent assessment to ensure employees 'buy in' to the recruitment process. Multiple sources of data, including interviews, panel interviews and 360 degree feedback, were then used to review capability ratings for all global talent nominees. A list of potential leaders and specialists were identified to fill future positions planned for the next three to seven years (Gakovic and Yardley, 2007).

Nevertheless, cultural and social influences played a key role in talent decisions in HSBC. The globally consistent talent nomination criteria and instructions were subject to local interpretations (Gakovic and Yardley, 2007). Cross-cultural differences further impacted on the consistency of the talent management processes.

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Besides, the panel members who reviewed nominations were not equally comfortable with challenging one another or voicing negative criticisms because such views often can mean that people 'lose face', which is not acceptable in East Asian cultures (McGreal, 1995).

Rewards

The intensified competition resulting from the enhanced globalization of the Asian market created high demand for qualified bankers and finance and banking professionals. In competing for human talent, compensation has been increasingly used as an effective means to recruit, motivate and retain much needed professionals. According to some salary surveys, financial institutions witnessed the biggest salary increases among all industries in most Asian economies during the period 2005 to 2007.

Interestingly, HSBC adopted an ethnocentric approach to its rewards practices. Its grading structure, salary adjustment and bonus scheme were inherited from its head offices. For example, to encourage employees to have a direct interest in the bank, an employee share option saving plan was offered to employees in most countries. Global bonus schemes designed to align employees more closely with the achievement of long-term strategic objectives were introduced in Asia.

The implementation of standardized rewards practice might imply that the head office was concerned with consistent HRM approaches across its overseas operations, and that it was interested in having the ability to compare performance across countries. However, the connection between global rewards schemes and local performance evaluation involved lengthy delays and consequently failed to keep employees highly motivated.

Training and development

Due to their large size and extensive networks, most MNCs can leverage their training resources across the Asian region. In HSBC, training programmes were organized by regional training teams and launched by local offices. Typically, managers with one to two years company service would attend fundamental management skills training and those with three to five years company service would attend advanced courses. Some managers also went through job shadowing of their counterparts in other Asian countries (Poon and Rowley, 2008). In addition, similar to other financial institutions, HSBC launched online training programmes and learning resource centres which enabled geographically dispersed staff to gain access to learning materials and packages. The use of more flexible training and development methods provided wider choice and better access to development opportunities for employees.

Nonetheless, the high level of training investment could at times generate negative returns whenever the trainees 'job-hopped', were 'poached' or became misaligned with organizational objectives. Moreover, these changes pressurized HR departments and practitioners to manage increased diversity and utilize different systems to cope with employees' increasingly diverse needs and demands (Rowley and Poon, 2008).

Discussion

Transferring the bank's global HRM approach without making any adaptation to the local market was not without pain. Past success or 'best practice' in the head office did not automatically guarantee its effective transfer and adoption in local subsidiaries. In summary, there is no single management model available that can prescribe the way companies are organized and their people are managed, regardless of their Asian or Western origin (Warner, 2003). To make a global HRM approach work, often involves modifying global HRM or IHRM approaches and blending them with Asian characteristics. Consequently, the resultant characteristics of the corporate IHRM approach may be difficult to predict for each country and region and so there needs to be a greater appreciation of cultural and institutional contexts as well as more understanding of the dynamics of HRM change in international markets.

Case study questions

1. Will HSBC's HRM policies and practices become more uniform as business expands in Asia? Or will HSBC adopt distinct HRM policies and practices in different Asian economies?
2. Discuss the advantages and disadvantages of the following IHRM policies and practices: (a) global talent management process; (b) standardized corporate rewards; and (c) high level of training investment.
3. What alternative IHRM policies and practices would you recommend to HSBC for its operations in East Asia?

Case study questions for further reflection

1. Imagine you are offered the opportunity to propose new IHRM policies and practices for a multinational company starting in Asia. What are your suggested IHRM policies and practices?
2. Imagine you are given a task to harmonize HRM policies and practices among three operations in US, Europe and Asia. What would you propose? And why?