HUMAN RESOURCE DEVELOPMENT PRACTICES IN MNCs: AN AUSTRALIAN PERSPECTIVE

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PRESENTATION OUTLINE

- Introduction
- Literature Review
- Methodology
- Analysis – Independent Variables, Predictor, Controls
- Research Findings
- Discussion
INTRODUCTION

Aims: This paper explores the human resource development practices of multinational companies operating in Australia utilizing an extensive database of indigenous and foreign owned MNCs.

KEY RESEARCH QUESTIONS:

- Is there evidence of investment in human capital for MNCs operating in the Australian context?

- Is there evidence of strategic HRD in place for MNCs operating in the Australian context?

- What are the key determinants/influencing factors that contribute to the strategic HRD practices of MNCs?
What is Strategic HRD and why is it Important?

Strategic HRD is the long term plan for developing the staff in the organization and is derived from the corporate strategic plan (Delahaye, 2005).

The strategic HRD plan is crucial for an organization as it prescribes what development the people in the MNC need so that they can help the organization achieve its strategic objectives.
Human Capital Theory

Human capital can be defined as ‘the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic wellbeing’ (OECD 2001). Human capital theory has supported investment in human resource management with its focus on capacity building at the individual, organisational and environmental level (Becker 1963: 1993; Nafukho et al 2004; Matchi 2006; Connell and Stanton 2013).
RESEARCH GAP

- There is a lack of empirical data on the HRD practice of MNCs across borders and within countries (McDonnell et al. 2010; MeDonnell et al. 2012).

- In Australia, there is a strong presence of the world’s largest MNCs and they play an important role in contributing to the economy (McDonnell et al., 2011). According to Bartlett and Ghoshal (1989). MNCs can be viewed as the main vehicle of international knowledge and technology transfer.
METHODOLOGY

- This paper draws on evidence from a large-scale survey of employment practices of multinational enterprises in Australia.
- A total of 211 indigenous and foreign owned MNEs were drawn out from a total sample of 527 MNEs.
- Foreign-owned MNEs were defined as those that employed at least 100 workers in their Australian operations and 500 or more worldwide.
- A questionnaire was administered by face-to-face interviews with the most senior HR practitioner able to answer questions for the entire Australian operation.
**Analysis: Dependent Variables**

- The variables used to represent HRD are: Training and development percentage on expenditure (What percentage of the annual pay bill in the Australian operations was spent on training and development for all employees over the past 12 months?)

- Succession planning for managers (Thinking of [Name of Company] in Australia is there a formal system of succession planning for senior managers?)

- Management development program (Do [Name of Company] in Australia have a management development programme aimed at developing its ‘high potentials’ or senior management potential?)

- Talent Management (Does [Name of Company] in Australia undertake talent management?)
ANALYSIS: PREDICTOR VARIABLES, CONTROLS

PREDICTOR VARIABLES
- Country of Origin
- SHRM Approach
- Australian HR Representative
- HRIS
- Trade Union Recognition
- Business Strategy
- Global Integration
- Shared HR Services.

CONTROLS
- Industry
- Date of Establishment of MNEs Australian Operations
- Establishment Size
- Greenfield Site
RESEARCH FINDINGS : FREQUENCIES

- 22% of MNCs spend up to 1 percent of the annual pay bill on training and development.

- Over 58 percent of MNCs spend over 1 percent and less than 4 percent of the annual pay bill on training and development.

- Only over 19 percent of MNCs spend in excess of 4 percent of the annual pay bill in the Australian operations on training and development.

- 61% of MNEs utilise a formal system of succession planning for senior managers in their Australian operations. Even so - over 24.3 MNCs (almost a quarter) indicated that they do not utilize a formal system of succession planning for senior managers in their Australian operations.
RESEARCH FINDINGS: TRAINING AND DEVELOPMENT

- Of the 20 determinants investigated in the logistic regression MNCs, larger MNCs are more likely to spent over 4 per cent of the revenue on training and development. Also those that used share HR service centers were more likely to spent over 4 per cent of their revenue into training and development.

- Surprisingly the results showed negative statistical significance for MNCs with union recognition at all sites (p<.10 and union recognition at some sites (p<.01). This indicates that MNCs with unionized firms are less likely to spend over 4 per cent of revenue into training and development if they are unionized.
RESEARCH FINDINGS: MANAGEMENT DEVELOPMENT

- Over 67% of MNCs have a management development program in their Australian operations. Only 19 percent of MNCs indicated that they do not have such a program.

- Only 15% of MNEs indicated that they do not undertake talent management in their Australian operations.

- Of the 20 determinants of investigated in the logistic regression Australian MNCs were less likely to have a management development program relative to US MNCs.

- Strong positive associations for employment size (p<.01), HRIS (p<.01) and Australian HR representation (p<.05) This indicates that MNCs that have a management development program are more likely to have global HR integration, HRIS and be large MNCs.
**Research Findings: Talent Management**

- Australian MNCs are less likely to have talent management in place relative to US MNCs. The results also indicated strong positive statistical significance for employment size (p<.05), an HRIS (p<.05), and global HR (p<.10). This indicates that MNCs that use talent management have an HRIS, global HR and are larger MNCs.

- Moreover, MNCs that use talent management were less likely to be established as greenfield sites.
RESEARCH FINDINGS: SUCCESSION PLANNING

- MNCs that have succession planning for management are likely to have an HRIS, Global HR representation and a localized business strategy.

- Moreover, MNCs operating in Australia that have succession planning for management are likely to be large MNCs that have some of their sites unionised.
DISCUSSION

- Employment Size is clearly significant across training and development, management development, talent management and succession planning.

- HRIS, Global HR committee common across Management development, talent management and succession planning.

- With training and development it is interesting to see that these firms are less likely to have full union recognition.

- Succession planning, although these companies are utilizing a localized business strategy they have global HR representation.