

# International Human Resource Management Practices and Their Outcomes in SMEs: A case of International Assignees in Sri Lanka

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**Abstract.** Some of small and medium-sized enterprises (SMEs) in Sri Lanka have expanded their activities internationally. Such activities gave much scope to manage relocated employees. Empirical knowledge gap encourage us to investigate the relationship between post-assignment behavioral performances of short-term assignees and given pre-assignment HRM support as the main objective of this paper. Individual HRM functional level analysis, moderation effects of purpose of assignments, and the synergy effects of HRM practices were included for testing three specific objectives with the theoretical perspectives of high performance work practices, contingencies and system approaches. The survey results of 277 assignees, who experienced short term assignments during the last five years period representing 93 SMEs, were tested. Hierarchical regression analysis was used. The results partially confirm that the relationship between individual HRM practices and behavioral performance. Among six HRM practices only recruitment, training and compensation were positively significant. Synergistic effects of such practices were not confirmed while the purpose of assignments also did not moderate this HRM-performance relationship.

**Keywords:** SMEs, International HRM, Short-term Assignments, HRM Practices, Behavioral Performances

## 1. Introduction

Successful international assignments through successful HRM policies and practices will be the heart of successful international business organizations (Stroh et al., 2005). There have been given considerable attention in to expatriate management issues pertaining to HRM practices. Recent research has drawn attention to traditional long term expatriation in favor of short-term assignments (Harvey et al., 2011; Cendant 2002; Frenwick, 2004; Tahvaninen et al., 2005; Collings et al., 2007; Robert et al., 1998). For short-term assignments the drawback is the calculation of performance in financial terms would not be tenable, and thereby the inability of identifying financial impact comparing incurred cost to the assignments (McNalty & Tharenou, 2004; McNulty et al., 2009). Other authors suggest that in terms of short-term assignments, measurements of behavioral performance would be more meaningful (McNalty et al., 2004; Paaauwa et al., 2006; Briscoe et al., 2009).

Thus discussing the relationship between post-assignment behavioral performances of short-term assignees and given pre-assignments HRM support, is the main objective of this paper. In this doctrine, authors are documenting three specific research objectives as (a) to investigate the nature of the relationship of perceived HRM practices and behavioral performances, (b). Organizational strategic aspect of assignments: purpose of assignments (McNalty & Tharenou, 2004; McNulty et al., 2009; Stroh et al., 2005), to study its moderating effect on the relationship of perceived HRM practices and behavioral performances. (c) to analyze possibilities of interplay of HRM practices on each other (Huselid, 1995) where authors assess the nature of the relationship of bundling of HRM practices and behavioral performances.

## 2. Literature Review

### 2.1. High Performance Work Practices Approach

The High performance work practices (HPWP) are HR practices designed to enhance employee's skills, commitment, motivation and productivity which enable system to be a source of competitive advantage of an organizations. Most of the pervious researchers have focused their attention to discuss this HPWP and performance relationship at organizational level (Arthur, 1994; Huselid, 1995) rather than individual level (Guchait et al, 2010). Among available individual level studies, HPWP and behavioral outcomes e.g.,

organizational commitment (OC) (Ogilvie, 1986, Edgar & Geare, 2005), intention to leave (Batt & Valcour, 2003, Hemdi & Nasuridin, 2006, Guchait et al, 2010), relationship have been discussed. Here the authors selected well known but important six functions as (a) preparation (Starr et al., 2009), (b) recruitment (Cardon & Steven, 2004), (c) selection (Deresky, 2003; Anderson et al., 2004; Stroh et al., 2005), (d) training (Vlachos, 2009; Doyle, 1997), (e) performance evaluation (Fletcher & Williams, 1985) and (f) compensation (Barringer et al., 2005; Vlachos, 2009; Singh, 2005; Delery & Doty, 1996; Cho et al., 2005) as for the study. This study thereby would predict positive relationship between individual HRM practices and improvement of behavioral performance of short-term assignees. Thus we would like to hypothesise that

Hypothesis 01: There will be a positive relationship between each HR practice of (a) preparation, (b) recruitment, (c) selection, (d) training, (e) performance evaluation, and (f) compensation and behavioral performances of short-term assignees

## **2.2. System Approach**

The main idea of system approach is the interaction of independent variables related to dependent variable. Researchers argue that complementarities or synergies among HRM practices would enhance firm competitive advantages (Baird & Meshoulam, 1998; Milgrom & Roberts, 1995, Guchait & Cho, 2010). There is no single best configuration of HRM practices bundle, but multiple unique configurations are capable in maximizing performance (Pauwa, 2005). These evidences motivate us to develop hypothesis 02 as follows.

Hypothesis 02: There will be a positive relationship between bundles of HRM practices and behavioral performances of short-term assignees

## **2.3. Contingency Approach**

The “contingency approach” is based on the discussion that the relationship between independent and dependent variables will be different at different levels of intervention of internal and external organizational factors. In this research horizontal strategic fit with purpose of assignment is considered with regards to exploring behavioral performances of short-term assignees. In this context several aspects have been identified such as filling skill gap, problem solving, technical transfer, achieving career advancement, developing talents in people, filling project requirement, keeping relationships with joint ventures, licensing and contracting, and improving quality of work life and personal life important (Harvey et al., 1999; Reiche, 2006, Mayerhofer et al., 2004; Tahvanainen et al., 2005; Collings et al., 2007; Welch & Worm, 2006; Collings et al., 2007; DeFrank et al., 2000; Mayerhofer et al., 2004). Briscoe et al. (2009) broadly categorized these purposes as *demand-driven*, which is primarily developed around general manager or director positions and *learning-driven* purposes of assignments. Due to absence of one best way to manage human resources, intervention of business strategies with HRM practices would enhance accuracy of the predictions among HRM-performance relationship (Pena et al., 2010). Thus authors’ hypothesise as

Hypothesis 03: The relationship between HR practices of (a) preparation (b) recruitment (c) selection (d) training (e) performance evaluation (f) compensation and behavioral performances of short-term assignees and will be moderated by purpose of assignments

## **3. Methodology**

### **3.1. Sample and Data Collection**

Of 515 companies along 8 business categories associated with the Ceylon Chamber of Commerce for 2011-2012 and in the directory of the Export Development Board for 2012 were considered as the sample. Out of 336 companies, 93 are considered international business organizations which have relocated short-term assignees in 16 countries in Asian region during the last five years period. Managers or executives with less than one year experience- in international assignments during the period starting from 01.01.2007 until 01.01.2012 in Asian region countries were selected. Distribution and collection of questionnaire through local personal contacts was the reason to have higher response rate of 82%.

### **3.2. Measuring Variables**

**HRM practices:** Preparation for assignment was mainly organized around identification of task, duties and responsibilities. In this study it was measured in 5 items including characteristics on behavioral efficiency. *Recruitment* was measured using 5 items asking about the approaches to identifying candidates. *Selection* was assessed along selection methods with 5 items each (Anderson, 2004) that the respondents perceived within the capacity of executive and managerial level. Section for *Training* also was included in 4 items for training techniques. Evaluating *performance* of assignees and their experience was measured using 3 items while *Compensation* was again measured with 9 items. All question items were with a response range from 5 for very high to 1 for very low which was organized at 5 point Lickert scale.

**HRM strategy:** This construct consist of short-term assignment by purpose. For measuring purpose of short-term assignments as suggested by Welch & Welch (1994); Harvey (1997); Tahvanainen et al., (2005); Collings et al., (2007) 6 items were assessed including career and leadership development, controlling management, filling a specific project requirements, business expansion, and transferring specific knowledge.

**Behavioral performances:** We made assessments for non-financial performances of assignees at subjective forms which reflect the effect on organizational level, job level, and individual level. Summation of the items was considered as a whole, measuring behavioral performances. Organization commitment, retention employee motivation, job involvement and participation to decision making were reviewed in 3 items, while skill acquisition and career development in 2 items (Lodahl & Kejner,1965). Lickert scale was employed with a range from “5” as very high to “1” as very low.

**Controlling variables:** Three types of controlling variables are employed. Location, industry type, and form of the business were among them. As 16 countries in Asian region were included, authors decided to control them with the variables. Countries were categorized as “high income countries” as “1” which includes Japan, Korea, Singapore, Taiwan and Hong Kong and middle and low income countries as “0” for others. Industry type is another dummy variable (Foley et al., 2010) and manufacturing firms are coded as “1” and others as “0”. Form of the business was considered under two major groups as organizations that have subsidiaries in foreign soils which were coded as “1” and rest were coded as “0”.

## 4. Results

The data sets were analyzed with the Statistical Package for Social Sciences (SPSS-Version 20). As the first step of the analysis, reliability coefficient of all HR practices and behavioral performances were measured (all were above Cronbach Alpha 0.70). We employed exploratory factor analysis with principal component method. Kaiser-Mayer-Okin (KMO) values for all variables were above 0.5 (Hair et al., 1995) while TVE score was satisfactory at above 0.5. Factor loadings were between 0.481 and 0.974. We considered dropping 14 questions out of 38 HRM practices related questions and 4 out of 25 behavioral outcome related questions.

As reported in **Table 01**, control variables were entered at Model 1, while perceived six HRM practices independently were entered at Model 2. Model 3 was for full equation considering control and independent variables simultaneously. At Model 3, model fitness increased significantly with adjusted  $R^2 = 0.775$ . Also this analysis proved that recruitment, training, and compensation towards improvement of behavioral performances is high. On the other hand three strong predictors of behavioral performances were HRM practices that focused on attraction of employee, development of employee and motivation of employees. Whereas **testing hypothesis 01**, the results of the Model 3 was compared keeping Model 2 as principal effect model. That indicates partial support for hypothesis 01.

**Table 01** was for **testing hypothesis 02** as well. Keeping Model 3 as principal model, Model 4 tested the interaction effect of individual HR practices on behavioral performances while controlling main effect. However hypothesized interactive effect of perceived HR practices was not confirmed for short-term assignees in this study. Therefore, Hypothesis 2 was rejected.

**Testing hypothesis 03**, hierarchical regression was implemented as in **Table 02**. Keeping Model 1 as based model, rest of the two were considered for identifying possible moderating impact of purposes of short-term assignments. Model 2 shows the interaction effect of purpose of assignments and HR practices. Comparing to Model 1, fitness of the model was decreased significantly. At Model 3, three way interactions

were measured considering purpose of the assignments and interactive terms of HRM functions as considered in Table 2 (Step 3-7). Even though model fitness slightly improved at Model 3, the results 3 was not enough to claim that the relationship analyzed.

Thereby hypothesis 3 was not supported as well.

## 5. Conclusion

This study is under the shelter of theories and empirical findings developed on expatriate and HRM-firm performances discussion. The empirical results support that out of six HRM practices recruitment, training and compensation are more relevant improving behavioral performance of short-term assignees. On the other hand bundling of HRM practices was not supportive. Purpose of assignment also was not moderator of HRM-behavioral performance relationship of short-term assignees.

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Table 01: Hierarchical Regression Results for Hypothesis 1 and Hypothesis 2

Variables	Behavioral performances			
	Model 1	Model 2	Model 3	Model 4
	$\beta$	$\beta$	$\beta$	$\beta$
<b>Constant</b>	4.485	2.496	2.440	3.499
<b>Step01- Controls</b>				
D <sub>1</sub> -Industry type	-0.037		-0.070	-.066*
D <sub>2</sub> -Form of business	-0.246***		-0.016	-.017
D <sub>3</sub> -Location	-0.102		-0.042	-.038
<b>Step 02-HR practices</b>				
1. Preparation		-0.045	-0.026	-.373
2. Recruitment		0.909***	0.890***	.267
3.Selection		-0.107	-0.068	-.336
4.Training		0.153**	0.115*	-.549
5. Performance evaluation		-0.025	-0.015	.612
6. Compensation		0.070*	0.082*	.489
<b>Step 03</b>				
Preparation X 2				.262
Preparation X 3				.524
Preparation X 4				-.044
Preparation X 5				-.250
Preparation X 6				-.033
<b>Step 04</b>				
Recruitment X 3				.321
Recruitment X 4				.119
Recruitment X 5				.590
Recruitment X 6				-.352
<b>Step 05</b>				
Selection X 4				1.230
Selection X 5				-2.007
Selection X 6				.332
<b>Step 06</b>				
Training X 5				.642
Training X 6				-.781
<b>Step 07</b>				
Performance X6				.141
<b>R<sup>2</sup></b>	0.074***	0.778***	0.782**	0.789***
<b>Adjusted R<sup>2</sup></b>	0.064	0.773	0.775	0.770
<b>ΔF</b>	7.239***	157.434***	106.05***	39.290

Notes: 1 \*P<0.05, \*\*P<0.01 (two tailed) Standardized beta values were entered.

Table 02: Hierarchical Regression Results for Hypothesis 03

Variables	Model 01	Model 02	Model 03
	$\beta$	$\beta$	$\beta$
<b>Constant</b>	2.440	2.498	2.424
<b>Controls</b>			
Industry type	-0.070**	0.056	0.056
Form of business	-0.016	-0.026	-0.026
Location	-0.042	-0.032	-0.032
<b>Step 01</b>			
<b>HR practices</b>			
1.Preparation	-0.026	-0.024	-0.007
2.Recruitment	0.890***	0.964***	0.931***
3.Selection	-0.068	-0.188	-0.145
4.Training	0.115*	0.195	0.182
5.Performance evaluation	-0.015	-0.039	-0.030

6.Compensation	0.082*	0.090	0.072
<b>Step 02</b>			
Purpose of assignments X 1		-.995***	0..547
Purpose assignments X 2		2.341***	-1.565
Purpose assignments X 3		-.359	0.993
Purpose assignments X 4		.004	-0.695
Purpose assignments X 5		-.143	2.212
Purpose assignments X 6		-.780	-1.315
<b>Step 03</b>			
Purpose of assignments X Preparation X 2			-0.031
Purpose of assignments X Preparation X 3			6.593
Purpose of assignments X Preparation X 4			0.020
Purpose of assignments X Preparation X 5			-2.725
Purpose of assignments X Preparation X 6			1.960
<b>Step 04</b>			
Purpose of assignments X Recruitment X 3			-3.501
Purpose of assignments X Recruitment X 4			1.418
Purpose of assignments X Recruitment X 5			3.743
Purpose of assignments X Recruitment X 6			3.756
<b>Step 05</b>			
Purpose of assignments X Selection X 4			-4.154
Purpose of assignments X Selection X 5			
Purpose of assignments X Selection X 6			
<b>Step 06</b>			
Purpose of assignments X Training X 5			1.936
Purpose of assignments X Training X 6			.151
<b>Step 07</b>			
Purpose of assignments X Performance X6			-2.398
<b>R<sup>2</sup></b>	0.782**	0.290***	0.317***
<b>Adjusted R<sup>2</sup></b>	0.775	0.266	0.275
<b>ΔF</b>	106.05***	12.091***	7.543***

Notes: 1 \*P<0.05, \*\*P<0.01 (two tailed) Standardized beta values were entered.