Organization culture types and the replication of transferred human resource management practices in multinational subsidiaries in Nigeria

Abstract:

Purpose - Given that institutional and cultural factors affect the transfer of HRM practices between multinational companies (MNCs) and their subsidiaries, our paper set out to investigate the explanatory mechanism for the replication of transferred HRM practices and the factors likely to influence the choice of transfer mechanisms.

Design/methodology/approach - Using an exploratory qualitative approach, 40 interviews were conducted with senior managers and employees in two MNC subsidiaries located in the alcoholic beverage and oil industries in Nigeria.

Findings - Our findings suggest that organizational culture (OC) was the mechanism for MNC HRM replication and inhibition. In addition to explaining the mechanisms for HRM practice replication, we developed a conceptual framework to explain how clan and hierarchical OC influence the extent to which human resource (HR) practices are replicated or inhibited and how institutional and cultural factors influence the choice of OC.

Originality/value – Our study uncovered that MNCs deploy hierarchical OC to oversee the replication of transferred practices. Interestingly, we found that institutional and cultural environments were key factors that influenced the choice of mechanism for overseeing the replication of HR practices. Our conceptual framework can help managers of MNCs to understand how to replicate transferred HRM practices in developing countries.

Keywords: HRM transfer; Institutional theory; Multinational companies; National culture; Organizational culture.
Introduction

Multinational companies (MNCs) generally face pressure to transfer best human resource (HR) practices from headquarters to overseas subsidiaries to drive desired HR outcomes and achieve sustainable advantages (Poor et al., 2020). However, achieving a successful replication of HR practices in subsidiaries can be problematic due to institutional, cultural, and organizational factors (Latukha et al., 2020). The inability to replicate HR practices transferred from headquarters can hinder the attainment of the intended outcomes and sustainable competitive advantage in subsidiaries. This is because replication often violates or prevents local responsiveness, which is the best method to achieve local competitiveness. A practice is considered replicated if the subsidiary maintains the core principles associated with it, whereas relevant modifications are made to adapt such practices to the local environment (Beletskiy and Fey, 2021). Some scholars (e.g. Chiang et al., 2017) have argued that transferred practices that fail to achieve the intended outcomes are a waste of the resources invested in the transfer process. However, this is not always the case, as some benefits accrue from the deployment of certain best human resource practices (Lertxundi and Landeta, 2012). Thus, MNCs develop a common corporate culture across subsidiaries to foster the organizational learning required to enhance productivity (Zhu, 2019). However, in terms of HRM, not all HR practices can be easily transferred from headquarters and replicated in subsidiaries. Despite this, subsidiaries face competing pressures on whether to adopt parent company practices or adapt to local norms (Latukha et al., 2020).

A vast body of research on whether subsidiaries behave like local firms or headquarters exists in transfer literature (Poor et al., 2020). Similarly, there is some research evidence on the role of institutions, national culture, and corporate organizational factors in explaining the extent to which certain HRM practices are transferred or localized within subsidiaries (Nwagbara, 2020). While prior research has identified mechanisms underpinning the transfer and replication process, there is limited literature (except Beletskiy and Fey, 2021; Schneider, 1988; Song, 2021; 2022) that explains the organizational culture (OC) types responsible for replication and factors that are likely to influence the choice of different mechanisms through which practice is replicated (Chiang et al., 2017). Moreover, prior research investigating the influence of different contextual elements has been predominantly Western-centric (Chiang et al., 2017). Given this, a greater diversity of samples is required to extend and test the current contextual limitations in the literature (Beletskiy and Fey, 2021; Song, 2021).
Findings from such an examination will provide broader and more representative MNCs with strategies to effectively manage the transfer and practice replication process. We address these gaps in the literature by using institutional theory to further our understanding of the types of OC that facilitate the replication of transferred HR practices and the factors that are likely to influence the choice of such mechanisms in a developing context, using Nigeria as an empirical focus. HRM transfer remains an important agenda in Nigeria, as contemporary Nigeria is still involved in social, political, and economic transformations. According to Myloni et al. (2004), institutional and cultural environments are crucial for understanding HRM transfer and replication in host countries in a transitional state, where institutions are in a continuous state of transformation.

Drawing on institutional and OC frameworks to understand the subject area in the developing context of Nigeria will contribute to the literature in some important ways. Interestingly, we contribute to the literature by revealing that while clan OC is an inhibiting mechanism, hierarchical OC is a facilitating mechanism in the diffusion process. To the best of our knowledge, only a limited number of studies (except Beletskiy and Fey, 2021; Schneider, 1988; Song, 2021; 2022) have provided insights into how various OC types affect the implementation and lack of implementation of transferred HR practices. Additionally, we contribute to the literature by highlighting the importance of institutional and cultural environments in determining the choice of OC as the mechanism through which practice replication would take place. Lastly, given the paucity of research on this topic in developing countries, our research provides a developing country's perspective in the literature (Latukha et al., 2020).

Theoretical foundation

HRM transfer revolves around debates on the convergence or divergence of HR practices deployed in subsidiaries compared to those at MNCs headquarters (Ayentimi et al., 2018a). Convergence centers on the assumption that there are universally accepted HR best practices that are not context-specific (Latukha et al., 2020). Thus, MNCs seek to apply the most effective HRM practices across their various operations through an exportation strategy to promote a common culture, foster learning, enhance coordination, and build sustainable advantage (Ayentimi et al., 2018a; Lertxundi and Landeta, 2012). By contrast, the divergence approach assumes that institutions and cultures in MNC home and host countries are significantly different (Latukha et al., 2020).
Consequently, MNCs also adapt certain transferred practices to respond to local institutional and cultural demands and achieve local competitiveness in host countries (Khan et al., 2019). Adaptation strategies are applicable when MNCs do not perceive their HR systems as core competencies based on the understanding that HRM differs from country to country depending on the institutional environment (Latukha et al., 2020).

Owing to the simplistic outlook of the divergence and convergence approaches, scholars (Brewster, 2002; Katz and Barbishire, 2000) have focused on the cross-vergence approach. For example, consistent with Latukha et al. (2020), the increasing convergence of sets of HRM practices among countries is flanked by a growing divergence of some practices within these countries. Thus, it is not uncommon for MNCs to deploy an integration strategy—a mix of home and host country HR practices in subsidiaries (Zhu, 2019). This stream of the literature ascertains that transfer and local responsiveness are both beneficial (Latukha et al., 2020). Thus, when MNCs adopt global best practices in subsidiary units, they are usually adapted to local institutional environments to some extent (Poor et al., 2020).

Institutional theory (regulatory, cognitive, and normative perspectives) is a relevant approach for understanding and explaining convergence and divergence and thus the transfer and replication of HR practices (Ahmad et al., 2018; Ayentimi et al., 2018b; Nwagbara, 2020). Consistent with institutional theory, institutional dissimilarity explains the differences or similarities in HR practices between subsidiaries and headquarters (Ahmad et al., 2018). Thus, the institutional context plays a significant role in HR practice transfer and replication processes (Zhu, 2019). Specifically, institutions create 'rules of the game' that facilitate or restrict the use of certain human resource practices from headquarters to subsidiaries (Gooderham et al., 2018). Scott (2001) identified three dimensions of an institution: regulatory, cognitive, and normative.

The regulatory dimension, according to Gooderham et al. (2018), refers to laws established to protect the interests of workers. Regulations are regarded as important predictors of variations in managerial behavior in national contexts (Morris et al., 2009). From an institutional perspective, the choice of management practices in different countries conforms to their different regulatory pressures (Gooderham et al., 2018). Hence, research evidence suggests that only a few HRM practices are suitable for implementation in different countries (Morris et al., 2009). Rosenzweig and Nohria (1994) argued that MNCs are less likely to successfully replicate transferred HR practices that diverge significantly from local norms and
institutions in subsidiaries, although this may differ from practice to practice. According to Siebers et al. (2015), the acceptance of this perspective reinforces the view that the subsidiary institutional context plays a significant role in the HRM practice transfer process. Specifically, institutional factors in the subsidiary context (Zhu, 2019) determine the extent to which organizations successfully replicate their practices across subsidiary units.

The cognitive dimension explores how organizations, groups, and individual employee behavior is influenced by the behavioral patterns of others in their subgroup as a result of wider societal culture (Ayentimi et al., 2018b). Consistent with Hofstede (1980) and Stone et al. (2007), people mimic predetermined social norms in their subgroups to enable them to fit in with the group. Although these social norms are mostly informal, they are widely held as acceptable behavior in societal settings and consequently form the basis of social interactions. The normative dimension on the other hand highlights the important role that certain groups in society may have on the behavior of organizations and employees (Scott, 2001). These groups may be professional or religious bodies and provide a basis for membership behavior. Viciana and Urbano (2008) note that cognitive and normative dimensions share a common relationship. Ayentimi et al. (2018b) agree, arguing that both dimensions of institutional theory inform Hofstede's (1980) four cultural dimensions: power distance, individualism, collectivism, and uncertainty avoidance. As a result, we acknowledge the three dimensions of institutional theory but integrate cognitive and normative dimensions to form one cultural perspective.

Cultural contexts in home and host countries play a significant role in the transfer and replication process (Latukha et al., 2020). Schneider (1988) refers to culture as the underlying assumption underpinning the way people perceive and evaluate themselves, others, and the world. These assumptions regarding the nature of human relationships differ from nation to nation. For example, the importance of relationships over tasks, the emphasis on individuals versus groups, and the perception of the hierarchy are different between nations and cultures. In Western cultures, emphasis is more on task, the individual, and less on hierarchy (Hofstede, 1980). According to Schneider (1988), there is variation in these dimensions between the United States and Europe. In contrast, in Eastern cultures (including Nigeria), importance is placed on the relationship over the task, on the collective, and the hierarchy (Hofstede, 1980; Schneider, 1988).

Culture is a critical predictor of variation in managerial behavior and human resource practices between countries (Poor et al., 2020; Vaiman and Brewster, 2015). Theoretically, the
cultural distance—the difference between the cultures of the host and home countries—determines the extent of transfer and replication between two cultural contexts (Latukha et al., 2020). The transfer and replication of certain HR practices are difficult without significant adjustment if the cultural gap between the host and home countries is broad (Liu, 2004). Hence, it has been suggested that some HR practices are more culture-bound than others (Latukha et al., 2019) because the unique norms, values, and beliefs in different cultures influence employee expectations as well as the way employees are motivated and controlled (Chiang et al., 2017).

**Organization culture as a facilitating/inhibiting factor**

Consistent with institutional theory, institutional elements in subsidiary organizations influence the host country employees working in them (Gerhart, 2008). Therefore, MNCs seek strategies to control these institutional elements and their impact on organizational activities (Zhu, 2019). Prior studies have classified mechanisms for replicating transferred HR practices into formal and informal mechanisms (Beletskiy and Fey, 2021; Chiang et al., 2017; Song, 2021). Formal mechanisms include the use of company policies, formal structures, reward systems, performance evaluation schemes, HR capabilities, global teams, and training programs (MNC home country cross-cultural awareness training) to oversee practice transfer and replication (Latukha et al., 2020; Vance and Paik, 2005). Minbaeva (2005) adds that these HRM practices and policies should be deployed systematically to elicit the appropriate behavior required to facilitate replication during transfers. MNCs also oversee the transfer and replication of HR practices through informal mechanisms, such as the management of subsidiaries through expatriates and home country managers, networking, and social interactions (Chiang et al., 2017).

This study notes that MNCs also deploy formal structures in the form of OC as a mechanism to oversee the replication of transferred HR practices. Kosiorek and Szczepanska (2016) suggest that the OC of a given organization could facilitate or inhibit the implementation of HR strategies, but did not highlight the kind of OC that can facilitate or inhibit the replication of transferred HR practices and how. Organizations should be guided regarding which dimensions of OC facilitate or inhibit replication. Kosiorek and Szczepanska (2016) define OC as the standards, convictions, values, principles, and rules shared by employees in an organization. Drawing on Cameron and Quinn’s (1999) conceptualization of OC, this study seeks to understand the role of OC as a replication mechanism. While there are four dimensions of OC (market, clan, adhocracy, and hierarchical) (Cameron and Quinn, 1999), the two
applicable dimensions within the context of this study are clan and hierarchical OCs (Ogbeibu et al., 2018) with emphasis on collaboration and control, respectively, to drive organizational effectiveness. Clan OC mirrors a responsive workplace, in which employees share many common values and beliefs (Jabeen and Isakovic, 2018). Such OC is internally focused and characterized by flexibility, discretion, collaboration, and human development to drive effectiveness (Chatterjee et al., 2018). Organizations with this type of culture are managed like family units or groups of best friends. Hierarchical OC is internally focused, and this reflects a formal work system with strict rules and structure/control that governs employee behavior (Chatterjee et al., 2018; Ogbeibu et al., 2018) to obtain relevant business outcomes.

Drawing on the Competing Values Framework (CVF), subsidiaries dominated by a hierarchical culture are more likely to depend on formal work structure/control to mitigate cultural and regulatory influences on HR practices transferred from headquarters (Ferner et al., 2011). In contrast, subsidiaries characterized by a clannish culture without any form of control are more likely to localize practices transferred from headquarters with negative implications for employees working closely together in a group-oriented culture (Kosiorek and Szczepanska, 2016). Organizational culture scholars have used CVF to understand how OC influences organizational outcomes by exploring the value dimensions that impact organizational effectiveness (Quinn and Rohrbaugh, 1983). The model classifies the four OC dimensions identified above to provide an understanding of an organization’s corporate value.

In light of vague evidence regarding how OC may facilitate or impede the replication of transferred HR practices, it would be worthwhile to examine how clan and hierarchical OC dimensions account for the replication of certain HR practices and the factors that may influence the choice of these OC mechanisms (Chiang and Birtch, 2017). Considering the above critical review, this study attempts to answer the following questions: (a) How do clan and hierarchical OC dimensions facilitate and inhibit the successful replication of transferred HR practices to MNCs subsidiaries in Nigeria? (b) Which factors are likely to influence the choice of these mechanisms?

**Study context: Nigerian institution (culture and regulation) and HR transfer**

The context of this study contributes to its importance. Nigeria was a former British colony and, as such, the former followed the political and administrative practices of the latter before independence (Shokpeka et al., 2009). During this period, the British government established an indirect rule system in Nigeria to implement colonial rule through local chiefs (Obiakor and
This system allowed local chiefs to control how people were recruited into different colonial offices (Ayentimi et al., 2018c). Upon the arrival of missionaries and traders to Nigeria, they started introducing Western ways of managing people. It is at this time that organizations in Nigeria started to formalize their structures in line with British practices (Ehrensaft, 1972). The most pertinent function was the personal management function that was introduced to help recruit locals who worked as interpreters, messengers, and clerks for missionaries and traders (Ayentimi et al., 2018c). The locals had to be on good terms and loyal to the chiefs for them to be able to gain employment.

When Nigeria gained independence in 1960, the country continued to rely on British institutional systems for work and employment (George et al., 2012) even though traditional ways of doing things continued to prevail. For example, people were employed and promoted based on loyalty and whom they knew (powerful relationships) and not necessarily through formal assessment and performance. A major factor that also affected work and employment practices was the bias that chiefs displayed toward people of their region and ethnicity (Ladebo, 2006). During the pre- and post-independence periods, employees and leaders of organizations were drawn mainly from where the administrative head of an organization came from (Falola and Heaton, 2008). That is, where a northerner was the head, the majority of the employees and those in senior roles came from the north, with the same playing out in the organizations where the heads came from the eastern, western, and southern regions of the country respectively (Nkweden et al., 2018).

These traditional practices are still evident in contemporary organizations and they form the basis for acceptable behavioral patterns in the workplace, thus, underscoring the complexity of work and employment relations in Nigeria (Mordi et al., 2013). For instance, there is a high prevalence of ethnic self-identification in modern Nigerian organizations, which sees employees feeling a sense of loyalty more to people from their ethnic region than to their organization itself (Pepple, 2018; Pepple, 2020; Pepple and Davies, 2019). This is due to the prevailing sociocultural orientation in the country. For example, Nigeria scores high on collectivism and power distance (Hofstede, 1980). From a collectivist stance, employees who are members of workplace in-groups are more likely to support one another. This means that employees of similar ethnicity consider themselves as a family and may not implement sanctions to erring colleagues from their ethnic group because of a sense of family orientation (Pepple, 2020). From a power distance perspective (Hofstede, 1980), in Nigeria, there is an emphasis on age seniority. Nigeria's culture supports the use of seniority-based pay and
promotion, which may hinder the provision of critical feedback following the appraisal process as well as using appraisal outcomes for termination decisions, as employees see themselves as a family unit (Pepple and Davies, 2019; Oseghale et al., 2019). Such institutional distinctiveness may make it difficult to use appraisal outcomes for individual performance-related pay (I-PRP) in collectivist environments. Consequently, Western MNCs with a more individualist culture may find it difficult to transfer I-PRP, promotion based mainly on merit, provision of critical feedback following appraisal, and the use of appraisal results for termination of employment to subsidiaries in Nigeria (Gooderham et al., 2018).

Regulations also make the Nigerian context unique in terms of HRM practices (Oruh et al., 2020). Nigerian labor laws, to some extent, determine how organizations operationalize management practices (Nwagbara, 2020). Labor laws require union bodies to play an important role in the employee-employer relationship, including making important decisions around pay, dispute resolution, and termination of employment. However, with unemployment levels that are high at 33% (Sasu, 2022) the regulatory institutional environment is weak in enforcing labor laws (Ezeoha et al., 2022). Arguably, this may give employers some liberty to easily introduce work-related policies (e.g., termination following appraisal) that will drive productivity (Nwagbara, 2020). An attempt by MNCs to replicate transferred practices violating labor laws (use of appraisal outcomes to terminate employment) can be easily resisted through strike actions, as not much is required to decide to go on strike. However, union bodies in some industries (e.g., the oil industry due to their economic importance to society) can be more effective than others (e.g., the alcoholic beverage industry). Striking for only one day in such industries with effective union bodies can create a huge loss to the Nigerian economy and MNCs themselves.

The Nigerian context is important for further investigation because it remains the destination of choice for MNCs (Sasu, 2022). MNCs’ decision to invest in Nigeria is due to its large population, estimated at 216 million, of which 56% are young people of working-class age (Sasu, 2022). These attributes contributed immensely to making Nigeria the country with the largest GDP per capita in Africa. The National Bureau of Statistics report showed that Nigeria's GDP stood at N 40 trillion in the first quarter of 2021, of this value the oil and gas sector, and food and beverage sector accounted for 9.25% and 7.1%, respectively (NBS, 2021). MNCs own and operate most organizations in these sectors, which is critical to the overall economic outlook of Nigeria (Eluka et al., 2016). It is for this reason that we focus on exploring
how HRM practices are transferred and adapted in selected oil and gas and beverage companies in Nigeria.

Method

This study draws on a qualitative research approach to understand the mechanism for overseeing the replication of transferred HR practices and the factors likely to influence the choice of mechanisms. The factors influencing the mechanism investigated in this study are informed by the prevailing contextual issues in an under-researched region, where there is limited literature to formulate hypotheses (Reinecke et al., 2016). Therefore, qualitative research is considered appropriate (Meribe et al., 2021). Moreover, the qualitative approach is suitable for capturing the perspectives of managers and employees around OC types and is useful for the replication of transferred HR practices and probing beneath surface appearance (Bryman et al., 2019).

To answer our research questions, we focused on subsidiaries of MNCs in the oil and gas and alcoholic beverage industries, which are dominated by foreign MNCs in Nigeria. The government ban on the importation of beer (Oyeyinka, 2002) and President Olusegun Obasanjo's liberalization efforts from 1999 to 2007, which required foreign investors to manufacture from within, led to the dominance of foreign MNCs in the Nigerian alcoholic beverage industry. For example, such policies and stagnation of the beer market in Europe led to the expansion of Heineken in Nigeria and the entrance of SABMiller into the industry. However, according to Okpara and Wynn (2008), some MNCs left Nigeria due to poor infrastructure at that time. Notably, the oil industry has been identified in previous studies (Oseghale et al., 2018) as an industry dominated by foreign MNCs since its inception. Therefore, both industries represent a good context for understanding the HR practices replication issues associated with HR transfer. Consistent with Ayentimi et al. (2018c), we anticipate that HR practices in the two industries may differ slightly as the oil MNC operating in a more global industry may deploy more standardized global best practices compared to the beverage MNC operating in a more multi-domestic industry. In addition, given that only limited research has been conducted on the replication of HRM practices in Africa (Adams et al., 2017) and that most African countries are still in a continuous stage of transformation, Nigeria is considered a suitable context for understanding the transferability issues of HR practices.

Selection of informants
Given the nature of the study, we follow Adams et al. (2017) by focusing on subsidiary HRM practices in Nigeria. This approach allows researchers to effectively identify and explore the replication of HRM practices in a subsidiary's local context (Adams et al., 2017). Thus, our research is based on 40 semi-structured interviews (20 in each organization) carried out in 2020 with two subsidiaries of a French oil and gas MNC and a UK alcoholic beverage MNC in Nigeria. Semi-structured interviews allowed for a certain degree of consistency with the room to explore issues emanating during the interviews (Myers, 2019). Both companies were given pseudonyms: OilMart and BeerCo, consistent with the industries in which they operate to conceal their identities. The two MNCs were selected for study because of considerations of the country-of-origin effect, as the researchers wanted to study MNCs with different institutional environments from the institutional environment in Nigeria to better understand the OC mechanisms responsible for replication in Nigeria. Moreover, these MNCs were selected for preliminary investigations, suggesting that they were involved in the transfer of HR practices to subsidiaries in Nigeria. This is required to understand the mechanisms driving replication within the subsidiary units.

Participants were drawn purposively from senior managers and staff who were knowledgeable about the subject based on the third and first authors' knowledge of both industries. The aim of using a purposive sampling technique is to sample participants in a more strategic way to ensure that those interviewed can provide the relevant information required to answer our research questions (Bell et al., 2019). While a purposive sampling strategy enhances internal validity, external validity may be limited (Andrade, 2021). Therefore, our findings should be interpreted with caution outside the case study MNCs and the industries studied. Ethical approval was obtained from a university in the UK. Table 1 shows the demographic details of the participants.

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Data collection procedure

We used a two-part interview protocol for all interviews. The first part covered general information about MNCs, subsidiaries, and informants, while the second part covered questions about institutional differences, transfer and replication of practices, and factors
responsible for replication and resistance. Where necessary, follow-up questions were asked to deepen the information (Witzel, 2012). All interviews were conducted in English via MS Teams because of the pandemic and audio recorded. Interviews lasted between 45 minutes and an hour and were conducted individually to provide anonymity, which enabled participants to respond candidly. We stopped after interviewing 40 participants when theoretical saturation was attained, as no new information was produced at this stage (Bell et al., 2019, p. 399).

Data analysis

Recorded interviews were transcribed verbatim by all authors during the initial stage of analysis using the grounded theory approach (Strauss and Corbin, 1998). As a result, the researchers were able to immerse themselves in the data and decipher emerging insights before the actual coding process (Flick, 2014). Consistent with the grounded theory approach, the first and second authors adopted a three-step coding process in line with Gioia et al. (2013) view on making sense and processing collected data from both case organizations. During each stage, the first and second authors developed codes or aggregated themes separately before meetings to enhance the reliability of the process. The first step involved identifying first-order codes from transcripts after repeated reading to identify salient phrases, comments, and sentences that were consistent with institutional factors, cultural factors, organizational factors, OC types, HR transfer, HR practices, replication, etc. Drawing on the principles of grounded theory, we did not apply any preconceived codes (Glaser et al., 1968). The second step involved developing aggregate themes from first-order codes, following a critical review of first-order code text segments for differences and similarities. The themes that emerged from this stage included HR practice transfer, OC types, HR practice replication, and cultural and institutional factors. Finally, the themes were merged to be broad enough to encapsulate recurrent issues in the data in the third stage. Themes such as OC type, replication, institutional mechanisms, and choice of OC type emerged during this process.

Findings

Our study revealed that headquarters transfer HRM practices, such as compensation and performance appraisal, to the subsidiaries investigated in Nigeria, but it is OC in both subsidiaries that determined the extent to which these practices were replicated or resisted. However, institutional and cultural factors are important factors influencing the choice of OC. We present our findings under the key themes identified in the data.

HR practice transfer, regulatory and cultural influences
Local labor laws, consequent union activities, and local values were important factors that greatly influenced the extent to which certain practices are transferable to subsidiaries in Nigeria.

**Theme: Local labor laws**

According to an HR manager at BeerCo:

"*Most of our HR practices and strategies are usually transferred from our parent company.... adequate attention is usually given to relevant laws and regulations in Nigeria before any transfer.*" (Participant 1)

Another manager added that:

"*The regulatory environment is very important. No multinational company wants to be in the bad books of their host government. So, adequate attention is given to the regulatory environment and how it will impact any transferred practice before transfer.*" (Participant 21)

As the above quotations illustrate, headquarters are usually careful not to transfer practices that openly violate the regulatory environment in Nigeria. Generally, MNCs want to be in the good books of stakeholders in their host communities, as it is good for business (Oseghale et al., 2018).

**Theme: Union activities**

One of the implications of violating labor laws in Nigeria is a nationwide strike by union members that could adversely impact business in both industries, although union bodies in the oil and gas sector are more powerful than those in the beverage sector.

According to the logistics manager at OilMart:

"*You cannot take away the issue of the business environment in Nigeria as it greatly influences the extent to which some practices are transferred to the different affiliates of OilMart... in Nigeria, you have a situation where one organization in the oil and gas industry is having problems with employees and the entire oil and gas workers in the country will want to go on strike...*" (Participant 24).

In this quotation, the role of union activities in the form of strikes becomes evident, revealing the role of active unions in transfer decisions at headquarters. Regarding the
difference in union activities in both industries, a recruitment manager in OilMart noted the following.

"Union in the oil and gas industry is aware of the importance of the oil industry which generates most of the nation's revenue and they know how to use this to their advantage." (Participant 22).

While union bodies in the alcoholic beverage industry may be less powerful, they equally carry out their collective bargaining responsibilities in the employment relationship in compliance with labor laws in Nigeria.

The difference between union bodies in both industries is that, during negotiations, the position and needs of the oil and gas industry union will be quickly taken into consideration and addressed to avoid any form of strike action and its adverse implications for the economy.

**Theme: Local values**

The value and belief systems in Nigeria became evident in the factors informing transfers. According to the training manager at OilMart:

"We consider local values when we transfer HRM practices. In Nigeria, the group respects the people’s way of life and will not transfer any practice that strongly contradicts our values." (Participant 23)

Another added that:

"The decision to transfer HR practices to Nigeria or to transfer with some flexibility to adjust slightly also depend on our values such as seniority, influence, and strong cohesion and making frank judgment and how they impact specific HR practices when they are transferred." (Participant 30)

These views mean that headquarters are usually careful not to transfer practices that will openly usurp the belief systems and values of employees. Moreover, they consider how certain cultural values in the host country influence the transferred practices. However, one of the managers from BeerCo suggested that labor laws and union activities played a more dominant role in the process.

**The mechanism for overseeing HR practice resistance and replication**

Consistent with the OC types in operation in the subsidiaries studied, it emerged that hierarchical OC was useful for the replication of more Westernized HR practices, for example,
I-PRP, which did not align with certain aspects of the Nigerian cultural environment at OilMart. In contrast, replication was not possible in BeerCo with the clan OC.

**Theme: the use of hierarchical OC in performance appraisal replication**

The performance appraisal system and compensation strategies were transferred from headquarters to both OilMart and BeerCo for performance management. A career manager at OilMart explained that:

> “We use the same performance appraisal tool-ANAEL HR, with headquarters and other affiliates within the group.” (Participant 21)

Similarly, an HR supervisor at BeerCo stated that:

> “The performance appraisal process here is similar to that of the headquarters.” (Participant 6).

Employees in OilMart during the appraisal process would sit with their line managers to set performance objectives at the beginning of the appraisal year and work with line managers to achieve the set objectives. In a discussion with line management, employees were assessed for their yearly performance. However, aspects of the appraisal process with a more westernized outlook, such as using appraisal outcomes for termination, were successfully replicated in OilMart through hierarchical OC deployed to downplay local cultural influences in the appraisal process.

A recruitment manager at OilMart explained that:

> “After receiving feedback from line managers, the employee's line manager supervisor with an executive committee also reviews the line manager's decision before a final rating is released by HR. In France, the decision completely rests with the employee's line manager.” (Participant 26).

When probed further about the reason for the difference, he further explained that:

> “We try to use these different levels of appraisal review to mitigate any subjective judgment that may have been informed by cultural or personal bias. We expect some objective review at the more senior level.” (Participant 26).

According to the Career manager at OilMart:
We have this bureaucratic culture that our appraisal process is built on to help us check that the appraisal process is doing what it is meant to do by ensuring that performance decision taken at the individual manager or supervisor level is not biased in any form through multiple stages of review.

The above quote suggests that, through a hierarchical culture, OilMart ensures that the underlying philosophy guiding appraisal is replicated by ensuring that decisions regarding appraisals are made at different levels to reduce cultural and personal bias.

Theme: the role of clan OC in performance appraisal system replication

In BeerCo, with clan OC, it was not possible to completely replicate performance appraisal. Like OilMart, employees at BeerCo and their line managers would normally set performance objectives at the beginning of the appraisal year. Through line management support the employees can work towards achieving the set objectives. This is followed by a one-to-one discussion to review and rank employee performance at the end of the financial year. According to the managers interviewed at BeerCo, headquarters expects management to terminate the appointment of poor performers after two years. The managers, in defiance, had to set up the "good people" management program — a local mentoring/support program set up to help underperformers consistent with the collectivist culture in operation in Nigeria.

According to senior staff at BeerCo:

"We do not want to be responsible for the downfall of our brothers...We see ourselves as one big family here." (Participant 16).

The quotation above provides evidence of a clannish OC. With a clannish OC and, thus, a friendly work atmosphere, managers declined to replicate the underlying philosophy behind the appraisal system at headquarters in Nigeria. Subsidiaries can decide not to replicate a practice because of regulations or cultural issues. For example, Edwards et al. (2007) found that American subsidiaries in the UK refused to deploy appraisal outcomes in terminating non-performing employees due to labor law after their British managers failed to convince managers at the headquarters that using appraisal results to make employees redundant is not consistent with UK employment laws. While this deviant behavior in Nigeria was due to cultural influence, in the UK, it was due to labor regulations.
Interestingly, from the data, no strategic move was made by the BeerCo headquarters to draw on OC to facilitate replication. Rather, training was emphasized. According to the HR manager:

“We aim to facilitate an inclusive culture to create an environment where a relationship is built among employees to drive productivity like what we have at headquarters in the UK. However, those in charge of managing employees are required to provide them with adequate guidance and training to enhance their ability to do the job in compliance with corporate policy on the use of the international best practice.” (Participant 1)

Overall, our data suggest that training without hierarchical OC to enhance control did not drive the replication of performance appraisal at BeerCo following the failure to sanction underperformers. In summary, OC facilitates or inhibits the influence of culture on the replication of HR practices.

**Theme: the use of hierarchical OC in performance-based pay replication**

It emerged that it was easy to deploy I-PRP in OilMart because the company has a pay structure that provides for the use of both base pay as provided by remuneration laws in Nigeria and I-PRP consistent with a more individualized HR system at headquarters.

According to an employee relations manager at OilMart:

"In Nigeria, we have a combination of individual performance pay and the negotiated base pay." (Participant 25)

Consistent with collective bargaining laws in Nigeria, senior management negotiates base pay with union representatives. An employee at OilMart added the following:

"We negotiate base pay every two years. We go to the negotiating table with our employee representatives to determine increment." (Participant 36).

Our data show that I-PRP is paid out as an annual incentive. Employees share the profits declared by the companies every year. What employees receive depends on their performance over one year. Employee performance was ascertained by the rating they received from an annual appraisal.
At OilMart, using hierarchical OC to replicate performance appraisal, the I-PRP is replicated based on true performance driven by hierarchical OC. A compliance officer at OilMart explained as follows:

“To ensure that we pay for the correct performance, we developed the extra management review layers of our performance appraisal system.” (Participant 28)

“We have a structure in place to see that adequate measure is taken to ensure that the outcome of our performance appraisal system is devoid of any subjective outcome that can bias our performance pay system and we achieve this through this culture of having senior management review the outcome of the appraisal process.” (Participant 21)

The above quotation suggests that a hierarchical structure enables correct assessment of performance. Consequently, individualized compensation practices are replicated due to a hierarchical OC that allows the use of appraisal to effectively measure performance to support the use of I-PRP.

**Theme: the role of clan OC in performance-based pay replication**

BeerCo also has a pay structure that enables the use of both base pay and performance-based pay. BeerCo’s management staff explained the following:

"...monthly pay is subject to increment through negotiation in collective bargaining, once in every two years. The increase will usually depend on the performance of the company within the period under consideration." (Participant 13).

In response to a question about how BeerCo ensures that employees are rated correctly under a performance appraisal system in a clannish culture to support the use of I-PRP, an HR supervisor noted the following:

“After appraisal rating on-site, we conduct Skype meeting with the HR team in Lagos to rectify appraisal ratings awarded to employees.” (Participant 6).

However, a management staff at BeerCo added that:

“At this stage, appraisal decisions taken in our branch do not change following this meeting on Skype. For me, this is more like a tick box exercise.” (Participant 11)

The above quote suggests that the effort to rectify the appraisal process does not add value to the process. Arguably, with the clannish culture of BeerCo, it was difficult to ascertain
whether the performance rating in the company truly reflected what was on the ground to facilitate the replication of I-PRP.

**Host country institutional context and MNC choice of transfer mechanisms**

Finally, it emerged that the choice of the mechanism to deploy in overseeing the replication of transferred HR practices in subsidiaries relied heavily on collectivist culture and strike activities in the host countries.

**Theme: The role of collectivist culture**

In response to the question regarding the role of culture in the use of hierarchical OC, a training manager at Oil Mart explained the following:

“Because you have a system that you think might not be objective in terms of rewarding performance, yes, culture plays a significant role in the determination and use of several layers in the review process.” (Participant 23).

The above quotation suggests that being aware of how subjective culture may adversely impact performance appraisal replication and the use of I-PRP, headquarters decided to establish a hierarchical OC to support the appraisal process.

**Theme: The use of industrial strikes**

Workforce strikes appeared to be another key factor influencing ideas about how to replicate transferred HR practices. A compliance manager observed the following.

*We do not only consider cultural values but also the consequences of breaking the law on our business. For example, all our operational facilities in Nigeria have been shut down before. You lose a huge amount of money when that happens for 2 – 3 days.* (Participant 28)

These views suggest that union actions and strikes are critical factors in decisions regarding the choice of replication mechanism. While it emerged that BeerCo did not strategically use OC to facilitate replication, corporate headquarters made an effort to avoid violating institutional factors to deploy HRM practices in driving the replication of transferred practices. For example, in the words of a training supervisor at BeerCo:

"Corporate headquarter ensures that our policies comply with all relevant regulations and laws. Once they know that no law or regulation will be violated, they try to shape
the behavior of employees through training and workshops... to get them to comply with our international best practice.” (Participant 3)

This view implies that institution is key to deciding which mechanism to deploy in the decision on how to drive replication. Figure 1 provides a conceptual framework summarizing our findings and the mechanism (and factors responsible for the choice of mechanism) for transferring HQ HRM practices to subsidiaries in the Nigerian context.

Discussion
This study sought to explore the factors responsible for the replication of transferred HRM practices from HQ to subsidiaries, and the factors likely to influence the choice of such a mechanism. The findings of the study are shown in Figure 1. Consistent with extant studies (Myloni et al., 2004), our evidence suggests that MNCs transfer HR practices such as performance appraisal and I-PRP to their subsidiaries in Nigeria, but would usually consider the implications of union activities, labor regulations, and cultural values such as strong cohesion and making a frank judgment that affects workforce personal actions before making such transfers. By doing so, MNCs explore leeway within host country institutional settings to facilitate a successful replication process. Our study suggests that union activities vary from one subsidiary context to another depending on the economic value of the subsidiary and the industry in which it operates. Hence, in responding to union activities during the transfer and replication of HR practices, a one-size-fits-all approach by Nigerian MNCs may not be appropriate.

To explain the mechanism responsible for the replication or resistance of transferred HR practices, we found that the two dimensions of OC in operation in the two subsidiaries studied were dominant. While clan OC was perceived as negative and challenging in the replication process, hierarchical OC was useful for blocking the adverse impact of collectivist culture in the form of strong ties with employees and associated issues around providing critical feedback in the replication process. The collectivist perspective in the Nigerian context influenced managers’ decision to refrain from sanctioning underperforming employees explicitly at BeerCo, contrary to the headquarters’ termination policy. While Edwards et al.
(2007) link such deviant behavior to UK regulations, our study highlights the influence of belief systems and values in Nigeria. Failure to correctly appraise performance at BeerCo due to clannish OC driven by strong ties between employees may also have limited efforts to replicate I-PRP in the company. By contrast, to overcome the adverse impact of strong ties between employees and union activities on the appraisal process at Oil Mart, the appraisal system was structured in line with hierarchical OC to include different layers of performance review before the performance review outcome was approved. We found that such performance outcomes shaped by hierarchical OC were responsible for the successful replication of performance appraisal and I-PRP in OilMart. Thus, to corroborate existing studies that suggest that MNCs deploy performance appraisal to pursue replication (Chiang et al., 2017), we extend this literature by revealing that using performance appraisal alone in MNCs in Nigeria may not be adequate to replicate transferred practices without efforts to monitor the appraisal process through an effective check and balance system supported by OC.

An extant study by Minbaeva (2005) argues that training and compensation practices can be deployed to drive the relevant behavior required to drive replication. Our study suggests that this may not be the case if training is not designed to help host country nationals increase knowledge, accept headquarters' culture, and increase openness to the flow of HR practices from headquarters, following evidence from BeerCo. To achieve this, Vance and Paik (2005) highlight the importance of MNC home-country cross-cultural training in subsidiaries. Moreover, to fully achieve replication, MNCs may add some form of control through hierarchical OC. Our study also adds to the transfer literature by providing insight into how union activities/laws, regulations, and strong ties between employees serve as important mechanisms that influence the choice of OC. Drawing on the institutional perspective, laws, regulations, and culture were key factors considered by MNCs before making important decisions about how to replicate transferred HR practices.

**Managerial implications**

It is useful to carefully consider how MNCs operating in Nigeria can replicate their transferred HR practices. Our study highlights the importance of carefully planning the HR transfer process to enhance replication in subsidiaries. We uncover the importance of hierarchical OC as a key mechanism in the replication process. Managers of MNCs in Nigeria can deploy hierarchical OC to reduce the adverse effects of strong ties among local employees to drive the replication of performance appraisal, and thus, performance-based pay. Drawing on findings
from the extant literature by Chiang et al. (2017), training and performance appraisal are important mechanisms that MNCs deploy to facilitate replication. We recommend that practicing managers while using performance appraisal to facilitate replication should inject an element of hierarchical OC with several layers to check for bias in the process. Training should be designed to enhance the acceptance of the home country’s culture to increase the chances of replication. Strong ties between employees at BeerCo and the associated bias could not be resolved to replicate appraisal, irrespective of the training provided. The reason for this is perhaps that training was not designed to help employees embrace behaviors associated with the individualist culture prevalent at headquarters. Consequently, performance appraisal and performance-based pay were not replicated.

**Conclusion**

Our study contributes to the literature by explaining the OC dimensions underpinning MNC HR practice replication in subsidiaries (Beletskiy and Fey, 2021; Minbaeva, 2005). We highlight the institutional factors that are most likely to explain the transferability of HR practices and the mechanisms that can oversee replication in the transfer process from the HQ to subsidiaries in the Nigerian context. Our novel finding is that hierarchical OC is a key OC dimension in responding to local institutional environments to enhance the replication of HR practices in Nigeria. Our study also uncovered the institutional factors that inform the choice of mechanisms used by MNCs to replicate transferred HR practices. We extend the institutional perspective by offering insights into the institutional factors that are likely to explain the transferability of HR practices and the choice of mechanisms through which replication is achieved. By uncovering that hierarchical OC drives the replication of human resource practices, our study will help MNCs seeking to set up operations in Nigeria to understand the type of OC that will support the successful replication of HR practices to enhance performance.

Although we believe that our study has made some important contributions, it is not without limitations. First, only two of the MNC subsidiaries operating in Nigeria were investigated, which may limit the generalizability of our findings beyond the MNCs and industries investigated. Future studies on the replication of HR practices should consider investigating subsidiaries in other industries to enhance generalizability. Second, the focus was on hierarchical OC and clan OC in operation in the subsidiaries investigated. Therefore, we still do not know the role of the market and advocacy OCs in the replication process of transferred HR practices. Therefore, we call for future studies to explore the role of market and advocacy OCs in the HR replication process.
References


