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## Developments in Human Resource Management in MNCs from BRICS Nations: A Review and Future Research Agenda

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### ABSTRACT

In this introductory article, we analyze developments in the field of human resource management (HRM) in multinational corporations (MNCs) from the BRICS countries (Brazil, Russia, India, China, and South Africa). We do this in terms of conceptual models, theoretical frameworks, empirical studies, research designs and MNC settings, with a view to setting the future research agenda on this emerging topic. In doing so, we identify research gaps as well as propose a number of research directions that can act as a useful guide for future research. The article therefore provides valuable information to both academics and practitioners and paves the way for future studies on the nature of HRM systems in MNCs from BRICS.

### 1. Introduction

Despite the fact that globalization has come under increasing attack as witnessed by Brexit and the election of Donald Trump as the U.S. President, the reality remains that multinational companies (MNCs) and related foreign direct investment (FDI), among other factors, continue to play a critical role in the development and prosperity of the world. The participation and operation of MNCs globally have facilitated economic development in many regions of the world. The reason behind this logic is that one of the most positive effects of MNCs is the presence of technological externalities, which may result in productivity spillovers from MNCs to domestic enterprises in the host country (Gorg and Strobl, 2001). As MNCs utilize a higher level of technology, their presence fosters productivity increases in domestic firms, enabling them to be more effective (Gorg and Strobl, 2001). In other words, the developing countries can benefit from the transfer of technology by their advanced counterparts. In addition to the transfer of technology, MNCs can create additional and/or higher-paying jobs for local people in the host country (Geleilate et al., 2016). Also of interest is that when foreign MNCs join and operate in host country markets, in order to compete successfully in the global market environment, domestic firms need to modernize and innovate their management practices to survive (Budhwar, 2012). This is a very important reason to urge domestic firms to innovate and invest more effectively in human capital in order to capitalize on their skills, knowledge, competence and commitment to contribute to their firm performance. However, it is also noteworthy that not only do domestic firms modernize their management practices but foreign MNCs also need to internationalize these practices to adapt to the environments in which they do business.

Although MNCs from industrialized countries have dominated the international business arena, emerging markets, especially the

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BRICS<sup>1</sup> nations (Horwitz and Budhwar, 2015; Luo and Zhang, 2016; Thite, 2015) are experiencing major shifts in the global economic landscape. Specifically, the emerging nations are also ‘increasingly contributing more towards the outward FDI and increasingly they are investing both in developed as well as developing markets’ (Thite, 2015: 97). As a result, some BRICS nations such as China, India and Russia have become important players in the global economies and the world economic scene (Budhwar et al., 2016). Budhwar et al. (2016, p 311) point to several reasons that contribute to this success such as a strong resilience of the region against the 2008–2009 global financial crisis, and the rapidly growing centers of excellence in business and management education and research in the group. Due to the importance of emerging markets in the global economic landscape, the ‘understanding about the dynamics of management of HRM in the emerging markets’ (EMs’) context and the need for proactive efforts by key stakeholders (e.g., multinational and local firms, policy makers and institutions such as trade unions) to develop appropriate HRM practice and policy for EMs has now become more critical than ever (Horwitz and Budhwar, 2015, p. 1).

The BRICS nations represent the largest group of inter-continental powerhouses of emerging middle-income economy. They have the world's largest populations, especially India and China, and have experienced rapid growth over the last two to three decades, only recently experiencing a slight slowdown (Horwitz and Budhwar, 2015, p. 4). The BRICS group is viewed as markets in expansion because of their opening up to more liberal regimes and their deregulation of their economic activities (Wright and van de Voorde, 2009). In particular, organizations from the BRICS nations dominate the list of 100 leading organizations from emerging economies, with 18% annual revenue growth, and have continued to grow at a tremendous pace without sacrificing profit margins (see Horwitz and Budhwar, 2015, p. 8). India, for example, has experienced significant economic growth over the last decade with eight Indian multinationals featuring in Global Fortune 500, five in the world's most valuable global brands, and nineteen in Boston Consulting Group's (BCG) 100 new Global Challengers (Thite et al., 2016a, p. 436). While there has been an increase in the MNCs from the BRICS nations, scholars in this research domain have not caught up with the changes. A review of the existing literature reveals out that there is a dearth of research on HRM practices of MNCs from emerging nations operating in Western economies and/or the developed world (Chang et al., 2007). Although researchers in this domain have started to examine HRM practices of MNCs from the BRICS countries, they have just focused on one country, or maybe a comparative study of two or three countries. A noticeable exception is the work by Jürgens and Krzywdzinski (2013) that examined HRM practices of MNCs from the BRIC (without South Africa) nations. On this basis, relatively little is known about the synthesized effects of HRM practice of MNCs from the BRICS countries. Also of note is that research in this field has been unequally undertaken amongst these five contexts. While numerous research studies have been conducted in the two largest economies in this group, India and China (e.g., Budhwar and Bhatnagar, 2009; Murray and Fu, 2016; Thite et al., 2014), there is a dearth of research on HRM practices of MNCs in other countries, for example, South Africa (Khavul et al., 2010). This paper seeks to fill this gap.

Due to the increasing importance of HRM practices of MNCs from BRICS, this article provides a review of the existing literature across these countries, with a focus on the theoretical frameworks, empirical studies, research designs and the MNC settings used. First, the review provides an overview of the extent to which HRM in MNCs from the BRICS nations are shaped and implemented, and what factors may influence and/or limit the diffusion of HRM in this context. Second, it focuses on identifying research gaps, methodological pitfalls and theoretical frameworks from prior research. On the basis of such an analysis, we offer a number of research directions that can potentially guide the way for future researchers to further advance this stream of research in order to significantly contribute to the extant knowledge. This will also help to highlight the national institutional environment and the management of the social organizational context that have led to the success of the BRICS nations in the era of globalization (Newenham-Kahindi, 2009).

## 2. Framework for Analysis/Theoretical Development

‘In the global economy of the twenty-first century, characterized by services, knowledge, technology, innovation and globalization, human resource management will remain a key competitive advantage for all firms, domestic and foreign and for all markets, emerging or established’ (Thite, 2015, p. 117). In this regard, the field of international HRM (IHRM) has received much attention from both academics and practitioners. According to Jain et al. (1998), the field has advanced alongside three different lines of inquiry. The first involves the adoption and implementation of HRM techniques in the management of expatriate employees. The second concerns national HRM systems, which deal with understanding the kinds of HRM practices used within a given country regarding indigenous employees and comparing such practices cross-nationally or cross-culturally. The third copes with the interplay between MNCs, host countries and HRM practices as implemented in host-country nationals (Thite, 2015, p.553). The majority of this research has adopted Western-based HRM theories and models to investigate the phenomenon of HRM in non-Western markets such as India, China, and Brazil. Scholars therefore call for the need to develop alternative models that can recognize and incorporate indigenous HR systems in exploring HRM in emerging market MNCs (Jackson, 2001).

Responding to this call, IHRM scholars have started to devise their own models to apply to different contexts in MNCs from the BRICS block (Budhwar and Sparrow, 2002a,b; Som, 2006; Thite et al., 2012). For example, Budhwar and Sparrow (2002a,b) propose an integrative framework for understanding cross-national HRM practices and emphasize the importance of understanding HRM practices around the world using frameworks that go beyond the Anglo-Saxon experience. In the context of Indian MNCs, Som (2006) offers a contingency-based theoretical framework that highlights the importance of the contextual factors whilst examining the effect of innovative HRM practices. Along the same lines, Thite et al. (2012) present a conceptual model of global HR strategies and

<sup>1</sup> Jim O'Neill and colleagues at Goldman Sachs first used the acronym BRICs; see [http://www.elcorreo.eu.org/IMG/pdf/Building\\_Better\\_Global\\_Economic\\_BRICs.pdf](http://www.elcorreo.eu.org/IMG/pdf/Building_Better_Global_Economic_BRICs.pdf)

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