

HUMAN RESOURCES MANAGEMENT IN BRAZILIAN MULTINATIONALS*

Germano Glufke Reis, Maria José Tonelli

and

Maria Tereza Fleury

Fundação Getulio Vargas – EAESP, Brazil

Introduction:

The increasing presence of organizations from emerging economies, such as the BRICS (Brazil, Russia, India, China and South Africa), among others, in the global context has configured a “third wave” of internationalizations (Fleury and Fleury, 2011a). In the first two waves, early mover multinationals were predominant (Bartlett and Ghoshal, 2000) – North American and European companies in the first wave and Japanese in the second; now, we observe the massive presence of new players, capable of challenging the leadership of organizations from more developed countries.

Regarding Brazilian companies, thirteen of them are currently among the 100 new *global challengers* (Boston Consulting Group, 2011) and seven are included in the ranking of Fortune 500, 2011 (they were only three in 2005 and six in 2009). In general, Brazilian companies begin their internationalization in Latin America (though there are exceptions), where they have a better understanding of markets and cultural dynamics. In the second phase, they head towards more geographically and culturally distant regions, the preferred expansion model being through acquisitions. On this path, there is a process of learning and incorporation of new competences, which enables firms to compete in more distant markets.

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A considerable challenge for organizations which internationalize is upgrading their Human Resources Management (HRM) policies and practices, so as to leverage international strategies and operations abroad. This is a fundamental issue, and at the same time, a potential barrier for the expansion of companies from countries such as Brazil. For several decades, Brazilian companies were accustomed to operating and competing within the domestic market - a relatively closed and safe environment, at least until the mid-1990's, when the country's economy definitively opened to the world.

This article is intended to present the main HRM characteristics of Brazilian Multinationals (BrMNs), namely, companies holding assets and operations abroad.

In our understanding, these companies are still taking the first steps towards their internationalization, constituting as it does a recent process, intensified at the end of the 1990's. Being so, it also means that they are still developing and consolidating their International HRM practices (IHRM). The course of changing from national HRM to IHRM practices is gradual, the features of the first influencing the building of the second, particularly in the initial stages (Hendry, 1996). For this reason, this article starts off by introducing relevant HRM characteristics of companies which operate in Brazil, and then, it advances towards the specific features of companies which have ventured into global competition.

At the end of this article, we draw attention to some points, which must be part of the IHRM agenda of BrMNs, in order to contribute to the next phases of their global expansion. We believe these ideas can help all the BRICS countries which are going through much the same process.

HRM in Brazil:

Regarding the development of HRM in Brazil, some aspects are worthy of note:

- Features of national culture which have influenced the management style of companies (and, consequently, HRM);

- current educational issues;
- the operating model of certain industry sectors, which are most influential in the country, have also contributed to evolving model people management practices in Brazil.

As for the first aspect, it is important to observe the influence of national culture on the formation of the so called “Brazilian way of management”. Various authors have discussed these cultural characteristics (e.g., Amado and Brasil, 1991; Hickson and Pugh, 1995; Hofstede, 2001; Chu, 2011; Muritiba et al., 2010; Vizeu, 2011).

The “Brazilian way of management” has its roots in the early history of the country, having originated from the Portuguese colonization process which employed rigid hierarchical controls (Caldas, 2006). The influence of the social elements was initially on the formation of Brazilian rural and agricultural society and, since the 1950’s, the urban and industrial sector (and the impact of this process on its organizations) became, very important. The reflexes of this process are present in organizations and in HRM.

In fact, some cultural traits have particularly influenced the HRM development in Brazil. Although the country is heterogeneous, with its numerous states and many exceptions, some functional and organizational characteristics are rather common:

- Conflict avoidance and lack of feedback, influencing performance appraisal systems and managers’ feedback style.
- Lack of strategic and long term planning; immediatist view, directed towards short-term results with an emphasis on crisis solutions. Thus, people development and leadership pipeline, depending on the type of business, may be jeopardized, particularly in the long term. This is a concern in the current context of rapid growth, which the country is actually experiencing (shortage of talent).
- The subordination of professional relationships and technical skills to personal ties and loyalty (Vizeu, 2011). Accordingly, it is often as important

to be part of the correct social group for one's career evolution as it is to have technical competence and ability to achieve results.

- Power distance, centralization of decisions at superior hierarchical levels, with clear incompatibility between responsibility and authority. It impacts management-subordinate relationships and, consequently, team performance management as well as coaching and feedback processes. Regarding wages, this characteristic also translates into a big remuneration difference between the top layer and the base of a company. Besides, HRM policies and plans tend to be defined at the upper echelons, with little participation of the rest of the company.
- Fascination for management technologies introduced by foreign multinationals, especially from the US. It implies adoption of modern HRM tools and trends imported from developed countries, even if not very useful in local contexts.
- Creativity and flexibility: fast creative adaptation capability to cope with crises and new environments. HRM solutions are rapidly adapted to scenario changes (e.g., crises, competitiveness, new laws, etc.).
- The national system of labor laws (CLT) is extremely rigid, impacting on hires, dismissals and tax obligations of companies

The second aspect that deserves being mentioned is educational conditions. It currently figures as one of the major difficulties of the country, negatively affecting the development of Brazilian organizations.

Brazilian educational system requires that students must attend 8 years of primary school, but surveys dealing with 15-year olds reveal that this population attends school for an average of only 7 years. Although the country has attained universalization of access to primary school education (all children are formally enrolled at school), illiteracy is still present in the population of 15 years of age and older.

The years in school are not enough and low attendance is aggravated by numerous and complex differences (e.g.: regional diversities, racial/colour inequality). Also worthy of note is the question of the quality of education. A vicious cycle of poorly paid and unprepared teachers has unfortunately been further hindering the improvement of the population's level of education.

A research carried out with 335 companies by one of the most well-known business magazines in Brazil, the magazine EXAME (1004 Edition, year 45, no.22, published on 16/11/2011), showed that the main difficulty in hiring people today is to find candidates having the required experience and skills. Though in 2011 the economy did not experience the same performance as in 2010 (which was better), companies are still willing to hire and 505 of them have, both in management positions and in operational posts.

However, the Brazilian scenario, according to a global survey conducted by the Manpower group, is not the worst. Japan (80%) and India (67%) occupy, respectively, the first and second position in the ranking with companies that are experiencing difficulties to fill in their headcount requirements, while Brazil (with 57%) holds the third position. In the same survey, results show that companies are seeking to resolve the problem through complementary training sessions (21%), looking for people in other regions (13%) and through changes in recruitment procedures (11%).

In view of this scenario, a number of Brazilian companies have been investing in corporate universities, aiming at a faster professional qualification of their staff.

A third influencing factor refers to some local industry sectors that are ubiquitous in the domestic market. They contribute to modeling a multifaceted HRM in the country:

- Former government-owned companies (privatized state-owned companies): Combining intense investment in technical competence and adoption of practices to support collaborators' needs (ex: Embraer and Vale), some of them are also being strongly supported by the trade unions.

After their privatization, they started paying more attention to strategic HRM practices and to achievement of results.

- Companies originating from large groups of the financial sector: They lay emphasis on reward systems based on results and on incentives to corporate internal competitiveness (ex: Ambev).
- Companies engaged in agribusiness and family businesses: Customized and informal solutions, strongly influenced by national culture; emphasis on results and pragmatism (e.g.: JBS, Votorantim, Fibria/Aracruz). They have gone through important changes, starting with management professionalization and subsequently internationalization, adopting more international and strategic HRM practices. Following such an evolution, an increasing concern has arisen about leadership development and succession.
- Brazilian subsidiaries of foreign multinationals: They offer a mix of systems imported from other countries and practices influenced by local culture. Mainly companies originating from the US, their HRM models were massively adopted by the remaining firms. Actually, the overvaluation of management technologies from developed countries has been constantly observed in national organizations (Caldas and Wood Jr., 1998).

On the other hand, there have been some very frequent patterns. A study by Lacombe and Tonelli (2000) highlighted that domestic capital companies prioritize HRM operational approaches (e.g., labor routines and wages) and strategies focused on short term; HR functions would tend to have an unclear link to the business and/or organizational competences. More strategic approaches – that is, an HRM clearly aligned with company strategies – are typically adopted by originally foreign companies and by some new Brazilian companies. They also observed that there is a trend of companies adopting, more and more, HRM practices seen as a source of competitive advantage. Even so, recent research (Albuquerque and Fischer, 2011) indicated that for 82.3% of Brazilian companies of all types, the biggest current challenge is to align people's performance and competences with the business strategy.

Brazilian multinationals apparently assume a distinct behaviour, as will be seen from the description below:

International HRM within BrMNs.

Recent research - a Brazilian Multinationals Survey USP-FGV- Época Negócios (Fleury and Fleury 2011b) – involved a sample of 64 headquarters and 81 subsidiaries of major BrMNs (see the following company profiles).

Figure 1 – Profiles of 64 major BrMNs.

Sector	Examples	N	%
Natural resource-based industries	Petrobras, Vale	3	4.7
Basic products	Braskem, Oxiten	11	17.2
System assemblers	Embraer, Marcopolo	9	14.1
Component and subsystem suppliers	WEG, Embraco	9	14.1
Consumer goods	AMBEV, Natura	12	18.8
Engineering, construction and infrastructure	Odebrecht	4	6.3
Information technology	CI&T, Bematech	11	17.2
Other specialized and technical services	PromonLogicalis, All-logistica	5	7.8
Total		64	100.0

These companies were asked as to how far they have defined their HRM strategies and policies for their international ventures. It is important to note in this respect that this emphasizes a global alignment of HRM among subsidiaries as well as the possibility of recruiting, retaining, developing and rewarding people globally, in accordance with the company's internationalization strategy. It was also asked whether they were able to adapt and adjust these policies to the reality (cultural, labor work profile, legislation, etc.) of the environment in which the subsidiaries operate.

A cluster analysis showed that 64.0 % of them already have well-defined international HRM (IRHM) strategies and have been able to adapt their HR

strategies and functions to the contexts of their units abroad; 15.6% of them have set their IRHM strategies but have faced challenges in adapting HR functions abroad; finally, 18.7% still do not have clear IRHM strategies and have found it difficult to adapt HR practices to foreign environments.

Figure 2 – Global HRM policies/strategies versus local adaptation.

	Cluster		
	1	2	3
Global HRM strategies	High	High	Low
HRM adaptation abroad	High	Low	Low
N	41	11	12
%	64.0	17.2	18.8

Results showed that these characteristics are not as attributable to the sector (natural resources-based, consumer goods, etc.) or to the business strategy/structure (ex: global strategy) as they are to the lack of international experience and the organizational culture of the BrMNs. Cluster 2 groups mostly companies which are learning to implement HRM abroad. So also Cluster 3, but they also tend to adopt a reactive posture before the business environment, defining practices and policies based on emerging projects and circumstances. Moreover, in many instances, it is observed that the cultural interaction in other countries is an important challenge for Brazilian managers (Tanure et al., 2009).

Another observation of the survey refers to the development of HRM competences in 81 researched subsidiaries. Researchers observed that there is a major trend to transfer these competences from headquarters to the units abroad. This lack of autonomy may lead to difficulties, regarding subsidiaries, adaptation to foreign cultures, laws, and institutions. Competences that have been more developed by the subsidiaries themselves, in the current phase of the units, are more associated with the markets where they operate: product/service development, marketing and sales, and clients and suppliers relationship management (CRM).

Some examples.

The following chart, composed of companies presenting different profiles, illustrates HRM practices adopted by BrMNs. There are a number of sources, including: interviews carried out by the authors of this article, company websites and documents, as well as former studies (Barreto, 2009; Muritiba, 2009; Fleury and Fleury, 2011a).

Figure 3 – Examples of HRM practices of BrMNs.

Company (*)	Cluster	Creation/ 1st plant abroad	Operations	IHRM Practices	Other characteristics
System assembler (formerly state- owned)	1	1969/2004	Asia, EU, Latin America, North America	<ul style="list-style-type: none"> ▪ Policy of attraction and retention of global talents. It hires internationally. ▪ Management of professionals' competence. ▪ High investment in technical and leadership development (long term plan). ▪ Valuation of international experience and global skills. 	HRM concentrated mainly at the headquarters, due to the company profile (integrates global production networks).
Electrical and Electronic equipment company	1	1961/1995	Asia, EU, Latin America, North America	<ul style="list-style-type: none"> ▪ Promotes recruitment and selection in other countries. ▪ Holds an international trainee programme. ▪ Prepares expatriates to perform in other cultures. ▪ IHRM long term planning (movement, development, etc.). ▪ Remuneration policies adapted to the environment and local legislation. 	HRM has high autonomy in subsidiaries, easing local adaptation. Concerned about losing control because of growth. Currently, invests in more HRM global alignment and integration. It has a specific area to follow-up on concerning expatriates.

Construction and Engineering company X	1	1944/1988	Africa, EU, Latin America, Middle East, North America	<ul style="list-style-type: none"> ▪ Selection of expatriates based on technical knowledge and opening to other cultures. ▪ Preparation of expatriates ▪ Recruits foreigners and Brazilians holding international experience. ▪ Remuneration policies adapted to the environment and local legislation. 	High decentralization (units have great autonomy and adapt their HRM practices to markets where they operate), but aligned to the management and strategy model of the company.
Factory for manufacture of basic consumption goods	2	1925/2001	North America	<ul style="list-style-type: none"> ▪ Selection of expatriates: lack of consensus about selection based on global skills versus technical competence. ▪ Have recently invested in the preparation of expatriates and in the development of cross-cultural competence. 	HRM policies centralized at the headquarters. Currently: attempts to decentralize and adapt the subsidiaries. Challenged when dealing with other cultures.
Information Technology Company	2	1990/-(**)	Asia, EU, Latin America, North America	<ul style="list-style-type: none"> ▪ Selection, recruitment and training policies originate from headquarters. ▪ Wages linked to the company's global performance. ▪ Selects professionals abroad, transferring them among the units. 	High centralization of HRM strategies and functions at headquarters. Emphasis on HRM global alignment and integration. Another motive for centralization: lower costs. It is currently initiating the IHRM regionalization.

Engineering and Construction Company Y	3	1996/-(**)	Africa and Latin America	<ul style="list-style-type: none"> ▪ Adoption of manuals and other instruments, and standardization of HRM practices at subsidiaries, in accordance with the headquarters practices. ▪ Avoids hiring local labor force. ▪ Selection of expatriates prioritizes Brazilians, based on technical competence and availability (to reside abroad). ▪ Wage policies adjusted to the environment and local legislation. 	HRM practices and strategies highly centralized at the headquarters, HRM standardization at subsidiaries.
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Note: (*) Company names omitted due to confidentiality agreements. (**) Not informed.

We note that BrMNs have very distinct practices regarding HRM. Companies, such as the “System assembler”, the “Electrical and electronic equipment company”, and “Engineering and Construction company X” operate in various continents and have well developed practices focused on their international businesses. The “factory of basic consumption products” is currently in a learning process and it is seeking to strengthen competencies to deal with other cultures. “Information Technology Company” and “Engineering and Construction Company X” adopt IHRM models that are strongly centralized at the headquarters.

Therefore, while a group of companies have advanced HRM practices - being able to recruit, retain, develop and compensate people globally - others are still learning how to manage HR internationally.

Final comments:

International HRM, as well as local HRM, is presented as being multifaceted; it would be risky to attempt to compose a single profile for Brazilian companies.

However, we note that some BrMNs present IHRM practices that are very sophisticated. In this case, as stated by Muritiba (2010), companies select globally, transfer people [internationally] more easily, promote knowledge exchanges among subsidiaries, hold global development programmes, have reward mechanisms that allow attracting global talents and stimulate the development of global competences.

Our understanding is that some aspects linked to HRM deserve special attention by BrMNs. Figure 2 shows that the number of companies, which have found difficulties in adapting their practices to other countries, is still large (36% of the sample). It is likely that this adaptation capacity becomes increasingly necessary as their operations are consolidated. The dependence on practices and competences only originated at headquarters is not sustainable; it is interesting that the capability to recruit and develop local RHs is being strengthened.

The preparation of Brazilian professionals to deal with other cultures and professionals in other countries is a topic that will be increasingly important - both in the selection and development of professionals with a more global mindset and in terms of cross-cultural competence, as well as in the process of expatriation (Tanure et al., 2009). In many BrMNs, expatriation management is still limited to aspects of compensation and benefits; though fundamental, these are not the only elements that influence the performance of Brazilian professionals and managers abroad.

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