Inflow of Foreign Direct Investment (Fdi) and Management Approaches of Multinationals in Nigeria

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ABSTRACT
The study investigated the implication of foreign direct investment flows in the prevalence of management approaches in thirty multinational organizations in Nigeria. The multivariate regression analysis was employed for the identification of factors in the Nigeria investment environment (other than fiscal performance) that may have strong mediating impact. Results from the analysis showed that the predominant staffing strategy in most multinational organizations with FDI presence skew to polycentric (β = 0.28; p < 0.05) staffing approach more than to ethnocentric (β = 0.03; p < 0.05). This can be explained by the prevalence of host country staffers occupying strategic position in host country’s offices. Manager’s perception of employee effectiveness is largely influenced by the employee level of aptitude and the employee tacit personality traits.

ARTICLE INFO
Article history:  
Received 20 Apr 2022  
Received in revised form  
20 May 2022  
Accepted 25 Jun 2022

Keywords: Foreign Direct Investment (FDI), Management Approaches, Multinational Corporations (MNC).

INTRODUCTION
The dynamism of global business environment is a challenge to local and international businesses in most countries of the World. Multinational enterprises in particular, seeking the advantages of cheap labour, face the challenge of surviving and succeeding in their various subsidiaries even with established business models and approaches. On the other hand, because foreign direct investment
(FDI) infuses the economy of host countries with capital, technology and expertise, different emerging countries face the challenge of attracting foreign direct investment from multinational organisations; especially, given the volatile global economy. In the same vein, the sustainability of Multinational operations may be hugely dependent on the management approach practiced by a multinational organization. The management approach or attitude practiced by a multinational may be ethnocentric, polycentric or geocentric but given the various host country cultural and management practices it is likely that the different management attitudes and approaches may not yield the same operational results (Alugbuo 2002, Verspagen, 2005; Santangelo, 2005; Mytelka and Barclay, 2006; Ernst, 2008).

Multinational companies (MNC) are progressively fragmenting across regions and countries; and are mostly the anchor for most foreign direct investment in any country (Jaruzelski and Dehoff, 2008). To achieve certain goal and objectives Multinational Corporation depends so much on their numerous human capitals for effective supervisory pattern in controlling material resources of the organization. MNC’s basically rely on their internal resource endowments and resource deployments as major source of source of competitive advantage (Scullion, 1991). In other words, whatever strategy that the MNC adopts solely depends on the human resource management (HRM) practices in place. The adoption of international strategy means that the MNC is using existing core competencies to exploit opportunities in foreign markets; adoption of multidomestic strategy means that their, foreign subsidiaries operate as autonomous units, products and services are tailored to suit local needs. The adoption of global strategy entails tight control on global operations to ensure that products and services are of the same quality standard across borders; and adoption of transnational strategy means combines policies regarding staffing, expatriate selection, compensation, industrial relations, training, and diversity management (Hill, 2013; Tiwari 2013).

In the multidomestic strategy the staffing policies usually pursue the polycentric approach in which international management involves hiring and promoting employees who are citizens of the host country. Recruiting people from host country lowers cost of recruitment and training; and at the same time reduce the problems associated with adjustment and communication. The ethnocentric approach involves sending employees from the home or parent countries to the host country. It centres on having international strategic orientation. The geocentric staffing approach is adopted when companies implement a transnational orientation. In such an approach people are recruited based on their skills and experiences irrespective of their nationality (Tiwari 2013). Growth effects of FDI, both at an industry level and at a firm or plant level has been argued to influence country specific and industry-specific determinants and or dynamics of staffing approaches (Müller and Schnitzer, 2006). This study is therefore motivated by the need for an evidence based construct on how foreign direct investment determine human capital engagement in the multinational corporations.

PROBLEM OF THE STUDY

Multinational corporations (MNCs) in Nigeria are principally the receivers of foreign direct investment. Like every other functional enterprise, MNC’s no doubt are faced with numerous and complex challenges, as well as exploitation and exploration opportunities. The strategy and dynamics adopted by these corporations to tackle these challenges in the present global competition can result to differences in performance amongst different Multinational Corporation (Bwalya, 2006). The task of ensuring outstanding performance of the organization implies a multitude of efforts not only to ensure productive technology but to embed a number of technical capabilities through effective human resource engagement (Chowdhury and Mavrotas 2006). Most studies on foreign direct investment in Nigeria have concentrated mostly on aggregate economic impact of capital investment (Dupasquier & Osakwe, 2005; Dutse, 2008); portfolio management and human resource performance (Porter, 2000; Asiedu,
2003; Obadan, 2004); and national growth contribution (Akinlo, 2004; Alfaro, 2006; Dutse, 2008); with varying results and submissions. Much has not been done to analytically substantiate the covariance of foreign direct investment flows and management staffing approaches in these MNC’s. On the strength of the above, the justification of this study becomes glaring since the study will enhance our understanding of the role of foreign direct investment in moderating the engagement of human skills through the different types of management approaches utilized by multinational corporations.

The main aim of this study therefore is to evaluate the relationship between FDI inflow and Management approaches in multinational organizations in Nigeria. The attempt to achieve the set objective will be enhanced through substantiated response to the following research questions which include;

- What specific staffing approaches dominate human resource engagement strategies and practice amongst MNC’s in Nigeria?
- To what extent does a particular management approach or attitude influence the sustainability of foreign direct investment inflows in multinational companies
- What sectors of Nigeria economy has more FDI inflows?

LITERATURE REVIEW

Concept of FDI and Management Style

Foreign direct investment is the category of international investment in which enterprise resident in one country (the direct investor) acquires an interest of at least 10 % in an enterprise resident in another country (the direct investment enterprise)” (UNCTAD, 2010). FDI means that foreign investors either invest into an existing company or establish a new company (i.e. factory, branch) in a host country (Li and Liu. 2004). By implication FDI is a form of physical investment that affects on the current account balance, gross capital formation, employment, productivity, economic growth, and development (Guimon and Filippov 2012). It should be noted that FDI in terms of transferred capital used in the host country is not the same as FDI from foreign portfolio investment (Tiwari 2013). There is a general agreement on a number of factors that determine FDI including: the size of the host economy which acts as an indicator of the local market; the availability of raw materials; per capita income as an indicator of the nature of the local market; and the investment environment, which constitutes the prevailing social, political, economic, financial, legal, administrative and institutional conditions that tend to promote the chances of success (or otherwise) of investment in a country (Achugamonu et al., 2016). The degree of economic openness, the availability and skills of the labour force, the infrastructure including the legislation and policies that organize and motivate the investment process constitute the most important elements that provide a suitable investment environment (OECD. 2002; Li and Liu. 2004).

Foreign direct investment which involves lower variable costs; is a key strategy adopted by firm for serving or entering into foreign markets (Ulrich, Brockbank, Ulrich & Younger, 2013). In this line of contention, FDI can be defined as “the acquisition by a foreign firm of a lasting interest in, or effective management control over, an enterprise in another economy, and is distinct from portfolio flows which consist of equity flows and bond issues pursued by foreign investors” (Addison et al., 2006, cited in Wood, Mazouz & Yin, 2014). FDI can be realized through any of the following business relationships including (but not restricted to) import-export relationships, joint ventures, foreign-owned subsidiaries, mergers and acquisitions (Wright and Snell, 2005). Each of these investment arrangements often embody different human resource management (especially international staffing) strategies and
practices that fit number of employees, legal requirements, socio-cultural challenges and opportunities of the home and host economy environments, industry differences and labour market characteristics (Lepak and Shaw, 2008). They vary foreign investors’ perspectives on essential contributions to local economies and utilization of international strategies and practices (Guest, 2011). Wood et al., (2014) posited that there are identifiable differences in the staffing approaches adopted by foreign investors from developed and emerging economies. They asserted that emerging market economies usually have little interest in securing access to local skills and capabilities but show more interest in securing cheap labour and low wage rates as important human resource factors. Developed economies closely link FDI with progressive international staffing approaches concerned with the promotion of their brand and reputation in order to better connect with highly-skilled employees in tight labour markets; use targeted recruitment, and more complex selection techniques; design fluid rather than static jobs intended to challenge employees and enable future organisational change; localise the majority of its senior management positions and develop their career paths; provide ongoing learning and development programmes (often in conjunction with local vocational and higher education institutions); implement performance management systems, linked to development and career progression; pay above minimum wages and benefits; and provide occupational health and safety programmes (Heyman and Teisceva, 2010). The additional business costs of such initiatives are justified as investments with respect to workforce loyalty and commitment and local human capital development (Nankervis, Baird, Coffey & Shields, 2013). It is thus salient that involvement in FDI requires identification, articulation and clarification of the firm’s own expectations, assumptions, perceptions and interpretations in relation to these factors (Butler and McEvoy, 2012). Recognizing the need for flexibility, openness, and readiness to make adjustments in their expectations, perceptions, assumptions and interpretations is very salient (Friedmann, Holtbrugge and Pucik, 2008). Investing firms may decide to use their existing staffing approaches of the foreign partner; follow their own local practices, or a combination of both based on differences in social or cultural or environmental contexts of business in the societies where the FDI operates (Wood, et al., 2014).

The resultant performance of any global business depend to a large extent on the staffing approach ((Collings and Scullion 2006; Hippler 2009; Meyskens et al. 2009) and quality of the recruited senior management (Schuler 2000; Bonache-Pérez and Pla-Barber 2005; Colakoglu et al. 2009).

Firms’ international staffing is characterized by a) an ethnocentric orientation, b) a polycentric orientation, c) a regiocentric orientation, and d) a geocentric orientation (EPRG). As companies grow and become more and more international, their staffing policies change as well (APEC, 2015). In many instance most firms begin with the adoption of the ethnocentric approach in the early phase of multinational development. Then change to a polycentric policy and subsequently change to or adopt a region-centric or geocentric policy based on the rate of internationalization or development in the foreign market (Rialp, Rialp and Knight 2005; Keupp and Gassmann 2009; Schwens and Kabst 2008). It has been indicated that the value orientation and leading philosophy of the management board of the investing firm largely influence the type of staffing approach (Khalil and Noy, 2007). In the 1) ethnocentric orientation, major decisions are made at headquarters and foreign subsidiaries are allowed little autonomy. The key positions in the home country as well as abroad are assigned by managers from the headquarters. In the 2) polycentric orientation, the headquarters consider foreign subsidiaries as independent national entities and autonomy is granted to a great extent. The foreign subsidiaries are usually managed by host country nationals (HCNs). A transfer of parent country nationals (PCNs) to foreign subsidiaries is not intended. In the 3) regiocentric orientation, foreign assignments are organized by regions. In each region subsidiaries are interconnected and regulated by a regional centre. The regional centre acts autonomously and instructs foreign subsidiaries in the region. In respect of staffing,
a pool of managers is used across country boarders yet only in the marked off regions. These employees can be HCNs as well as employees who are neither from the home nor the host country - so called third country nationals (TCNs). In the 4) geocentric orientation, the headquarters and foreign subsidiaries are highly integrated world-wide and interdependent to a high degree. Not the geographical position but the respective competence determines the type of cooperation between the entities. In reference to international staffing, the most qualified employees for key positions are chosen without consideration of their origin (Hil, 2013).

The above described the EPRG concept which is dynamic in its nature and allows for changes over time (Keupp and Gassmann 2009).

It is important to note that within the contextual needs of developing countries any model chosen must strike a balance between maximizing its huge labour potential and providing opportunities for technology transfer (Oghojafor, et al, 2012). A critical look at the models, polycentric and geocentric models or approaches to staff selection appears to have greater potential for the transfer of both knowledge; skill improvement and increased chances of technology transfer (Obwona, 2004; Onodugo 2013)

**METHODOLOGY**

Data on FDI inflows in 30 Multinational Corporations operating in Nigeria as well as their prevalent staffing approaches; was garnered over a sixteen months period using cross sectional survey design. The target scope includes managing directors and senior managers of the selected multinational corporations. The number of questionnaires produced and distributed was 10,000 (833 in each of the 30 MNC’s). However a total of 8,752 questionnaires were duly collated for subsequent analysis indicating a response rate of 87.52%. The multiple regression models whose general equation is given as: \[ \chi = \alpha_2 + \Delta\beta_{2j} + \varepsilon_{12} \] was used in testing for the first hypothesis; given below

**H_{01}:** No specific staffing approach dominates human resource engagement strategies and practice in MNC’s in Nigeria

**H_{AI}:** Specific staffing approach significantly dominates human resource engagement strategies and practice in MNC’s in Nigeria

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<th>Table 1; Intercept Measures of Variability of Dependent Variables</th>
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R-Squared: 0.564631
Adjusted R-Squared: 0.503167
S E of Regression: 10.645742
Sum of Squares Resid: 11761.49
Log likelihood: -1216.205
f-statistic: 55.3932
Pro (F-statistic): 0.0000
The above table show marginal changes in some attributes of the indicators that measure the various types of staffing approaches (area in orange). The result showed $R^2 = 0.56$ and Adjusted $R$-square $= 0.50$. $R^2$ indicate that 56% of the variance in management practices in multinational organizations can be predicted by (or are as a result of) foreign direct investment inflow. In other words it shows the power of foreign direct investment in predicting variance in staffing approach and perception of managers regarding employee output. Adjust $R^2$ on the other hand statistically indicates the presence (50%) of other variable unpredicted in the model and which do not have explanatory power or significance. The statistical implication of the intercepts is that it shows the relative measure of variance in the dependent variable (staffing approaches) predicted by the independent variable (FDI). Result from the analysis of this study proved that the predominant staffing strategy in most multinational organizations with FDI presence skew to polycentric ($\beta = 0.28; p < 0.05$) staffing approach more than to ethnocentric ($\beta = 0.03; p < 0.05$). This can be explained by the prevalence of homeland staffers occupying strategy position in host country’s offices. Graphical representation of the staffing approaches is shown below in figure 1.0;

![Pie Chart of Staff Composition of MNC’s in Nigeria](image)

*Source: Eviews 12.0 Fig 1.0, Pie Chart of Staff Composition of MNC’s in Nigeria*

The distribution showed that most MNC’s Nigeria employed more Nigerians than people from the parent country. Analysis of the filling of strategic positions with nationals under the categories parent country nationals (PCN); host country national (HCN) or third country national (TCN) based on assignments for management development; control and coordination of dispersed entities showed the following result as represented in the bar chart (figure 2.0) below

Result as represented in fig.2.0 revealed that despite having more Nigerians in their employment MNC’s in the Agriculture, Construction/Engineering; Oil &Gas, ICT/Telecom, Air & Sea Transportation and Power sectors filled the strategic management positions with parent country nationals. These finding tend to disagree with the concept that consumer-oriented industries like consumer-goods and services seem to decentralize controlled in order to adapt to local markets. There
are more parent country nationals in most of the service providing corporations i.e. ICT/Telecom, power, Air and Sea transportation etc. It further reveals tacit strategy of knowledge protection influenced by the home country; against the argument of Dowling and Welch, 2004, that polycentric staffing approach does not restrict transfer of knowledge. Another startling revelation is the high employee turnover in these MNC’s.

This agree with the Perlmutter, 1969; Müller and Schnitzer, 2006 who independently posited that polycentric staffing patterns restrict individuals’ upward mobility that is, it limits scope of career paths which implies high risk of turnover both at the subsidiary and the HQ level. They pointed out that this threat is critical among high-performing managerial employees who will most likely be able to pursue their international career aspirations in other firms (Pudelko and Tenzer 2013).

**Hypothesis II:** In responding to the second research question we formulate the hypothesis given below;

**H02:** There is no sector of Nigeria economy that has significant FDI inflows

**H_A2:** There are sectors of Nigeria economy that has significant FDI inflows
Figure 3.0 represent the result of the descriptive statistics for this hypothesis II. From the pie chart, we found that FDI inflows are more in businesses operating in the Oil & Gas sector (14%); followed by ICT/Telecom sector. Health and Agriculture (12%) each is followed by Construction/Engineering (11%), Hospitality/Tourism (10%) in that order. Power (4%) receives the least of FDI inflows.

**DISCUSSION OF FINDINGS**

The predominant staffing approach in most multinational corporations in Nigeria is the polycentric approach. This is evident in the sense that more number of people from Nigeria is gainfully employed by these MNC’s. The polycentric staffing approach has immensely fostered increased MNC’s responsiveness to and involvement of the respective local unit (Williams and van Triest 2009). Participants acknowledged that the freedom to adopt locally appropriate human resource management strategies; allows all-inclusive evaluation and use of local employees’ contextual knowledge and skills both in managing local unit and in carrying out some strategic assignments in respect to other MNC units (Novicevic and Harvey, 2001 Pudelko and Tenzer 2013). Another striking revelation from this study is the growing trend of non-Nigerians occupying more strategic positions in these MNC’s. This trend is being supported by a growing culture-bound attitude, especially turnover cognitions, prevalent among the local workforce. Dossi and Patelli (2010) and Schaaper et al. (2011) have independently stressed that incongruence in reconciling individual career plan with organizational career plans limits Individual employee’s career commitment to the company and as such deprive long-term membership (Jaussaud and Schaaper 2006). Among the local employees fingers had been pointed at the aspects of differences in national cultures (Hofstede, 1993) of the host and home countries that are have found their way into the performance measurement systems. According to Dossi and Patelli (2010) national cultures characterized by low power distance, uncertainty avoidance and a highly individualistic culture
suggests the use of performance measurement system that are more interactive and include more non-financial indicators, such as customer-oriented measures. This finding, however, does not align with findings of this study. In Nigeria, despite a national culture characterized by low power distance and individualistic culture; there is low integration of non-financial figures in performance measurement system (Borkowski 1999; Williams and van Triest 2009). Many employees though believe that adaptation of control measures shift so much local characteristics (Kraus and Lind, 2010) but those convolutions in the existing staffing approach limit culturally contingent and effective retention strategies (Dossi and Patelli 2008).

This study agree the positions of extant literatures; that factors such as characteristics of the home and host country, subsidiary features, an MNC’s competitive strategy, stage of internationalization and type of industry (Harzing, 2001; Tarique et al., 2006); as well as organization’s dominant logic, characterized by top management’s beliefs, attitudes and mindsets, substantially shapes corporate strategy (Prahalad and Bettis, 1986); monumentally shape staffing practices of MNC’s. The present study has found in agreement with previous studies (Gregersen and Black 1992; Cools and Slagmulder 2009; Plesner Rossing 2013) employees’ levels of commitments both to home and host firms depict that these allegiances are subject to different antecedents. Polycentric staffing approach embodies distinct sets of values and goals serving as different sources of membership and identification for the employees (Williams and van Triest 2009).

SUMMARY AND CONCLUSION

Multinational corporations in Nigeria with considerable FDI inflow largely implement polycentric staffing approach in their human resource management practices. They lay strong emphasis on process coherence discipline and routinize employee work content by job description. The predominant staffing approach is the polycentric approach (wherein more host country people – in this case Nigerians – are employed). The growing trend of non-Nigerians occupying more strategic positions in these MNC’s is being supported by an increase in culture-bound attitude, especially turnover cognitions, prevalent among the local workforce. An attitude considered to deprive long-term membership as well as stifled culturally contingent and effective retention strategies.

RECOMMENDATION

There is every reason to adopt findings of this study as benchmark for improving managers’ ability in deriving actionable strategy aimed at better management of employee relations in the organization. From the policy perspectives it has supported the evidence of polycentric staffing procedure; however the saliency of management perception about key roles; employee work engagement and relationships suggest latent bias with homeland cultural inclination in the staffing policy. In this perspective, this work provides a need to continually ensure that the “equal opportunity” mantra across the vertical structural lattice and having no implied discrete cushioning. Policy in this direction will go a long way in curbing uncertainty and geopolitical risk that are prevalent in achieving especially HRM resource-seeking; efficiency-seeking and market-seeking objectives.

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