ABSTRACT

Strategic international human resource management practices must fit the particular cultural idiosyncrasies encountered in the local subsidiary. In the underdeveloped Central America nations education and development opportunities are scarce, therefore; by offering comprehensive training, employers fulfill the implied social contract associated with the type of benevolent paternalism that employees expect.

KEYWORDS: Training, Job Satisfaction, Central America

INTRODUCTION

In recent decades trade liberalization initiatives have increased the level of global competition and manufacturing firms responded by expanding their supply chains globally. Many low skilled assembly operations, such as those found in the apparel industry, shifted to low-wage nations. As the supply chains expanded across national borders not only did organizational complexity increase because of increased geographic distance, but also due to cultural distance between the headquarters' home country and the host countries of the manufacturing facilities. This required many firms to integrate an “I” for the international aspects of their human resource management (HRM→IHRM) or strategic human resource management (SHRM→SIHRM) practices (Schuler, 1992; Schuler, Dowling, & De Cieri, 1993; Wright & McMahan, 1992).

The culturalist view (Beechler & Yang, 1994) suggests that a similarity between national or societal-level cultures—as measured by popular categorizations of cultural dimensions or values (e.g., Hofstede, 1980; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Maznevski, Distefano, Gomez, Noorderhaven, & Wu, 1997; Sagiv & Schwartz, 2000; Trompenaars & Hampden-Turner, 1998) —facilitates the transfer of home-country management practices (e.g., Beechler & Yang, 1994; Kogut & Singh, 1988; Newman & Nollen, 1996; Snape, Thompson, Yan, & Redman, 1998) and results in desirable outcomes (England, 1983; Ferris & Wagner, 1985; Lincoln, Olson, & Hanada, 1978). However, empirical research has not always supported
this assumption, particularly in the context of the Latin American *maquila* industry. The words *maquila* or *maquiladora* derive from the Spanish verb *maquilar* and are associated with cross-border assembly factories; it originated in Mexico. (see discussion in Paik & Teagarden, 1995; Parra, Fernandez, & Osmond, 1996; Sargent & Matthews, 1998). When investigating Mexican *maquilas*; Paik and Teagarden (1995) found "the highest levels of satisfaction with organization climate, performance appraisal and reward systems were observed in a US-managed maquila as compared to Japanese and Korean counterparts" (p. 579) and they attributed this to differences in international human resource design (IHRM). While investigating workplace values apparel and textile maquilas the Sula Valley metropolitan area in Honduras, Morrison, Chavarria, and Dole (2012) found significantly higher levels of organizational commitment (OC) in production line employees working in North American (US and Canadian) owned factories compared to those working in Chinese and South Korean owned factories. In the Honduras study, the level of OC in North American owned factories was slightly higher, but similar to that found in Honduran owned factories.

These findings are interesting because Chinese, Honduran, Mexican, and South Korean cultures are similar based on Hofstede’s (1980) cultural dimensions (see Figure 1.) and quite different from the US and Canadian cultures. Therefore, these results conflict with previous research suggesting that similarity in national culture facilitates the alignment of home country HR management practices with the societal norms and institutions of the host country (Beechler & Yang, 1994; Kogut & Singh, 1988; Newman & Nollen, 1996; Snape et al., 1998) to produce positive outcomes. One potential explanation for these findings is differences in HRM practices.

One aspect of culture that has not been strongly addressed in previous research is the benevolent paternalism that characterizes traditional HRM practices in Mexico and Central America (Diaz-Saenz & Witherspoon, 2000; Martinez, 2003; Osland & Osland, 2005; Paik & Teagarden, 1995). Although there are also paternalistic traditions in Chinese and South Korean cultures (Aycan, 2006; Kim, 1994; Kong, 2009; Lee & Song, 1994; Song & Meek, 1998), there is evidence that the practice of paternalistic leadership may differ from the practices in Latin America. Paik and Teagarden (1995) discuss the “expectations of paternalism” (p. 570) in Mexico and point to comprehensive approaches to human resource development (HRD) like on-site education, birth control, and AIDS awareness training as contributing to performance improvement and reducing turnover.

This study provides a theoretical framework for understanding how firms in this context enhance OC by looking beyond the broad concepts of cultural dimensions to develop strategic human resource management practices that fit the particular cultural idiosyncrasies encountered in the local subsidiary. Specifically, the deeply held expectations of benevolent paternalism in this context lead to an implied social contract wherein employees expect the employer to contribute significantly to their personal development. That development expectation extends beyond job task specific training; therefore, employees value comprehensive human resource development opportunities. The offering of comprehensive training by the employer contributes to the fulfillment of the implied social contract, which provides a perception of organizational support that in turn enhances OC and reduces turnover.

This study contributes to the literature in three ways. First, little research exist in the area of management and HRM in poorer and least developed nations of the world and HRM research in the context of Central America is virtually nonexistent (Osland & Osland, 2005). To the best of my knowledge, no research exists on HRM in the specific context of the maquila industry in Honduras. Second, this study provides theoretical insight into how a firm’s implementation of comprehensive human resource development (HRD) better aligns HRM practice with employee
expectations of benevolent paternalism, which results in enhanced organizational commitment and related outcomes. Finally, while this study provides practitioners with MNCs operations in Central America with insight on how to improve organizational commitment, it also informs international business practitioners about the need to understand culture at the local level and develop HRM strategies align with the expectations of employees in each specific subsidiary.

**Literature Review**

**The Research Context**

The maquila industry provides a unique context for research. The maquila industry began as a cross-border assembly plant arrangement between Mexico and the US with the 1966 Border Industrialization Program (Parra et al., 1996). The 1983 Caribbean Basin Initiative extended the maquila concept to Central America and certain Caribbean island nations (Pastor, 1982; Riding, 1982).

**Conceptualizations of National Culture**

Geert Hofstede (1980) provided a useful lens for understanding differences in national cultures and firmly established the importance of culture in international business research. Although criticism certainly exists (Dorfman & Howell, 1988; McSweeney, 2002; Oyserman, Coon, & Kemmelmeier, 2002; Robert & Bayacigiller, 1984), with over 54,000 citations, Hofstede’s influence on the fields of international business and management is undeniable (Tung & Verbeke, 2010). Despite the criticism of Hofstede’s study, “the four cultural dimensions seem to make sense and have been validated in subsequent work” (Thomas, 2002). Nonetheless, culture manifests itself in many forms (Cohen, 2009) and Hofstede’s broad conceptualizations of cultural dimensions—Power Distance (PDI), Individualism-Collectivism (IDV), Masculinity-Femininity (MAS), Uncertainty Avoidance (UAI) —leave many things unexplained. For example, there is evidence that constructs of individualism and collectivism is not fully understood and there are different forms of collectivism (e.g., Fiske, 2002; Oyserman et al., 2002; Schwartz, 1990; Triandis, 1995). Collectivism incorporates the concept of close cohesive *in-group* (Triandis, 1995). However, in Latin America individuals orientate the in-group toward family and close friends (Gomez & Sanchez, 2005; Paik & Teagarden, 1995) while in Japan’s collectivist culture the work group takes precedence (Lawrence & Yeh, 1994) and HRM systems in China, Japan and South Korea emphasize workplace socialization (Rowley, Benson, & Warner, 2004). The construct of power distance provides another example. Strong hierarchical structures exist in high power-distance cultures and both Asian and Latin American cultures score high in terms of power-distance. However, in the more family oriented Latin American culture employees often skip intermediate supervisors and go directly to the *patrón* (boss) (Davila & Elvira, 2005) whereas evidence indicates that Asian cultures based in Confucian Values such as China, Korea, Japan, and Taiwan tend to value the relational hierarchy. Paik and Teagarden (1995) content that cultural dimensions are broad approximations that “are not sufficiently refined to predict cultural proximity as operationalized in management practices” (p. 573); this reflects the emic (cultural-specific) view (Triandis, 1994) that MNCs need to tailor management practices to the specific local culture (Braun & Warner, 2002).

Figure 1. Comparison of Cultural Dimensions
Organizational Commitment

Employee turnover is a major concern in the manufacturing industries because it increases training costs and output decreases because new employees take weeks to become as productive as those who left (e.g., Arthur, 1994; Campion, 1989; Staw, 1980). Although the relationships between OC and workplace measures such as job satisfaction, motivation, performance, and organizational effectiveness are complex, dynamic, and far from being completely understood (Bono & Patton, 2001; Koys, 2001; Ostroff, 1992), empirical research links these constructs to desirable outcomes such as reductions in absenteeism and turnover (e.g., Cotton & Tuttle, 1986; Eisenberger, Stinglhamber, Vandenberghhe, Sucharski, & Rhoades, 2002; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Therefore, firms can enhance performance by managing in ways that increase commitment (McElroy, 2001).

Conceptually, commitment is an attitude that reflects feelings that include attachment, identification, or loyalty that binds an individual to a course of action or target (Cohen, 2003). Affective commitment, "a strong belief in and acceptance of the organization's goals and values" (Porter, Steers, Mowday, & Boulian, 1974), is the most researched dimension (Fischer & Mansell, 2009). Most studies, 52.4% have used the OCQ instrument developed by Mowday, Steers, and Porter (1979) followed by the three dimension ACS instrument developed by Meyer and Allen (1991) at 30.4%. Based on a meta-analysis including studies that covered 54 countries across nine geographic regions, Meyer et al. (2012) suggest "the fact that the mean scores on the three components of commitment fluctuate around the midpoint across countries provides some evidence for their relevance across countries" (p. 242).

The Relationship between HRM and Commitment

Research has demonstrated the positive link between HRM systems and employee commitment and organizational outcomes (Meyer & Allen, 1997; Mowday, 1998). However, the effect of HRM on OC is neither direct nor unconditional (Meyer & Smith, 2000). In addition, the international context increases the complexity by adding additional factors and there are no clear indications of how a MNC adapts intangibles assets such as HR practice to the local context (Sparrow, Schuler, & Jackson, 1994). Therefore, given the large number of factors in any particular context the study of IHRM is both challenging and important (Bartlett & Ghoshal, 1989; Dowling, 1999; Oddou & Derr, 1999). Nevertheless, a meta-analysis by (Stanley et al., 2007) indicates that the negative correlation between OC and turnover intentions is consistent across nations and empirical research indicates that HRM practices can increase OC (Gaertner & Nollen, 1989; Meyer & Allen, 1997; Ogilvie, 1986).
There is also a positive link between OC and the level of social capital (Clark, 2003). Gomez and Sanchez (2005) suggest that in Latin American social capital is an “informal mechanism that allows MNCs to coordinate and integrate activities, which becomes critical when MNCs are trying to be both locally responsive and cost efficient through globalization” (p. 58). They further advise that in Latin America the form of individual treatment in any HRM practice is very important in the process of building social capital.

There is little agreement about the definition of Human Resource Management (HRM) (Boxall, 1996; Brewster & Mayrhofer, 2012; Goss, 1994; Guest, 1990, 1997; Storey, 1993, 1995, 2007); however, early textbooks (e.g., Fombrun, Tichy, & Devanna, 1984) differentiated it from the mostly administrative tasks associated with personnel management. Generally, Strategic International HRM (SIHRM) can be defined as “human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises” (Schuler et al., 1993). Employees are perceptive of HRM practices (Ogilvie, 1986) and value career-oriented practices that include internal promotion, training and development; and employment security (Gaertner & Nollen, 1989).

MNCs encounter the strategic challenge of responding to a variety of national demands while trying to maintain a coherent strategy (Doz & Prahalad, 1986). An ongoing debate exists regarding standardization (convergence) in International HRM (IHRM) practices versus localization of practices to the host context (see discussion in Pudelko & Harzing, 2007; Rosenzweig & Nohria, 1994; Sparrow et al., 1994). While some authors have suggested that best practices exist in IHRM (e.g., Von Glinow, Drost, & Teagarden, 2002) others argue that HRM practices must adapt to the local context (e.g., Bae & Lawler, 2000; Harry & Collings, 2012; Marchington & Grugulis, 2000; Newman & Nollen, 1996). Support for integrative or hybrid approaches also exist (Osland & Osland, 2005; Taylor, Beechler, & Napier, 1996). Adler and Ghadar (1990) suggest that in the context of MNCs, it is not an issue of finding the best international HRM policy, it is an issue of fit between the firms external environment, its overall strategy, and its HRM policy and implementation. Bartlett and Ghoshal (1989) argue that truly transnational organizations maintain a dynamic balance. Given the vast differences in cultures, norms, and institutional requirements that exist in different nations, a MNC would find it difficult to find truly universal policies that fit every situation; therefore, there must be some degree of adaptation to each local context. However, “localization occurs at a slow pace and there are practical, cultural, and strategic factors that impede rapid localization” (Gamble, 2000). As is true with many initiatives, it is relatively easy to formulate localization policies; however, effective localization is not driven from above, it requires an understanding of the host country conditions and the buy-in of both local and expatriate managers (Fryxell, Butler, & Choi, 2004).

Information gathered from the Honduran Manufacturers Association (Asociación Hondureña de Maquiladores), and the Honduras-Korea Center for Technical Development (Centro de Capacitación Técnica Honduras Corea) indicates the US, Canadian, and Honduran owned maquilas offer or support employee participation in a broader range of HRD activities. Examples include completion of educational requirements to obtain a diploma for the six year Basic Cycle (Ciclo Basico) of education or high school. A very good example of comprehensive HRD offerings is a US firm that works a four-day-on/four-day-off shift provides cosmetologist training to employees so that they can enhance their income by styling hair or doing manicures on their days off.

*HRM in Latin America*
Although Latin America is a significant emerging economy, when compared to the emerging economies in Asia and Eastern Europe relatively little management research exists (Nicholls-Nixon, Davila Castilla, Sanchez Garcia, & Rivera Pesquera, 2011). The tensions between the SHRM approach demanded by global competition and the local approach to HRM that are deeply rooted in Latin American cultural values have received little attention (Davila & Elvira, 2009). In addition, in the area of HRM the existing studies have focused mostly on Mexico or take a multi-country Latin America approach (Von Glinow et al., 2002) and often view all Latin American countries as a relatively homogeneous (see discussion in Davila & Elvira, 2012; Elvira & Davila, 2005; Nicholls-Nixon et al., 2011).

MNCs operating in Latin America struggle to adapt to the local environment because significant differences exist that affect HR practices in different Latin American countries; these include employee benefits and protections institutionalized in local laws; however, despite some country-to-country difference there are similarities; for example, collectivism (Gomez & Sanchez, 2005). However, Latin America collectivism is orientated toward the close cohesive in-group (Triandis, 1995) being family and close friends (Davila & Elvira, 2005, 2009; Davila & Elvira, 2012; Gomez & Sanchez, 2005; Martinez, 2003, 2005; Paik & Teagarden, 1995) as opposed to the work group in some other collectivist cultures such as Japan (Lawrence & Yeh, 1994). Citing the expectations of paternalism and the importance of family as some of the challenges faced by management in the Mexican maquila industry, Paik and Teagarden (1995) found that Mexicans did not care what firm they worked for as long as they work for a manager that cared for them. They also related the higher levels of stress reported by Mexican workers in Korean maquilas to the high levels of work ethic, as in live to work versus work to live, required by those firms. This aligns with Diaz-Saenz and Witherspoon (2000) discussion of how Mexicans view a job as a “means to a single important end: providing a good standard of living for one’s family” (p. 159).

Gomez and Sanchez (2005) suggest that in Latin America the role of SHRM is to build social capital as suggested by Snell (1999) and defined by (Nahapet & Ghoshal, 1998). (Snell, 1999) suggests that the underlying elements of social capital are network ties, interpersonal trust, and shared knowledge. Gomez and Sanchez (2005) argue informal control is even more critical in Latin American countries where formal controls are often ineffective. They also suggest that although HR practices are strongly affected by national dynamics, institutional factors, culture, and local norms” (p. 58), the practices do not have to mirror those local forces perfectly. This provides sufficient flexibility to formulate a hybrid approach that is both culturally sensitive yet still aligned with corporate strategy.

As previously mentioned, research has linked social capital to OC (Clark, 2003). Given the close in-group link to family and close friends, to build social capital in Latin America the HR practices must effectively funnel those family oriented collectivist values toward the organization. Accomplishing this requires that the organization focus on the interpersonal aspect and include the employee’s in-group among the beneficiaries (Gomez & Sanchez, 2005). HR departments in Latin American often extend their development activities beyond employees’ specific job task to include basic formal education and technical training (Davila & Elvira, 2005; De Forest, 1994) and Paik and Teagarden (1995) found that in-house education and training that included things such as birth control and AIDS awareness enhanced organizational outcomes and reduced turnover. (Gomez & Sanchez, 2005) also discuss the importance of taking a more comprehensive approach to human resources development, “training and development programs can build social capital if they show a genuine, long-term interest/investment orientation in the employee as an individual just as bona fide members of the in-group would” (p. 69) and managers from Mexico and Latin America overwhelmingly
believe in training as a reward in addition to the skill building benefits (Drost, Frayne, Lowe, & Geringer, 2002).

**Honduras and Central America**

There has been little insight into management practices in Central America and it arguably differs from the rest of Latin America in many respects (Osland & Osland, 2005). For example, contemporary Honduras, similar to the other Central American nations, is poly-ethnic. Over 100 years of liberal policies toward foreign investment and immigration created a society made up of indigenous peoples, Europeans (from both Europe and the US), Africans (called Garifunas), Arab-Palestinians (sometimes incorrectly called Turcos as in being Turkish), and mixed race combinations referred to as mestizos (see discussion in Craft, 1998; Euraque, 1995; González, 1992; Leonard, 2011; Osoi, 2005; Valentine, 1916). Unlike most Spanish speaking Latin American countries, English is spoken as a primary language by many Anglo-European and African descendants that inhabit the Bay Islands and portions of the Atlantic Coast and for decades many children of fruit company local managers attended company schools where English was the language of instruction. Central America also has a long, and somewhat controversial, history with US MNCs (see discussion in Acker, 1988; Chapman, 2007; Laínez & Meza, 1974; Leonard, 2011; Osoi, 2005; Valentine, 1916) that dates back before 1896 when O’Henry coined the term banana republic while writing *Cabbages and Kings* (1904) during his lengthy stay in Honduras to avoid his US legal problems. The fruit companies have been a dominating influence in Honduras and the rest of Central America and MNCs play a major role in Latin America’s economy. Data from the Economic Commission for Latin America and the Caribbean (CEPAL for its abbreviation in Spanish) indicates that MNCs account for about 50% of registered sales and 40% of exports. Approximately 50% of the Honduran economy links directly to the US (GlobalEdge, n.d.).

**Benevolent Paternalism as SHRM in Latin America**

Research interest in paternalistic leadership has increased in recent years (Aycan, 2006) and researchers have noted that paternalism is prevalent in Latin American culture and that it traces its origins back to the agrarian culture and the old hacienda (plantation) leadership style (Diaz-Saenz & Witherspoon, 2000; Martinez, 2003, 2005). Analyzing HRM practices in Latin America, (Martinez, 2005) classifies paternalism as a leadership style that perpetuates in contemporary Latin American organizations. Examining the practice in a Mexican textile mill, Boyer (2000) suggest that workers embrace the practice because it is derived from the traditional, gender based family roles embedded in Catholicism which equate the patron (boss) as being the caretakers of their workers in a quasi-family manner. As the root word paternal suggests, the concept is much like a parent caring for a child. Reflecting on the hacienda literature from sociology, political science, philosophy, and history, Martinez (2003) describes the practice where plantation owners addressed labor issues by providing housing and food for the worker’s entire family, in addition to wages, in exchange for commitment. The benefits often included things like housing and food; however, benefits such as basic education and medical care were common. When hacienda owners built textile mills to expand operations vertically these practices extended into industry (Boyer, 2000).

Like Mexico, Central America was, and largely still is, an agrarian society. New York native Minor Keith went to Costa Rica to build a railroad in the late 1800s. In an interesting series of events, he ended up receiving large plots of land from the Costa Rican government to complete the railroad after the government could not meet its obligations. Keith planted bananas
on these lands, created a steamship company, and used the railroad to start what would eventually become the United Fruit Company (see discussion in Acker, 1988; Chapman, 2007). He entered into similar agreements in Colombia, Guatemala, Honduras, and Panama. As he developed these plantations in undeveloped areas along the railroads, he built the housing and infrastructure needed to support the workforce on company lands and the paternalistic leadership style became engrained in *Banana Land* (Ganz, 1950) culture. A paternalistic leader acts as a caring and protective head of the industrial household (Kerfoot & Knights, 1993) by providing benefits or protection to a person independently of his wishes (Kultgen, 1992).

Martinez (2005) points out that while some of the scholarly literature labels this exchange as paternalism, which Americans may view negatively, Mexicans merely view the exchange as “describing the relationship between the *patrón* (boss) and his employees” (p. 75). Providing an insightful review of the literature, Aycan (2006) states that, “paternalism is a salient and powerful construct that has many faces” (p.462). He argues that “few constructs in the management literature are as intriguing, complex, and controversial…. [it can be]….construed at individual (e.g., paternalistic leadership), organizational (e.g., paternalistic organizational culture and practices), and socio-cultural levels (e.g., paternalism as a cultural dimension)” (p. 445). As Martinez (2005) explains, some Western scholars view paternalism in a negative light and the practice does have its critics. For example, Warren (1999) labels the practice a condescending relationship of master and servant, be it authoritarian or sophisticated paternalism, which holds that only one set of interest should be recognized and the employee must acknowledge that. He describes sophisticated paternalism as consisting of a combination of monetary and non-monetary benefits provided to the employees to circumvent employee driven initiatives such as unionization and collective bargaining.

Pellegrini, Scandura, and Jayaraman (2010) suggest that paternalistic leadership may generalize across cultures. However, they found very different effects in India compared to the US. In India, paternalistic leadership had significant positive effects on both job satisfaction and OC. There was only a positive significant effect on OC in the US and the effect was about half of that seen in India.

Martinez (2005) categorizes the patron-employee relationship as an exchange. Leader-member exchange (LMX) (e.g., Dansereau, Graen, & Haga, 1975; Graen & Uhl-Bien, 1995) and paternalistic leadership are somewhat similar in that they both incorporate the concepts of social exchange (Blau, 1964) and the norm of reciprocity (Gouldner, 1960). The reasoning is that receiving positive beneficial actions creates a sense of indebtedness that the individual can only reduce through reciprocation in a positive beneficial way (Blau, 1964; Eisenberger, Huntington, Hutchison, & Sowa, 1986; Gouldner, 1960; Greenberg & Westcott, 1983). It is noteworthy that these concepts also lie at the core of organizational support theory (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001) discussed in an upcoming section. (Bass, 1985) proposed that LMX might manifest itself in Latin American by way of a paternalistic relationship between leader and subordinate. However, while “LMX clearly incorporates an operationalization of a relationship-based approach to leadership” (Graen & Uhl-Bien, 1995), Pellegrini et al. (2010) argue that “LMX is focused on employee’s career development, whereas paternalism is focused on the employee’s overall welfare both in work and off-the-job domains” (p. 397).

Paternalism can benefit employers through increased loyalty, commitment, and team cohesion, especially when operating in developing nations (Aycan, 2006), in exchange, the employee receives a perceive sense of security that someone is looking out for them (e.g., Boyer, 2000; Martinez, 2003, 2005). In Latin America “there is a strong concern for a good quality of life for employees” (Briscoe, Schuler, & Tarique, 2012). As in any other culture work plays an important role but the mindset is soundly *work to live* versus *live to work* as a job is
seen only as a means of providing a good standard of living for one’s family (Diaz-Saenz & Witherspoon, 2000). In general, workers in Latin America expect management to be cognizant of subordinate needs and those needs extend to their families (Diaz-Saenz & Witherspoon, 2000; Greer & Stephens, 1996; Osland, De Franco, & Osland, 1999). This creates an implicit social contract—shared beliefs regarding duties and obligations, between employers and their employees—that reflects the involvement of firms in their workers’ lives and highlights the fact that employers must provide for both social and economic needs (Diaz-Saenz & Witherspoon, 2000; Elvira & Davila, 2005; Martinez, 2003, 2005). Martinez (2005) suggests that paternalistic practices have adapted to modern competitive pressures; today HRM practices address the paternalistic exchange of benefits, perquisites, reciprocity, and obligations in a somewhat more bureaucratic manner. In the paternalistic leadership style that exists in the modern Latin American economy, HRM functions as an advocate of the employee and its practices center around the employee (Davila & Elvira, 2005, 2009; Martinez, 2003, 2005).

Cheng, Chou, Wu, Huang, and Farh (2004) proposes that there are three types of paternalistic leadership: benevolent leadership, moral leadership, and authoritarian leadership. “Authoritarianism refers to a leader’s behavior that asserts absolute authority and control over subordinates and demands unquestionable obedience from subordinates. Benevolence means that the leader’s behavior demonstrates individualized, holistic concern for subordinates’ personal or familial well-being. Moral leadership can be broadly depicted as a leader’s behavior that demonstrates superior personal virtues, self-discipline, and unselfishness” (p. 91). The extant literature on paternalistic leadership in Latin America strongly suggests that it is benevolent in nature and exhibits a somewhat informal organizational hierarchy. For instance, while the power distance dimension is strong in almost every Latin American country; however, within the family-like environment in the Latin American paternal leadership context subordinates workers may feel free to skip their immediate supervisor and speak directly to the general manager about their work or personal problems (Davila & Elvira, 2005). Boyer’s (2000) suggestion of alignment with Catholic teachings also provides some evidence of moral leadership underpinnings, at least in the historical context.

In contrast to the less formal paternalistic hierarchy in Latin America, there are indications that Korean (e.g., Kim, 1994; Lee & Song, 1994; Song & Meek, 1998) and Chinese (e.g., Cheng et al., 2004; Farh, Cheng, Chou, & Chu, 2006; Kong, 2009) paternalistic leadership practices take a more authoritarian approach to elicit compliance and instill a sense of obligation. Cheng et al. (2004) point out that in contrast to Western benevolent leadership traditions, in Chinese culture “the shi-en behaviours of benevolent leadership are enacted in a situation ...[where]...The leader constantly reminds the subordinates who is really in charge in his/her benevolent behaviors” (p. 93). Studies suggest that this traces back to the cultural tradition of Confucianism and Legalism where the father has authority over his children and the whole family and possesses absolute power and legitimacy (e.g., Cheng et al., 2004; Farh et al., 2006). Studying non-Chinese subordinates in 31 overseas branches of a Chinese MNC, Chen and Kao (2009) found that the moral and authoritarian styles of the Chinese paternalistic leadership contributed negatively to psychological health in the workplace as measured by the General Health Questionnaire (Goldberg & Hillier, 1979); the results were different in previous studies using only Chinese subordinates. However, these studies did not include any subsidiaries in Latin America.

The explicit demonstration by the employer of concern for the employee’s well-being is an important component of the implied social contract associated with benevolent paternalism. This exchange strongly resembles the exchange processes incorporated into organizational support theory (Eisenberger et al., 1986).
Perceived Organizational Support

Researcher have proposed perceived organizational support (POS) as an antecedent to OC and numerous studies have found a positive relationship between POS and OC (Bishop, 2005; Eisenberger & Fasolo, 1990; Marique, Stinglhamber, Desmette, Caesens, & De Zanet, 2013; Rhoades & Eisenberger, 2002; Shore & Wayne, 1993). Empirical evidence also supports the view that social exchange processes (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) lie at the core of organizational support theory (Eisenberger et al., 2001). It is noteworthy that these are also associated with paternalism and OC. Organizational support theory holds that employees tend to assign humanlike characteristics to an organization and that employees are more likely to become committed to an organization if they perceive that the organization values their contributions and cares about their well-being (Eisenberger & Fasolo, 1990; Eisenberger et al., 1986). An increase in the employee’s POS creates an obligation to care about the organization’s welfare and contribute to helping the organization meet its goals. Although conceptually related, POS and OC are theoretically and empirically distinct constructs (Bishop, 2005). Where OC reflects employees’ attitude toward the organization, POS reflects employees’ perceptions about the organizations attitude toward them (Shore & Tetrick, 1991).

Fulfilling the Implied Social Contract with Comprehensive Training

When it comes to human capital development and education there are substantial differences between the developed and developing nations (e.g., Chimombo, 2005; Ferner & Quintanilla, 1998; Morgan, 1986) and “in Latin America the training and development function is less developed than in other regions” (Briscoe et al., 2012). Although Honduran law states that there are six years of mandatory school attendance, there is virtually no enforcement and outside the metropolitan areas, the average person attends school only two to three years (Murphy-Graham, 2012). Later in life, many of those migrate to the metropolitan areas in search of work. This is a common situation in the least developed nations and it creates significant challenges for employers that must implement world-class manufacturing systems to compete (see discussion in Kaplinsky, 1995; Kaplinsky & Posthuma, 1994; Sargent & Matthews, 1998). Employers must address these constraints by developing the human resources.

Training, formal or informal, is a discretionary organizational investment that employees receive and they can view it as a reward and a form of the organization expressing care about the employee’s development (Wayne, Shore, & Liden, 1997). Butler and Teagarden (1993) argue that “the education strategy can result in short-term increased costs, but longer term the benefits of training can contribute to overall effectiveness through development of a more highly skilled workforce” (p.494). In Latin America, managers overwhelmingly indicate that training is a valued reward (Drost et al., 2002) and research indicates that Mexican maquila workers wanted training even if it meant forgoing pay increases (Teagarden, Butler, & von Glinow, 1992). As previously mentioned, evidence suggest that the North American and Honduran owned maquilas offer education and development opportunities that go considerably beyond those required for the performance of work-related tasks, even to the extent that they provide training that enable workers to earn outside income on their days off. This study defines that human resource practice as providing employees with comprehensive training opportunities.

Drawing from Adler and Ghadar (1990) and Milliman, Von Glinow, and Nathan (1991), Paik and Teagarden (1995) discuss the role of training as one factor that differentiates between control IHRM design, human relations IHRD, and human resources IHRM design. Specifically,
they state that the control design pays little attention to motivating or developing the worker while the human relations design “uses limited training (at best) that focuses on task-specific requirements” (p. 571). However, the human resource design “provides an extensive array of culturally and contextually appropriate benefits; training and development programmes that reduce overall cost and improve quality, and that target developmental and general education needs of workers” (p. 571).

While the expansion of the maquila industry in Honduras by no means eliminated poverty, the impact on poverty reduction was significant and the industry provided improved opportunities for women (Dollar & Kraay, 2002; Hoyos, Bussolo, & Nunez, 2008; Jarmillo & al., 2005; Potoker & Borgman, 2007; Ravallion, 2001). Given that average wages in the maquila industry are significantly higher than those outside the maquila industry, one can argue that the common Honduran line worker generally views training opportunities as a means to enhance their skill set in a way that differentiates them from the millions of other Hondurans that did not complete high school. In a nation where education and training opportunities are limited, a comprehensive skill set enhances job security, and improves the standard of living for them and most importantly their family.

Employees may view comprehensive training, training which goes beyond skills that are job task specific, as more beneficial to their overall personal development (Harel & Tzafrir, 1999; Kalleberg & Moody, 1994; McEnvoy, 1997). Paul and Anantharaman (2004) found that comprehensive training had a positive effect on OC when comparing software firms in India where paternalism is also part of the cultural norm.

**PROPOSITIONS**

In an underdeveloped nation with limited training and development opportunities, employees may interpret HRM practices that incorporate comprehensive training as a demonstration of management’s concern for the individual’s wellbeing and as a component toward fulfillment of the implied social contract associated with the benevolent form of paternalism that Martinez (2003, 2005) suggest is the practice in Latin America.

**P1:** Hondurans view comprehensive training as fulfillment of the implied social contract

If the employee feels that the organization has fulfilled their obligations to demonstrate concern and caring for the employee’s well-being by providing comprehensive development opportunities, then the employee interpret this as an expression of organizational support.

**P2:** Perceived fulfillment of the implied social contract positively enhances the perception of organizational support

Then the norm of reciprocity (Gouldner, 1960) suggest that if the employee perceives organizational support then the employee will feel an obligation to care about the organization’s welfare and contribute to helping the organization meet its goals.

**P3:** Perceived Organizational Support positively enhances organizational commitment

Finally, a meta-analysis of the empirical research (Stanley et al., 2007) indicates a consistent negative correlation between organizational commitment and turnover intentions across nations.
DISCUSSION

This study posits that benevolent paternalism is a deeply embedded trait of Honduran culture. In an impoverished country where over one-third of the workforce is unemployed or underemployed (GlobalEdge, n.d.) and high quality educational opportunities are beyond the reach of the vast majority of the workforce, Hondurans can perceive the comprehensive training provided by employers as an indication of fulfillment of the implicit social contract. Therefore, a SHRM approach that embraces benevolent paternalism and provides development opportunities that extend beyond those required for job specific tasks results in an increase in the perception of organizational support and that enhances OC, leading to improved organizational outcomes. The finding that factories of MNCs from the individualistic and low power-distance cultures of Canada and the US demonstrate higher levels of OC than those operated by MNCs from the collectivist and high power-distance cultures of China and South Korea provide evidence that HRM practices are not necessarily constrained by the headquarters national culture. It is important to understand the not only are there variations in culture both across and within nations, but also, there are considerable differences even within the broad definitions of culture such as individualism-collectivism, power-distance, and even paternalism. To be effective, SHRM policies, and even more importantly the actual practices, must take the particular idiosyncrasies of each subsidiary into account. The desired outcome is a set of human resource practices that support the MNCs strategic goals but do so in a manner that local employees perceive as well aligned with their deeply embedded expectations.

Limitations and Suggestions for Future Research

While the current study examined how HR practices contribute to OC and turnover intentions, it focused solely on the HR practices of comprehensive training. Specifically, this study addressed how Honduran employees can perceive comprehensive training as contributing to the fulfillment of the implied social contract associated with paternalistic leadership. However, it is likely that other HR practices may align with the local culture and contribute to positive outcomes. Another issue that may differentiate Canadian and US factories from Chinese and South Korean factories is the use of local management.
REFERENCES


