

Chapter 8

International human resource management

Definition of HRM

- Human resource management includes the firm's work systems and its employment practices. It embraces both individual and collective aspects of people management. It is not restricted to any one style or ideology. It engages the energies of both line and specialist managers (where the latter exists) and typically entails a range of messages for a variety of workforce groups'. (Boxhall, P. and Purcell, J. 2008).

Human Resource Management (HRM)

HRM responsibilities include:

- Recruitment and selection
- Training and development
- Human resource planning
- Assessing performance of employees
- Payment and reward systems
- Initiatives to align employee developments to corporate strategies.

A model for investigating human resource strategies

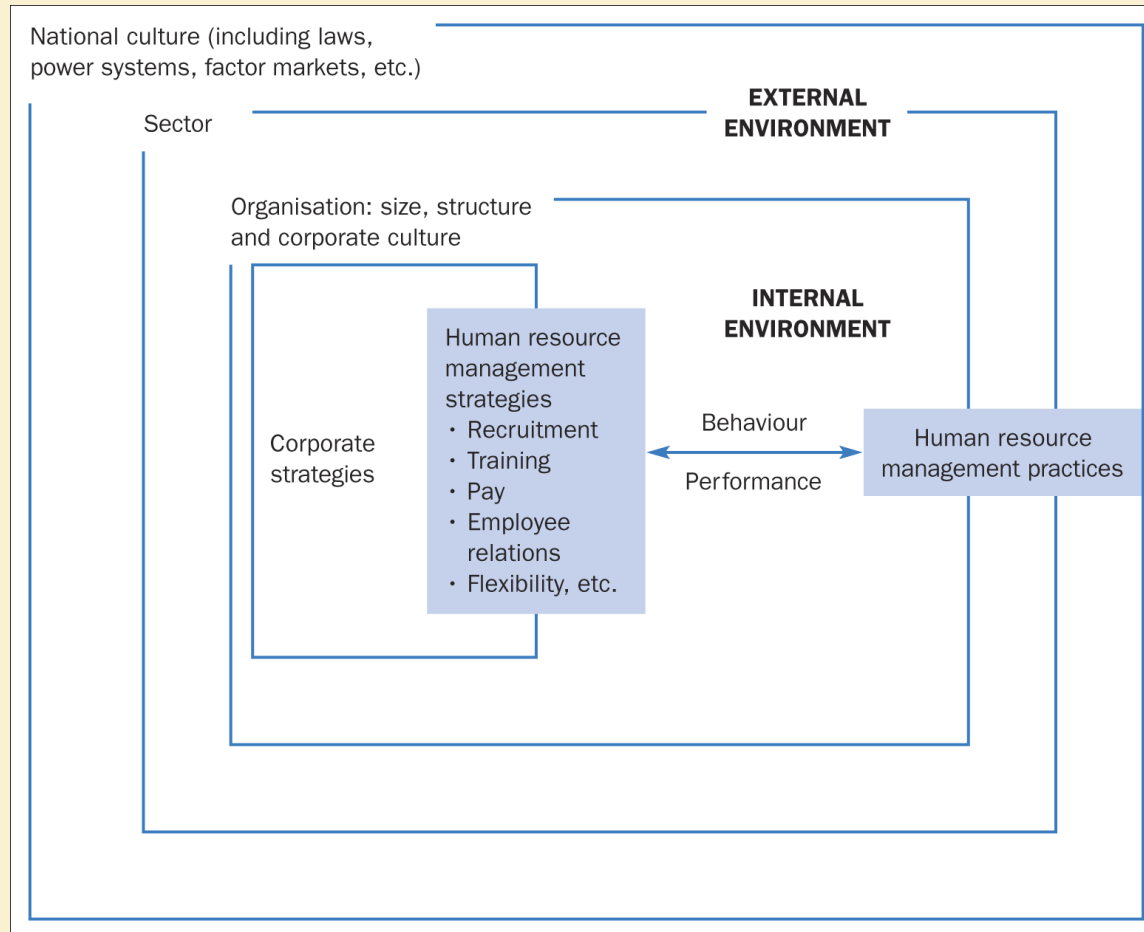


Figure 8.1 A model for investigating human resource strategies

Source: Adapted from Brewster and Hegewisch (1994)

Model of strategic change and human resource management

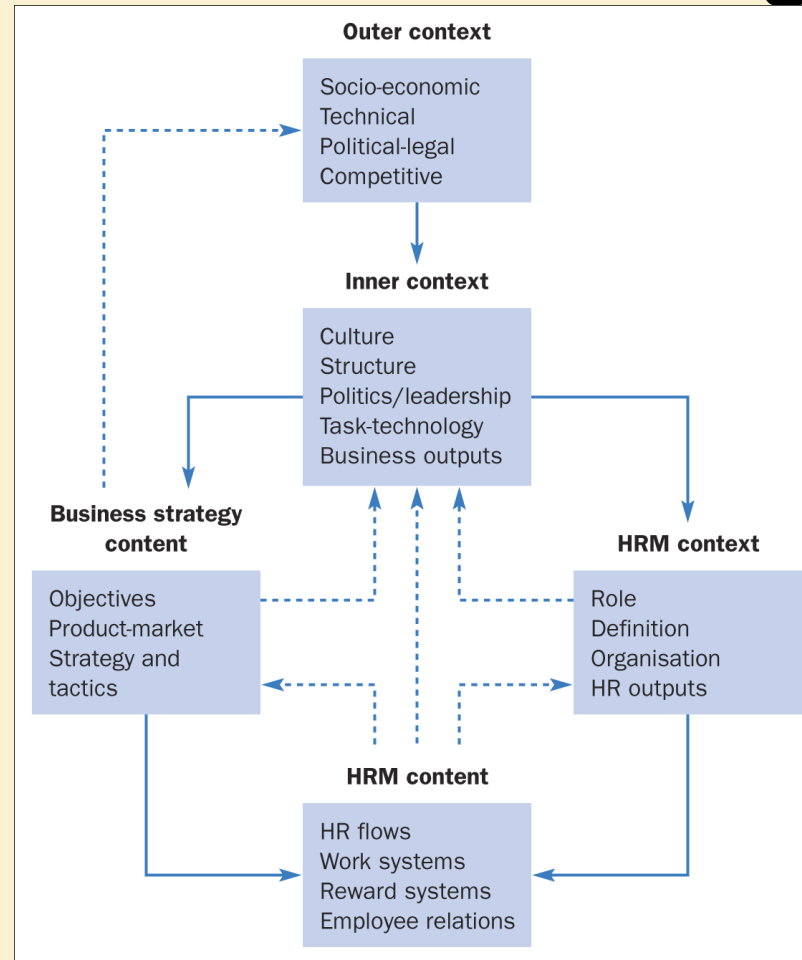


Figure 8.2 Model of strategic change and human resource management

Source: Human Resource Management: An Agenda for the 1990s, *International Journal of Human Resource Management*, vol. 1, no. 1 (Hendry, J. and Pettigrew, A. 1990), reprinted by permission of the publisher (Taylor & Francis Group, <http://www.informaworld.com>)

International human resource management (IHRM) (1)

- Boxall, P. (1992) defined International Human Resource Management (IHRM) as ‘concerned with the human resource problems of multinational firms in foreign subsidiaries (such as expatriate management) or more broadly, with the unfolding HRM issues that are associated with the various stages of the internationalisation process. (Boxhall, P. 1992).

International human resource management (IHRM) (2)

- Mark Mendenhall (2000) sought to be more specific by outlining a number of criteria relevant to a definition of IHRM.
- IHRM is concerned with HRM issues that cross national boundaries or are conducted in locations other than the home country headquarters.
- IHRM is concerned with the relationships between the HRM activities of organisations and the foreign environments in which the organisations operate.
- IHRM includes *comparative* HRM studies; e.g. differences in how companies in Japan, Thailand, Austria and Switzerland plan for upgrading of employee skills and so on.

What IHRM is not!

- IHRM does *not* include studies that are focused on issues outside the traditional activities inherent in the HRM function.
- E.g. leadership style is *not* IHRM, unless specifically linked to an HRM function; developing a selection programme to measure and select global leaders would arguably lie within the domain of *organisational behaviour*.
- IHRM does *not* include studies of HRM activities in single countries.
- E.g. a study of personnel selection practices in Saudi Arabia, whether undertaken by an English, German or Canadian researcher, is still a study about domestic HRM in Saudi Arabia. Though such studies may have interest to those who work in international HRM issues, they are essentially examples of domestic HRM research.

IHRM and organisational structure (1)

- The type of international organisational structure adopted by the MNE will provide the context for many of the IHRM issues faced by the company.
- The five readily identified 'types' of organisational structure include:
 - International division structure
 - International geographic/regional structure
 - International product structure
 - International functional structure
 - Matrix or mixed structure.

IHRM and organisational structure (2)

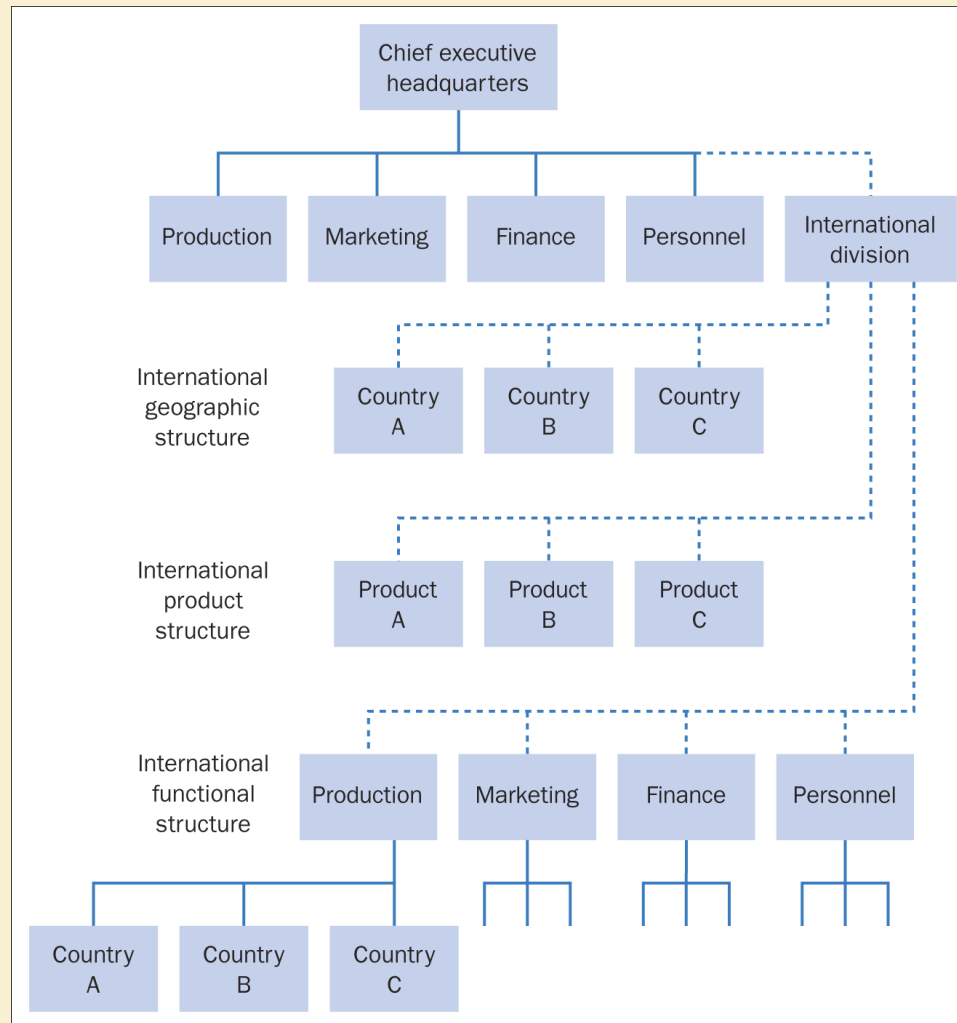


Figure 8.3 International organisational structures

IHRM approaches

- **Ethnocentric:** key positions filled by nationals of parent company
- **Polycentric:** host country nationals recruited to manage subsidiary in their own country
- **Geocentric:** best people recruited, whatever their nationality
- **Regiocentric:** best people recruited within region in which the subsidiary operates (e.g. EU, USA).

IHRM solutions

- Choice of IHRM approach depends upon:
 - Degree and type of internationalisation
 - Type of industry and markets served
 - Characteristics of staff
 - Cultural preferences.

Advantages and disadvantages of a 'decentralised' approach to IHRM

Advantages	Disadvantages
Groups within the subsidiary can gain in status	Tendency to become 'exclusive'
Groups within the subsidiary become more cohesive, fostering group identity	Loss of central control, higher administrative costs as HRM function is sent 'down the line'
IHRM takes place within a culture appropriate to the local workforce and customers	Loss of organisational control and organisational identity

Work and Islamic culture

- Latifi (1997) identified the following work-related values of Islamic culture:
 - Equality before God
 - Individual responsibility within a framework of cooperation with others
 - A view that people in positions of power should treat subordinates kindly, as if their subordinates are brothers or sisters
 - Fatalism, but also a recognition of personal choice
 - Encouragement of consultation at all levels of decision-making, from family to the wider community.

IHRM and training and development (1)

- Training and development increases in complexity as MNEs move abroad.
- Types of training and development depends on a number of factors:
 - The degree to which management is centralised.
 - The types of workers employed in subsidiaries or joint ventures.
 - The importance of branding, and the extent to which employees are expected to reflect the brand.
 - The cultural expectations of training.

IHRM and training and development (2)

- In a global company, the training may well be centralised so that suppliers, employees and distributors are aware of the brand image that needs to be communicated.
- E.g. in Ford training programmes are set up centrally, and then translated and delivered to all main suppliers, subsidiaries and distributors.
- If, however, a more polycentric approach is taken, then the training may well be far more local, and more in line with the local culture.

Cross-cultural awareness

- Support provided for employees moving to overseas subsidiaries:
 - Environmental briefings
 - Cultural orientation
 - Cultural assimilation
 - Language training
 - Sensitivity training
 - Field experience.

IHRM and reward strategies (1)

- To design an appropriate reward strategy for employees taking up an international position, may require a number of factors to be considered, including:
 - A knowledge of the laws, customs, environment, and employment practices of the foreign countries.
 - Familiarity with currency relationships and the effect of inflation on compensation.
 - An understanding of the allowances appropriate to particular countries, etc.
- For example, awareness of employment related legislation in the country of operation is vital to an appropriate international reward structure. India has as many as 45 labour laws at national level and close to four times that at the level of state governments (Kaushik 2006).

IHRM and reward strategies (2)

- The main method of drawing up a compensation package is known as the 'balance sheet' approach.
- This approach is, according to Reynolds (1986): 'a system designed to equalise the purchasing power of employees at comparable position levels living overseas and in the home country, and to provide incentives to offset qualitative differences between assignment locations'.

IHRM and ‘Balance Sheet’ reward strategy

- In order to achieve ‘balance’ in reward structure, the organisation must take into account:
 - Income taxes incurred in both home and host country
 - Housing allowances (which might range from financial assistance to employees to providing company housing)
 - Cost-of-living allowances (to adjust differences between home and abroad)
 - Contributions to savings, pension schemes, etc. while abroad
 - Relocation allowances (including the moving, shipping and storage of personal and household items and temporary living expenses)
 - Education allowances for expatriate’s children (e.g. language tuition and enrollment fees in the host country or boarding school fees in the home country)
 - Medical, emergency and security cover.

Appraisal

- Identifies individual's strengths and weaknesses
- Reveals organisational obstacles blocking progress
- Provides feedback to improve human resource planning
- Improves communication.

Cultural variations: performance appraisals (1)

Dimension general	USA low context	Saudi Arabia high context	Japan high context
Objective of performance appraisal	Fairness, employee development	Placement	Direction of company/employee development
Who does appraisal?	Supervisor	Manager several levels up. Appraiser has to know employee well	Mentor and supervisor. Appraiser has to know employee well
Authority of appraiser	Presumed in supervisory role or position. Supervisor takes slight lead	Reputation important (prestige is determined by nationality, sex, family, tribe, title, education). Authority of appraiser important	Respect accorded by employee to supervisor or appraiser. Done co-equally
How often?	Once a year	Once a year	Developmental or periodically once a month. Evaluation appraisal after first 12 years

Cultural variations: performance appraisals (2)

Dimension general	USA low context	Saudi Arabia high context	Japan high context
Assumptions	Objective appraiser is fair	Subjective appraiser more important than objective. Connections are more important	Objective and subjective. Japanese can be trained in anything
Manner of communication and feedback	Criticism direct. Criticism may be in writing. Objective, authentic	Criticism subtle. Older more likely to be direct. Criticism not given	Criticism subtle. Criticism given verbally. Observe formalities in writing
Rebuttals	American will rebut appraisal	Saudi Arabian will rebut appraisal	Japanese would rarely rebut appraisal
Praise	Given individually	Given individually	Given to entire group
Motivators	Money and position. Career development	Loyalty to supervisor	Internal excellence