

# UNIT – I

## Introduction to International HRM



# International, Multinational, Global & Transnational Organizations

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- **International company** – transports its business outside home country; each of its operations is a replication of the company's domestic experience; structured geographically; and involves subsidiary general managers
  - Companies offering multiple products often find it challenging to remain organized e.g. need to have a common information systems for accounting, financial and management controls, and marketing. Most evolve to become multinational companies



# International, Multinational, Global & Transnational Organizations

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- Multinational company – grows and defines its business on a worldwide basis, but continues to allocate its resources among national or regional areas to maximize the total.



# International, Multinational, Global & Transnational Organizations

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- Global organizations – treat the entire world as though it were one large country; may be the entire company or one or more of its product lines; may operate with a mixture of two or more organizational structure simultaneously.



# International, Multinational, Global & Transnational Organizations

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- Transnational organization - Use specialized facilities to permit local responsiveness; more complex coordination mechanism to provide global integration



# Global Efficiency and Local Responsiveness of Firms

Global efficiency	High		
		Global	Transnational
		International	Multinational
	Low	Local responsiveness	
			High



# International HRM

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- International human resource management is concerned with the human resource problems of multi-national firms in foreign subsidiaries with the unfolding of HR issues that are associated with the various stages of the internationalization process
  - Boxall 1995



# International HRM

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- Complexity –
  - Operation of the multinational enterprise units across diverse national contexts
  - The employment of workers with different national characteristics





# Objectives of IHRM

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- To reduce the risk of international human resource
- To avoid cultural risks
- To avoid regional disparities
- To manage diversifies human capital



# Features of IHRM:-

- [1] IHRM involves employment of right people at right job at right time, irrespective of geographic locations.
- [2] It requires the dvlpt of long-term HR plan to make sure of effective alignment of HR strategies with corporate objectives.
- [



- 3] It requires the dvlpmt of a diversified range of skills for employees, especially for those who need to work beyond national boundaries.
- [4] It necessitates the determination of compensation for parent, host & third country nationals on the basis of country specific factors.
- [5] It creates the centralized reporting rel'ships around the world for faster information system.



# Issues of IHRM:-

- The variety international models that exists.
- The extent to which HR policies & practices should vary in different countries [Issues of Convergence (union) & Divergence (departure)]
- Managing people in different countries & environments.
- The approaches used to select, deploy, dvlp & reward expatriate who could be nationals of parent country or third country.
- Repatriation & its process
- Varieties of Gvnt policies + active politics in Host & Third countries.



# Differences between Domestic HRM and IHRM

- More HR activities: taxation, culture orientation, administrative services
- The need for a broader perspective: cater to multiple needs
- More involvement in employees' personal lives: adjustment, spouses, children
- Changes in emphasis as the workforce mix of expatriates and locals varies: fairness
- Risk exposure: expatriate failure, terrorism
- Broader external influences: government regulations, ways of conduct



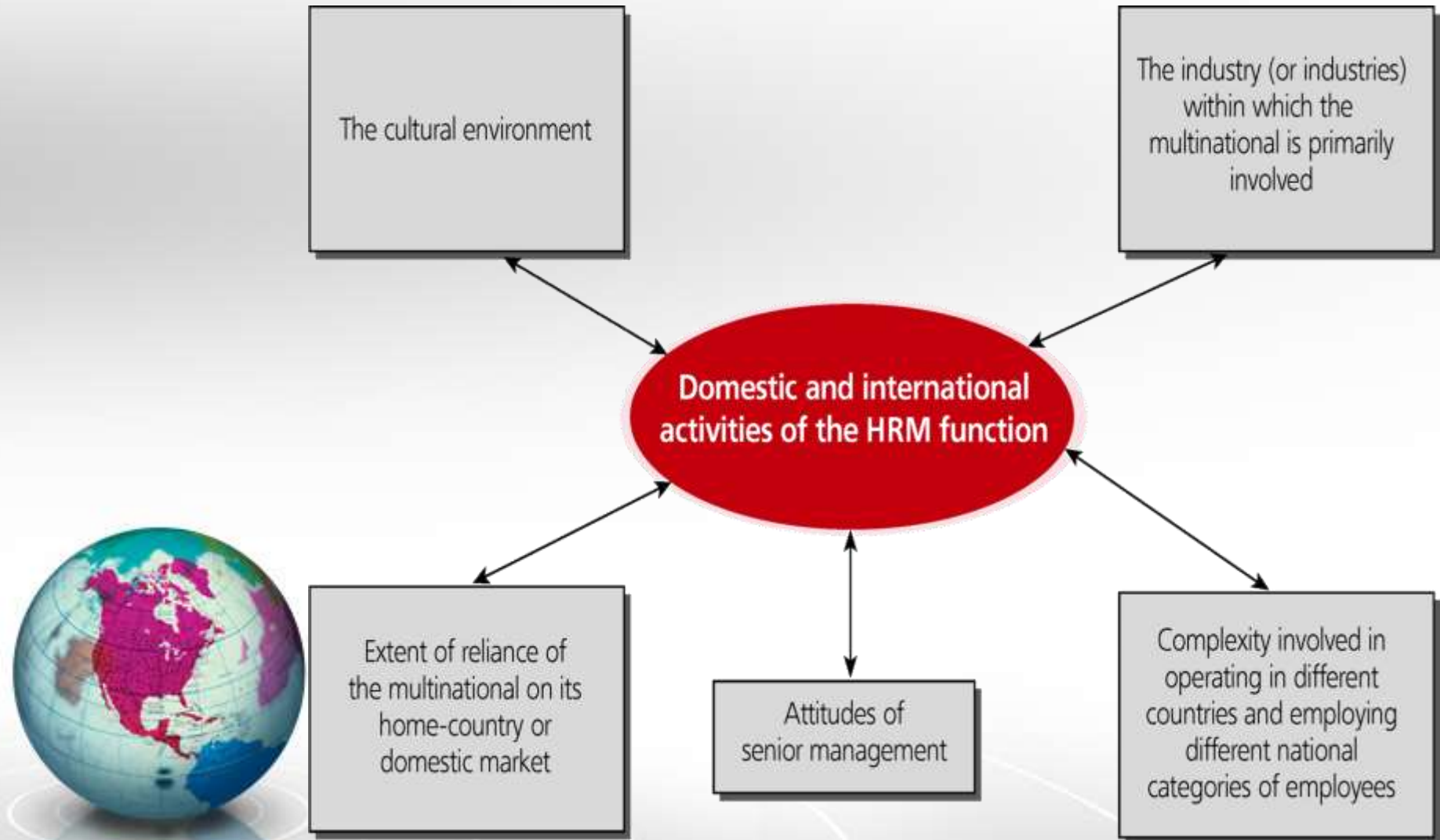
# Differences between Domestic HRM and IHRM

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- Complexity involved in operating in different countries, varied nationalities of employees
- The different Cultural Environment
- The industry or industries with which the MNC is involved
- Attitudes of Senior Management
- Extent of reliance of MNC on home country domestic market



# Variables that Moderate Differences between Domestic HR and IHRM





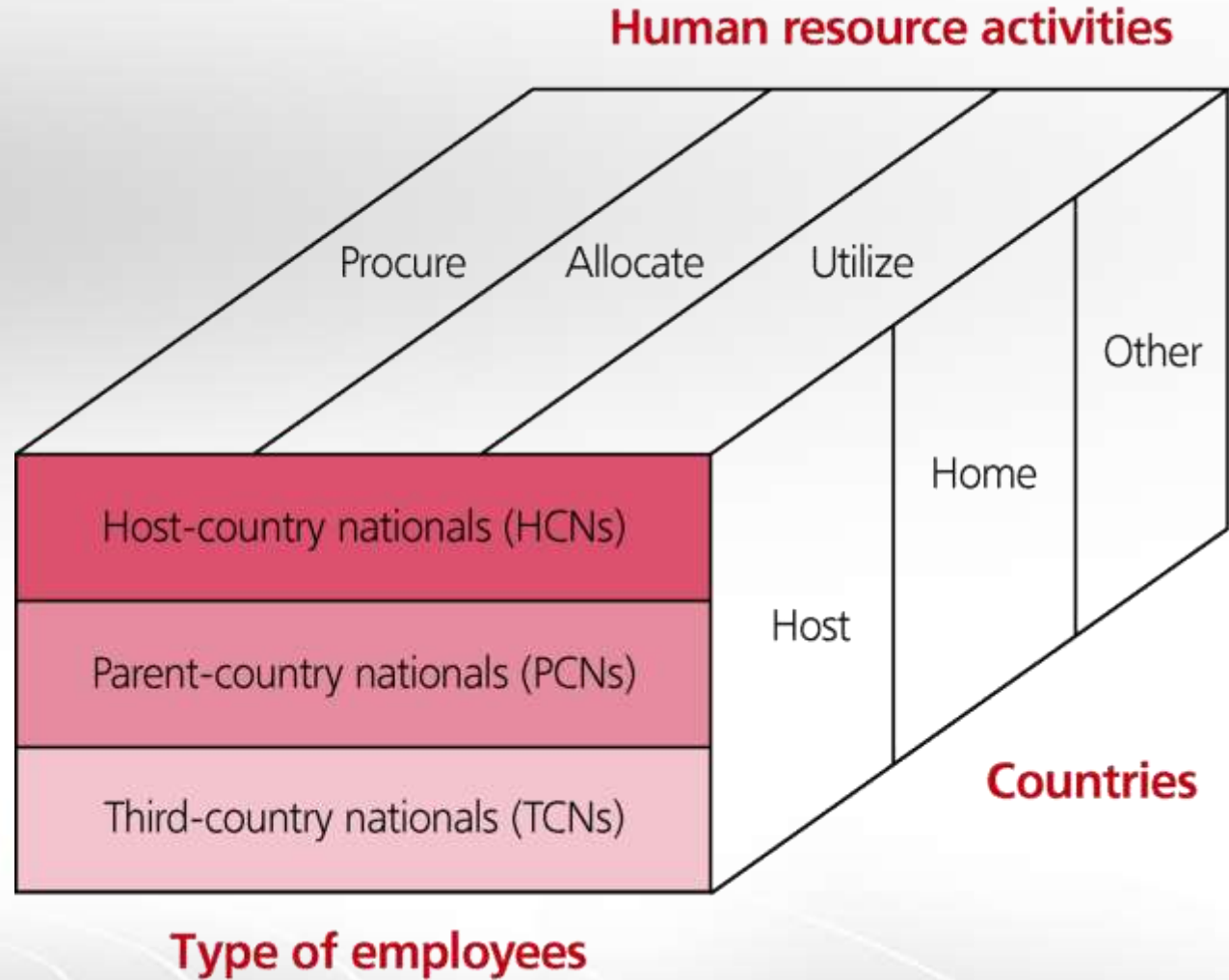
# Major Differences Between Domestic HRM and IHRM

- Business activities e.g. taxation, international relocation, expatriate remuneration, performance appraisals, cross-cultural training and repatriation
- Increased complexities e.g. currency fluctuations, foreign HR policies and practices, different labor laws
- Increased involvement in employee's personal life e.g. personal taxation, voter registration, housing, children's education, health, recreation and spouse employment
- Complex employee mix – cultural, political, religious, ethical, educational and legal background
- Increased risks e.g. emergency exits for serious illness, personal security, kidnapping and terrorism

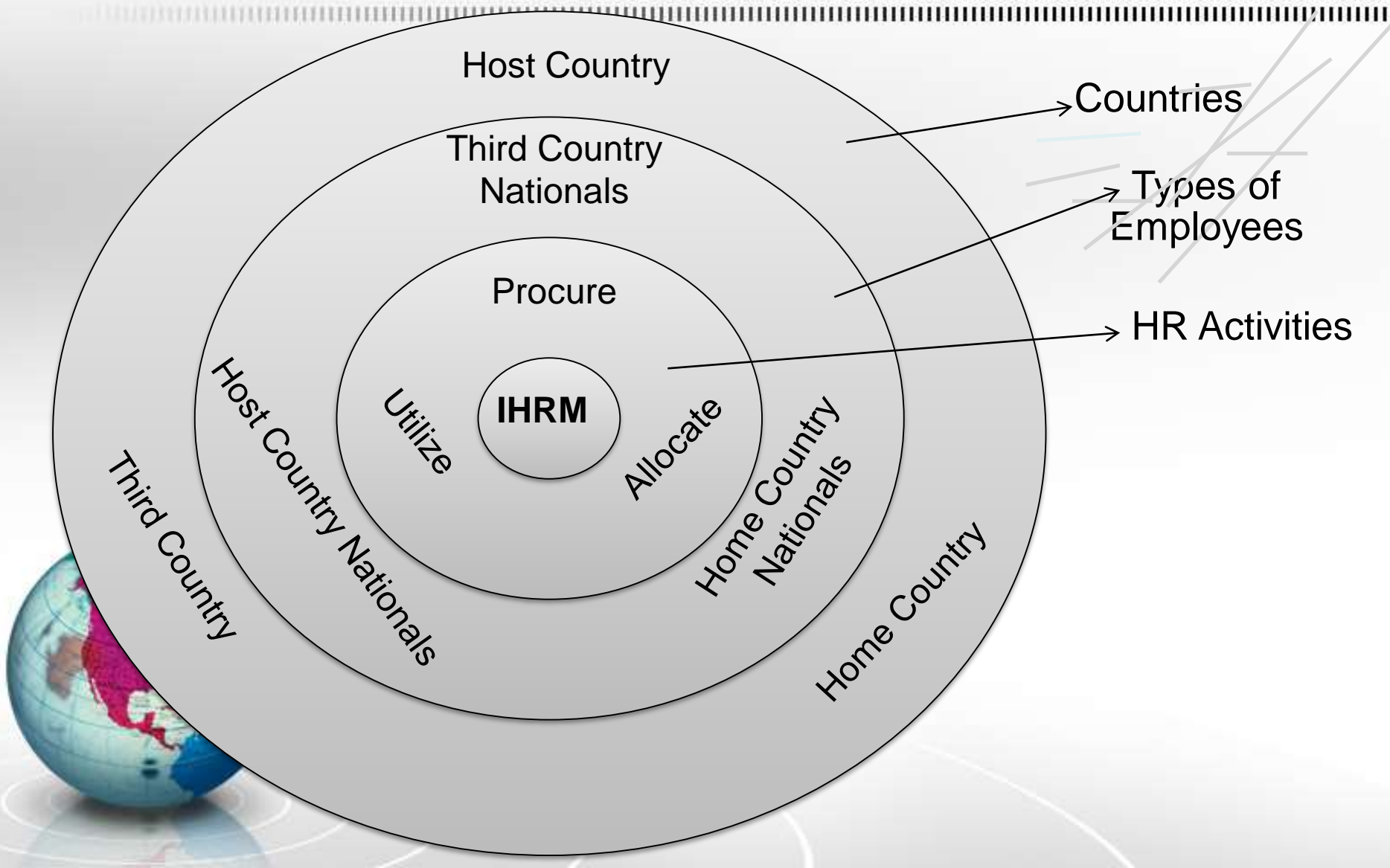




# P.Morgans Model of IHRM



# Model of IHRM



# What is an expatriate?

- An employee who is working and temporarily residing in a foreign country
  - Some firms prefer to use the term “international assignees”
  - Expatriates are **PCNs** from the parent country operations, **TCNs** transferred to either HQ or another subsidiary, and **HCNs** transferred into the parent country
- Global flow of HR: more complexity in activities and more involvement in employees' lives



# Cultural Differences in IHRM

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- Language (e.g. spoken, written, body)
- Different labour laws
- Different political climate
- Different stage(s) of technological advancement
- Different values and attitudes e.g. time, achievement, risk taking
- Roles of religion e.g. sacred objects, prayer, taboos, holidays, etc
- Educational level attained
- Social organizations e.g. social institutions, authority structures, interest groups, status systems



# Cultural Dimensions:

## Hoefstade's classification:-

- → He identified 5 cultural dimensions for which countries could be classified in each group exhibiting identical behaviour:
- [1] Power Distance:-
  - → It indicates level of equality of power in Industry/institutions/country.
  - → A country with LARGE power distance is characterized by formal hierarchies.
  - → The subordinates have a little influence in their work.
  - → Here the boss has the total & sole authority.



- [2] Uncertainty avoidance index[UAI]:-
- → This relates to the degree of anxiety that society members feel when in uncertain or unknown situations.
- → High UAI-scoring nations try to avoid ambiguous situations whenever possible. They are governed by rules and order and they seek a collective "truth."
- → Low UAI scores indicate that the society enjoys novel events and values differences. There are very few rules, and people are encouraged to discover their own truth.





- [3] Individualism v/s Collectivism:-
- → This refers to the strength of the ties people have to others within the community.
- → A high individualism score indicates loose connections. In countries with a high individualism score there is a lack of interpersonal connection, and little sharing of responsibility beyond family and perhaps a few close friends.
- → A society with a low individualism score would have strong group cohesion, and there would be a large amount of loyalty and respect for members of the group. The group itself is also larger and people take more responsibility for each other's well being. This refers to as ***collectivism***.



- [4] Masculinity v/s Femininity:-
- → It refers to how much a society sticks with & values traditional male & female roles.
- → High masculinity scores are found in countries where men are expected to be "tough," to be the provider, and to be assertive.
- → Low masculinity scores do not reverse the gender roles. In a low masculinity society, the roles are simply blurred. You see women and men working together equally across many professions. Men are allowed to be sensitive, and women can work hard for professional success.





- [5] Long-Term v/s Short-Term Orientation:-
- → This refers to how much society values long-standing – as opposed to short-term traditions and values.
- → In countries with a high long-term orientation score, delivering on social obligations and avoiding "loss of face" are considered very important.
- → A long-term oriented society emphasizes on building a future-oriented perspective.
- → A short-term oriented society values the past & the present.



# UNIT II



## **INTERNATIONAL STAFFING**

# Approaches to staffing

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- Ethnocentric policy
- Polycentric policy
- Geocentric policy
- Regiocentric policy



# Ethnocentric policy

“ Home country’s culture is to be imposed on subsidiaries”  
MNC’s exports its HR Policy from Home country to foreign location.

- Strategic decisions are made at headquarters
- Key positions in domestic and foreign operations are hold by headquarters’ personnel



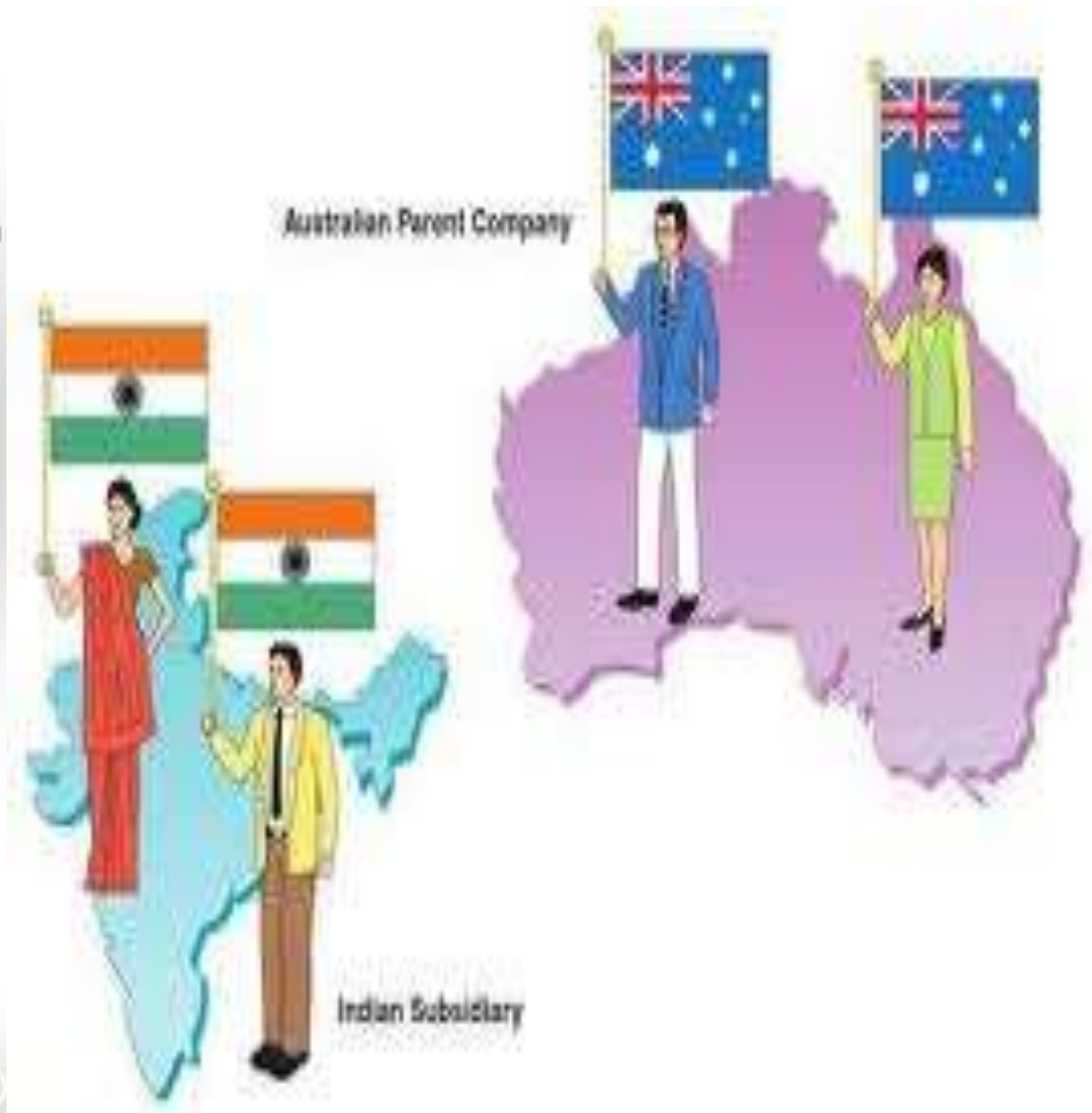
## Three factors are to be considered in the staff:

- Should be able to adjust in family, cultures and personality problems to avoid failure.
- To succeed, should enjoy local entertainment, develop local relationships and communicate with locals.
- To achieve success, expatriates to have open attitude and take training towards host – country.

Under ethno centric, lines of communication are one – directional, i.e. advice from headquarters. In fact, home country attitude and culture dominates.



# Polycentric



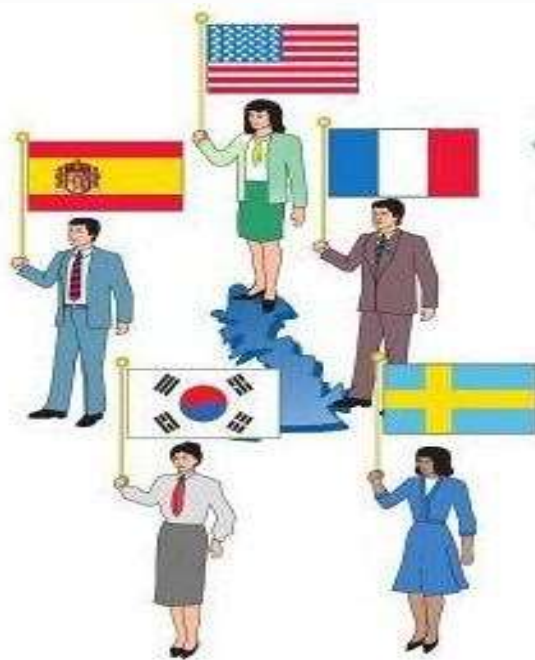


# Polycentric

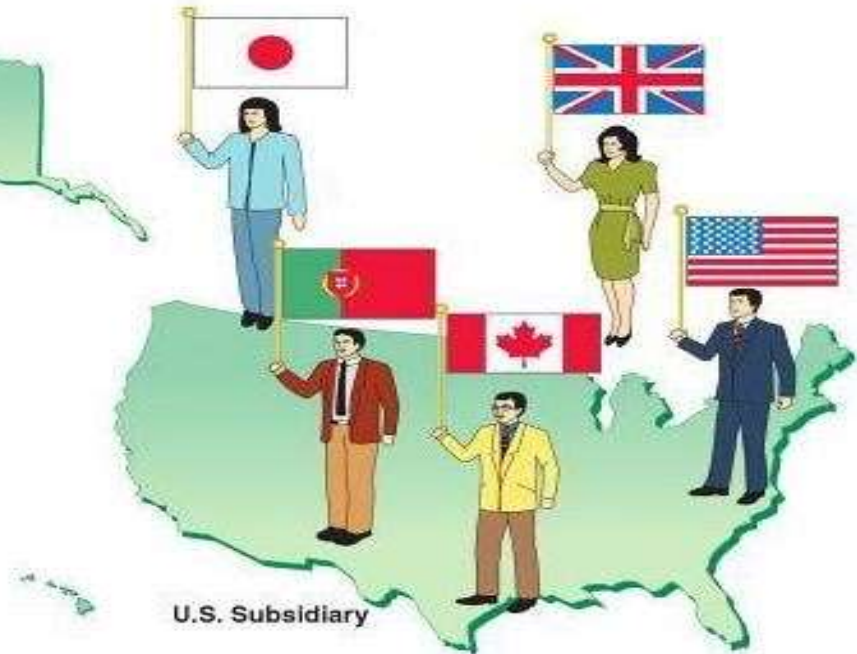
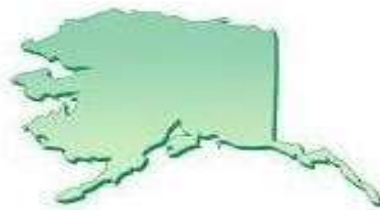
“MNC’s seeks to adapt to the local cultural needs of subsidiaries”

- *Poly – centric: Here primary positions are filled by nationals from host country( HCNs)y.*
- Here PCNs are employed at the headquarters.
- Advantages:-
- [a] Less expensive
- [b] Local mgrs easily take care of local dynamics.
- [c] No language barrier & hassles of cultural adjustment.
- [d] No problem of expatriates mgnt.
- [e] Local politics + administration – managed easily.





UK Parent Company



U.S. Subsidiary

# GEOCENTRIC

The geocentric approach uses the best available managers for a business without regard for their country of origin. In this example, the UK parent company uses natives of many countries at company headquarters and at the U.S. subsidiary.



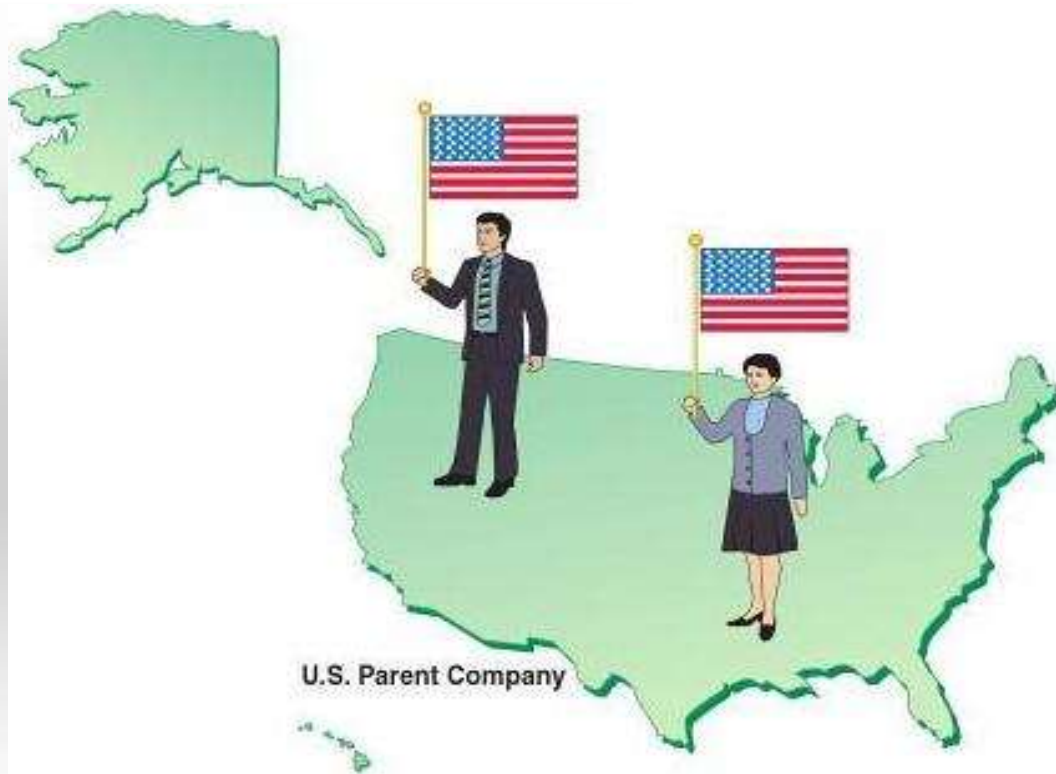


# Geocentric

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- A global approach - worldwide integration
- View that each part of the organization makes a unique contribution
- Nationality is ignored in favor of ability:
  - Best person for the job
  - Color of passport does not matter when it comes to rewards, promotion and development.





# Regiocentric

- Company's international business is divided into international geographic regions.
- The regiocentric approach uses managers from various countries within the geographic regions of business. Although the managers operate relatively independently in the region, they are not normally moved to the company headquarters.



# Repatriation & its process

- Repatriation:- The activity of bringing an expatriate back to his/her home country.
- Challenges associated with it:-
  - ❖ Returning from high-status to a less highly profile role.
  - ❖ Diminishing of career opp'ties.
  - ❖ Being no longer “special” from fellow workers.
  - ❖ Feeling of being let down.
  - ❖ Experiencing reverse cultural shock.

# Process of repatriation

[1] Preparation

[2] Physical Location

[3] Transition

[4] Readjustment



# International Performance Management

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- Performance Management is a means of getting better results from the organizations, teams and individuals within an agreed framework of planned goals, objectives and standards. [ARMSTRONG AND MURLI]



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- **A process that enables MNCs to evaluate & facilitate continuous improvement of individuals, subsidiary units & corporate performance, against clearly defined, pre-set goals & targets.**





# Several obstacles in appraising the performance of expatriates



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- Local mgrs – having some inputs can appraise the performance of expatriate but such appraisal can be distorted by cultural differences.
- The expatriate may be appraised by objective criteria like profits & market shares but local events like political instability may undermine the mgr's performance.





# Measures to improve performance appraisal of the expatriates:

- **[1] Stipulate the difficulty level involved in assignment at expatriate's work-place.**
- **[2] Give more weightage in evaluation towards on-site mgr's appraisal.**
- **[3] The performance criteria applied for a particular jobs should be modified to fit the overseas positions & characteristics of that particular local.**

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- **[4] Appraise the expatriate not only in terms of quantitative criteria like profits or market share but also qualitative criteria like the insights of expatriate into effective functioning of overseas operations.**
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# International Compensation Mgmt [ICM]:-

- Designing and developing a better compensation package for HR professionals for the international assignments **requires knowledge of taxation**, employment laws, and foreign currency fluctuation by the HR professionals.

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- When a firm develops international compensation policies, it tries to fulfill some broad objectives:
  - [1] The compensation policy should be in line with the structure, business needs and overall strategy of the organization.
  - [2] The policy should aim at attracting and retaining the best talent.
  - [3] It should enhance employee satisfaction.
  - [4] It should be clear in terms of understanding of employees & also convenient to administer.
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- The employee also has a number of objectives that he wishes to achieve from the compensation policy of the firm:
- → He expects proper compensation against his competency and performance level.
- → He expects substantial financial gain for his own comfort and for his family also.
- → He expects his present and future needs to be taken care of including children's education, medical protection and housing facilities.
- → The policy should be progressive in nature.



# Major Components/Aspects of ICM:-

- [1] **Base salary**:- It actually forms the foundation block of the international compensation.
- [2] **Foreign service inducement premium**:- This is a component of the total compensation package given to employees to encourage them to take up foreign assignments.
- [3] **Allowance**:- Home leave allowance // Education allowance // Relocation allowance // Spouse assistance (compensates for the loss of income due to spouse losing their job)



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- [4] **Benefits:-** Vacation and special leaves // Rest and rehabilitation leaves // Emergency provisions like death or illness in the family
  - [5] **Incentives:-** Special incentives programmes [on time lump-sum premium] for keeping expatriate motivated
  - [6] **Taxes:-**
    - → Tax equalization: – Firm withhold an amount equal to the home country tax obligation of the expatriate and pay all taxes in the host country.
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ETHNOCENTRISM	POLYCENTRISM	REGIOCENTRISM	GEOCENTRISM	
Main Decisions Made In The Main Headquarters	Lower Role Of The Main Headquarter	Main Decisions Made In Regional Headquarters	Collaboration With Local Headquarters	
Home Standards Applied On All Markets	Local Standards Applied On Local Market	Regional Standards In Regions	Universal Standards	
Focus On Domestic Objectives	Focus On Local Objectives	Focus On Regional Objectives	Focus On Global Objectives	
Identification With The Owner's Nationality	Identification With The Nationality Of Host Country	Identification With The Region	Global View	
High Positions Taken By Managers From Owner's Country	High Positions Taken By Local Managers	High Positions Taken By Regional Managers	Having An Experience In Different Countries Is A Must To Take A High Position	

# Multicultural Management

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Multiculturalism means that people from many cultures interact regularly . Global firms are the repositories of multiculturalism.

Multicultural management offers the following benefits:

- Greater creativity and innovation.
- Awareness about the need to maintain sensitivity in dealing with foreign customers.
- Possibilities of hiring the best talent.
- Creating a 'superorganisational culture', using the best of all cultures.
- Evolving universally acceptable HR policies and practices.



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# Main challenges in IHRM

- High failure rates of expatriation and repatriation
- Deployment – getting the right mix of skills in the organization regardless of geographical location
- Knowledge and innovation dissemination – managing critical knowledge and speed of information flow
- Talent identification and development – identify capable people who are able to function effectively
- Barriers to women in IHRM
- International ethics
- Language (e.g. spoken, written, body)



# Main challenges in IHRM

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- Different labor laws
- Different political climate
- Different stage(s) of technological advancement
- Different values and attitudes e.g. time, achievement, risk taking
- Roles of religion e.g. sacred objects, prayer, taboos, holidays, etc
- Educational level attained
- Social organizations e.g. social institutions, authority structures, interest groups, status systems





# Qualities of Global Managers

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- Understand the worldwide business
- Learn about many cultures
- Work with many types of people
- Create cultural synergy
- Adapt to living in many cultures
- Use cross-cultural skills daily
- Treat foreign colleagues as equals
- Use foreign assignments as career development



# Diversity in workforce

- Differences among people in age, gender, race, ethnicity, religion, sexual orientation, socioeconomic background, capabilities/disabilities and **in the thought process**.
- Management system which incorporates the differences found in a **multicultural workforce** in a manner which results in the highest level of productivity for both the organization and the individual.



# Diversity in workforce

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- Diversity is the mixture of people in business, with their variety of backgrounds, experiences, styles, cultures, skills and competencies



# Key Issues in International HRM

## 1. Worldwide Human Resources Planning

- Recruiting and Selection
- Expatriate orientation and training
- Repatriation
- Performance appraisal

## 2. Compensation

- Dealing with inflation and unexpected changes in exchange rates
- Providing sufficient pay to keep individuals
- Should company pay hardship allowance?
- Dissatisfaction with cost of living allowances

## 3. Housing (Complex problems at home and overseas)



# Key Issues in International HRM

## 4. Benefits Planning

- Developing equity among employees
- Several plans necessary for different categories of personnel

## 5. Taxation (Proliferation of new laws)

## 6. Communication of HR Policies and Programs Worldwide

- Treat communication as a continuous process
- Face-to-Face contact frequently
- Make policy manuals brief and simple
- Be sensitive to needs of receiver
- Send regular written explanations of policy changes
- Periodic rotation of overseas HR managers desirable
- Security



# Employment Discrimination

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- Discrimination on the basis of:-
  - Disability
  - Race
  - Age
  - Minority
  - Marital status





# Equal Employment Opportunities (EEO)

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- It means eliminating barriers to ensure that all employees are considered for the employment of their choice and have the chance to perform to their maximum potential.



# Policies, Strategies & Practices

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## **POLICIES**

- **Ethnocentric**
- **Polycentric**
- **Regiocentric**
- **Geocentric**

## **STRATEGIES**

- **home-country national strategy**
- **host-country national strategy**
- **Third-country national strategy**

