

# WORK2217: International Human Resource Management

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## Week 1: Introducing International HRM

### Globalisation

- The process of unification that has taken place in markets and consumer tastes, increasingly mobile investment capital and the rapid spread of technology
- Opportunity for developing countries to close the gap with the developed world
- Some see it as a threat to stability and peace
- Linked to:
  - Advancement of technologies and transport combined with the restructuring of firms seeking opportunities abroad in search of competitive advantage
  - The increased implementation of neo-liberal policies by governments
  - Rise of capitalism as a dominant ideology – increasing number of liberal democracy states after communism
  - The decreasing protectionism of economic zones and the strive towards a world market
  - Transition of the GATT to the WTO
- 9 drivers of internationalisation of business
  - Increase in trade agreements
  - Search for new markets and reduced costs
  - Rapid and extensive global communication
  - Rapid development and transfer of new technology
  - Improving global education and emergence of global talent pool
  - Increased travel and migration – cheaper airfares
  - Knowledge sharing
  - E-commerce
  - Homogenisation of culture and consumers – adaptable responses to stakeholders

### MNEs

- A firm which owns or controls business activities in more than one foreign country
- Any enterprise that carries out transactions in or between 2 sovereign entities, operating under a system of decision making that permits influence over resources and capabilities, where the transactions are subject to influence by factors exogenous to the home country of the enterprise
- MNEs and its main vehicle, foreign direct investment (direct or indirect control over an overseas business/shares), are key forces in economic globalisation

### International HRM

- The way in which international organisations manage their HR across different national contexts
- About the world-wide management of HR. Its purpose is to enable the firm to be successful globally
- Managing the global workforce and its contribution to firm outcomes. Hence, it's a wide range of HR issues facing MNEs in different parts of their organisation
- Traditional focus of IHRM was on expatriates – a staff member who is moved across national boundaries into a role within a firm's foreign subsidiaries
- Wider focus on IHRM:
  - The field of IHRM is the study and application of all HRM activities as they impact the process of managing HR in enterprises in the global environment
  - Field of enquiry dedicated to charting the anatomy of HRM in the MNC and the unearthing of the HRM strategies, systems and practices pursued in the context of internationalisation.
- Morgan's (1986) three dimensions of IHRM defined IHRM as the interplay among three dimensions
  - HR activities – procurement, allocation and utilisation (what you do)
  - Countries of operation (where you do it)
  - Type of employees (with who)

### MNC staffing policies

- Parent Country National – Nationality of employee is the same as that of the HQ of the MNC – ethnocentric approach

- Host Country National – Nationality of employee is the same as that of the local subsidiary – polycentric approach
- Third Country National – Nationality of employee is neither that of the HQ nor the local subsidiary – geocentric approach/regional approach (skills focused and less nationality focus)

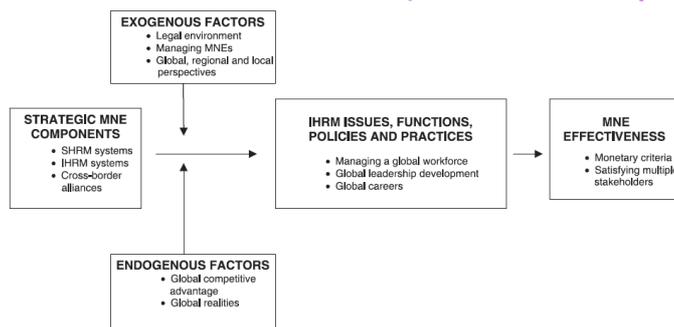
### Differences between domestic and IHRM

- IHRM is more complex due to 6 factors:
  - More HR activities
    - International taxation
      - Expatriates have both domestic and host-country tax liabilities – tax equalisation policies are designed to ensure that there is no tax incentive or disincentive associated with the IA.
    - International relocation and orientation
      - Arranging pre-departure training
      - Providing immigration and travel details
      - Providing housing, shopping, medical care, and schooling information
      - Finalising compensation details
    - Administrative services for expatriates
    - Host-government relations
    - Language translation services
  - The need for a broader perspective
  - More involvement in employee’s personal lives
    - Must be able to provide the level of support required in IAs
  - Changes in emphasis as the workforce mix of expatriates and local varies
  - Risk exposure
    - Direct costs of expatriate failure can be as high as 3 times the domestic salary plus relocation expenses
    - Terrorism – especially since the 9/11 attack
  - Broader external influences
    - In less-developed countries, labour tends to be cheaper, less organised and government regulation is less pervasive

### Variables that moderate differences between domestic and IHRM

- The cultural environment
  - Culture shock – experienced by people who move across cultures
  - Culture has often served as a synonym for nation yet these are two different concepts
  - Emic – culture-specific behaviour or concept
  - Etic – culture-common aspects
- Extent of reliance of MNC on its home country
- Attitudes of senior management
- Complexity in operating in different countries and employing different categories of employees
- The industry within which the MNC is primarily involved

### Thematic Framework of IHRM (Schuler and Tarique 2007)



### Global realities of MNEs

- Economic characteristics

- Globalisation and free trade are the biggest realities and have many supporters and critics
- There are huge disparities in income and standards of living worldwide
- The biggest markets for products and services are increasingly global
- There are increasing demands on energy, raw materials and infrastructure
- Concern by societies for worldwide competitiveness and job creation
- Growth in foreign direct investment
- Social characteristics (geopolitical, cultural and technological)
  - More integration and expansion within the EU, ASEAN, WTO, COMESA, NAFTA, GCC
  - Increased recognition of relationship between government and business efficiency
  - Greater concern by societies for sustainability
  - More complexity, volatility and unpredictability
  - Still many local and regional legal and cultural qualities
  - Technology is making the world flatter, more accessible and less costly
- Strategic (enterprise) characteristics
  - An increasingly larger number of MNEs and SMEs
  - Consolidation through increased merger and acquisition activity
  - Opportunities for growth and expansion are in the emerging markets
  - Global competitive advantage attained through scale, scope, local adaptation,
  - Knowledge management and optimal relocation
  - Costs, risks and uncertainties are high, so greater need for alliances such as IJVs
  - There is a need to change business and organisation models constantly
- Workforce characteristics
  - There is a huge potential labour force that is more highly educated and growing
  - There is a greater awareness of worldwide disparities in income and lifestyles
  - Workers can be adaptable to workplace styles and human resource practices
  - Emigration flows will accelerate in some areas; reverse in others
  - Workers need not move: work can move to them through offshoring and outsourcing

### Industry type

- Porter suggests that the industry in which a MNE is involved is of considerable importance because patterns of international competition varies from one industry to another
  - Multi-domestic industry – one in which competition in each country is essentially independent of competition in other countries
  - Global industry – one in which a firm's competitive position in one country is influenced by its position in another country
- Porter's value chain model states that HRM is seen as one of four supporting activities

### Readings

#### New models of strategic HRM in a global context; Wright, Snell and Dyer

- Generalisability of SHRM Theory – theories of SHRM developed in the US do not generalise to Europe due to the different context surrounding HR in the European Union
  - Culture or country are the main constructs constraining the generalisability of theory – need to emphasis organisational context and strategy
- Generalisability of HR practices – how they adapt their HR practices to meet the enhanced competitive conditions
  - Hofstede's cultural values lead to differences in the efficacy of HR practices across countries
- Broadening the actors influencing HR – formerly viewed as an internal function
  - Influence of government and non-government organisations on HR
  - Effect of networks such as suppliers, regulators and customers on HR strategies

#### Global HRM: aspects of research agenda; Brewster and Suutari

- The key question is the extent to which companies aim to integrate their HRM practices across countries to support the global strategies
- Standardisation versus localisation

- Move away from hierarchical structures towards networks or heterarchical structures
- Differences between domestic and international HRM
- Extent of internal consistency versus local isomorphism. These include the degree to which an affiliate is embedded in the local environment; the strength of the flow of resources such as capital, information and people between the parent and the affiliate; and the characteristics of the parent, such as the culture of the home country
- Aim toward higher level of integration of HRM practices, while attempting to gain the benefits of responsiveness to the local culture, legislation and traditions
- Global integration does not have to mean centralisation
- Global leader development
  - Shortage of competent leaders
  - Development includes IAs, short-term development assignments, international teams, action learning, international training programs, international meetings and travel
  - Promote integration through cross-cultural interaction and networking through encouraging training groups with diverse participants
- Global careers
  - Repatriates often find themselves in a “holding pattern” with no sufficiently challenging job, with low levels of authority and few possibilities of utilising their new competencies
- International knowledge management and transfer
  - The knowledge-based view of the firm focuses on knowledge as the most strategically significant resource of the firm and emphasises firm capacity to integrate knowledge
  - Effectiveness of knowledge flows within MNCs is determined by
    - The perceived value of the source’s knowledge
    - The willingness of the source to share knowledge
    - The existence and richness of transmission channels
    - The motivational disposition of the target unit
    - The absorptive capacity of the target unit