

International Human Resource Management: UniMelb H1 Notes

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Lecture 3: Institutional context of Global HRM

Institution: structures and activities that provide stability to a society.
Consequence of not following, high cost, high risk.

Economic systems: different levels of economic freedom, level of intervention and ease of doing business in the society.

1. Liberal Market Economy: self interest (individuals)
2. Coordinated Market Economy: industries
3. State socialism (and communism)

Varieties of Economic systems

Institutional sphere	Liberal market economies	Coordinated market econ.	State socialism
Education and training	Weak industry associations; transferable skills	Strong industry associations; industry-specific skills	State-controlled
Industrial relations	Weak trade unions; lower employment protection; fluid labour markets	Strong trade unions; higher employment protection; less fluid labour markets; longer job tenure	Labour collective (workers have rights to jobs and associated benefits); state-controlled labour market
<i>Examples</i>	<i>USA, Canada, UK, Australia, & NZ</i>	<i>Austria, Germany, Japan, Finland, Denmark, Belgium, the Netherlands, & Switzerland</i>	<i>Former Soviet Union, Cuba, North Korea</i>
HRM models	Calculative	Collaborative	State-controlled

HRM Models:

1. **Calculative**- USA, efficiency, breaking down value and individual effort.
2. **Collaborative**- Austria based on humanistic managing HR.
3. **State-controlled**- North Korea.

Limitations on HR:

LMEs	CME
<ul style="list-style-type: none"> • Short term emphasis • Flexible staff • Pay linked to performance of staff • Training= overhead 	<ul style="list-style-type: none"> • Trade unions more prevalent • Long term emphasis • Relative job security • Constrains on managerial freedom through laws and other influences • Investment in training

Legal systems: rules for behaviours, enforced through a set of institutions. Shapes government, economies and society, primary social mediator of relations between people and people and organisations.

3 major systems:

1. Common Law
2. Civil Law
3. Religious Law (Sharia)

Policies and practices must abide by laws and regulations.

Varieties of Legal systems

	Common law	Civil law	Religious law
Characteristics	General legislations and statutes, based on a few long-standing tradition stated in the Constitution.	All-inclusive system of written rules. Three types of codes: commercial, civil, and criminal.	Explains the “way’ individuals should live or the “path” they must follow. The scope of the law covers almost every aspect of human life.
Roles of court	Focus on interpretation of the law. Judges have substantial power to interpret the law according to circumstances.	Focus on application of the law.	Traditionally, jurisprudence interprets and refines the law. In modern days, judges apply the law. The application varies from country to country.
Examples	<i>Commonwealth countries and USA</i>	<i>Roman law, Napoleonic Code, France</i>	<i>Islamic law (Sharia), much of the Middle East and North Africa</i>

Kinds of laws multinational enterprises (MNEs) need to navigate:

1. **National laws-** i.e. employment laws for wages and compensation, times and working conditions.

2. **Supernational laws and standards:** internationally agreed upon i.e. international organisations/economic treaties.

Directly binding- obligated to implement international law

Indirectly binding- obligated to implement agreement but not directly passed into law.

Non-binding: guidelines and recommendations only, no obligation for implementation e.g. UN role in establishing global labour laws and human rights.

3. **Extra-territorial laws:** MNEs home country laws applied in foreign subsidiary locations. Laws of a subsidiary location applied to operations beyond this location (applied in an international context).

Exceptions to general law: anti discrimination laws, anti-bribery laws and laws against fraudulent activities laws.