

MGMT:30004 INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Exam Preparation | Semester 2 2019

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WEEK 1 – LECTURE 1: INTRODUCTION, GLOBALIZATION AND HRM

HUMAN RESOURCE MANAGEMENT (HRM)

HRM involves planning for and reviewing the full range of HR activities within an organisation. HR staff develop the policies and procedures to manage and guide the employment relationship. Essentially, it is about managing people.

- **Resource-based view of the firm:**

A firm's competitive advantage derives from heterogeneous resources within the firm:

- Physical capital
- Organisational capital
- Human capital

- **The VRIO framework:**

How to sustain the competitive advantage?

1. Value
2. Rareness
3. Inimitability
4. Organisation

GLOBALIZATION / REGIONALIZATION

The dynamic interconnectedness that are taking place across a range of contexts. It is an enabling factor for firms to go abroad. It is an on-going process.

- **What has HRM got to do with globalization?**

Activities, policies, and practices for managing people are influenced by:

- Policies and legal environments
- Economic interconnectedness
- New technology
- Emergent global culture

- **Domestic vs Global HRM:**

The level of complexity is very high.

- More and different **contextual influences**
- Higher levels of **risk**
- A broader set of **activities**
- Many **strategic roles**
- **Differentiation** (or localization) vs **consistency** (or integration) of HR operations

Homogenization of Culture: The process by which local cultures are transformed or absorbed into by a dominant outside culture. People's tastes and lifestyles becoming more and more similar across the world. People's tastes and lifestyles becoming more and more similar across the world.

IMPACTS OF GLOBALIZATION ON HRM

1. Political and Legal Impact

- The level of democracy, economic liberalization and privatization. *How easily you can do business.*
- Legislation on workforce: *minimum wage, unionisation rights, discrimination.*

2. Economic Impact

- Hard to ignore macro-economic factors
- Two migration trends relevant to HRM – many more migrants.

3. Technology Impact

- Advances in technology
- Many HR activities rely on technology

4. Sociocultural Impact

- A global convergence of culture to an extent
- There is diversity in societal cultures too.
- *Global HRM must consider societal differences.*

GLOBAL HUMAN RESOURCE MANAGEMENT

Global HRM is concerned with HR-related responses to globalization of business. It is *the distinct set of activities, functions, and processes within a global company*. It is about attracting, developing, engaging and retaining people. Ultimately, it is an aggregate of various HRM systems in a global company (*systems for managing people both at home and abroad*)

CROSS-CULTURAL ISSUES

● Communication & Trust:

Gestures, facial expressions, behaviour and words can have different meanings and connotations. Trust is born from a cultural shared moral values and behavioural expectations.

● Ethics:

Differences in morality and standards of behaviour. Concerned with adherence to legal system.

● Management Style & Equal Opportunity:

Effective managers do not use one style of leadership, but rather adjust their style to each situation. EE laws are the product of society's social values.

IHRM challenges to explore performance appraisal, training & development, remuneration & industrial relations.

WEEK 2 – LECTURE 2: CULTURAL CONTEXT OF GLOBAL HRM

CULTURE

Culture gives members a sense of who they are, belonging and how they should behave. Provide them with the capacity to adapt to circumstances and transmit this knowledge of adapting to circumstances to succeeding generations or to their members.

Essential culture is the way we think, express ourselves, move, solve our problems, plan our cities, the way the economic and government function.

Characteristics of Culture:

- Culture is *shared* and *learned* by group members.
- It is an *organized system* of values, attitudes, and meanings that are related to each other

OBSERVING CULTURE

○ Formal (Overt) Aspects:

The way we say we get things done.

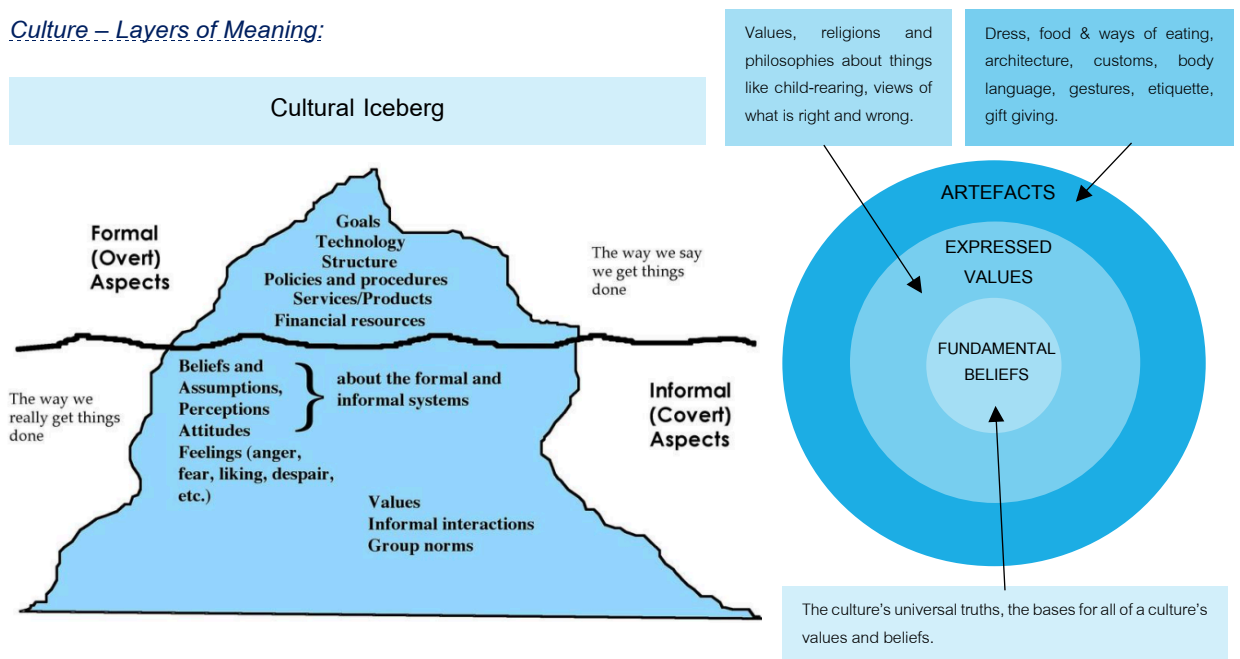
- Goals, technology, structure, policies and procedures, services/products, financial resources.

○ Informal (Covert) Aspects:

The way we really get things done.

- Beliefs and assumptions, perceptions, attitudes ← about the formal and informal systems
- Feelings (anger, fear, liking, despair, etc.)
- Values, informal interactions, group norms.

Culture – Layers of Meaning:



Cultures differ in the extent to which they are shared among members of society

◇ **Tight Cultures:** *North Korea, Saudi Arabia*

- Broad agreement (high consensus) on culturally based values, attitudes, beliefs, and assumptions about appropriate behaviours.
- Homogenous populations or dominance of particular religious beliefs

◇ **Loose cultures:** *American, The Netherlands*

- Greater degree of variability of thought and action accepted and encouraged
- Low consensus on cultural norms
- Less hierarchical

COMPARING NATIONAL CULTURES – HOFSTEDE'S FRAMEWORK:

Based on attitude surveys of 117,000 IBM employees in 40 countries.

Six dimensions:

1. Individualism-collectivism

The extent to which one's self identity is defined and the extent to which individual or group interests dominate

- Individualism: Individual interests dominates
- Collectivism: Group interests dominate – rewarded more when working in a group.

2. Power distance

The extent to which power differences is accepted and sanctioned in a society. A higher degree on this index indicates hierarchy is clearly established.

3. Uncertainty avoidance

The extent to which a society focuses on ways to reduce uncertainty and create stability

Tolerance for the unknown / ambiguity: as a culture, how likely are we to address the unfamiliar?

4. Masculinity-femininity

The extent to which traditional male orientations are emphasises over traditional female orientations

- Masculinity: Concerned with assertiveness, ambition, competition
- Femininity: Workplace relationships, interpersonal difference and nurturance

5. Long-term / short-term orientation

Originally called Confucian work dynamism. It is society's search for virtue.

Societies with long-term orientation tend to show preference for order, thrift and persistence.

- Acknowledgement of the past with respect to what could help in the future.

6. Indulgence versus restraint

The degree to which there is self-control.

- Indulgence: Pursuit of gratification
- Restraint: Gratification of needs is suppressed

Country Cultural Clusters

GLOBE study cluster

Similarities across cultures based on values.

→ Australian falls under 'Anglo'

PRACTITIONER-ORIENTED FRAMEWORK:

Richard Gesteland's cultural framework

- Deal focus vs relationship-focus
- Informal vs formal
- Rigid-time (monochronic) vs fluid-time (polychronic)
- Expressive vs reserved

Limitations of cultural frameworks:

- Represent average behaviour within a culture
- Societies may evolve *Hofstede's framework is now almost 30 years old.*
- Stereotypes: Societies versus individuals
- Be aware of limitations

NATIONAL CULTURE IMPACT

National culture influences how individuals and organizations perceive HRM practices and how decisions are made within organizations.

- **Influence on individuals**
How they perceive HRM practices
- **Influence on organisations**
How decisions are made. Through organizational structure that manifests management cultural values.

National Culture & Individuals:

- **Cognitive mechanism:** What is perceived and interpreted by individuals in a society.
- **Motivational mechanism:** What is desired by individuals in a society.

National Culture & Organisations:

- **Organisational structure:** A manifestation of management's cultural values.
- **The level of acceptance of the organizational structure by members and institutions of a society.**

WEEK 3 – LECTURE 3: INSTITUTIONAL CONTEXT OF HRM

Diversity in National External Environments: Culture, Political, Economic, Legal Institutions.

INSTITUTIONS: Institutions are *structures* and *activities* that provide stability to a society.

Six Major Institutions:

1. Education system
2. Economic system
3. Religious system
4. Social system
5. Political systems
6. Family systems

These set conditions on the actions of organizations. They are largely defined by the legal system of a society.

Informal Institutions: *Informal institutions are equally known.*

- Socially shared rules, usually unwritten.
- Created, communicated, and enforced outside of officially sanctioned channels.

INFLUENCE OF INSTITUTIONS ON HRM:

1. **Coercive mechanism:**
 - Legislation and government policies regarding HRM
 - Influence of trade unions and works councils
 - Pressure coming from institutions that are more powerful than the organizations
2. **Mimetic mechanism:**
 - Benchmarking against and imitating other similar and successful organizations
 - Organization's response to uncertainty
3. **Normative mechanism:**
 - Engagement with professional bodies, employers' associations, etc.
 - Adopting standards associated with a particular context (e.g. industry)

HR Function across National Contexts:

Trend – Indication of the status of HRM in organisations.

- In France, Spain, Sweden & Japan 70-80% representation increase
- Size of the HR department relative to the size of the organisation has remained stable.
- Managers vs HRM professionals involved with personnel issues
- Increase in managerial responsibility.

DIFFERENT ECONOMIC SYSTEM

An indicator of the level of economic freedom of a society:

- Ease of doing business in society
- The level of intervention by the state

Three types of economic systems:

1. Liberal Market Economy (LME)
2. Coordinated Market Economy (CME)
3. State Socialism (& Communism) (SS)

Institutional Sphere	Liberal Market Economy	Coordinated Market Economy	State Socialism
Education & Training	Weak industry associations; limited 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 right to jobs and associated benefits) State-controlled labour market
Examples	USA, Canada, UK, Australia, NZ	Australia, Germany, Japan, Finland	Former Soviet Union, Cuba, North Korea
HRM models	Calculative	Collaborative	State-controlled
Firm-employee relations	Contractual relationships. A lot of authority for managers.	Wages coordinated by trade unions. Consensual style of decision making.	State-controlled

Inter-firm relations	Based predominantly on market transactions and licensing	Connected through cross-shareholding and membership in strong employer associations	State-controlled (bureaucratic control)
Financial Markets	Large equity markets, access to finance dependent on market valuation.	Access to capital is based on reputation as opposed to share value	State-controlled

Implications of Institutional Perspectives On IHR:

1. LMEs:

- Freedom to manage
- Emphasis on short-term competition
- Flexible deployment of staff
- Pay linked to individual performance
- Training regarded as an overhead

2. CMEs:

- Constraint on managerial freedom through state regulations and other influences;
- Longer-term orientation
- Investment in training
- Relative job security
- Employee involvement and participation

Convergence versus Divergence:

- **Divergence:** Over time, organisations from different countries move in the same direction but remain parallel, with some similarities.
- **Convergence:** Countries with similar HRM practices begin to cluster together over time with greater similarities in HR practices

The Psychological Contract & National Culture

Institutional and cultural context impact on employee expectations of their relationship with the organisation.

- A set of beliefs and perceptions about the terms of the exchange relationship between employee and employer.
- Beliefs and influenced and conditioned by the cultural intuitional environment in which individuals are raised.
- Institutions influence the kind of employment relationship constructed

DIFFERENT LEGAL SYSTEMS

Legal systems are rules for behaviour, enforced through a set of institutions:

Three major systems:

1. Common law
2. Civil law
3. Religious law

IHR managers from MNEs need to develop policies and practices that stay within the laws and regulations of each country in which they operate.

	Common Law	Civil Law	Religious Law
Characteristics	General legislations and statutes, based on a few long-standing traditions stated in the constitution.	All-inclusive system of written rules. Three types of codes: Commercial, civil, 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 the interpretation of law.	Focus on application of law.	Judges apply the law. Application varies from country to country,
Examples	Commonwealth countries, USA.	Roman law, France, Germany.	Islamic Law (Sharia), much of the middle east, North Africa.

National Laws Related to Employment:

- **Employment laws** outlining: Workers' rights, wages and compensation, working time and conditions, employee representation (e.g. trade unions)
- **Other national laws** relevant to global HRM: Immigration and visas, personal data privacy and protection, anti-discrimination, termination and reduction in workforce, intellectual property.

SUPRANATIONAL LAWS AND STANDARDS

- Agreements, standards, and legal frameworks developed by international organizations (e.g. UN) and international economic treaties (e.g. ASEAN)
- **Different levels of validity:**
 - Directly binding
 - Indirectly binding
 - Non-binding
- **Generally accepted labour standards:**
 - Freedom of association
 - EEO and non-discrimination
 - Prohibitions against child labour and forced labour
 - Basic principles concerning occupational safety and health
 - Consultation with workers' group prior to carrying out substantial changes such as workforce reductions and plant closures.
 - Grievance and dispute resolution procedures
 - Use of monitors to audit employment practices

UN GLOBAL COMPACT PRINCIPLES:

Human Rights: Businesses should ...

- Support and respect the protection of internationally proclaimed human rights; and
- Make sure that they are not complicit in human rights abuses.

Labour: Businesses should uphold ...

- The freedom of association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced and compulsory labour

- The effective abolition of child labour; and
- The elimination of discrimination in respect of employment and occupation

ETHICS & LABOUR STANDARDS

- Conduct of MNEs involve concerns about values and practices when they conduct business outside their COO.
- Different standards of ethical conduct
- Variance exists among countries, cultures and different industries
- Differing country cultures view various employment and business conduct issues such as bribery gifts, or favours, tax evasion, child labour differently.

EXTRA-TERRITORIAL LAWS:

Exceptions to the general rule in which foreign subsidiaries of MNEs are accountable to the local laws:

- Application of MNE's parent/home country laws typically to parent-country nationals
- Application can be extended to a foreign subsidiary operating on other foreign locations