

Foundations

International human resource management is about managing people in multiple entities for companies that are working across borders. Concerned with how organisations can effectively utilise its people, employees and managers.

- The HRM issues and problems arising from the internationalisation of business, and the HRM strategies, policies and practices which firms pursue in response to the internationalisation of business
- The interplay among three dimensions: human resource activities, types of employees and countries of operation
- Expatriate:

Elements in international HRM

- HR is more complex internationally: tax issues, relocation issues, government relations and translations
- Greater mix of dimensions: more involvement of people's personal lives e.g. where you send kids to school or transport
- More involvement of employees' personal lives, greater risk factor
- Cultural differences/contrasts (→ culture shock): language barrier,
- Industry type: industries have types of cultures along with them e.g. construction vs finance companies.
- Organisational 'form' (international, domestic, global)
- Mobility is becoming broader and more complex; the number of globally mobile people who work outside their home is expected to rise by 50% by 2020.
- Gender differences: previously women were under-represented as people who take up international assignments but they have doubled in the past 10 years from 10% to 20%.

Required Readings:

- An expatriate is an employee who is moved across national boundaries into various roles within the international firm's foreign operations. It is clear that PCNs are also expatriates, but TNCs are also, as are HCNs who are transferred into parent country operations outside their own home country.
- Differences between domestic and international HRM can be attributed to more HR activities, the need for a broader perspective, more involvement in employees' personal lives, changes in emphasis as the workforce mix of expatriates and locals varies, risk exposure and broader external influences.
- International activities: international taxation, relocation, orientation, and administrative services for expatriates and language translation services.
- There are four variables that moderate differences between domestic and international HRM: the cultural environment, the industry, the extent of reliance of the multinational on its home-country domestic market and the attitudes of senior management.

Contexts of International HRM

Approaches to managing human resources internationally

- Cross cultural approach:
 - Cultures differ from country to country
 - Stereotypes of people from different countries – taciturn Finns, ebullient Spaniards, work-occupied Americans, polite Japanese, modest Malays, easy-going Australians
 - Culture is not pre-given/biological but primarily acquired
 - Every nation has its own unique set of deep-seated values and beliefs. These are reflected in the ways that societies operate, the ways that economies operate, and how people work and are managed at work
 - Cross-cultural approach subsumes space and geography as 'culture'. The differences between places are perceived in terms of cultural differences.
- Comparative/country studies approach
 - Comparative IR research is more common than comparative HR research
 - Comparative HRM: either provides a series of single country studies or takes a (relatively narrow) focus on a particular theme or dimension such as the training system and examines this across a number of countries
 - Comparative and country studies salute the differences (and similarities) between places. Yet even so, place per se is implicit.
- IHRM approach
 - Past 25 years - major attention to strategy & HRM but the related field of international HRM is more recent (~10 years).
 - IHRM is concerned with HR issues associated with the various stages of the internationalisation process.
 - International HRM has inserted people management into the realm of multinational business
 - Tended to be a western bias in international HRM, even though non-western firms are prominent MNCs
 - 'Going to a new place' is spatial - little perception of this in the reality of the physical social space.

Reasons for international assignments

- Position filling e.g. skills gap, launch of new endeavour
- Management development e.g. training and development purposes, assisting in developing common corporate values
- Organisational development: need for control, transfer of knowledge, competence, procedures and practices

The importance of culture

- Need to understand diversity to be competitive globally
- Drives workplace practices – drives how people in a company operate, what they do and how they do it. It is a business success or failure, has a major impact on the wellbeing and capacity on how people function and adjust
- A key reason for international project or business conflict and failure
- A key reason for the ineffectiveness of transnational professionals, including impacting on well-being

Definition of culture

- The collective programming of the mind that distinguishes one group of people from another in terms of norms and values. It is the part of our conditioning that we share with other members of our nation, region or group

Hofstede's cultural dimensions

- **Power distance:** the extent to which people in a particular culture accepts and expects the power and institutions and organisations should be distributed equally or unequally. How power is distributed in society and authority figures are distant to these cultures. High power distance country is when there is a lot of distance/difference between those who are in authority and those who don't have authority.
- **Individualism vs collectivism:** concern the degree in which individuals are degraded into groups. Individualistic: society in which ties between individuals are loose and everyone is expected to look after him/herself and his/her immediate family. Collectivist: society in which people form into cohesive groups.
- **Masculinity vs femininity:** distribution of roles between genders. Masculinists have strong characters that are more associated with the male gender (assertiveness or competitiveness). Femininity is around the values of caring and sharing.
- **Uncertainty avoidance:** about how a society tolerated uncertainty or ambiguity. High uncertainty avoidance: strict rules and regulations in which people expect to follow.
- **Long-term orientation:** how long it takes for an operation to finish. Low score prefers time-honoured traditions/norms, high score: thrift/efforts in modern education to prepare for the future.
- **Indulgence vs restraint:** concerned with how free a culture is with the notion of gratification and how much that drives life. Is it more concerned with enjoyment and fun or a society that suppresses gratification, regulated through social norms.

Organisation culture and national culture

- National cultures distinguish similar people, institutions and organizations in different countries
- Organisational cultures distinguish different organisations within the same country or countries.
- Successful management requires success in managing national/organisational culture differences.

Standardisation vs Localisation: An enduring debate-and varied practice

- Why globally standardise HRM?
 - Consistency transparency alignment of a geographically fragmented workforce around common principle objectives
- Why have locally responsive HRM?
 - To respect cultural values, traditions, legislation, government policies and education systems regarding HRM and work practices

Balancing the standardisation and localisation of HRM and MNEs

- Global standardisation
 - According to MNEs global requirements: strategy and structure, corporate culture and firm size and maturity
- Localisation
 - According to the host country context: cultural environment, institutional environment, firm size and maturity
 - According to the features of the local affiliate: most of operation, subsidiary role

IHRM in cross-border mergers and acquisitions

- HRM is one of the key factors in success or failure of M/As
- Common goal of M/A is to gain knowledge and transfer that knowledge.
- M&As frequently fail
- HRM differences across countries
- Success of M/A requires early and ongoing HR initiatives
- Problems with due diligence

Required readings:

- Standardisation and localisation of HRM practices: the aim of global standardisation of HRM practices is to reach goals with consistency, transparency and alignment of a geographically fragmented workforce and common principles and objectives. The aim of realising local responsiveness is to respect local cultural values, traditions, legislation or other institutional constraints such as government policy and/or education systems regarding HRM and work practices. The exact balance of a firm's HRM standardisation-localisation choice is based on factors of influence such as strategy structure, firm size and maturity. The strength of corporate culture plays an important role on the standardisation side, while the cultural and institutional environment, including features of the local entity such as operation mode and subsidiary role, play an important role on the localisation side.
- Factors driving standardisation: pursues a multinational or transnational corporate strategy, supported by a corresponding organisational structure; that is reinforced by a shared worldwide corporate culture. This approach is not appropriate for the whole workforce but aims at a group of managers who are working at the cross-border boundaries of the firm in the headquarters or in foreign locations e.g. international boundary spanners.

McGrath-Champ, S. (2006) 'A spatial perspective on international work and management', Hearn, M. and Michelson, G (eds) 'Rethinking Work: Time, Space and Discourse, Cambridge University Press, pp165-186.

- Cross-cultural studies: every nation has its own unique set of deep-seated values and beliefs, and these are reflected in the ways that societies operate, in the ways that economies operate, and how people work and are managed at work. Pioneering research includes Hofstede, Trompenaars and others that refined and extended such concepts. The cross-cultural approach subsumes space and geography as 'culture', where differences between places are perceived as cultural differences.
- International HRM studies: it is concerned with HR problems of multinational firms and foreign subsidiaries or ventures (such as expatriate management) or, more broadly, with the unfolding HR issues that are associated with the various stages of the internationalisation process. Reflecting evolving business practice, the field now encompasses international human resource activities that are not so typical of 'expatriate' assignments, including short-term and 'virtual' assignments. It has been shown that cross-cultural training helps expatriates to manage 'culture shock', prepares them for the initial and continuous challenges they will face, and reduced the likelihood of premature return. Systematic design of cross-cultural training programs can enhance cross-cultural interactions and cross-cultural adjustment. A key limitation is the almost exclusive focus on cross-cultural training before departure.
- Comparative/country studies: comparative HRM research is rarer than comparative IR research. Comparative texts tend to be one of two types, providing either a series of single-country studies or taking a focus on a particular theme or dimension, such as the industrial relations system or the training system and examining this across a number of countries.
- Place and work: the social relations of work have a temporal dimension that is they occur at a particular point in time. There is also a spatial dimension that is work occurs in the circumstances of 'place' at a particular scale. The notion of 'place' is developed to enable a more robust reworking of international studies of work and management. The notion of globalisation has gone some way to interconnect places.

Zhang, M. and Edwards, C. (2007) Diffusing 'best practice' in Chinese multinationals: the motivation, facilitation and limitations, International Journal of Human Resource Management, 18(12): 2147-2165.

- MNCs are playing an innovative role in the globalisation of the world economy. Most research in this area has concentrated on MNCs from developed countries and the extent to which their home or HQ impact on management in their overseas operations. Their focus is on 'forward diffusion' of best practice from the home country to overseas subsidiaries. Less attention has been paid to 'reverse diffusion' that is the transfer of practice from foreign subsidiaries to operations in the country of origin.

- MNCs from newly industrialised countries, particularly from developing countries locating in an 'advanced' economy, will use the opportunity to acquire the advanced management practice they need to compete in international markets.
- 'Reverse diffusion' is seen as a means of acquisition of management practice for MNCs from countries entering the global economy relatively late. It is more likely to be found in two types of MNCs: those with greater international integration that provides scope for the diffusion of practices across sites, and MNCs attempting to improve their international position.
- The position of the increasing numbers of MNCs from emerging economies striving to compete in world markets is very different: they clearly have the need to engage in organisational learning and diffusion. Current research into reverse diffusion is limited because it has concentrated on MNCs from advanced economies. The potential for reverse diffusion activity and impact is far greater and should have higher strategic priority for MNCs who are new entrants into world markets and who are operating in advanced economic environments.
- Until the 1970s Chinese MNCs operated in a domestic area characterised by a centrally planned economy with little experience of competing in world markets. China started to join international markets about 30 years ago and has been changing its business system since in order to compete. In the 1980s, the Chinese government began to advocate using 'international borrowings' from Western countries as a means of promoting the modernisation of Chinese firms.
- China has experienced rapid institutional change in the past decade through its open-door policy, introduction of a market economy, a degree of decentralization and privatization, and some reform of the state-owned industries. Such change has reduced economic differences between China and the advanced economies, and eroded some of the factors that have constrained the adoption of innovative practice in the past.
- Difficulties arise when foreign companies and joint venture's attempt to introduce Western practice in China. There are huge differences in the Western and Chinese national business systems, the reverse diffusion process from UK subsidiaries will most probably start with a localizing process in order to access UK practice. Furthermore, the extent to which these MNCs learn from the UK and diffuse their practices to the home firms may be constrained by national and organizational characteristics, especially, economic, political and cultural factors.
- Thus, if a subsidiary wants to engage in reverse diffusion, they should focus their business on local markets. If they want to diffuse local practice throughout the company they should increase the integration of the business with the home firm or other subsidiaries. Furthermore, the study suggests that strong financial support and a deliberate localization strategy can speed up the learning processes. However, in the long term, increasing participation in local and international markets and strength in the cross-cultural competency will promote diffusion activities more naturally and effectively. Finally, we may conclude that this study of Chinese MNCs illustrates once again the limitations to the spread of 'global' best practice.