



Chapter 3

Global Human Resource Management

Introduction

- HRM is more complex in an international business because of differences between countries in labor markets, culture, legal systems, economic systems, and so on.
- HRM must also determine when to use **expatriate managers** (citizens of one country working abroad),
- Who should be sent on foreign assignments, **how** they should be compensated, **how** they should be trained, and **how** they should be reoriented when they return home.

Human Resource Management

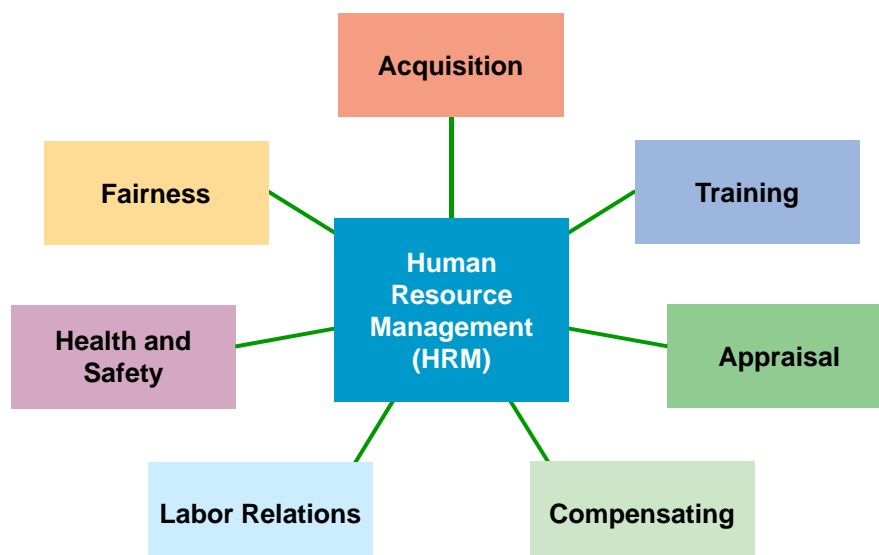
What is Human Resource Management (HRM)?

Human Resource Management includes all activities used to attract & retain employees and to ensure they perform at a high level in meeting organizational goals.

These activities include:

1. Staffing (recruitment, selection).
2. Training and development.
3. Performance appraisal.
4. Compensation.
5. labor relations.

Human Resource Management activities



1. Staffing Policy

When organizations operate globally. Employees may come from:

- **Parent (home)-country national** – employee who was born and works in the country in which an organization's headquarters is located.
- **Host-country national** – employee who is a citizen of the country in which an organization operates a facility.
- **Third-country national** – employee who is a citizen of a country that is neither the parent country nor the host country of the employer.

1. Staffing Policy

- A firm's **staffing policy** is concerned with the **selection of employees** who have the skills required to perform a particular job internationally.
- A staffing policy can be a tool for developing and promoting the firm's **corporate culture** (the organization's norms and value system)
- A strong corporate culture can help the firm implement its strategy

Types of Staffing Policy

There are three main approaches to staffing policy within international businesses:

1. the ethnocentric approach.
2. the polycentric approach.
3. the geocentric approach.

Types of Staffing Policy

1. The ethnocentric approach to staffing policy fills key management positions with parent-country nationals.

- It makes sense for firms with an international strategy .
- Firms that pursue an ethnocentric policy believe that:
 - there is a lack of qualified individuals in the host country to fill senior management positions.

Types of Staffing Policy

- It is the best way to maintain a joined corporate culture.
- Value can be created by transferring core competencies to a foreign operation via parent country nationals.
- The ethnocentric staffing policy is no longer popular with most firms because:
 - ✓ it limits development opportunities for host country nationals.

Types of Staffing Policy

- 2. The polycentric staffing policy** recruits host country nationals to manage branches in their own country, and parent country nationals for positions at head office.
- The polycentric approach:
- may be less expensive to implement than an ethnocentric policy.

Types of Staffing Policy

➤ There are two disadvantages to the polycentric approach:

1. host country nationals have limited opportunities to gain experience outside their own country and thus can't progress beyond senior positions in their own companies.
2. a gap can form between host country managers and parent country managers.

Types of Staffing Policy

3. The geocentric staffing policy seeks the best people, regardless of nationality for key jobs.

- It makes sense for firms pursuing either a global or transnational strategy.
- Immigration policies of national governments may limit the ability of a firm to pursue this policy.

Types of Staffing Policy

➤ The Characteristics of Geocentric Approach:

- Enables the firm to make the best use of its human resources.
- Builds a team of international executives who feel at home working in a number of different cultures.
- Can be limited by immigration laws.
- Is costly to implement.

Expatriate Managers

- **Expatriate Managers** :Citizens of one country working abroad (in another country).
- Most expatriates only stay in the foreign country for a certain period of time, and plan to return to their home country in the end, although there are some who never return to their country of citizenship.



Expatriate Managers Failure

- **Expatriate failure** is the early return of an expatriate manager to his or her home country.
- Between **16** and **40** percent of all American expatriates in developed countries fail to complete their assignments, and almost **70** percent of Americans assigned to developing countries return home early.
- Each expatriate failure can cost between \$250,000 and \$1 million

Why Expatriate Assignments Fail?

The main reasons for expatriate failure are :

- Personality.
- Family pressures .
- Inability of the spouse to adjust.
- Inability to cope with larger overseas responsibility.
- Lack of cultural skills.

Expatriate Managers Failure

Research shows the main reasons for expatriate failure for U.S. multinationals are:

- The inability of an expatriate's spouse to adapt
- The manager's inability to adjust.
- The manager's inability to cope with larger overseas responsibilities .

Expatriate Managers Failure

For European firms, only one reason was found to consistently explain expatriate failure:

- the inability of the manager's spouse to adjust to a new environment.

For Japanese firms, the reasons for failure are:

- difficulties with the new environment.
- personal or emotional problems.
- the inability of spouse to adjust

Helping Expatriate Assignment Succeed

Factors led to a successful Expatriate Assignment:

- Providing realistic previews of what to expect.
- Careful screening.
- Improved orientation.
- Cultural and language training.
- Improved benefits packages.
- Improved selection procedures .

2. Training and Management Development

- **Training** focuses on preparing the manager for a specific job.
- **Management development** is concerned with developing the skills of the manager over his or her career with the firm.
- Historically, most firms focus more on training than on management development.

2. Training and Management Development

- **Training and development programs** should be effective for all participating employees, regardless of their country of origin.
- When organizations hire employees to work in a foreign country or transfer them to another country, the employer needs to provide the employees with training in how to handle the challenges associated with working in a foreign country.

2. Training and Management Development

- **Training is needed on:**
 - The impact of cultural differences on business outcomes.
 - How attitudes (both negative and positive) are formed and how they influence behavior.
 - Realistic knowledge about the target country.
 - Language and adjustment and adaptation skills.

Foreign Assignments

- Would you consider taking a foreign assignment for a 6 months to 1 year duration?

A = Yes

B = No

- Before you take a foreign assignment, what would you want to know?

Training For Expatriate Managers

- **Cultural training** (seeks to encourage an appreciation for the host country's culture),
- The training covers all three phases of an international assignment:
 1. **Preparation for *departure*.**
 2. **The *assignment* itself.**
 3. **Preparation for the *return* home.**

Repatriation of Expatriates

- **Repatriation** – the process of preparing expatriates to return home from foreign assignment.
- Preparing and developing expatriate managers for reentry into their home country.
- Organization is an important part of training and development of expatriate managers



Repatriation

- **HRM** needs to develop good programs for re-integrating expatriates back into work life within their home country organization once their foreign assignment is over, and for employing the knowledge they acquired while abroad.



Repatriation: Problems and Solutions (continued)

- **Problem:**

- Making sure that the expatriate and his or her family don't feel that the company has left them adrift.

- **Solutions:**

- Match the expatriate and his or her family with a psychologist trained in repatriation issues.
- Make sure that the employee always feels that he or she is still "in the relation" with what's happening back at the home office.
- Provide formal repatriation services.

3. International Labor Relations

- The key issue in international *labor relations* is the degree to which *labor unions* is able to limit the choices available to an international business
- A firm's ability to pursue a transnational or global strategy can be significantly *constrained* by the actions of labor unions .
- **HRM** needs to foster harmony and minimize conflict between the firm and organized labor.

The Concerns of Labor Unions

- *The bargaining power* of unions comes from their ability to threaten to disrupt production by striking or protesting.
- *However, labor unions is concerned that:*
- *multinationals* can counter union bargaining power by threatening to move production to another country.
- *multinationals* will farm out only low-skilled jobs to foreign plants making it easier to switch production locations.
- *multinationals* will import employment practices and contractual agreements from their home countries and reduce the influence of unions .

The Strategy of Labor Unions

- *Labor unions* has responded to the increased bargaining power of multinational corporations *by:*
- trying to set-up their own international organizations. <http://www.ilo.org/global/lang--en/index.htm>
- lobbying for national legislation to restrict multinationals.
- trying to achieve regulations of multinationals through international organization such as the United Nations.
- However, these efforts have had only limited success .

Factors Affecting HRM in International Markets

- Organizations that operate in more than one country must recognize that the countries are not equal and differ in terms of four key factors:
 - Culture.
 - Education.
 - Economic systems.
 - Political systems.

Factors Affecting HRM in International Markets



Culture

- Cultural characteristics influence the ways members of an organization behave toward one another as well as their attitudes toward various HRM practices.
- Cultural differences can affect how people communicate and how they coordinate their activities.

Culture (continued)

- Organizations must prepare managers to recognize and handle cultural differences.
 - Recruit managers with knowledge of other cultures
 - Provide training
- For expatriate assignments, organizations may need to conduct an extensive selection process to identify individuals who can adapt to new environments.

Education and Skill Levels

- Countries also differ in the degree to which their labor markets include people with education and skills of value to employers.
- Companies with foreign operations locate in countries where they can find suitable employees.
- The educations and skill levels of a country's labor force affect how and the extent to which companies want to operate there.
- In countries with a poorly educated population, companies will limit their activities to low-skill, low-wage jobs.

Economic System

- A country's economic system, whether capitalist or socialist, as well as the government's involvement in the economy through taxes or compensation, price controls, and other activities, influences HRM practices in a number of ways.
- The economic system provides many of the incentives or disincentives for developing the value of the labor force.

Economic System

- In developed countries with great wealth, labor costs are relatively high. This impacts compensation and staffing practices.
- Income tax differences between countries make pay structures more complicated when they cross national boundaries.

Political-Legal System

- The country's laws often directive the requirements for HRM practices: training, compensation, hiring, and firing.
- An organization that expands internationally must gain expertise in the host country's legal requirements and ways of dealing with its legal system.
- Organizations will hire one or more host-country nationals to help in the process.

