

Strategic Int'l HRM - Issues in IHRM - Strategic Issues and Approaches - International Staffing: Approaches - Int'l Recruitment & Selection - T & D of Expatriates - Int'l Performance Mgmt - Compensation & Rewards.

Strategic IHRM:

It is defined as "human Resources Management Issues, Functions, policies and Practices that result from the strategic activities of multinational enterprises and that impact the International Concerns & Goals of those Enterprises"

Issues in IHRM

- * Deployment in getting right skills to right place in organisation regardless of Geographic Location
- * Knowledge and Innovation Dissemination and Transfer for all business units
- * Talent Identification and Development of Employees with skills and abilities to function in Global Organisation
- * Manage International Assignment
- * Employee and family Adjustment
- * Selecting the Right person for a foreign assignment
- * Cultural Differences
- * Language & Communication
- * World wide Environment Variation

Strategic Issues and Approaches

Even though, the MNE is separated across several Nations it is still a single Enterprise.

So these MNE has to Determine

- a) How to Balance the Needs for Differentiation and for Integration
- b) How much Autonomy it can and needs to grant to Local units?
- c) How much to Control and how to Co-ordinate those units?
- d) How much Control it can Exert over Internal operations?

Integration vs Localisation is a solution; [Global Integration & Local Responsiveness] HR Strategies

According to Hannon, Huang and Jaw, GI ~~is~~ is the degree of "Imposing" from Head Quarters.

LR is the degree of "customising HR strategies to Respond to the Needs of Local Environment".

Based on the above GI and LR, they Identified Three types of International HR Strategy.

- (1) Autonomous HRM Strategy
- (2) Receptive HRM Strategy
- (3) Active HRM Strategy

* Autonomous HR strategy is adopted by a subsidiary of a MNC, if it is Benefitting from Low Degree of Integration and high Degree of Localisation

Receptive strategy is adopted if it is Benefitting from High Degree of Integration and Low Degree of Localisation.

Active HR strategy is adopted if it is Benefitting from High Degree of Integration and High Degree of Localisation.

→ It is effective when the firm has a Multi-Domestic Business Strategy

→ It is suitable for firms with a Global Business Strategy

→ It is suitable for firms that have a Transnational Business Strategy.

International Staffing / Global Staffing:

It is defined as strategic and operational Issues faced by MNE with regard to Employment of PCN's, HCN's and TCN's to fill Key positions in Headquarters and subsidiary operations.

[HCN - Host Country National - Nationality of & is same to that of the company in which country it is operating]

Parent (Parent - Country National)
 (PCN - Employees whose Nationality is same as that of the firm's HQ)
 TCN - Third Country National - The Nationality of the Employee is different from HQ of Corp and Subsidiary.

Advantages of HCN, PCN & TCN:

- HCN - 1) Lower cost than PCN
 2) Provide local ~~com~~ Employee with Promotions opportunities & thereby Improving the acceptance of firm in that Locality.
- PCN - :- Cultural similarity with HQ.
 :- Greater & Effective Comm with HQ.
- TCN - :- helps to develop a Reserve of Int'l MGR
 :- ~~Lower cost~~
 :- Assure to have Correl Balance between Tech skills & Managerial Exp

Approaches to Staffing

There are four main Approaches to staffing

(1) Ethnocentric Orientation :-

It is based on the Presumption that the Parent Company's Professionals functioning and approaches to Management are better than Subsidiaries.

All the Top positions in host Country's firm are Covered by Expatriates.
 (Person's who live outside his own Country)

Host- Person who works in host country

* In these Countries, fundamental Decisions are made at the HQ. And foreign subsidiary has little Autonomy (The Reason why company follow Ethnocentric staffing is the Perception that there is lack of qualified Professional in that Country).

Adv:

- (1) Lack of qualified Prof in Host Nations
- (2) Ability of PCN to Co-ordinate subsidiary
- (3) Transferring know-how

Policy Des Adv:

- (1) Adaption of PCN to a host Country takes long Time
- (2) Promotion opportunities for local Mgrs are limited.
- (3) PCN's lack sensitivity.

II Polycentric Approach - The Mgmt is "Contracted staff"

- * from the Country where subsidiary is Deployed.
- * This Mgmt has is Endowed with Authority & Power to make Decisions
- * Top positions are occupied by Local Employees
- * The Mgmt Views that, a) local people are better placed to make Decision
- (b) HQ has financial power; the subsidiary is a quasi-independent centers
- c) HQ grants autonomy to subsidiaries. ~~and~~ ^{allows} ~~the~~ ^{local} ~~managers~~ ^{to} ~~operate~~ ⁱⁿ ~~the~~ ^{host} ~~country~~ ^{country}
- d) The culture is different in each subsidiary Country and ~~the~~ ^{host} ~~country's~~ ^{country's} ~~kind~~ ^{is} ~~it~~ ^{difficult} ~~to~~ ^{to} ~~understand~~ ^{understand};

Adv:

- (1) No Language Barrier + Adjustment of Expatriates
- (2) The Employment of HCN is less Expensive
- (3) Morale & Career opportunities for local staff is high

Dis Adv

- (1) Weak Links between HQ & Local Units
- (2) Lack of Experience of HCN & PCN

III Geocentric Approach According to Perlmutter (1969)

"Nationality is not regarded as the bases of superiority"

- * Here Management is on a search for the most suitable person to do a job / solve problem regardless of their Nationality.
- * The Aim of this approach is to achieve International Image both at headquarters & in subsidiary. The subsidiary also contribute to the identity of multinational organisation.
- * The aim of each business unit at Local & Global is offering unique contribution based on their unique competence.
- * This approach requires high collaboration between all units

Adv

- (1) Pool of Senior Int'l Mgrs are developed

(2) Dis Adv

- (1) Immigration Laws are strictly followed
- (2) There is high costs associated with Training, relocation and compensation costs
- (3) More centralized staffing process takes place.

Regiocentric Approach:

- * Here International Vacancies are filled by people whose personal profile fits the Host Region
- * Staffs may move outside their Countries but within the Particular Geographic Location
- * All Subsidiaries are Interconnected & Regulated by a regional center.
- * Regional Mgrs will not be Promoted to Head Quarters.

Ex: US Based Firm — Three diff Regions

- Europe (1)
- South America (2)
- Asia (3)

1: will be moved throughout Europe and to 2 & 3 & vice versa.

Adv: (1) Area Expertise is developed
(2) Product Expertise is developed

International Recruitment & Selection

With regard to Expatriates; Fundamental Selection process begins with Analysis of practical capability, Examination of cross cultural necessities (flexibility, talking capability, optimistic approach) and amount of knowledge transfer is Important.

The Success

The Success of Expatriates depends on following features

- (1) Eager & provoked to go abroad
- (2) Theoretically proficient to work
- (3) Adaptability to work Atmosphere
- (4) Excellent capability of Interaction & Interpersonal ability.

The Ideal characteristics ~~also~~ for an Overseas assignment for an Expatriates:

- (1) Managerial Competence: — Tech Skills, Leadership skills, knowledge specific to Company operations
- (2) Training — willing to be trained in Host Country Language & Culture
- (3) Adaptability — Ability to deal with new, unfamiliar situations, ability to adjust to cultural

Moreover, the Mgmt has to make an Assurance ~~to~~ that Candidate ~~about~~ ^{has} job factors, relational dimensions, Motivational state, family situation & language skills.

The Additional ~~At~~ Competences needed are

- a) Experience in working Int'l Environment

- b) Extroverted
- c) Stress Tolerance
- d) Language skills
- e) Cultural Experience

Cost Associated with Recruitment of Third-Country National / Expatriate are:

- (1) Damage to Host-Country Relationships
- (2) Motivation of Host-Country Staff
- (3) Cost associated with Recruitment & Relocation
- (4) Possible Loss of that Employee if he/she Returns
- (5) Missed opportunity to Develop the Market

Training of Expatriates

International Performance Management

The Main Aim of such IPMS is to Invite, hold, & make use of employees in such a way

- x To Improve originality in their work
- x To Improve Committed & Dedicated Staff
- x To Reduce the Cost of External Resources
- x To Reduce the outflow of Experience & Know-How.

Compensation & Rewards

There are only few options for it when choosing Compensation for Global Employees. They are

(1) Maintain Company wide pay scales & policies :-

This includes all sales staff are paid the same no matter what country they are in. This can reduce Inequalities and simplify record Keeping.

(But it does not address the issue about being more expensive to live in one place compared to other)

* So orgn can go for paying similar Base Salary Company wide / Region wide and offer Expatriates an Allowance based on specific Market Condition in each Country. This is called "Balance Sheet Approach"

* The idea is that Expatriate should have the same standard of living that she/he might have if he is in home Country.

* The other expenses that are taken into consideration in this approach are: Income Tax, Housing, Goods & Services, Base Salary and Overseas Premiums.

* The HR will estimate the expenses within the home Country and costs for it in host Country. The difference of this will be paid by Mgmt (Housing / GS services). Base Salary will be same as to home Country.

overseas premium is a Bonus paid to Employee for agreeing to take up overseas assignment and also due to challenges he faces overseas.

Int'l Labour Environment.

The Laws Relating to Host-Country Employees and Expatriate Vary. Laws related to Worker safety Laws, worker Compensation Laws, Safety Requirements, worker Ag Restriction, Maternity/Paternity Leave & Unionization Laws.