

The importance of ihrm management essay



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Introduction

Increasingly, companies are being wooed to expand into foreign lands and 'globalisation'; a word so commonly heard nowadays till it seems to be a facet of modern business model. Some underlying reasons for companies to go global are technologies advancement, cost efficiency and trade specialisation. The above mentioned are just the tip of an iceberg as there are much more incentives which attract companies to globalize. However, as organisations reach outward for the market, many failed to recognise the importance of international human resource management (IHRM). Those organisations which hold little regard or no importance for IHRM often suffered setbacks and 'chain effect' consequences.

According to Stening et al (1997), while internationalisation of business has increased opportunities for organisations and staff, it has inevitably created a myriad of Human resource management (HRM) challenges related to multicultural workforce that is diverse. More than often, these challenges prove to be much complex and subtle in nature.

In this essay, we will first look into the disparity between domestic and international HRM, the factors and elements that impetus the importance of IHRM and the knowledge and skill that are so relevant, yet scarce in our modern organisations structure. On top of that, we will be looking into the areas of problems and challenges that HR managers and the expatriates constantly faced.

Disparity between Domestic and International HRM (IHRM)

Many organisations often have a misconception when it comes to IHRM. They often think that they could simply applied domestic HRM policies overseas and attaining the same desire result back home. As a matter of fact, there is a vast difference between domestic HRM and IHRM, where the latter being much more complex and challenging. According to Stone(2008), domestic HRM is being defined as:

‘ HRM as practised within the geographical boundaries of one country. Its focus is the management of people in a single-country context’

While International HRM is being defined as:

‘ HRM as practised by multinational organisations. Its focus is the management of people in a multi-country context’

From Stone’s definitions, we can roughly tell the difference between domestic HRM and IHRM. Where domestic HRM is only practical in a single-country context, IHRM is applicable globally.

Conceptualisation of International HRM policies

Deriving from the basic of Human Resource Management (HRM), International HRM can be view as add on to the already existing HRM policies. Stone(2008), posed some valid questions with regard to developing international HRM policies. Some examples were: what kind of organisation are we looking at? Are we looking at a home country organisation, a multinational organisation or a truly global organisation? What are the

organisation's mission and vision? What is the organisation core business and how can the organisation be successful? And lastly, what type of culture is desired in the organisation.

By answering Stone questions, HR managers can then conceptualise the basic foundation of the organisation, so as to set and streamline their HR policies to the organisation objectives. With that, we will be able to ensure that the organisation and their people are moving in the same direction.

Challenges faced by International HRM

Practising HRM in a different environment, culture and ethics background is sure challenging. Nevertheless, if IHRM is being executed appropriately, the reward reaped will contribute to the organisation's growth indirectly. Some typical challenges that the HR managers faced are cross-cultural issues; training and development, remuneration package, performance appraisal and international staffing process.

To fulfil these challenges, it is imperative that the HR managers are sensitive to the people and adaptable to the environment while their organisation establishes foothold globally.

Cross-cultural issues

Cross-cultural issues can turn disastrous if the HR managers are ignorant or refuse to spend efforts to understand the situations. Often so, this is the starting point where most misunderstanding and problems spawn. We will examine the few aspect of cross-cultural issues namely: communications, ethics and management style.

Cross-cultural communications

According to Stone(2008), cross-cultural communications occur when a person from one culture communicates with a person from another culture. Simple gestures, facial expressions and words can turn out to be very different in meaning, depending on the individual culture and priority they have for ‘ what’ and ‘ how’ things are being said or written. Stone went on further to break cross-cultural communications into two parts, high-context cultures and low-context cultures. Quoting from Stone(2008), high-context cultures can be defined as:

‘ Cultures where non-verbal communications (such as body language and gestures) and indirect language are use to transfer meaning’

And low-context cultures are being defined as:

‘ Cultures where verbal communications are explicit and direct. What is said is what is meant.’

High-context cultures can be commonly found in Asia countries where great importance is being placed in personal relationship like family relationship and friendships. It is crucial for HR managers to interpret the true meaning of what is being said over what the other party actually mean. Failure to do so will lead to unnecessary misunderstanding and confusion.

Low-context cultures on the other hand are straight forward and simple. This culture is most prevalence in the western country where ‘ YES’ mean yes and ‘ NO’ simply mean no. HR managers should not ‘ beat around the bush’ when

handling such situations. A direct and concise approach will lead to the progression of the matters on hand.

Ethics

Ethics can be explained as the ability to differentiate between right and wrong. It is a moral value instilled in one since young, and changes constantly due to environmental, religion influences and education level. What may seem right to you may be a big taboo to the others. As there are many 'grey' areas where ethics is concern, extra sensitivity should always be bear in mind. This is especially so in situations where organisation do business in places where bribery and corruption are the key to business success or should organisation exploits the workers to their advantage when there is no worker union remains unanswered. HR managers should always refer back to the organisation values and direction so as to align their own judgment and ethics to the best of the organisation.

Management style

Management style can be greatly influence by the culture and the organisation structure. For example in Singapore Arm Forces (SAF), a military organisation; the management style has to be a top-down approach. When the commander has given a specific instruction, the rest will follow with no question asked and this management style is extremely critical especially during war time. Interestingly, this top-down approach or autocratic style is very common in Asia, mainly due to the respect and trust a subordinate has for their superiors, a clear display of cultural influence.

Another management style which is a contrast to the top-down approach is the paternalistic style. This particular management style allows subordinates and their superiors to be on equal ground, allowing decision making to be distributed equally. This kind of management thrives in sectors where collaborative ideas are imperative to the success of the organisation. A good example will be the engineering or research sectors where there might be chances of a better idea coming from the subordinates instead. This kind of management style is widely practiced in the western countries like United States, where children are taught to ask questions whenever they don't understand.

Whichever management style to be applied will have to depend on the host country and their cultural background as well as the organisation core business. HR managers will have to be open minded and flexible as there is 'no one medicine that cures all illnesses'.

Training and development

Training and development in foreign country can be a tricky issue. According to Stone(2008), diversity of the workforce, language and cultural differences will influence how the training and development program be structured. A very good example will be the language of the program to be conducted, should English or the host-country language be used? Are there any taboo topics which should be avoided? Which type of learning style will attain the most desired result, instructional or facilitative style? These are the few areas of concerns that HR managers will tend to encounter frequently.

As a general rule of thumb, new and innovative training and development can be good, but at the same time it should not deviate too much from the cultural norms. So as to ensure that the best end result can be achieved while not creating confusion and difficulties for the participants.

Remuneration package

‘ National culture is an important consideration in strategic remuneration’ (Stone, 2008) Remuneration package will vary in different parts of the world, depending heavily on the cultural environment of the host country. In places where seniority is valued, the remuneration style will be based on the rank and the number of years in service to the companies. Such remuneration style is prevalent in Asia countries and in organisations that adopt the hierarchy concept. A stark difference to this will be the meritocracy concept of remuneration package, where remuneration will be based on the individual achievement and contribution to the organisation. This style of remuneration is widely practiced in the western country and in organisations where achievement and contribution can be quantified.

Adopting the right remuneration package will not only spur employees to give their best but more importantly, it can retain the talents and boost the organisation’s reputation.

Performance Appraisal

Conventionally, performance appraisal was considered as a knotty problem in the HR function and internationalisation of organisation simply complicates this function further. Different cultures will have different appreciation for performance and it is virtually impossible to set a standard for performance.

For example, to get a good performance appraisal in China, one will need to have good personal relationship with their superiors. (Lu et al, 1998)

Knowing strong and influential people will also ensure a smooth work life.

But this might not be the case in organisation where good performance simply mean high sales figure or other factors which can be quantified.

Performance appraisal for expatriate is much more elaborated. The scarcity of resources available(eg. Poor infrastructure and communication) and the expatriate soft skill(eg. Adaptability and resourcefulness) must also be taken into account when doing their performance appraisal so as to establish a system of fairness to the expatriate.

A reliable method to ensure that a professional and unbiased performance appraisal is being carried out is to have a set of guiding questions. These questions will act as a guide as to how a performance appraisal should be done. Stone(2008), listed a few questions which is fundamental to performance appraisal. Questions akin to definition of performance; what is the performance criteria; will the same criteria be use across all level of in the organisation and will the performance appraisal be assessed on a group or individual basis.

International staffing process

International staffing can also be term as international recruitment process.

Organisations typically have three options of candidates namely the home country nationals, host country nationals and third country nationals. The home country nationals are the natural choice when it comes to international

staffing as they are much well versed in the organisation goals, objectives and culture.

Expatriate are constantly employed in global organisations. But what are the problems faced when employing expatriate? We can broadly classify the problems into expatriate selection and expatriate failure.

Expatriate selection process

Expatriate selection can be very complex in nature. Expatriate are constantly being expose to a spectrum of social and personal problems examples language barrier, culture differences and physical environment. If these are unanswered, it will ultimately lead to the failure of the expatriate.

Organisation often perceive that a high flyer back home will do equally well in a foreign country, therefore emphasis is always on the expatriate's work experience and capability rather than focusing on the expatriate ability to blend into the new environment.

Stone (2008) did a survey from different HR managers all over the world. Stone's survey was to determine the essential selection criteria on expatriate. Stone's study revealed that different countries HR managers have different emphasis on the selection criteria, Stone went on further to suggested that this may be due to the different cultural values which the HR managers held. Stone concluded a list of desired selection criteria for expatriate and here are some of the criteria: effective communication; listening skill; stress tolerance; empathy; flexibility in dealing with foreign cultures; political skill and previous international experience.

Expatriate failure

Expatriate often fail due to their partner and their inability to adapt. (Stone, 2008) Adaptability seems to be the determinant factor for expatriate to make or break. Other factors include sub-standard performance, poor healthcare, safety implication and unattractive remuneration. (Insch et al, 2002)

Such situations can be reduced if organisations have some pre-departure programs for their expatriates and families. Programs like cross cultural orientation where expatriate will gain knowledge of the cultural aspect of the host country so as to avoid cultural shock. Allowing the expatriates and their families to stay in the host country for about a month will enable the expatriates to adapt to the physical environment and slowly immerse themselves into the country's culture. To add on, providing a factual job scope and environment description to the expatriates will have them prepared mentally. All these will give the expatriates an expectation of the host country and avoid any unnecessary shock.

Conclusion

With the increasing of globalisation, international human resource management (IHRM) plays an important role in achieving the organisation's goals. Organisations which recognise the importance of IHRM will definitely benefit than those who do not. They will be more ready to move their operations into another country and effectively manage their employees to achieve smooth operations of the organisations. As a HR manager, one has to be very sensitive and flexible to the cultural aspects. Besides that, having

a good knowledge and positive attitude towards the host country will make the HR manager's job less tedious.

Organisations which rely heavily on expatriate must know the expatriate selection criteria well so as to send the best candidate out and reduce the chances of an expatriate failure. Comprehensive expatriate program must also be implemented in order to assist and prepare the expatriates for their long and scabrous journey. By preparing the expatriates adequately in terms of both physically and mentally will ensure that a pleasant job experience for the expatriate while maximising the expatriate capability and contributions to the organisation.