

# Four approaches to international staffing- microsoft and red cross



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Four approaches to international staffing, advantages and disadvantages.

The globalisation of the world's business economy has been particularly significant, resulting in an increase in the importance of, and interest in, international human resourcing. The international company is a type of multi-unit business organisation, which has a corporate centre in its home and its business units located in various host countries. International HRM distinguishes itself from domestic HRM primarily by having to deal with greater complexity, large amount of uncertainty and a higher level of operating risk. The basic functions however are the same.

HRM in the typical MNE is a tough task that, when successfully done, it drives the company's strategy. When poorly done, it ruins careers and decreases profitability. Heenan and Perlmutter (1979) have provided four approaches to international staffing: polycentric, ethnocentric, geocentric and regiocentric. In ethnocentric approach managerial positions are filled by staff from the parent company. Ethnocentrism is based on a belief that the home culture is superior. This means that the organisational culture will mirror that of the home country and that little account is taken of the cultures of the host country.

This approach might be cost effective but also can create conflict because it ignores local norms. Other disadvantages of this approach of international staffing is that there is no promotion opportunity for HCN's as promotions for managerial position stays with PCN expatriates. There are also many difficulties with adjustment of PCN especially related to languages barriers. There can be compensation disparities between HCN's and PCN's and this

can influence already high cost of expatriation. This approach ensures compliance with corporate objectives what is an important advantage.

It also ensures that the company has qualified people on the managerial position especially is there is a shortage of those in HCN's. In the polycentric approach local managers from the host country are appointed and a subsidiary develops local HRM practices. Each business unit has some autonomy with regard to local human resourcing decisions and activities, though strategic decisions are invariably controlled at headquarters. The advantage of this approach is that it eliminates language barriers between managers and their staff. Because company hires local staff people are more attached to the business.

It is also less expensive to filled managerial position with local staff than transferred them from HCN's even though they may need an expensive training. Disadvantage of this approach is that there is a language barrier dealing with parent company and significant cultural differences between HCN's and PCN's. Geocentric approach creates greater cultural flexibility as the managers are recruited from within the company or from outside with no importance attached to their nationality. Basically it ignores nationality in favour of ability.

This approach facilitates the development of international executive teams and it eliminates the creation of federation. P. Barnevik (1997) a chairman of ABB company emphasises the importance of developing the multinational cadre of international managers. This will ensure having the best people in place and also deliver the competitive advantages as you have the

managers from the diverse cultures. The disadvantages of this approach is that work permits and associates documentation might be needed especially in terms of moving the team to different location.

In the regiocentric approach recruitment of managers is undertaken on a regional basis. Subsidiaries operate as a part of a regional strategy and HRM practices are formulated regionally. The advantage of this approach is that it facilitates interaction between those transferred to regional headquarters from subsidiaries and PCN's to regional subsidiaries. This approach is also sensitive to local condition and it allows movement from ethnocentric or polycentric approach. On the other hand it creates barriers to career opportunity beyond regional level. It can also lead to federalism at local level.

Defined as the collective programming of the mind which distinguish the members of one category of people from another (Hofstede, 1984), culture presents the biggest challenge to businesses working internationally. It determinate companies decisions either to converge or divergence their practices. It is a key factor in how all other areas of business work together. As stated by Geert Hofstede, " Culture is more often a source of conflict than of synergy ". Hofstede beliefs that cultural differences influence managerial approach in multinationals across countries.

Using responses of managers from 66 countries, he found that managers and employees vary on four primary dimensions: power distance, uncertainty avoidance, individualism, masculinity. Through the work of Hofstede the human resourcing decision-maker can choose to locate a

particular host country taking into account similarities and differences between host and parent country. Leopold and Harris (2009) argued that the results based on those four dimensions should only be treated as a general guide and a convenient starting point for further organisational research and analysis.

The overall approach to staffing the multinational company determines the degree of attention given to PCN's, HCN's and TCN's, and to the flows of staff within and between the units of the company. All of the above approaches to international staffing have their advantages and disadvantages. In the ideal international organisation all three groups of employee are likely to work in more than their own home country and will be willing to international transfers either as expatriates, inpatriates or transpatriates.

There is no best practice model for successful international staffing and many evidences (e. g. , Miller-Camen et al. 003) suggests that there is no 'one best way' of managing HR to contribute to organisational performance. Although, HRM policies that support the company strategy create superior value. Still, many MNEs struggle to develop effective HRM policies. Case Study: Staffing policies of The International Committee of the Red Cross is an example of ethnocentric approach of international staffing. As I explained above this approach have its advantages and disadvantages. Red Cross fills out their managerial position by PCN's people. Red Cross focuses more on the present and has no proper workforce planning regarding futures needs.

This approach ensures that Red Cross has a qualified people for the position but on the other hand they may not be the best person for the job as the

recruitment is limited only to PCN's. Also the cost of expatriates is much higher compare to hiring locally. It is far easier for managers which are hired locally to attract, motivate, and retain local employees. Furthermore, for numerous social and cultural reasons, local workers prefer to work for local managers Employee retention is a crucial issue for the Red Cross. High staff turnover due to stress and burnout can suggest that this approach to international staffing is not effective.

The expatriate failure is associated with very high cost. There are many reasons of expatriate failure. Some of those failures are associated with a poor training which in case of Red Cross is definitely insufficient. Expatriates 'learn by doing'. Training and predeparture preparations reduce the odds of expatriate failure. Local managers are less likely to fail as they are more familiar with the local environment. They are also more sensitive in interpreting and dealing with local conditions what makes many local managers better able than expatriates to adapt global policies and practices.

In geocentric approach used by Microsoft managers are recruited from within the company or from outside regardless their nationality. AS a result the Microsoft built an international management teams whose members are able to move to any geographic area. A geocentric staffing policy is hard to develop and costly to implement. Microsoft HRM proofed by its global success that getting the best person for a job and its geocentric approach to international staffing that this is the right and most effective strategy for their company.

Those two companies use two different approaches to international staffing. The International Committee of the Red Cross adopted ethnocentric approach while Microsoft geocentric approach. Geocentric approach seems to be the best for Microsoft but it may be recommended for Red Cross to change its approach and as much as possible hire local managers rather than expatriates because this will demonstrate that opportunities are available for local citizens and this shows consideration for local interest. Furthermore, it is much cheaper.