The cultural and social challenges faced by ihrm

Now we going to introduce the challenges that IHRM had to face. We know the main challenge was to convince the mangers that the culture is different, the social system is different, the legal principles are different etc. Overall it's a completely new environment and it is a challenge for the international HR manger to identify these changes and adopt accordingly. This is the main difference between HR and IHRM, in IHRM the manager operates in an alien environment which makes decision making and implementation much difficult. Thus the recruitment and training of these mangers, communication between the head office and the subsidiary becomes more important than in a local operation.

The IHRM is focuses more on how to select, recruit and retain managers for international operations, rather than focusing on how to manage international employees.

Now , we moved along, " expatriates". An expatriate is an employee who is working and temporary residing in a foreign country (Dowling & Welch, 2004, p. g. 5). The fundamental difference between domestic HR and IHRM is that staff are moved across national boundaries, thus expatriates e are born. Hence it is natural in an IHRM subject to focus more on handling these expatriates.

There can be three types of employees in an international firm. Employees from where the firm is headquarted is known as Parent Country Nationals, employees from where the subsidiary is located are known as Host Country Nationals, other country nationals are known as Third Country Nationals (Dowling & Welch, 2004, p. g. 5).

Now it started to make sense, IHRM is more complex and complicated than domestic HRM, because now you not only have to have a thorough understanding about the host country, you also need to decide who are we going to use as employees HCN's, PCN's or TCN's, or a mixture of them. If so in what proportions? How can the organization select the right person? How is training, compensating and other activities are carried? we hope to find answers for these questions during the report.

Cross-cultural communication

Similarly, among various countries cross-cultural communication is very necessary so that they can understand each others through religion , culture, art , literature, foreign policies , fiscal polices , etc. such type of bridges of understanding will help to lessen and minimize the gap between two culture. Thirukkural , a noted tamil poet , who has been translated in more than twenty five languages and who had been famous for ethical themes and brevity, has very aptly remarked on power of speech:

The goodness called goodness of speech

IS goodness which nothing can reach

Since gain or ruin speeches brings

Guard against the slips of tongue

Weight the words and, speak, because

No wealth or virtue words surpass.

They overspeak who do not seek

A few and flawless words to speak

(Gupta . reprint 2004)

It is said that speech is grater than words , mind is greater than speech , will is grater than mind consciousness is greater than will , meditation is greater than will and power of understanding is greater than meditation. sanakumara , surmonzing narad atma vidya or brahmavidya (knowledge of the supreme) says : power of understanding beings sine quo non for proper meditation , that's is greater than meditation . if we cannot correctly understand and discriminate good and bad , truth and untruth and discriminate between good and bad , truth and untruth , and the like pairs of opposites , how can we meditate? Thus there is no doubt that the power of understanding is linked with speech , one of the tools of communication.

point 02 – Cultural Differences

That culture played a major role in IHRM as it involves understanding and handling a new culture and a new social system. what aspects should an international HR manager should focus on and how he should respond to cultural differences in an international arena. But the topic had lot more to offer than what I initially anticipated.

Culture is the way in which a group of people solves problems and reconciles dilemmas (Trompenaars & Turner, 2002, p. g. 02). There are so many elements in a culture and there is no one way of understanding or defining a

culture. But it was evident that having a thorough knowledge about it was essential for those who are engaged in IHRM.

In order to give meaning and understanding to the culture there were several models discussed. However the one that looked most promising and attractive was the Hofstede's five dimensions. He developed a model that focused ways of measuring a national culture and how these measures might work differently in different context. The cultural values that are important in a national culture, could be reflected in the way business within that country are operated and organized (Hofstede, 2006).

According to the Hofsted's there are 5 cultural damnations.

Power distance – this is the extent to which power is distributed unequally among the employees in between the higher positions and the lower positions. Eg- India is a high power distance culture (even have a cast system) and USA is a lower power distance culture.

Individualism vs collectivisms

In a individualistic country people would priorities them self (USA) where as collectivism country people would priorities group needs.

Uncertainty avoidance

People would try to minimize risk they face in a situation (avoiding paralysis through analysis) usually countries with long history and traditions have a high uncertainty avoidance. Countries such as USA well come higher risks.

Masculinity / femininity

Masculine- tough value dominant Eg; success, money, satiates, competition

Feminine- tender values dominant such as personal relationships, care for other's, quality of life etc. When we take Sri Lanka for a example I think we have feminine culture even though have many masculinity futures. The best example for this is during the tsunami situation whole county get together to help the tsunami victims within ours.

This is an excellent model where you can get a quick idea about something complex as a national culture. we believe this simplicity itself is the major short coming of this model. Hofstede selected a country and gave marks to each dimension, thinking that the culture is static. But we all know that in today's context culture is anything but static, it changes at a rapid pace, thus a country which was once collectivist could now be individualistic due to many reasons such as economic pressure, government policies etc.

And also Hofstede never took into account the complexity of the task. For an example USA is an individualistic culture, but certain complex projects and operations may force an individual to work as a group to succeed in that particular project. Thus the complexity of the task has forced someone with individualistic character to be collectivistic.

But overall the model is excellent to get a glimpse of what an unknown culture would look like, but we do not believe that you can make sound business decisions based on this model.

Now we had understanding about how to analyze a national culture, and also the importance of culture to employees and international HR managers. It

was evident that this should be the starting point of any international HR plan. Decisions should be taken where culture is kept at the center, as the success of implementation will depend on how well international employees accept your plans.

point 03 – The Organizational Context

All the previous section discussed about the external environment and this topic discussed how the internal environment should be arranged in accordance to international operations.

Again we touched upon areas such as importance of culture in HRM and also the organization strategy and HRM etc. Although these areas are very interesting we found it difficult to see the practicality of it. For an example in one point it was said that if a certain culture is high in power distance and have respect for authority then the authority should be centralized and if not it should decentralized. But in practice it is not the culture that influences the structure most but the objectives and the task of the organization (manufacturing companies are more centralized while service oriented companies are decentralized).

The most interesting form of structure for us it was the Matrix structure; it was different from all other traditional structure and had certain unique features. A matrix structure creates dual lines of authority and combines functional and product departmentalization (Robbins, Millett, 2004, p. g. 475). The most interesting part about the Matrix structure was that it broke the departmental boundaries and goes against the unity of command where now one employee reports to two mangers. This type of structure is ideal for

a large matured organization. When an organization grows its information processing capacity could get overloaded, under a matrix structure this can be changed as it allows the flow of communication and greater flexibility.

But what we found out was even large complex organizations are reluctant to move along with a matrix structure. First of all it is a complex structure, and secondly breaking departmental boundaries has its own repercussions such as there is greater room for conflicts, there will be constant issues about span of control and level of authority and there will always be a struggle for power among managers etc.

What was clear for us is that it's difficult to look at an organization and say this is the best structure for you. Whatever the structure selected it must be flexible enough to change according to situations and most importantly factors such as national culture, employee behavior must be taken into account prior to deciding on a structure.

An organizations structure is the spine that allows it to stand still, the HR activities of the organization and all other activities will depend on the support it gets from the structure. Thus HR has a greater responsibility in designing the structure, the structure should be strong enough not only to stand still against the internal environment but also against the external environment as well. That is why in IHRM we look at aspects such as national cultures, work practices, ethics, norms, behaviors etc. So that HR managers can design a structure that is suitable for the external environment.

Lesson 04 – HRM in the Host Country Context

Host country is the place where the subsidiary is going to be set out. HRM in host country is how you organize your employees, recruit them, train them and compensate them once the subsidiary is operational. But as always the subject went a step further than what I anticipated.

Certain type of questions an international HR manager would ask himself. Such as should pay for performance be implemented? Should EEO be practiced here? How far are we going to distribute authority?

We feel that we always focus on big areas such as compensation, recruitment, training etc. that we somehow consider the above questions as irrelevant. But we believe in today's context those questions are the burning issues. Before deciding on training and compensation we need to outline the way the organization is going to operate. This ' way' could be the overall corporate strategy, or may be the vision of the organization, whatever it is, it should be the platform of the new subsidiary.

Why we call it as the platform is because, once an organization have outlined how it plans to operate such as should it implement pay for performance or should it practice EEO etc. Then the organization has created a clear path for it to travel. Now that the core areas have been outline we can decide what our recruitment policy is going to be like, or how we are going to compensate. For an example let's say that we decided to go along with pay for performance and EEO. Now the HR manager knows what exactly to do, he can design a compensation package that would compensate according to

the way employees perform. Also he can design a recruitment policy where applicants are given an equal chance of getting selected.

But then there were several other questions that came up. How can an organization decide what's the best path to move forward for it subsidiary? Should it depend on the corporate strategy or the environment of the host country? These were answered quickly by the next few discuss.

The topic is trying to teach to us how an organization should look for host country specific factors that will have a direct impact over the operations of the organization. As an example it might be the corporate strategy to use a pay for performance system but certain legal and social conditions in the host country will not allow an organization to use such a strategy (like in Japan where pay is according to the seniority).

An organization has a choice when it comes to selecting the way it plans to operate. It can either standardize work practices where parent country standards are maintained globally. Or it can localize the operations according to the host country. These two factors are like two extremes of a continuum, the challenge is to find the point where both options are blended in correct quantities.

But in reality we feel organizations do not wish to localize operations and are keen in standardizing as much as possible. From a managers perspective this is completely agreeable as it would solve lot of problems at the corporate level. But when it comes to the operational level it will create ambiguity and confusion. But still in order to ease the pressure at the

corporate level and to save time, organizations are more attracted towards standardizing.

And this is one of the key reasons why expatriates are used so frequently by multinationals. Apart from many other benefits they bring to the subsidiary they most importantly help the parent country to have a greater control over the operations, thus allowing them to standardize operations to a greater extent.

point 05 – Sustaining International Business Operations

To our knowledge staffing is just one aspect of IHRM and in order to sustain, there are so many other factors that needs to be discussed (such as management style, distribution of power and autonomy etc.).

There are several ways approaches to staffing available for MNE. Ethnocentric is where the subsidiary is given little autonomy and key management positions are held by foreign nationals (Dowling & Welch, 2004, p. g. 58). There can be many examples found here in Sri Lankan for this particular staffing policy such as Hilton, Suntel, IOC, Laughs etc.

Polycentric is where each subsidiary is treated as a distinct national entity with some decision making autonomy (Dowling & Welch, 2004, p. g. 59) examples could be Airtel, Dialog etc. Geocentric is where the MNE takes a global approach to its operations. It is accompanied by a worldwide integrated business and nationality is ignored in favor of ability (Dowling & Welch, 2004, p. g. 60) e. g -: United Nations, HSBC. Regiocentric is like the geocentric approach, it utilizes a wider pool of managers but in a limited way (Dowling & Welch, 2004, p. g. 62) e. g -: Unilivers.

However what we going to understand how important the subsidiary is to the organization. The higher the importance the greater the control the organization requires over the subsidiary, thus it is more likely that they would go ahead with an ethnocentric or any other similar approach where they can have greater control. That is why we see mature organizations such as Suntel and Hilton still using an ethnocentric approach. And a new subsidiary like Aitel Sri Lanka using a polycentric approach tells us that it is not of significant importance to the group. Regeocentric and geocentric approaches are separate from the above two, because in order to practice these approaches the MNE should be large and spread across many countries.

Our observation may not be 100% true for all organizations, but it would apply for many MNE's especially small and medium once.

point 06 – Recruitment and Selection for International Assignment

When recruiting and selection you asked your self was what should be so different in selecting a domestic manager and an international manger. After all if you're successful as a domestic manger you just have to apply the same thing abroad with a bunch of foreigners. This time we was completely wrong, we soon found out that there was a significant difference in selecting a domestic manager and an international manager.

The first thing we realized about an international manager is that his task is lot more complicated than of a domestic manager. There is a lot expected from an expatriate, he will have to perform in an unfamiliar environment, he

will have to play different roles in different situations (e. g-: an interpreter, a boundary spanner, an agent, a negotiator etc.), the support of the family and friends maybe absent, he is expected to be flexible and adopt to the host country situations quickly etc.

An important point we want to understand, " expatriate failure". We found it very interesting because we was unaware of this term and also when we looked deep in to it; it is something practically experienced by many MNE's. Expatriate failure is defined as the premature return of an expatriate (that is, a return home before the period of assignment is completed) (Dowling & Welch, 2004, p. g. 86).

There were several reasons highlighted for expatriate failure, the most common issues are the inability of the expatriate to adapt to the host country and family concerns. Why we say is that when an expatriate is selected, the organization makes sure that he has performed well domestically. This certifies that he has the necessary technical competencies. So the reason for not performing internationally is not because he lacks technical skills, it's just that he doesn't know how apply his knowledge to that particular culture.

And also humans are social animals; they always want to be a part of a group and a community. But when an expatriate is send abroad he gets cut off from his community and gets isolated. This adds tremendous physiological pressure on the expat. That is why we believe that these two factors are the most common reasons for expatriate failure.

Lesson 07 – Training and Development

Now we want to understand how important it is to select the right person to head an international operation. Being successful in a domestic environment does not guarantee the success in an international environment. But selecting the candidate with all these factors is difficult. So it was my understanding that if organizations cannot find individuals with the desired characteristics, they must use training and development to bring those individuals to the desired level.

Before this discussion starting this we want to identify and understand the difference between training and development. As explained by Stone (2005, p. g. 335) training emphasizes immediate improvement in the current job performance, while development involves those activities that prepare an employee future responsibilities. Thus the correct word to be used in IHRM would be development.

The interesting thing in this discussion that expats are in most occasions going act as trainers themselves. This is a true fact; one of the main reasons of using expatriates is because they have certain skills that host country employees do not. Thus they will in time teach these new skills to host country employees. Now we had idea about how important training of expatriates really is. Not only should an organization train them on handling cross cultural instability and breaking the language barrier, they should also be trained to handle the trainers' position (a person who trains host country nationals).

Many expat's fail due the inability to adapt to host country environment. Thus having a good cross cultural training session is vital to a successful international operation. It was also mentioned that preliminary visits should be a key area in cross cultural training. I totally agree with that statement, the expat should be given a chance to experience the host country for himself, which is more effective than any class room session. And language has been a huge barrier for many expatriates to perform well, thus it should also be a part of the cross cultural training.

We strongly feel that there should be some concern given in developing the expats technical skills as well, especially if he's going take on a new management position which was absent in this chapter.

point 08 – Performance Management, Re-entry and Career Issues

we had an understanding about performance management from a previous discussion but re-entry was a new area. So we were going to looking forward to identifying the link between these two topics.

What performance management really is and how it can benefit an organization. This is because there are so many other factors that needs to be taken into consideration when assessing an expat, things like the host country environment, the culture, employee behavior etc. And another significant difference in IHRM performance appraisals is that it takes into account factors such as the expats ability to connect with the host country culture and social values, ability to understand its employees etc.

Our understanding is that having a thorough, fool proof performance appraisal and conducting it correctly is vital for an organization. This is the best point where the organization can do a thorough audit about the performance of the expat. As explained earlier expatriate failure is a major issue in most of the international organizations. This can be avoided to a greater extent if the organization carries out a thorough performance appraisal.

Repatriation was a interesting area. The interesting part was that most international manager after a successful international operation upon re entering to the host country underwent certain issues. This was so common that it is been included into the expatriation process. From we want to feel there two sides to this story. One being that the manager who is returning after a long time will find it difficult to adopt to his culture and environment after being away from it. Secondly issues related with the work environment such as change in positions, change in reporting styles, change in organization culture, new recruits etc.

I believe the change in the work environment is the one that affects the most. Our understanding is that in order to avoid this, the expat should constantly keep in touch with the parent country during his assignment.

point09 – Compensation

People work because they know that at the end of the day they are paid a decent amount. So if an organization wants to keep its best employees intact it must make sure that they compensate accordingly. We thought that this same rule applied in IHRM. We knew that international mangers are paid

much better than local mangers, and our understanding was that it is because the task they handle is difficult. But compensating in IHRM is lot more complicated than in HRM.

First of all we want to discuss about a topic that we found very interesting. There are two ways an organization can compensate an employee. The going rate approach is where the salary structure is in parallel with the host country standards (Dowling & Welch, 2004, p. g. 144). The balance sheet approach is where the salary structure would be similar to home country standards (Dowling & Welch, 2004, p. g. 146).

Our understanding is that the salary structure is always designed to benefit the expat. For an example if an Australian manager is transferred to Sri Lanka they would adapt the balance sheet approach since Australians are paid better than Sri Lanka. If a Sri Lankan manager was to go to Australia then they would adapt the going rate approach.

The reason for this as we understand is that most expats are sent to handle senior management positions, and it is most likely that they would have to start lot of things from starch such as accommodation, schooling, furniture etc. Thus the organization must make sure that not only they are paid better than their subordinates but also it should be equal or better than what they're paid in their parent country. Otherwise an organization will not be able to attract talented individuals.

The important thing to understand as we feel is that it is very difficult for someone to accept an international assignment. There is change in culture, living standards, family issues, re location issues, fear of moving into

uncertain territory, career issues are some of the things that an international manager will have to face. Despite all this, if an organization wants an individual to accept an international assignment the best way of breaking the above barriers is by compensating them accordingly. we believe that is the reason why expats always gets the benefit when it comes designing their salary structure.

Another important area in compensation as we found out was allowances. As we want to understand it has two purposes. Firstly an allowance makes the remuneration package attractive, thus managers will be attracted in accepting international assignments. Secondly it will help to increase the living standards of an international manager. Especially senior managers have a certain image to maintain, they reflect not only their standard but the standard of the entire firm. Hence an allowances will help senior managers to protect that image.

point 10 – Business Etiquettes and Social Customs

There were always something new to learn in etiquettes, because every culture has their own unique way of conducting business.

The important thing that we want to understand that no matter how qualified and well equipped a manager maybe he can mess the whole thing up by just doing something that is not excepted in that culture. That is how important etiquettes are. By doing things according to the host's culture you show that you respect them and their culture.

Handling these etiquettes should be one of the factors discussed in the expatriate training programs. As it will help the future expats to handle

business smoothly, since then they know what they should do and what they shouldn't.

The interesting part is that you can damage a relationship by doing something, or by not doing as well.