

# People management practices - internationalisation



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## **Introduction**

In recent years there has been an upsurge in the Internalization of markets as various organisations are extending their services to different countries of the world in a bid to either flow with the competition existing within its industry, reducing costs etc. Managers of multinational firms are now increasingly realizing the significance of people management practices in ensuring the profitability and viability of their business operations (Brewster, 2002).

This act of internationalization introduces the human resource manager to the intricacies and issues that come with the internationalization of a corporation. These issues and intricacies have led to the introduction of the International Human Resource management which according to Dowling and Welch (2004) is defined as ' going beyond the spectrum of management of expatriates and extends to the worldwide management of people.'

Scullion (1995, cited in Scullion & Collings, 2006) defines as ' the Human resource issues and problems arising from the internationalization of business, and the Human Resources management strategies, policies and practices which firms pursue in response to the internationalization process.' These Human Resources Management Policies though from the Parent Country (PCN) cannot always be applied in the various subsidiaries. Thus the aim of this work is to find out the factors human resource managers must consider when preparing IHRM policies.

## **Recruitment and Selection**

Recruitment and selection according to Price (2004) are major issues for human resource managers. Recruitment is often described together with *selection*, which in time follows immediately after or is often closely connected with recruitment.

Anderson (1994: cited in Beardwell & Claydon, 2007) states that these issues are concerned with identifying, attracting and choosing suitable people to meet organisations' human resource requirements. Though these processes are at times used simultaneously an attempt to differentiate its meaning is pertinent.

Recruitment is an instrument of the company's HR policy, concerning decisions to be taken in a company or another organisation. It is a HR practice to attract appropriate individuals or groups for an organisation. It is defined by Dowling and Schuler (1990, cited in Beardwell & Claydon, 2007) as *" Searching for and obtaining potential job candidates in sufficient numbers and quality so that the organisation can select the most the appropriate people o fill its job needs'.*

While Hackett (1991: cited in Beardwell & Claydon, 2007) defines Selection as being more concerned with

*' Predicting which candidates will make the most appropriate contribution to the organisation- now and in the future'*

According to Edward and Rees (2006) it involves testing and evaluating the skills and attributes of these individuals to determine which are the best for

the job at hand. Either way the importance of a good recruitment and selection process is very important and has now become quite obvious as managers of multinationals have become increasingly aware that in order to succeed in their international strategies and business their human resources have an important role to play in their success as an international organisation.

### **Approaches to Recruitment and selection**

When an organisation becomes international another factor that affects its Recruitment and Selection Policies are the organisation's corporate culture which according to Perlmutter (1969, cited in Harzing and Ruysseveldt, 2000) could be Ethnocentric, Polycentric, Regiocentric or Geocentric.

Briscoe and Schuler (2004) are of the view that these approaches to staffing is usually a progressive one as it changes over time as a firm develops greater international experience and sophistication. Some other scholars are of the view that these approaches also change due to the political stability and legislations of the various countries where these subsidiaries are situated etc.

### **Ethnocentric Approach**

This approach reflects a focus on the home country values and ways of operating thus organisations who apply this approach are organisations that are primarily home-country oriented. Key positions in the headquarters (HQ) and subsidiaries are filled by parent country nationals or citizens of the country where the HQ is located. Perlmutter (1969) noted that in these organisations home based policy, practice and even employees are viewed

as superior and foreigners can be viewed as, and feel like second class citizens.

Research though has shown that ethnocentric approach to the staffing of an international organisation is usually most appropriate during the early stages of internationalization when the need for control is greatest. Mayrhofer and Brewster (1996, cited in Harris et al, 2003) have however advised against a wholehearted rejection of an ethnocentric approach to international staffing.

### **Polycentric Approach**

This approach is based primarily on the host country orientation. The foreign subsidiaries are primarily staffed by the host country nationals or managers from the subsidiary location. This staffing approach according to Perlmutter is likely to be evident where organisations serve heterogeneous product markets and where products and services must be adapted and marketed to suit specific national tastes.

### **Regiocentric Approach**

This approach is based on recruiting on a regional basis and according to Scullion and Collings (2004) International transfers are restricted to regions as managers are selected based on ' the best in the region'.

### **Geocentric Approach**

This approach according to Scullion and Collings (2006) involves the filling of positions at both HQ and subsidiary level with the best persons for the job regardless of the nationality. According to Evans et al (2002 cited in Scullion and Collings; 2004) ' The skill of the person is more important than the

passport'. This approach though is usually used when the organisation is at a mature stage.

These approaches usually come to play when there is a need to staff the subsidiaries of a multinational corporation and also when it has to do with the staffing policies for key positions within the Multinational Corporation especially since lower levels are, according to Harzing (2004) inevitably filled by host country nationals and third country nationals.

And also these approaches are not fixed but tend to change as the need for control changes and according to Welch (1994) the staffing need of an organisation changes with the organisation's stage of internalization. (See case study 2)

#### Factors Affecting Transfer of IHRM Policies (Recruitment and Selection)

According to Koen (2005 cited in Mullins, 2007) '

*The methodology of recruitment and selection has never been uniform across the world. Moreover, whether a specific personnel selection practice should be adopted universally remains an unresolved issue. However, given the crucial role played by this personnel function, especially in managing a multinational workforce, understanding the similarities and dissimilarities of existing practices in different nations ought to be the first step taken by human resource managers and researchers.*

From this definition it can be deduced that various countries have various recruitment practices and according to Harris et al (2003) this is due to the fact that organisations are increasingly recruiting beyond their national

borders and this trend is not just to staff International corporations but also for domestic purposes. Also recent research has revealed that companies in different countries differ with respect to their HRM practices and policies (Ferner, 1997) not just in their recruitment and selection processes.

It has also been noted that transferring HR policies and practices to different countries can be quite problematic (Bae et al., 1998; cited in Myloni et al, 2004). Some of the major obstacles for these difficulties in transferability of culture according to Myloni et al (2004) are closely related to the host country's cultural and institutional environment.

But Hayden and Edwards (2001, cited in Edwards and Rees 2006) state that the ease with which an organisation can transfer its policies and practices to its subsidiaries is shaped partly by its dependence on 'supportive and distinctive extra-firm structures'

This means that when HR managers are preparing their R&S policies that they can apply in their worldwide operations there are certain factors they have to take into account while at the same time ensuring that in line with all Human resource Policies and practices their recruitment and selection Policies must be linked to the overall strategy and objectives of the International organisation.

Various authors have various views as to what these factors that affect the transferability of HRM staffing policies might be. Vance and Paik (2006) are of the view that such factors include issues such as the firm's business strategy, stage of international development, specific foreign market experience host government restrictions and incentives, host country

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sociocultural restrictions and plans for individual and organisation development.

Hayden and Edwards (2001) have also argued that the differences between national business systems also limit the transferability of employment practices as their introduction to other countries is subject to the 'constraints' posed by the recipient systems. There also can be situational factors such economic trends and conditions, the nature and duration of the international work itself, MNC resources available, and the availability of willing and able candidates.

Harris et al (2003) are of the view that the following are the factors that an International HR manager must take into account;

- The type of labour legislation.( in the Host Country)
- The type of labour market
- Appropriate recruitment sources

### **Host-Country Factors (Macro-environment Factors)**

While Gronbaug and Nordbaug (1992) are of the view that there are both Micro and Macro environmental factors that affect International

Organisation's Shen(2006) is of the view that here are also two factors that influence transferability and terms them as Host Factor and Firm specific factors.

The Micro factors according to Gronbaug and Nordbaug are divided into two - including primary issues such as a subsidiary's relationship to other parts of the international organisation, and the secondary factors embracing external



issues such as customers, competitors etc. While the Macro factors (which concerns this work) include -

**Socio-economic Factors** - This refers to the standard of living in terms of wages, and which also includes the field of economic compensation, differences in national education and training system which according to Beardwell and Claydon (2007) are likely to mean that the skill and competence profile of the workers available on the labour market will differ from country to country.

**Political/Legal Factors** - Legal requirements touch on every aspect of relationships between employers and employees according to Morrison (2006) and since what is legally and socially acceptable in a firm's operations in one country may not acceptable in another (Beardwell & Claydon, 2007) political and legal factors may contribute to structuring recruitment and selection policies and as such host country legal regulations represent a strong environmental pressure on MNC subsidiaries (Schuler et al, 1993 cited in Myloni et al, 2004); and the legal environment in which the MNC subsidiary is embedded can constrain the transfer of HRM practices from its parent (Beechler and Yang, 1994).

### **Culture**

Differences in management cultures may mean that some management styles are more appropriate in some national settings than others (Beardwell and Claydon, 2007)

- Firm specific factors
- International Strategy

- International organisational culture
- Organisational Culture
- Stage or mode of Internalization
- Type or niche of industry
- Size of international Operation
- Reliance on international markets
- Top management's perception of home HRM systems
- Host Contextual factors
- Political factors
- Legal Factors
- Economic Factors
- Socio-cultural factors
- International recruitment and selection policies and practices.
- Other Factors
- Trust

### **Personal Moral Merits**

A model of factors that affect international recruitment and Selection

(sourced from Shen, 2006 – an adaptation of Hamil 1987 and Welch, 1994

### **Firm Specific Factors**

Type of Industry – The type of industry that the International organisation is into will also determine the ability of the PCN to impose its policies and

practices on the subsidiary (Welch 1994). For example if it were a banking sector the transfer of human resource policies will be low especially where the country has a strong union like in Greece. (Myloni et al, 2004)

Boyacigiller (1990) also argues that HCNs might have more important links or connections that might benefit the organisation more and will thus have a lower potential of having PCNs.

Stage of Internationalization - organisations go through a learning process as they move towards becoming international. This process might be gradual, it might take place in stages, or development might be in leaps (Hedlund, 1986), and research has shown that the older the International organisation gets the lower the level of HRM transfer in comparison to middle-aged ones. Thus according to Miliman et al (1991) there exists an association with an organisation's international experience and its use of PCN

Taylor et al (1996) are also of the view that there exists a link between the Size of an international Operation and its reliance on international markets. It also seems to have a link with international experience as it affects senior management's orientation or approach to staffing which will as the MNC gets older shift from Ethnocentric to Geocentric.

Organisational Culture - In managing people to achieve organisational goals, organisations prefer clarity, certainty and perfection according to Pascale and Athos(1981) Simply defined it is the way we do things here (Bowler, 1966) and MNCs will tend to merge their organisational culture with that of the host country so as to be able to maximize their operations within the subsidiary.

## **Conclusion**

From this work it can be deducted that the ability of an International Organisation to transfer its policies and Practices depends on many factors and these factors also depend on the time factor. This is due to the fact that it is easier for an International Organisation to transfer its policies to the subsidiaries and also enforce these policies (or forms of control) when the subsidiary is just at its inception stage and usually at this point most governments of these Host countries in their bid to encourage foreign might consider waiving certain legislations for the International Organisation. But as time passes these policies will be eroded as the subsidiary gains experience.

## **SWEDCO**

(Adapted from Edward and Rees, 2006)

Swedco is a Swedish Organisation and is a highly internationalized firm that produces high-tech manufactured goods and it employs tens of thousands of employees, approximately half of whom are outside Sweden. From the case study it will be assumed that Swedco has subsidiaries both in the UK and also in Belgium.

## **Culture**

Swedco had the tendency to spread a ' democratic' approach in their management style , also they tended to boycott or bypass hierarchy in the sense that the organisational actors according to Hedlund (1981) did not feel constrained by formal authority relationships thus the employees do not think it to be anything to jump hierarchy in order to put forward their ideas( which according to Hayden and Edwards (2001) was a typical trait or <https://assignbuster.com/people-management-practices-internationalisation/>

characteristics of the Swedish in terms of culture) but in recent times the evidence shows that the country of origin effect is being eroded as senior management have now tended to draw on Anglo - Saxon styles of management.

From the case study it appears that the Swedco Subsidiary in UK does seem to have a hand in the making and establishment of these policies that affect the whole organisation. This goes to show that as the International organisation gains more experience there is a fusion of the cultures of both the Parent country cultures and that of the Host country.

International Experience - In recent times as shown by the case study there has been policies set out based on the development of a cadre of managers from across the company. Subsidiaries are being encouraged to submit suggestions for individuals who should be considered for promotion to positions elsewhere in the firm.

This makes it clear that the management are of the view that the Subsidiaries have gained enough experience and have the right cadre of managers to be able to run the subsidiary without the use of an expatriate as would have been the case where the country had just recently internationalized.

From the case study it is clear that though the country of origin did have some form of control over its subsidiaries either in its staffing options or in the way their carry out their jobs and functions, with the passage of time there has been a change in the way things are done as the various cultures are merging.

**HSBC: The International Manager Program**

*HSBC is a major financial services organisation that employs about 170, 000 people and operates in over 80n countries. The bank has colonial roots and was originally based in Hong Kong. It was managed by ' international officers' who were largely British expatriate. In the early 1990's, Midland Bank was acquired. Major acquisitions in North America have also made HSBC the largest foreign bank in Canada and the USA. The corporate centre is now UK. The bank's vigorous advertising campaign features the need to be sensitive to local culture and customs in order to succeed in business, proclaiming it to the world's Local Bank'*

*The expanding geographical reach of HSBC and its growth through acquisitions have increased the need for international deployment of people. This currently outweighs the decreasing need for expatriates in some of HSBC's earlier markets, where most highly skilled local people are now available. HSBC has retained a specific group of international managers' (IMs). Individuals are recruited direct to the International Manager program either from higher education or internally. The career deal for IMs is clear. They can be sent anywhere at a short notice, and so give high commitment to the organisation. In return, the individual has a good employment package, a wide variety of challenging jobs and good career prospects leading to general management positions. - Harris et al (2003)*

From this case study it can be seen that though HSBC started with an ethnocentric approach to its recruitment and selection process it later had to switch to geocentric in a bid to adapt to the various cultures where it has its subsidiaries.

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