

International human resources essay

[Business](#), [Accounting](#)



Introduction International Human Resources Management (IHRM) definitions are wide-ranging and for some, IHRM issues explore aspects of Human Resources Management (HRM) in Multinational Enterprises (MNE)'s (Briscoe 1995) while others ' strategic international human resource management (SHRM) is no more than the application of SHRM to the international or global business context' (Nankervis, Compton & Baird 2002, p. 617). Much IHRM work has focused on the areas of international staffing and management development, however, IHRM should not neglect many related areas (Rowley & Benson 2002). Another approach focuses on comparative industrial relations (IR) and HRM, where attempts are made to describe, compare, and analyse HRM systems and practices across countries (Verma, Kochan & Lansbury 1995). Dowling, Schuler & Welch, 1994 gives definition of IHRM as follows: " IHRM consists of a collection of policies and practices that a multinational enterprise uses to manage local and non-local employees it has in countries other than their home countries.

" The integration of more comparative views, approaches and perspectives within IHRM can be useful, and helps in providing more insight into what is " normal" as opposed to " exceptional" in HRM practices and systems (Nankervis, Compton & Baird, 2002; Rowley & Benson 2002). However, IHRM should not become a description of fragmented responses to distinctive national problems nor about the ' copying' of HRM practices, as many of these practices suit national cultures and institutions without necessarily being transferable. Indeed, issues of concern in IHRM are those of consistency or standardization, versus customization or adaptation, within diverse social and cultural environments (Nankervis, Compton & Baird,

2002). Existing IHRM Models Several conceptual models seek to describe and predict how MNEs might conduct IHRM on an abstract level from a macro, strategic perspective (Adler, Ghadar 1990; Evans & Lorange 1989; Evans, Pucik & Barsoux 2002; Milliman, Von Glinow & Nathan 1991; Nankervis, Compton & Baird 2002; Schuler et al 1993, 2002; Taylor, Beechler & Napier 1996; Welch 1994). What MNEs actually do and, more importantly, how they do it not so well documented.

Practitioners' literature seems to struggle with the description of how the IHRM system 'established itself' in the wake of business expansion, rather than being aware of a choice (Napier & Vu 1998; Roberts, B. 2000; Rynes, Bartunek & Daft 2001). Authors of early conceptual models argue that the central issue is to find the best fit between the MNE's overall strategy and its IHRM policy, not to identify the best overall IHRM policy (Adler & Ghadar 1990; Milliman, Von Glinow & Nathan 1991; Nankervis, Compton & Baird 2002; Schuler et al 1993, 2002; Taylor, Beechler & Napier 1996), the organizational structure (Schuler et al 1993, 2002), the HQ's international orientation (Schuler et al 1993, 2002; Taylor, Beechler & Napier 1996), the host country's cultural and legal environments (Adler & Ghadar 1990, Milliman, Von Glinow & Nathan 1991; Schuler et al 1993, 2002, Taylor, Beechler & Napier 1996), the resources or strategic role of affiliates and certain employee groups (Nankervis, Compton & Baird 2002; Taylor, Beechler & Napier 1996). Internal Factors Determining Strategic IHRM Welch (1994), from research in four Australian firms, suggests that 'international HRM approaches and activities are stage of internationalization, type of industry, strategy and structure, and organization (p. 150). Stage of

Internationalization Process The stage of the internationalization process is a useful tool in understanding the HRM policies adopted by many firms.

The firms could be broadly grouped into two categories: firms which had entered the international market before 1980 and those which had entered after that date. Firms which had entered 'early', had a more laissez faire attitude to IHRM issues: they tended to deal with HR issues on an ad hoc and individual basis. In contrast, the 'late' firms were more likely to have developed policies and practices to deal with the HR issues that they were experiencing in the international environment. Thus, when one of the service and one of the dairy company were trying to internationalize as quickly as possible and were much more proactive in their strategies than their more long-established counterparts. This need to internationalize rapidly also meant that these companies had to design and implement specific IHRM policies and systems; their more established counterparts relied extensively on the experience they had gained over time in dealing with problems and issues. The early models of internationalization, based on an assumption of sequential evolutionary development, are limited: 'the number of stages involved varies from firm to firm'.

(Welch, 1994: 151). Strategy and Structure Welch contends that 'strategy and structure can dominate at a given point in time and thus influence the IHRM activity' (p. 154). There was evidence of the impact of both strategy and structure in the four Australian firms researched. For example, the dairy companies were fairly small and had entered the international market very aggressively. They needed to expand rapidly in order to survive and had

developed their HR policies to cope with this expansion. The larger firms, operated a more decentralized approach towards internationalization.

The research also suggest that the first target country for the newly international firm and the number of locations are important factors in the strategy adopted towards internationalization. Whereas some research suggests that familiar markets, in both geographic and ' psychic' terms are the most likely targets for international firms (Johansson and Mattsson, 1988), although many of companies did not follow this route. Thus, when two of the Australian service companies entered USSR and Middle East, both target countries were geographically and ' psychically' extremely different from the Australian operations, yet this was where the business opportunities lay and the companies were prepared to take the risks involved in setting up operations in these countries. The companies that took the more unconventional routes to international were more likely to have put in place HR policies. Thus, the service companies had an extensive pre-departure program for their expatriates, an extensive communication structure, and was in the process of constructing a repatriation process: the overseas locations were so psychologically and geographically far removed from Australia that special provisions had to be made. Type of Industry The type of industry also appears to have an impact of the IHRM practices adopted.

Welch's study suggests that ' the service company may be more vulnerable than the manufacturing firm as it has not experience that preparatory stages of exporting which allows exposure to some of the inherent difficulties

involved in offshore business venture' (p. 152-3). However, evidence from the study indicated that a service company may be able to leverage certain advantages. Thus, one of the Australian service company, was able to enforce a reasonably uniform set of HR practices and to interchange employees between locations. In contrast, the manufacturing firm, had a very diverse set of practices throughout the company and this militated against movement between even the various domestic sites; adding the international dimension to its activities complicated matters further. Here the personnel manager remarked enviously on ' the IBMs of this world who are able to move their people about internationally as on a chess board'.

Firm-Specific Interactions Although Welch does not explore this issue, common practices suggest that firms have several choices in their approach to HR issues: centralization or decentralization; flexibility or uniformity; a set of HR policies which offer general guidelines for action or one which indicates specific action; a strategy which is proactive or one which is reactive. The common practices give some indications that a combination of certain variables may lead to the adoption of particular approaches.

Thus there were evidence that where companies go through a process of rapid internationalization and choose more distant markets, they will adopt a centralized HR policy. Conversely, where they have undertaken a slow approach to internationalization and choose closer markets they will adopt a decentralized HR policy. Tax Law In addition, HR department should design the remuneration so as to equalize the impact of taxes in such a way that there is neither tax incentive or disincentive. Tax laws are widely different in

different countries. Tax liabilities in many cases arise after the foreign assignment is finished.

To avoid tax problems, generally the services of an accounting firm are taken. International relocation and orientation involves activities like imparting of pre-departure training, providing of immigration and travel details; providing housing, shopping, medical care, recreation, and schooling information; and finalizing compensation details such as delivery of salary abroad, determination of various international allowances, and taxation treatment. External Factors Determining Strategic IHRM Global management trends such as re-structuring, re-engineering, and retrenchment were all reported as significant concerns for managers in this region. Further, the impact of globalization is suggested in several respondents' reports of work intensification, increased emphasis on labour flexibility and productivity throughout their worldwide operations.

Changing Nature of Global Economic Landscape The first key contemporary trend that we identify as significant for IHRM at the beginning of the 21st century is the changing landscape of international business. This can be explained in part by the changing countours of foreign direct investment (FDI) location in the global economy. While traditionally FDI flows have been concentrated in developed countries, recent years have heralded a shift in FDI locations towards new destinations such as the EU accession countries, particularly those in CEE, while countries such India and China have also become 'hot spots' for inward FDI (UNCTAD, 2004; Dicken, 2007). For example, China recorded record inflows of US\$79 billion in 2005, making it

the main recipient of FDI in developing markets (Economic Intelligence Unit, 2006: 6). However, the most important single global shift of recent times has been the emergence of East Asia as a dynamic growth region, reflecting the spectacular recent growth rates achieved by the East Asian newly industrializing economies, as well as the rapid growth of the Chinese economy (Dicken, 2007).

Increasing Global Terrorism A second key theme that has the potential on IHRM is the increasing effect of global terrorism. While this is most clearly evident in high-profile events such as the 9/11 attacks in New York and the 7/7 London bombings, there are a number of other trends in terrorism globally that have the potential to impact on the role and functions of the IHR profession. These include recent events in oil-rich Nigeria where high-profile companies such as Royal Dutch Shell, Italy's Agip and France's Total have been targeted by militant groups. Specially, Royal Dutch Shell was targeted when a car bomb was placed in one of their compounds and one of Total's oil facilities was stormed by armed militants, resulting in the death of three police officers. These events have resulted in Shell evacuating the some 400 dependants of expatriate employees stationed in Nigeria (The Guardian, 2006).

Not only do such events have an impact on the immediate work experience of expatriate employees but they may also make the recruitment of future expatriate employees for roles in these countries more difficult. They will also increasingly challenge international HR professionals to adequately assess the risks associated with sojourns in volatile countries for assignees

and their families. It may also herald a re-evaluation of options with regard to staffing arrangements in these countries and the exploration of alternatives to the traditional parent country national expatriate. The employment of locals in key positions in these high-profile operations may emerge as a viable alternative.

Another example is the Bali bombing case in Indonesia. Even though, there is evidence of economic recovery since the 1997 Asian economic crisis, with stabilization of the economic and business climate. However, political turmoil and security risks continue to present concern for IHRM managers making decisions for employees residing in areas of unrest. For example, one respondent was responsible for evacuating Australian employees from a joint venture in Indonesia during the turmoil in East Timor. After May 2000, several Australian expatriates were evacuated from Fiji as a result of the uprising there (HR Manager, Australia). MNE's with current presence or future plans for investment in Indonesia would need to evaluate the political risk associated with government instability, civil unrest, violence and threats of balkanization. Corporate security has been significantly tightened in Indonesia since the Asian economic crisis of the late 1990s, East Timor's battle for independence, the 9/11 attacks in the United States, and the Bali bombing in October 2002.

Several MNEs, concerned about security and corruption, have abandoned Indonesia operations. Cultural Differences Economic integration and the growth of regionalism leads us to look beyond national borders and to consider the development of regional strategies. At the same time, we need

to recognize intra-national, and even intra-organizational diversity (Tung, 1993). Cultural space is increasingly synonymous with areas that are smaller than nation-states - the threat of Balkanisation in Indonesia may provide a contemporary example of this. Cavusgil and Das (1997) emphasise the need to address within-country cross-cultural differences, noting, for example, that India has more than a dozen official languages in addition to numerous dialects.

As De Cieri, Cox and Fenwick (2001) have argued, too often attention in international management research has been drawn at the inter-national level, ignoring the subtleties and shifts of the intra-national terrain.

Language differences and cross-cultural differences were frequently cited by expatriates. It is first noted that there are challenges presented by the diversity of national culture, social-economic and political context in the Asia Pacific region (De Cieri & Dowling, 1997). A major challenge facing MNC's in emerging markets is the difficulty in recruiting and retaining managerial talent with the requisite skills to operate in different environments and further to persuade qualified candidates to transfer to these locations (Bjorkman and Xiucheng, 2002; Collings and Scullion, 2006). Australian organizations face a particular challenge in increasing their international activities in the Asia-Pacific region, as Australia managers have been strongly criticized by Asian counterparts for lacking the cross-cultural skills and international managerial expertise suited to international work.

Appreciation of cultural diversity as assumed in divergence approach is as necessary as the appreciation of universality of certain principles or cultural commonalities as in etic or convergence approach. Importance of Cultural

Awareness is now generally recognized that culturally insensitive attitudes and behaviours stemming from ignorance or from misguided belief ('my way is the best' or 'what works at home will work here') are not only improper but cause painful business failures.

Hence HR managers in both headquarters and host country should be aware of these cultural differences and act towards it. Activities such as hiring, promoting, rewarding and dismissal will be determined by the practices of the host country. Generally, a local person is appointed as HR managers who should report to the boss relocated from headquarters.

In such cases what the local HR manager does may not agreeable to the boss from the headquarters. As Meyer (2006) notes, a further theme is the key role of MNCs in transmitting capital, knowledge, ideas and value systems across borders and consequently linking developed and developing economies in the global landscape. Further, study on the IHRM strategy, policy and practices of MNC's headquartered in these countries would contribute to the diversity research in the field.

This would help to illuminate some of the HR challenges faced by MNCs from less developed countries, particularly those operating in developed countries. Conclusion Besides the complexity of international operations and employees of different countries, there are other variable which make broader or narrower the differences between domestic and international HR. Nation-specific culture, the type of the industry, the dependence of the multinational company on home country market and the attitude of the

senior management do make the difference between international and domestic HR.

The role of international HR is expanding now from just staffing to strategy formulation. Adler, N. & Ghadar, F. 1990, ' Strategic human resource management: A global perspective' in R. Pieper (ed. , Human resource management in international comparison pp. 235-60.

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