

Human resource management in international expansion



In today's global environment when expanding a business in to another country IHRM would play a handle new key role. There can be identified very clear 6 differences between domestic and international HRM. They are more HR activities, need for broader perspectives, the more involve with employees personal life, risk exposure, broader external influence, changes in emphasis as work force mix of expatriates and locals.

IHRM is concern with staffing policies, recruitment and selection, remuneration, motivation, training and development, performance appraisals, promotion, retirement, redundancy and lay off, industrial relations and foreign assignments.

Expatriates are the employees who is working and temporarily residing in a foreign country. They could be PCNs, TCNs or HCNs.

Due to the development of technologies such as telecommunication, satellite and computer technology and lower cost in going business globally has made the IHRM much more important and easy to manage when compared to the last to few decades.

For any organization that have global operations all around the world IHRM would play a Key factor for the company success.

Session 2

When a organization do business internationally, understanding the cultural deferences among the countries is very essential to be successful in the long run. This is because operations starting in another country, if there are huge

cultural difference among the parent and the subsidiary companies would face various implications.

According to Hofstede's there are 5 cultural dimensions.

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 caste system) and USA is a lower power distance culture.

Individualism vs collectivism

In an individualistic country people would prioritize themselves (USA) whereas in a collectivist country people would prioritize 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 will come with higher risks.

Masculinity/femininity

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

Feminine- tender values dominant such as personal relationships, care for others, quality of life etc. When we take Sri Lanka for an example I think we have a feminine culture even though we have many masculine features. The best

example for this is during the tsunami situation whole county get together to help the tsunami victims within ours.

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 greater than words, mind is greater than speech, will is greater 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.

Session 3

There are many activities effecting the IHRM in a organizational context. Industrial relations, health and safety, management style, authority structure, organizational structure, leader ship style and etc.

And organization could implement a different structures such as global product division, global area division and global matrix structure depends on the situation, subsidiary age and size structure adopted. Controlling of subsidiary would have both formal and informal control systems. Formal methods would be structure, reporting systems, budget and targets where as informal methods would be cooperate culture and personal relationships.

we know some of the transferable HRM policies such as physical layouts, use of technologies, holiday entitlements, quality circles depending on the culture, motivation and leadership style, performance appraisals and etc.

company expatriates would have to perform the key activities when
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implementing the procedures in subsidiary and at the same time adopt the suitable local norms, standards and value in to the system to make it more localize the operations. Improving the performance, implementation of corporate culture, solve technical problems, handling of sensitive information, reduces risk, improve trust and team working skills are some of the important functions that expatriates should perform during a foreign assignment.

Future more political stability, country infrastructure, technology and resources available in the country, organizational and national cultural differences should be looking to when implementing IHRM policies.

Session 4

When starting a subsidiary in a foreign country, there are many reasons why expatriates are needed. Teaching a new process, setting up a new branch, facilitating the knowledge transfer between parent and the subsidiary, helping branch to implement a matrix integration is some of the purposes. This would also depend on the relationship between parent and subsidiary, amount of investment, other host country environment factors. Depending on the host culture, size and the maturity of firm, relative importance of the subsidiary, moral and ethics balancing of standardization and localization of HRM could be done.

Localization would be the recruitments, holidays, leave procedures and etc. according to Huo – “ the best IHRM practice ought to be the ones best adopted to culture and national environment”.

Developing staff members investing in human capital, career development, good working conditions and good management practice could help the organization to retain and attract skilled and qualified labour force in to the organizations. In Sri Lanka Mas holdings is a very good example for a organization which is practicing this method

Session 5

There are many ways of staffing international operations. They are ethnocentric, polycentric, geocentric and regiocentric. Each of this method has it own advantages and disadvantages. Most of the companies use ethnocentric approach at the initial stage and move to polycentric approach after some time. Eg;- after operating Sri Lanka for many years Coca Cola has appointed a Sri Lankan as a country head for the first time.

Organizations use expatriate for international assignment as position filling, management and development and for organizational development. They could be assigned for varies time periods and would have many roles to play as expatriate such as agent of control/socialization, network builder, boundary spanner, language node, transfer of knowledge etc.

Non-expatriates are people who travel internationally, yet no conceder as expatriate as they do not relocate to another county.. Examples for non-expatriates are auditors, inspection department, regional managers etc. even though it's a glimmers life on first site non- expatriates would have high level of stress because of family working arrangements, health concern and host culture issues.

Even expatriates would face lot of difficulties such as spouse and family problems, lack of cultural sensitivity, reluctant to change and adopt, them us mentality, home country mentality and etc. There for organizations must use most appropriate method when selecting a person for a expatriate job.

Session 6

When recruiting a expatriate for a international assignment organizations has to be extremely concern. This is because expatriate failure is extremely costly for an organization. Career advancements financial incentives, interest in countries, interest to travel are the factors that motivate the expatriates. For expatriate to be successful in a foreign assignment they have to have the job knowledge and motivation, job related skills, be flexible and adoptable, helpful family situations and extra cultural openness.

Expatriate failure could be defined as premature return or under performance during the a foreign assignment. There could be varies reasons for early return of a expatriate but direct cost of the failure is extremely high for the organization. Eg- salary and training cost, airfares, relocation expenses, exchange rates, replacing the failed manager etc. indirect costs would be the damagers to the relationship with stake holders, family relationships, and negative effects on the local staff members.

There are four phases in cultural adjustments which expatriate has to go through in a foreign assignment. They are,

Tourist – every thing is new and enjoyable

Crisis/ cultural shock – see differences and negative side off the new culture
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Pulling up

Adjustment

There is a high possibility of expatriate to exit during the cultural shock period. There for in this each stage organizations would have to take many steps to easy the situation.. Eg- food, customs, cultural values(seniority), home sickness etc.

Session 7

Training and development of expatriates is essential for the success of a intentional assignment. This is because expatriates are send to subsidiaries to show how systems and procedures work, ensure adoption and motivation of performance. There for cultural differences and business out comes attitudes and how it effects the behavior, facts about the target country, skill building and language is some of the areas that organization should look in to.

Effective pre-departure training should include cultural awareness programmes, preliminary visits, language training, non traditional assignments and training etc. future more practical assistance for relocation, find accommodation and schooling, future language training, would also contribute to adaptation of expatriates and his family members to settle down.

Many methods could be use ot train the expatriates and many examples Some off them was showing videos, giving case studies, role play and anointing a experience mentor.

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Session 8

Multinational organizations would face lots of performance management issues and expatriate re-entering career issues. Performance management is also a way of controlling the subsidiaries. It also contribute shape the organizational culture. HCNs and non-expatriate performance would have to be evaluated separately.

Appraisal of host country nationals could be done with standardizes company evaluation form. But customization of the form according to the local staff should be done to get the maximum benefits to the all parties. Performance evaluation criteria would be done on hard goals, soft goals and contextual goals. When evaluating the performance of a non- expatriate stress associated with constent air travel, family relationship issues should also be considered.

Expatriate performance would be evaluated on how well he/she achieve organizational targets, relationship and network build up with key parties, implementation of cooperate culture in the organization and etc. evaluation results would also have a impact from who is doing the appraisal, frequency, timeliness and use of standards and customization of the appraisal form.

Re-entry of expatriate after completion of foreign assignment would also have to be given consideration. Preparation, physical relocation, transactional readjustments are the phases which have to go through again. To retain the staff in the organization and repatriation pre-departure career discussions, naming a contact person, succession planning and etc could be done.

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Eg- decrease of living standards, children schooling issues and etc.

Session 9

For a multinational organization to be successful they should have a good compensation package in place for their employees. This is because different countries different currencies, labour laws and customs are in place. There for expatriate pay should be determine according to cost of living, hardship, currency fluctuations, health care, housing, taxation and education expense of children.

To determine the compensation package awarded to the expatriates going rate approach and balance sheet approach can be used. Even though both approaches have its advantages and disadvantages the balance sheet approach is the most commonly used system in multinationals. Balance sheet approach would consider about the goods and services cost, housing cost, income tax and reserves when determining the benefit package.

Session 10

When a organization do business with a another country to make this transactions successful knowing the business ethics and social customs are very essential. Different countries have different values, practices, and taboos which you have to understand and be respectful.

From country to country the way they use first name, title, position and states, dining practices, tipping, gift giving, and that an traveling etiquettes, greetings, superstitions and taboos differ.

Japanese people shows and have a grate respect to the business card and exchange and consider are in tipping as a insult. Different countries have different meal times, number of courses. Eating every thing in the plate or leaving some thing in the plate could be reason to be offended in some cultures. Some times its better not to know what is in your plate which you are serve to eat and be restrain form giving comments on the foods. (it is better to eat without knowing what's in the plate (eg- dog meat, snake meat) without offending your counter party.)

When going abroad for business deal proper dressing, footwear and packing and even and quality luggage could add some value to your transaction.

Male and female relationships would also in a differ from culture to culture and it is wise not to use you are hummer during a business meetings .

holidays and holy days also differ from country to country according to the religion they and practice and the traditions. And organization should looking to this because many cultures do not make any business decisions in holy days.

Even though bribery is concenter illegal, unethical and immoral it almost take place all over the world. But if an organization is doing this kind of transactions they would have to be extremely careful because it could lead to fines and damage of organization reputation.