



Week 1

Differences Between Global And Domestic HRM

Chapter Outline

- What is IHRM?
- Managing Human Resources in a Foreign Subsidiary
- Expatriate Managers
- Training Expatriates
- Appraising the Performance of Expatriates
- Paying Expatriates
- Expatriate Reentry
- IHRM: Adding Value in the Global Business Environment?



What is IHRM?

- International HRM (IHRM) is the process of:
 - procuring,
 - allocating, and
 - effectively utilizing human resources
 - in a multinational corporation, while
 - balancing the integration and differentiation of HR activities in foreign locations.



Domestic HRM VS IHRM

- Compared to Domestic HRM, IHRM
 - encompasses more functions
 - has more heterogeneous functions
 - involves constantly changing perspectives
 - requires more involvement in employees' lives
 - is influenced by more external sources, and finally
 - involves a greater level of risk than typical domestic HRM

Approaches to IHRM

- Ethnocentric Approach
- Polycentric Approach
- Closed Hybrid Approach
- Regiocentric Approach
- Geocentric Approach
- Open Hybrid Model

Approaches to IHRM (cont'd)

- Factors Affecting the Approach to IHRM
 - Political Policies and Legal Regulations
 - Managerial, Educational, and Technological Development in the Host Country
 - Home and Host Country Cultures
 - International Experience of the Firm

Approaches to IHRM (cont'd)

- Factors Affecting the Approach to IHRM (cont'd)
 - Method of Subsidiary Founding
 - Technology and the Nature of the Product
 - Strategic Importance of Particular Employee Groups
 - Organizational Culture
 - Organizational Life Cycle

Managing Human Resources in a Foreign Subsidiary

- Culture and HR Functions within a Foreign Subsidiary
- Staffing in the Subsidiary
- Training in the Subsidiary
- Appraising Performance of Subsidiary Staff
- Subsidiary Compensation Systems

Types of Expatriate Assignments

- Project Assignments
- Technology Transfer Assignments
- Developmental Assignments
- Coordination and Control Assignments



The Cost of Expatriate Failures

- Cost = \$300,000 to \$1,000,000 USD
- U.S. companies may lose up to \$2 billion dollars per year!
- Non-dollar costs
 - Loss of reputation
 - Loss of employee morale
 - Disrupts relationships with locals



Determining the Need for an Expatriate

- Level of position to be filled
- Degree of interaction with locals
- Similarity of home and host cultures
- Cost of expatriate training
- Political factors
- Assignment as developmental experience
- Level of personal physical risk

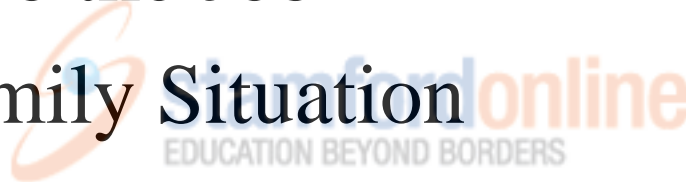
Expatriate Success Factors

- Learning Orientation
- Self-Oriented Dimension
- Others-Oriented Dimension
- Perceptual Dimension
- Cultural Toughness



A Model for Selecting Expatriates

- Willing to Go
- Ability to Do the Job
- Positive Family Situation
- Ability to Communicate
- Ability to Adapt
- Ability to Form Relationships



Global Managers

- Global Managers:
 - Understand the worldwide business
 - Learn about many cultures
 - Work with many types of people
 - Create cultural synergy
 - Adapt to living in many cultures
 - Use cross-cultural skills daily
 - Treat foreign colleagues as equals
 - Use foreign assignments as career development

Female Expatriates

- Do Females Want to Be Expatriates?
 - Organizational reluctance, but
 - Females do want to be expatriates
- Are female expatriates successful?
 - Female traits are culturally adaptive
 - Females viewed as less threatening
 - Females seen as “foreigners” first

Inpatriates

- Use is increasing
- Generally less costly
- Adjust easier to foreign cultures
- Understand the economic background of emerging economies
- Provide diversity within the MNC's headquarters when assigned there

Training Expatriates

- Is Training Effective?
- Two Categories of Training
 - Job training
 - Cultural training



Training Expatriates (cont'd)

- A Contingency Approach to Training
 - Business strategy
 - Job toughness
 - Cultural toughness
 - Communication toughness



Post-arrival Training & Support

- Post-arrival Training
- Training and Support for the Spouse and Family
- Dual Career Couples
 - Supporting the “trailing” spouse



Appraising Expatriate Performance

- Accurate performance appraisal is difficult due to:
 - Physical distance
 - Environmental conditions
 - Political upheavals
 - Education and skill of local employees
 - Nature of the expatriate's task
 - Importance of operational vs strategic performance



Performance Criteria

- Hard performance criteria
 - Results or outcomes-based
- Soft performance criteria
 - Interpersonal abilities
 - Personality factors
- Contextual criteria
 - Factors outside the expatriate's control



Paying Expatriates

- HQ-Based Model
- Modified Home Country Model
- Better of Home or Host Model
- Host Country/Local Market Package

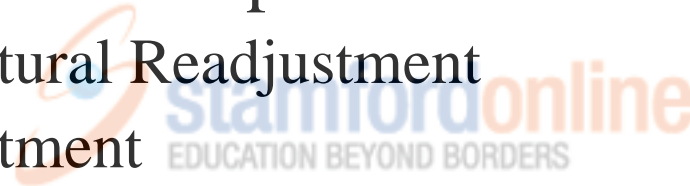


Paying Expatriates (cont'd)

- Balance Sheet Approach
 - Gap between standard index and local index
 - Premiums paid
- International Citizen's Approach
- Issues Common to Most Compensation Packages
 - Taxes
 - Social security & pension systems

Expatriate Re-entry

- Thirteen percent of repatriates leave firm within one year with an additional 10% leaving within two years
- The Problems and Impact of Re-entry
 - General Cultural Readjustment
 - Job Readjustment
- Enhancing the Likelihood of Re-entry Adjustment
 - Organizational Strategies for Effective Repatriation
 - Individual Strategies for Effective Repatriation
 - Support and Coping



IHRM: Adding Value in the Global Business Environment

- HR Activities that Should Be Assessed on a “Value-Added” Basis that Are Unique to IHRM:
 - Costs and Benefits of Repatriation Programs
 - Whether the Mix of PCN, HCN, and TCN Managers is Optimal for Efficiency and Effectiveness
 - Costs and Benefits of Localization Programs in Foreign Subsidiaries
 - Costs and Benefits of HR Activities Customized for Particular National Cultures and Legal Systems
 - Costs and Benefits of HR Programs Related to Foreign Taxation and Social Security Systems