

# 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 Re-entry
- 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

# Postarrival Training & Support

- Postarrival 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