

Module – III

International and comparative strategic HRM

International HRM is the process of acquiring, allocating, and utilizing human resources in a global business to achieve the stated objectives. Because of global context, international HRM is the interplay of three dimensions- HR activities, type of employees, and countries of operations.

Managing global human resources

IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level. IHRM includes typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at international level and additional activities such as global skills management, expatriate management and so on.

In simple terms, IHRM is concerned about managing human resources at Multinational Companies (MNC) and it involves managing 3 types of employees namely,

1. Home country employees / (PCN) - Employees belonging to home country of the firm where the corporate head quarter is situated.
2. Host country employees (HCN)- Employees belonging to the nation in which the subsidiary is situated.
3. Third country employees (TCN)- These are the employees who are not from home country/host country but are employed at subsidiary or corporate head quarters. As an example a American MNC which has a subsidiary at India may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.

Differences between domestic HRM and International HRM (IHRM) are summarized below:

- Domestic HRM is done at national level and IHRM is done at international level.
- Domestic HRM is concerned with managing employees belonging to one nation and IHRM is concerned with managing employees belonging to many nations (Home country, host country and third country employees)
- Domestic HRM is concerned with managing limited number of HRM activities at national level and IHRM has concerned with managing additional activities such as expatriate management.

Domestic HRM is less complicated due to less influence from the external environment. IHRM is very complicated as it is affected heavily by external factors such as cultural distance and institutional factors.

Evaluating HR functions in International context: Multinational, Global and transactional strategies in HRM:

The IHRM literature uses four terms to describe multinational enterprise approaches to managing and staffing their subsidiaries. These terms are taken from the seminal work of perlmutter who claimed that it was possible to identify among international executives three primary attitudes are

- Ethnocentric approach
- Polycentric approach
- Geocentric approach
- Regiocentric approach

Ethnocentric approach

- When a company follows the strategy of choosing only from the citizens of the parent country to work in host country nation is called ethnocentric approach.
- So here the individual called an expatriate. Normally higher level positions are filled with expatriate employees from Parent country.
- The philosophy behind this approach is that the staff from the parent country would represent the interest of headquarter effectively and link well with parent country.

There are often sound business reasons for pursuing an ethnocentric staffing policy

A perceived lack of qualified host country nationals (HCN)

- A need to maintain good communication, coordination and control links with corporate headquarters.
- This practice was widespread at one time firms such as Procter and gamble, Philips originally followed the ethnocentric approach.
- Even today in most of the Japanese and south Korean companies such as toyato Samsung, key positions in international operations are still held by home country nationals.

Disadvantages of ethnocentric approach

- It limits the promotion opportunities of host country nationals which may lead to reduced productivity and increased turnover among that group.
- The parent country nationals being placed in the host country take lots of time in understanding the local dynamics leading to faulty decisions.

Impact of approach on Staffing:

- Headquarters country personnel manage all operations.
- Home Staffing policies are replicated in countries.
- Talent skills transfer essentially one-way.

POLYCENTRIC APPROACH

- When a company adopts the strategy of regulating the recruitment to the nationals of the host country (local people), it is called a polycentric approach.

- The multinational enterprise treats each subsidiary as a distinct national entity with some decision making autonomy. The manager can be from host country and parent country.(Britannia)
- The primary purpose of handing over is to ensure that the company understand the local market condition, political scenario, cultural and legal requirement better.
- For ex : Many US companies use parent country managers to get the operations started, then hand them over to the host country managers Hindustan uniliver ltd, the Indian subsidiary of uniliver has locals has its chiefs.

Main advantages of a polycentric policy are

- Employing HCN eliminates language barriers avoids the adjustment problems of expatriate managers and their families and removes the need for expensive cultural awareness training programs.
- Employment of HCNs is less expensive.
- Gives continuity to the management of foreign subsidiaries and avoids the turnover of key managers.
- Managing local politics and administration will be very easier.

Disadvantages of polycentric approach

- Bridging the gap between host country nationals managers and parent country national managers becomes difficult.
- It also becomes difficult to imbed the original cultural of company.
- This will not provide the opportunity to the host country employers to get exposure and experience outside their own country.

Impact of approach on Staffing:-

- Headquarters country personnel have little impact on other countries.

GEOCENTRIC APPROACH

- When a company adopts strategy of recruiting the most suitable persons for the positions available in it, irrespective of their nationality.
- Companies those are truly global adopt this approach.
- International companies are generally using manpower agencies or consultant with international connections and repute to source candidates.

Advantages of geocentric approach:

- It enables a firm to develop an international executive team which assists in developing a global perspective.
- It over comes the '3federation' drawback of the polycentric approach.
- It promotes co-operation and resource sharing across units.

Disadvantages of geocentric approach:

- Host governments want a high number of their citizens employed.
- Many western countries require companies to provide extensive documentation.
- This is expensive in terms of the investment towards training and development of those individual.

- Benchmarking the salary with the international compensation package which is definitely more than the salary to be given to the individual in his home country.

Strategic alliance:

A **strategic alliance** is an arrangement between two companies to undertake a mutually beneficial project while each retains its independence. The agreement is less complex and less binding than a joint venture, in which two businesses pool resources to create a separate business entity. **For example, in a strategic alliance, Company A and Company B combine their respective resources, capabilities, and core competencies to generate mutual interests in designing, manufacturing, or distributing goods or services.**

Sustainable Global Competitive Advantage:

A sustainable competitive advantage is vital to the long-term success and viability of a business. Competitive advantages are the strengths a company possesses that establish its basis for differentiation from competitors. Sustaining them is important to build a brand and to avoid constantly having to seek out new, short-term opportunities.

Sustainable competitive advantages generally result from a company's foundational assets, such as loyal customers, trusted suppliers or efficient operational systems. All of these can be the catalyst of a competitive advantage. Loyal customers are, by definition, hard to steal away. Core supplier relationships give the trusted allies. Efficient systems in the internal operations go beyond the right tools and equipment; they are developed through work processes and cost-effective or revenue-generating activities.

Perhaps the most inherent factor in sustaining competitive advantages is that they are difficult to copy. If the product, service or operation strength is easy to replicate, the advantage is definitely not sustainable. Advanced equipment, increased investment in advertising or more workers are all relatively easy to copy. An entire company culture, such as the one at Southwest Airlines that emphasizes fun, is much more difficult to copy, since it encompasses a number of synergized factors.

Expatriation: Any person who is asked to leave his place and send to work in abroad or India is called an expatriate. An expatriate faces several challenges(laws, cultural, language) while serving to an organisation.

Problems confronting the expatriate manager

- Host country business culture, management style, skill required handle relationship with employees.
- Long term career growth.
- Country, its customs, its culture
- Family adjustment in new situation
- Language communication

Repatriation: The meaning of repatriation is the return of someone to their own country. MNC brings the expatriate back to the home country, although not all foreign assignments end with a transfer to home- rather the expatriate is re-assigned to another international assignment. Some employees are made to travel around the globe frequently in which case they form part of the MNC's international cadre of managers. Even with such managers, repatriation is essential, particularly at retirement.

Repatriation Process

- 1. Preparation:** involves developing plans for the future and gathering information about the new position. The firm may provide a checklist of items to be considered before the return to the home.
- 2. Personalized relocation:** it reduces the amount of uncertainty, stress, and disruptions experienced by the repatriate and family.
- 3. Transition:** it means setting into temporary accommodation, where necessary, making arrangements for housing and schooling, and carrying out other administrative tasks such as renewing driving license, and opening bank account.
- 4. Readjusting:** It involves coping with reverse culture shock and career demands. Of all the steps in the repatriation process, re-adjusting is the most difficult one. The re-entry adjusting is a tough task because of multiple factors.

Management in global HRM:

The understanding, researching, applying and revising all human resource activities in their internal and external contexts as they impact the process of managing human resource in enterprises throughout the global environment to enhance the experience of multiple stakeholders, including investors, employees, customers, partners, suppliers environment and society. The activities under the global HRM are:

- Determine the firm's Human resource strategy
- Staffing
- Performance evaluation
- Management development
- Compensation
- Labour relation

Challenges in international HRM

1. Deployment: getting the right skills to where they are needed, regardless of geographic location.
2. Knowledge and innovation dissemination: spreading state of art knowledge and practices throughout the organisation regardless of their origin.
3. Identifying and developing talent on a global basis: indentifying those who can function effectively in a global organisation and developing their abilities.

Strategic role of Global HRM

- Strategy is implemented through organisational architecture
- Right people at right posting
- Effective training to acquire skill set to help perform job effectively
- Behaviour congruent with the desired organisational culture
- Compensation must create incentives for actions in-line with strategy

High performance work practices: A specific combination of HR practices, work structure, and processes that maximises employee knowledge, skill , commitment, and flexibility. System composed of many interrelated parts that complement one another to reach the goal of an organisation.

Examples of high performance work practices:

- Self directed work team
- Job rotation
- High level of skill training
- Problem solving groups
- Encouragement of innovative and creative behaviour
- Extensive employee involvement
- Implementation of employee suggestion
- Contingency pay based on performance
- Coaching / mentoring
- Info sharing
- Use of employee attitude survey