

Basics of International HRM

Source: Armstrong (2009)

‘A critical challenge for organizations
from both
the public and private sectors
in the 21st century
is the need to operate across national
boundaries.’

Brewster *et al* (2005)

Definition of International HRM

- International human resource management is the process of managing people across international boundaries by multinational companies.
- It involves the worldwide management of people, not just the management of expatriates.
- Understanding various local contexts has key importance in international HRM.

International vs. Multinational companies (from HRM perspective)

- **International firms:**
operations take place in subsidiaries overseas that rely on the business expertise or manufacturing capacity of the parent company.
- **Multinational firms:**
a number of businesses in different countries are managed as a whole from the centre.

Issues in International HRM

- The impact of **globalization** (international vs. globalized HRM)
- The influence differences among business environments. (institutions, regulations, labour market, demographics etc.)
- The influence of cultural differences.
 - Areas that could be affected by national cultures: what makes an effective manager; giving feedback; readiness to accept international assignments; pay systems; concepts of justice; approaches to organizational structuring; strategic dynamics; etc.
 - Hofstede's studies (see: <https://www.hofstede-insights.com/product/compare-countries/>)
 - Differences in organizational cultures are more important than differences in national cultures.
- Convergence or divergence: the extent to which HRM policy and practice should vary in different countries.
- The approaches used to employ and manage expatriates.

The factors affecting the choice between convergence and divergence

- The extent to which there are well-defined local norms.
- The degree to which an operating unit is embedded in the local environment.
- The strength of the flow of resources between the parent and the subsidiary.
- The orientation of the parent company to control.
- The nature of the industry.
- The specific organizational competencies, including HRM, that are critical for achieving competitive advantage in a global environment

Global HR policies (according to Brewster et al.)

- talent management/employee branding;
- international assignments management;
- managing an international workforce.

Expatriates

- people working overseas on long- or short-term contracts who can be nationals of the parent company or 'third country nationals' (TCNs) – nationals of countries other than the parent company who work abroad in subsidiaries of that company.

Difficulties of managing expatriates

- costs (they are 3-4 times more expensive)
- problems associated with adapting to and working in unfamiliar environments;
- concerns about their development and career;
- difficulties encountered when they re-enter their parent company after an overseas assignment and concerns over how they should be remunerated.

Special policies for expatriates

- Recruitment and selection:
 - Role specification
 - Realistic previews
 - Preparation policy
- Assimilation and review.
- Training (cross-cultural training involved).
- Career management and re-entry policies.
- Pay and allowances:
 - *home*-based or *host*-based pay
 - common allowances:
 - ‘incentive to work abroad’ premium
 - housing and utilities
 - school fees
 - medical insurance

The end