

# GEB 3373 Homework 13

---

## Gus Lipkin

---

All uncited quotes are from the textbook

1. Along what dimensions does domestic HRM differ from international HRM?

- "International HR managers, however, face challenges beyond those confronting their counterparts in purely domestic companies.<sup>2</sup> Specifically, differences in cultures, levels of economic development, and legal systems among the countries in which a firm operates may force it to customize its hiring, firing, training, and compensation programs on a country-by-country basis. Particularly troublesome problems develop when conflicts arise between the culture and laws of the home country and those of the host country. For example, prohibitions against gender discrimination in U.S. equal employment opportunity laws conflict with Saudi Arabian customs and laws regarding the role, rights, and privileges of women. Such conflicts cause problems for U.S. MNCs that want to ensure their female executives receive overseas assignments equivalent to those given to their male colleagues. The international firm also must determine where various employees should come from—the home country, the host country, or third countries. The optimal mix of employees may differ according to the location of the firm's operations. [...] International businesses also face more complex training and development challenges. HR managers must provide cross-cultural training for corporate executives chosen for overseas assignments. [...] Finally, because working conditions and the cost of living may vary dramatically by country, international HR managers often must tailor compensation systems to meet the needs of the host country's labor market."

2. How does the degree of centralization or decentralization affect international staffing?

- "An international business's HRM needs also are affected by whether the firm wants decision making to be centralized at corporate headquarters or delegated (decentralized) to operating subsidiaries. Firms that use a centralized approach often favor employing home country managers; firms that follow a decentralized decision-making philosophy are more likely to employ host country managers. [...] **Parent country nationals (PCNs)** are residents of the international business's home country. Use of PCNs in an MNC's foreign operations provides many advantages to the firm. Because PCNs typically share a common culture and educational background with corporate headquarters staff, they facilitate communication and coordination with corporate headquarters. [...] **Host country nationals (HCNs)** are residents of the host country. HCNs are commonly used by international businesses to fill middle-level and lower-level jobs, but they also often appear in managerial and professional positions. [...] Using HCNs offers two primary advantages. First, HCNs already understand the local laws, culture, and economic conditions. Second, the firm avoids the expenses associated with expatriate managers, such as relocation costs,

supplemental wages paid for foreign service, and private schooling for children. [...] Finally, an international firm may hire **third-country nationals (TCNs)**, who are not citizens of the firm's home country or of the host country. Like PCNs, TCNs are most likely to be used in upper-level and/or technical positions. TCNs and PCNs collectively are known as **expatriates**, or people working and residing in countries other than their native country. [...] Most international firms develop a systematic strategy for choosing among HCNs, PCNs, and TCNs for various positions. Some firms rely on the **ethnocentric staffing model**, whereby they primarily use PCNs to staff higher-level foreign positions. This approach assumes that home office perspectives should take precedence over local perspectives and that expatriate PCNs will be most effective in representing the views of the home office in the foreign operation. Other international firms follow a **polycentric staffing model**; that is, they emphasize the use of HCNs in the belief that HCNs know the local market best. Finally, the **geocentric staffing model** puts PCNs, HCNs, and TCNs on an equal footing. Firms that adopt this approach want to hire the best person available, regardless of where that individual comes from."

3. What are the basic issues involved in recruiting and selecting managers for foreign assignments?

- "A common source of recruits is within the firm itself—among employees already working for the firm in the host country or those who, although currently employed in the home country, might be prepared for an international assignment in the host country. The latter group may include both managers who have never held an international assignment and managers who have already completed previous international assignments. For example, when Kal Kan's Canadian subsidiary entered the animal-food market in Poland, the firm relied on a team of Polish-born Canadian executives to start up the new operation. [...] An international business also may attempt to identify prospective managers who work for other firms. These may be home country managers who are deemed to be qualified for an international assignment or managers already working in an international assignment for another firm. For higher-level positions firms often rely on so-called **headhunters** to help them locate prospective candidates. Headhunters are recruiting firms that actively seek qualified managers and other professionals for possible placement in positions in other organizations. [...] A firm may sometimes find it useful to relocate its facilities to be closer to a pool of qualified employees. [...] One trend seems clear: As a result of the globalization of business, the market for executive talent also is becoming globalized. Firms increasingly value performance more than nationality."

4. What issues are at the core of expatriation and repatriation problems?

- "Working in and coping with a foreign culture can lead to **culture shock**, a psychological phenomenon that may lead to feelings of fear, helplessness, irritability, and disorientation. New expatriates may experience a sense of loss regarding their old cultural environment as well as confusion, rejection, self-doubt, and decreased self-esteem from working in a new and unfamiliar cultural setting. [...] Culture shock reduces an expatriate's effectiveness and productivity, so international businesses have developed various strategies to mitigate its effects. [...] Interestingly, international businesses should pay almost as much attention to **repatriation**—bringing a manager back home after a foreign assignment has been completed—as they do to expatriation. If managers and their families have been

successfully expatriated, they become comfortable with living and working in the foreign culture. Returning home can be almost as traumatic to them as was the original move abroad."

5. Why is performance appraisal important for international firms?

- "**Performance appraisal** is the process of assessing how effectively people are performing their jobs. The purposes of performance appraisal are to provide feedback to individuals on how well they are doing; to provide a basis for rewarding top performers; to identify areas in which additional training and development may be needed; and to identify problem areas that may call for a change in assignment. [...] However, if standard reports reveal a problem, performance appraisals may be done more often in an effort to get things back on track."

6. What special compensation and benefits issues arise in international HRM?

- "Compensation and performance appraisal practices for nonmanagerial employees also differ dramatically among countries, depending on local laws, customs, and cultures. Individualistic cultures such as that of the United States focus on assessing the individual's performance and then compensating the person accordingly. More group-oriented cultures such as Japan's emphasize training and motivating the group and place less emphasis on individual performance appraisal and compensation. The HR manager at each foreign operation must develop and implement a performance appraisal and reporting system most appropriate for that setting, given the nature of the work being performed and the cultural context. For example, although U.S. workers often appreciate feedback from the appraisal system—thereby allowing them to do better in the future—German workers are often resentful of feedback, believing it requires them to admit failures and shortcomings."

7. How does international HRM for nonmanagerial employees differ from that for managerial employees?

- Managerial employees are usually not part of a union while nonmanagerial employees can be. This means that HRM must work with employees both individually and on a union level. "In contrast, labor relations in Japan tend to be cordial. Labor unions usually are created and run by businesses themselves. Unions and management tend to work cooperatively toward their mutual best interests. The Japanese culture discourages confrontation and hostility, and these norms carry over into labor relations. Disputes are normally resolved cordially and through mutual agreement. In the rare event that a third-party mediator is necessary, there are seldom any hard feelings or hostility after a decision has been rendered. Thus, strikes are relatively rare in Japan."