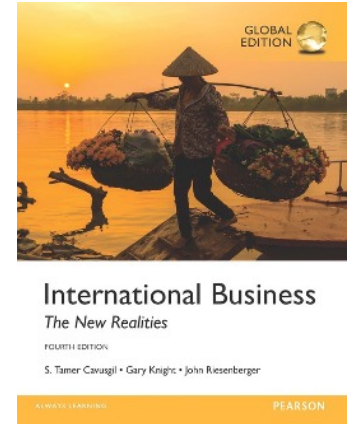


Chapter

17



Human Resource Management in the Global Firm

Presented by
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Challenges of International Human Resource Management

- Recruiting, managing, and retaining human resources at a firm with extensive global operations are especially challenging.
- For example, German firm Siemens has more than 350,000 employees in some 200 countries: 200,000 throughout Europe, 80,000 in the Americas, 60,000 in the Asia-Pacific region, and 10,000 in Africa, the Middle East, and Russia.
- Each of Volkswagen, Nestle, IBM, Unilever, Walmart, McDonald's, and Matsushita has more than 150,000 employees outside the firm's home country.

Three Employee Categories in the MNE

- **Host-country nationals (HCNs):** Citizens of the country where the subsidiary or affiliate is located. HCNs make up largest proportion of employees that the firm hires abroad. Examples: the labor force in manufacturing, assembly, basic service activities, clerical work, and other non-managerial functions.
- **Parent-country nationals (PCNs):** Also known as home-country nationals, PCNs are citizens of the country where the MNE is headquartered.
- **Third-country nationals (TCNs):** Employees who are citizens of countries other than the home or host country. Most work in management; have unique skills.

Differences between Domestic and International HRM

- 1. New HR responsibilities**, such as international taxation, international relocation and orientation, services for expatriates, host government relations, language translation services.
- 2. Need for a broader perspective**, such as establishing fair, comparable compensation when there is a mix of PCNs, HCNs, and TCNs.
- 3. Greater involvement in employees' personal lives**, such as regarding housing arrangements, health care, children's education, safety, security, appropriate compensation, and higher living costs.

Differences between Domestic and International HRM (cont'd)

4. **Managing the mix of expatriates versus locals.** Each location may be staffed with a mix of HCNs, PCNs, and TCNs, depending on firm's international experience, cost-of-living abroad, local laws, and availability of qualified local staff.
5. **Greater risk exposure.** Exposure to political risk and terrorism may require increased compensation and security arrangements.
6. **External influences of government and culture,** such as regarding taxes, local work regulations, traditional work practices, and cultural conditions.

Staffing: Searching for Talent

- **Recruitment:** Searching for and locating potential job candidates to fill the firm's needs.
- **Selection:** Gathering information to evaluate and decide who to employ in particular jobs.
- Managers must proactively identify potential candidates and groom them to become corporate leaders, train personnel to meet evolving business needs, and ensure the talent supply keeps pace with the growth of the firm.

Employee Characteristics That Facilitate International Effectiveness

- **Job knowledge.** Must have adequate managerial and technical capabilities.
- **Self-Reliance.** Entrepreneurial, proactive mindset; expatriate managers function with considerable independence, and limited support from headquarters.
- **Adaptability.** Ability to adjust to foreign cultures, cultural empathy, flexibility, diplomacy, and a positive attitude.



Source: Eléonore H/Fotolia

Characteristics That Facilitate International Effectiveness (cont'd)

- **Interpersonal Skills.** Ability to build relationships is key.
- **Leadership Ability.** Must view change positively, and proactively manage threats and opportunities.
- **Physical and Emotional Health.** Life abroad is stressful.
- **Spouse / Dependents Prepared for Living Abroad.**



Source: Terry Carter/Dorling Kindersley, Ltd.

Cultural Intelligence

- *Strategy* describes how an employee makes sense of cross-cultural experiences through her or his judgments.
- *Knowledge* is the employee's understanding of cultural dimensions such as values, social norms, religious beliefs, and language.
- *Motivation* measures the employee's interest in interacting with people from different cultures and confidence in doing so effectively.
- *Behavioral flexibility* is the employee's ability to adopt verbal and nonverbal behaviors appropriate in different cultures.

Expatriate

- An employee who goes to work abroad for an extended period, usually years.
- **Repatriation:** Return of the expatriate to the home country. Requires advance preparation. Unless managed well, returning expatriate may encounter problems, such as career disruptions and “reverse culture shock”.
- **Expatriate assignment failure:** The premature return of an expatriate, due to an inability to perform well abroad. Costly to the firm (lost productivity and relocation costs) and to expatriates themselves (family stress and career disruption).

Culture Shock

- The confusion and anxiety, often akin to mental depression, that can result from living in a foreign culture for an extended period. Often affects family members most.
- A leading cause of expatriate failure.
- Especially a factor for those assigned to culturally dissimilar countries, such as China, Yemen.
- Can be reduced via advance preparation, training, language skills, deep interest in the new country.
- Regular exercise, relaxation techniques, or keeping a detailed journal of experiences are helpful.

Three Components of Training Personnel for International Assignments

1. **Area studies:** factual knowledge of the historical, political and economic environment of the host country.
2. **Practical information:** knowledge and skills necessary to function effectively in a country, including housing, health care, education, and daily living.
3. **Cross-cultural awareness:** ability to interact effectively and appropriately with people from different language and cultural backgrounds.

Cultivating a Geocentric Orientation

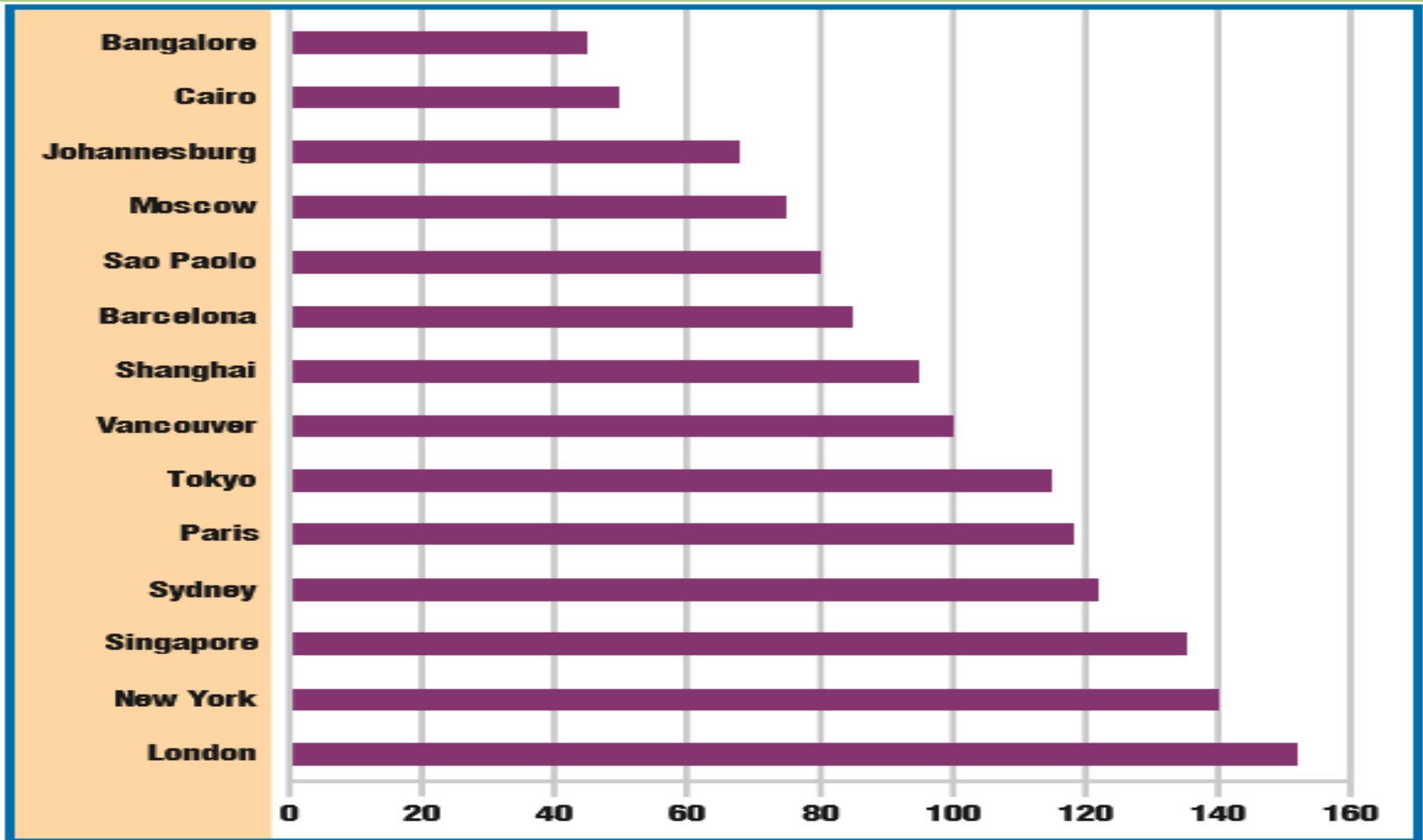
- Ethnocentric views are common in many MNEs.
- More progressive MNEs follow a geocentric orientation, staffing HQ and subsidiaries with the most competent personnel, regardless of nationality. Characterized by an openness to, and articulation of, multiple cultural and strategic realities on both global and local levels.
- Best to hire, develop, nurture, and recognize employees who possess a global mindset and offer global leadership potential.

Compensation of Personnel

- Compensation varies internationally due to differences in legally mandated benefits, tax laws, cost of living, local tradition, and culture.
- Employees posted abroad expect to be compensated at a level that allows them to maintain their usual standard of living, which can make compensating expatriates very costly.
- Includes base remuneration, benefits (e.g., health care plans), allowance (e.g., for housing, children's education, travel), incentives.

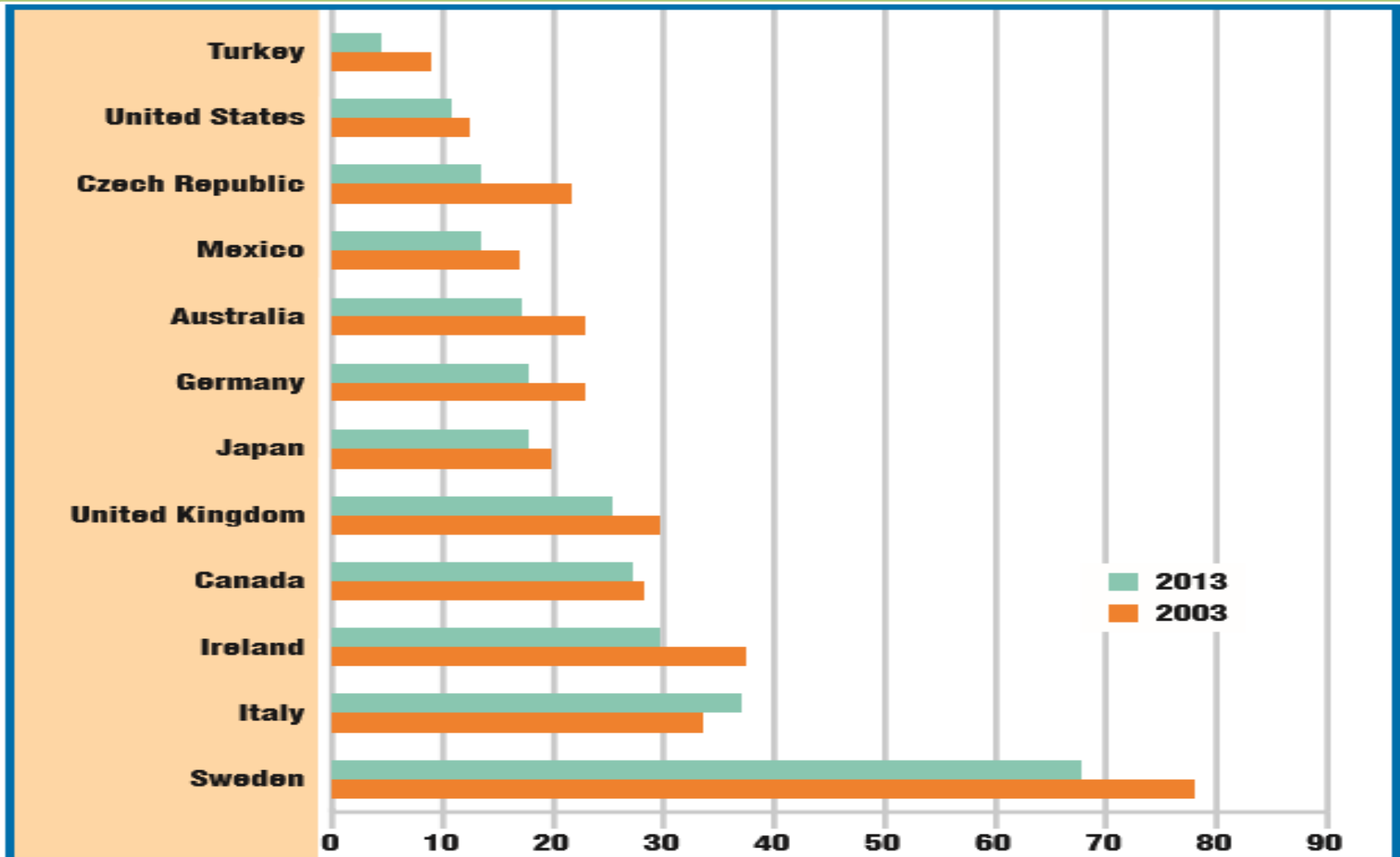
Cost of Living in Selected Cities, 2015

(Index scale; Vancouver, Canada = 100)



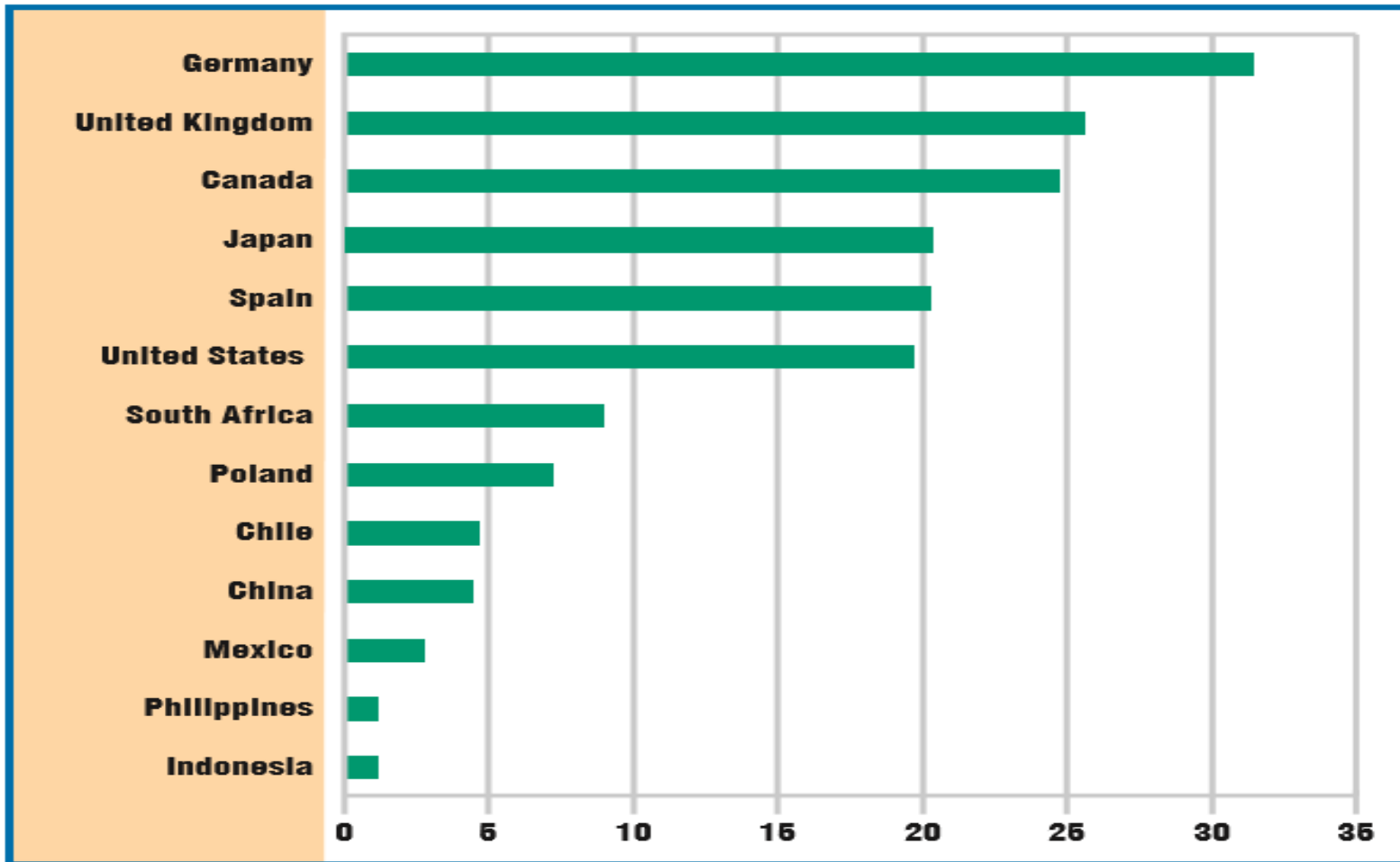
Sources: Based on *Economist*, "Cost of Living Index," March 2, 2015, www.economist.com; Expatistan, *Expatistan Cost of Living Index*, 2015, www.expatisitan.com; International Monetary Fund, "World Economic Outlook Database April 14, 2015," www.imf.org.

Percentage of Workers Who Belong to Labor Unions, 2003 and 2013



Source: Adapted from Organisation for Economic Cooperation and Development, "Trade Union Density," accessed at <http://www.oecd.org>.

Wage Rate of Manufacturing Labor, in US Dollars per Hour

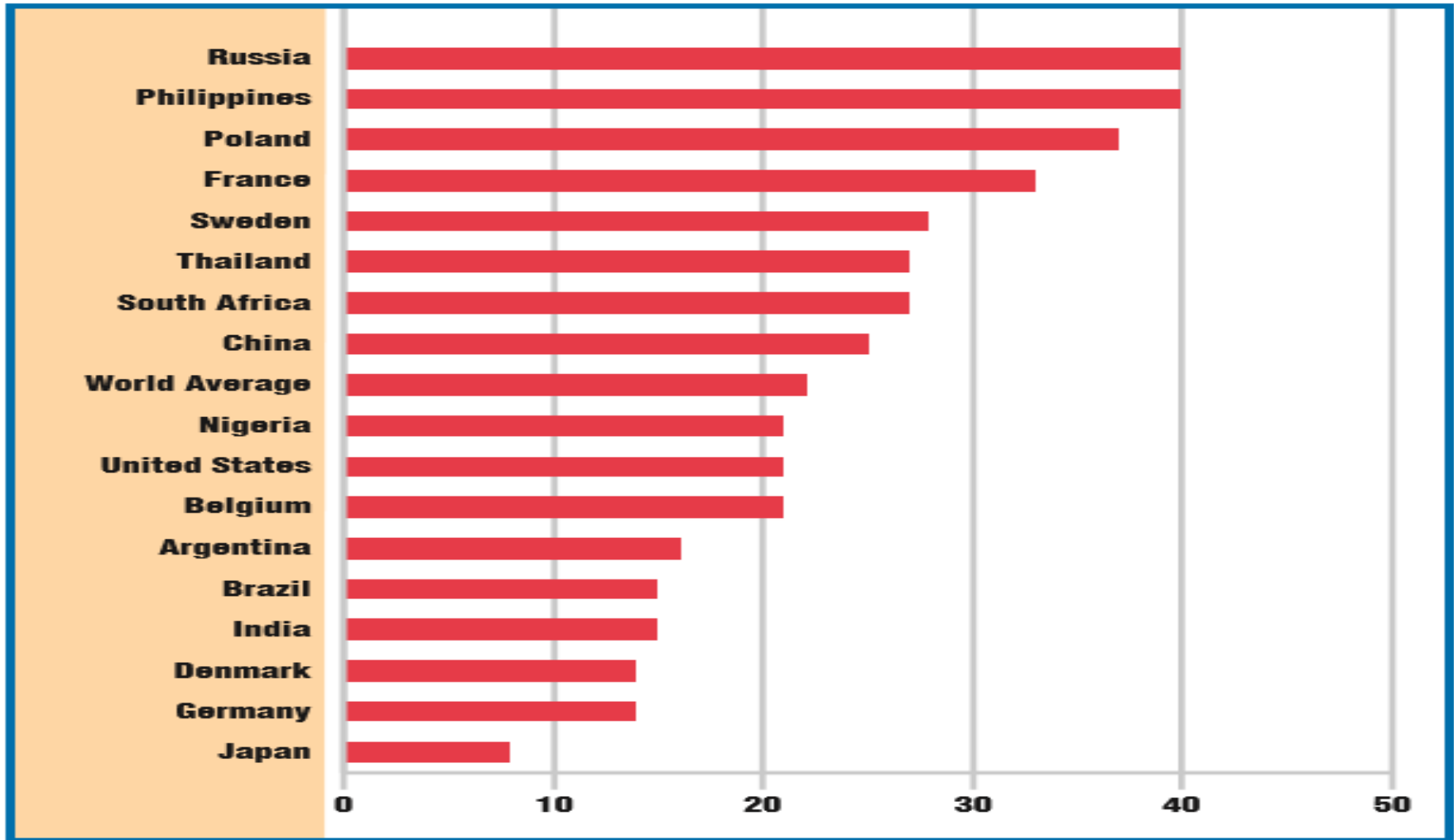


Source: Based on Euromonitor International, "Wages per Hour in Manufacturing," www.euromonitor.com; International Labour Organization, Labour Cost statistics, www.ilo.org; Organization for Economic Cooperation and Development, *Hourly Earnings, Manufacturing, 2015*, www.oecd.org; World Bank, *Doing Business 2015*, www.doingbusiness.org.

Trends in International Labor

- Mobility of labor across national borders has increased substantially. Reasons:
- Growing interconnectedness of national economies;
- Rapid expansion of multinational firms;
- Rise of international collaborative ventures; and
- Greater emphasis on global teams.
- Many countries are coping with an influx of immigrants, both legal and illegal, who compete with established workers by providing low-cost labor. Trend is significant in Europe, Persian Gulf countries, and the United States (but not in Japan).

Average Percentage of Women in Senior Management Positions



Sources: Based on Grant Thornton International Ltd., "Women in Business: The Path to Leadership," *International Business Report 2015* . www.grantthornton.global.

Recent Positive Trends

- Many more women are obtaining university degrees in business.
- Female graduates account for some 50% of recruits joining European firms.
- Businesswomen increasingly form their own networks, such as Women Directors on Boards in Britain, and The Alliance of Business Women International in the United States (www.abwi.org).
- Overall trend is positive (except in strongly Islamic countries).