

International Human Resource Management

International human resource management bears both functional and strategic resemblance to human resource management. Functionally it performs almost the same set of activities as human resource management – recruitment, selection, performance management, compensation, training, industrial relations, career management etc. Strategically international HRM is closely linked to the business strategy of the organization.

Hence international human resource management can be defined as the set of activities involved in hiring, managing performance, compensation, training and relations with employees hired to manage internal operations of a company, with a view to ensure the success of their international business and strategies.

International human resource management differs from domestic human resource management primarily in terms of the complexity associated with managing people across national boundaries.

In short, IHRM is concerned with handling the human resources at Multinational Companies (MNCs) and it includes managing three types of employees:

- **Home country employees:** Employees residing in the home country of the company where the corporate head quarter is situated, for example, an Indian working in India for some company whose headquarters are in India itself.
- **Host country employees:** Employees residing in the nation in which the subsidiary is located, for example, an Indian working as an NRI in some foreign country.
- **Third country employees:** These are the employees who are not from home country or host country but are employed at the additional or corporate headquarters. For example, an Indian MNC, which has its corporate office in America, may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.

According to **Pigors and Myers**, “International or domestic human resource management is a method of developing the potentialities of employees, so that they get maximum out of their work and give best efforts to the business organization”.

In the words of **Edwin B. Flippo**, “International or domestic HRM involves the planning, organizing, directing and controlling of the procurement, development, compensation,

integration and maintenance of people for the purpose of contributing to organizational, individual and social goals.”

Concept of IHRM

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.

The three dimensions of international HRM are described here briefly:

1. There are three broad activities in international HRM — procuring, allocating, and utilizing employees for international operations. These three broad activities cover all HR functions which are relevant for domestic operations.
2. There are three types of employees in a multinational firm based on their place of origin — parent country nationals, host country nationals, and third country nationals. Parent country nationals (PCNs) are those whose origin is the country where the firm’s headquarters are located. Host country nationals (HCNs) are those whose origin is the country where the firm’s operations are located. Third country nationals (TCNs) are those whose origin is a country which is neither the home country nor the host country.
3. There are three types of countries involved in international HRM activities — home country, host country, and third country. Home country is the country of origin of the firm. Host country is the country in which operations of the firm are carried on. For a single firm, there may be many host countries. Third country is a country from where resources — human and other resources — are procured. There may be many third countries.

Objectives of International Human Resource Management

International Human Resource Management is the process of managing people in international ventures and involves activities in at least two nations. It is fact that the success of business and trades are depends on the skills and quality of human resources and how effectively these resources are managed and utilized at international level.

1. It enhances to develop managerial skills, organizational knowledge and technical abilities of HR managers and employees.
2. To develop more and better handle of global business operations.

3. To manage and secure the performance, compensation and career path of employees.
4. To manage and organize cross cultural counseling and language training programme.
5. To develop more feasible understanding of work practices at global levels.
6. To raise and develop better and new performance management of human resources.
7. To get more and more opportunities within global HR scenario.
8. To develop better and competitive HR strategies in global competitive scenario.
9. To reduce the cultural differences as harmonious for cultural environment.

MNCs Approach to International Human Resource Management

1. **Ethnocentric Approach:** Here the MNC simply transfers HR practices and policies used in the home country to subsidiaries in foreign locations. Expatriates from the MNCs home country manage the foreign subsidiaries and the MNCs headquarters maintain tight control over the subsidiaries policies.
2. **Polycentric Approach:** In this case, the subsidiaries are basically independent from headquarters. HR policies are developed to meet the circumstances in each foreign location. Local managers in the foreign sites are hired to manage HRM activities.
3. **Region-Centric Approach:** This approach represents a regional grouping of subsidiaries. HR policies are coordinated within the region to as much an extent as possible. Subsidiaries may be staffed by manager from any of the countries within the region. Coordination and communication within the region are high, but quite limited between the region and the MNCs headquarters.
4. **Geocentric Approach:** In this case, HR policies are developed to meet the goals of the global network of home country locations and foreign subsidiaries. This may include policies which are applied across all subsidiaries, as well as policies adapted to the needs of individual locations depending on what is best to maximize global results.

The firm is viewed as a single international business entity rather than a collection of individual home country and foreign business units. HRM and other activities throughout the MNC are managed by individuals who are most appropriate for the job regardless of their

nationality. Thus, one may find a British manager handling HRM activities in the New York office of a Dutch MNC.

IHRM vs. HRM

There are many similarities between HRM at the national as well as international level. However, let us have a look at the differences between them with the help of points given below:

- Domestic HRM takes place at the national level, that is, within a country and IHRM takes place at the international level, that is, in between two or more than two countries.
- Domestic HRM is bothered about managing employees belonging to one nation and IHRM is bothered about managing employees belonging the home country and host country as well as third country employees.
- Domestic HRM is concerned with managing limited number of HRM activities at the national level and IHRM is concerned with managing additional activities such as expatriate management.
- Domestic HRM is less complicated due to fewer imprints from the external environment. IHRM is comparatively more complicated, as it is deeply affected by the external factors such as cultural distance and institutional factors.

We can conclude that both IHRM and HRM share some grounds of similarities as well as dissimilarities, but both have their own importance. Further, they contribute to the development of a country in a combined manner.