

INTERNATIONAL HUMAN RESOURCE MANAGEMENT Question-Answer Bank (MB-967)

Question 1: What is International Human Resource Management?

Ans 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.

Question 2: What is Hofstede's power distance approach in IHRM?

Ans **Power Distance:**

Power Distance is the extent to which less powerful members of institutions and organizations accept that power is distributed unequally. Countries in which people blindly obey the orders of superiors have high power distance.

These countries have norms, values and beliefs such as

- Inequality is fundamentally good
- Everyone has a place, some are high some low
- people should be dependent on leader.
- The powerful are entitled to privileges
- The powerful shouldn't hide powers.
- The basis of such dimensions are many assumptions for example relating to **Motivational Level & Organizational Structure.**
- The basis motivational assumption in high power distance countries is that **People dislike work and try to avoid it.**

- **Consequently managers think that they must adopt Theory X Leadership Style**
- Managers believe that they must be authoritarian.
- They must force workers to perform and must supervise their subordinates closely.

Organizational Structure:

- In high power distance countries organizations tend to have Tall structures having many levels of hierarchy,
- Decision making is highly centralized,
- Such structures encourage and promote inequality between people at different levels,
- On the other hand, organizations in low power distance countries tend to be more centralized and have Flatter structures, Subsequently they will have a smaller proportion of supervisory personnel and the lower state of work will consist of highly qualified people.

The US, Austria, Ireland and New Zealand represent cultures with low power distance.

On the other side **India, Singapore, Brazil, Mexico, Indonesia, France** are the examples of societies with a high power distance.

Question 3 What is GLOBE Model in IHRM?

Ans. The GLOBE(Global Leadership and organizational Behaviour Effectiveness).

The Globe Project Team Comprises 170 researchers who have collected the data over 7 years on cultural values& practices and Leadership attributes from 17000 managers in 62 countries, covering as many as 825 organizations spread across the world.

The team identified **Nine cultural dimensions** that distinguish one society from another and also have some important managerial implications.

Assertiveness:

This aspect is defined as the degree to which individuals in the societies are expected to be tough, confrontational and competitive.

Future orientation:

This dimension refers to the level of importance a society attaches to the future oriented behaviour e.g. proper planning for future activities, training & Development, Investing in R&D etc.

Performance Orientation:

Performance orientation measures the importance of performance and excellence in society and also refers to whether people are encouraged to strive for continued performance. E.g. Japanese people believe in Kaizen, Constant improvement, Zero defects etc.

Human Orientation

It is understood as the degree to which individuals in organizations or societies encourage people for being caring, generous and kind to others.

Gender Differentiation

This is understood as the extent to which a society resorts to role differentiation or gender discrimination. e.g. Arab countries' societies

In Group Collectivism:

This refers to the degree to which to which people are loyal and show cohesiveness in their organizations and families as well. **Japanese societies show more cohesiveness, than American.**

Power Distance

This refers to the degree to which organizational members or citizens of a society expect and agree that power should be unequally distributed. **The French employees high in power distance , often dominates the management processes and prefer a structure which is more centralized.**

Q.4 What are the main similarities and differences between domestic and international HRM?

In broad terms, IHRM involves the same activities as domestic HRM. The main similarity of domestic HRM and International HRM is both deals with employment issues. Both domestic HRM and International HRM have the same activities such as recruitment and selection, training and development, career development, performance management and employee relations. However, domestic HRM is involved with employees within only one national boundary while IHRM encompasses:

- More HR activities
- The need for a broader perspective
- More involvement in employee's personal lives
- Changes in emphasis as the workforce mix of expatriates and locals varies
- Risk exposure
- Broader external influences

For example, in domestic settings, the HR department deals with people that come from virtually the same culture and share the same values and societal norms. In international HRM this is different. The HR department is more challenged as they are required to deal with people from different culture with different perspectives when it comes to work, performance and management. The domestic HRM deals with homogeneous people (in terms of culture) while IHRM needs to take into consideration the different cultural backgrounds of the employees.

Question 5: Discuss two HR activities in which a MNC must engage that would not be required in a domestic environment.

International Staffing (Recruitment and Selection) – multinationals need to hire international managers to fulfill positions in its various locations. These managers may be locals, expatriates, home-country nationals, and third country nationals. In

the domestic setting, the HR department needs to recruit and select job candidates that will fulfill domestic positions.

For example, companies such as General Electric, Ford and Toyota have managers from the parent company sent as expatriates and also they hire host-country managers/employee and third country managers. Hiring this mixture of people enables General Electric to maintain the parent company's visions and objectives, adapt locally and be able to broaden its international perspectives.

International Performance Appraisal – in the international settings, performance appraisal is a big consideration. In the domestic setting, there is uniformity in the performance management system, while in the international settings, there are different factors that must be considered such as culture, the business goals of the parent company and the subsidiary, who will conduct the performance appraisal and how and when it will be conducted. The experiences (adapting to the host-country culture and business environment) must also be taken into consideration.

In Multinationals like McDonald's, there is a uniform performance appraisal system. The performance appraisal system of McDonald's is standardized across every store in all its locations worldwide. Despite this, each franchisee from different countries needs to take into consideration the different factors in the business environment in appraising employees. Performance appraisal is done by the store manager with reference to the performance guidelines, systems and forms of the parent company.

Question 6: Why is a greater degree of involvement in employees' personal lives inevitable in many IHRM activities?

In the domestic setting, the HR department's involvement in the employees' personal lives is very limited. IN the international setting, the HR has greater involvement in order to provide the level of support required. The HR department needs to know more about the employees' personal lives including their marital status and number of children. The degree of involvement in many

IHRM activities is greater because the HR department must ensure that the international assignee understand the different aspect of his relocation and must make sure that he is working in a conducive environment as well as his family is well taken cared of.

For example in the domestic setting, the HR department has little involvement in the family affairs of the employee. If the employee is sent to another country like in China, the HR department needs to make sure that the children are sent to quality schools and that the living conditions of the expatriate and his family is high.

Question 7: What are the stages a firm typically goes through as it grows internationally and how does each stage affect the HR function?

Historically, the first step to internationalization is export. Exporting is the mode of entry that is characterized by the process of marketing and direct selling of domestically-produced goods in another country. Exporting is often handled by a foreign agent or distributor. *At this stage, the role of the HR department is unclear.* The next step is the establishment of a sales subsidiary that will replace the foreign agent or distributor. A multinational may be prompted to create a sales subsidiary if there are problems with foreign agents, if it has more confidence in international activities, if it desire greater control or if to want to give greater support to exporting activities. *Expatriates may be selected and sent to oversee the operations in the sales subsidiary, thus requiring the HR department to be involved.* During the international division phase, creation of a separate division in which international activities are grouped is already taking place. The international division resembles the operation and activities of the domestic organization. *Subsidiary managers report to head of international division. Objectives regarding foreign activities may determine approach to staffing of key positions.* When the subsidiary has reached a bigger size, a global product/area division may be established. *During this stage, the IHRM department is more active and involved in managing PCNs, TCNs, and HCNs.*

Question 8: What is the difference between a global manager and a global mindset?

The global manager is someone who has succeeded in operating in other cultural work environments. The global manager needs a global mindset, that is a frame of mind that values cultural diversity and enables a global manager to adapt to different international settings. Managers develop a global mindset by incorporating complexity in their thinking. A global mindset helps managers develop a broader perspective on events, it helps them organize these events into broader frameworks, and it helps them make decisions that incorporate more data and more contradictions in decision-making. A global manager is able to manage diversity, in order to do this; the global manager must have a global mindset.

Assumption: In order for a global manager to succeed he needs to have a global mindset. A global mindset combines an openness to and awareness of diversity across cultures and markets with a prosperity and ability to synthesize across this diversity. Global managers have exceptionally open minds. They respect how different countries do things, and they have the imagination to appreciate why they do them that way. The difference is this: the global manager is a person who has a global mindset, meaning a mind that is open to diversity and understands cultures.

Question 9: What are the most important factors involved in the selection decision?

The important factors in selecting expatriates are cross-cultural suitability, family requirements, technical ability, MNC requirements, language, and country/cultural requirements. In addition to the required technical and business skills, key traits to consider for global assignments include cultural sensitivity, interpersonal skills and flexibility. In identifying and selecting expatriates it is important to consider these factors as they affect the performance of the international assignee.

Assumptions:

1. Cross Cultural Suitability – multinationals must send international assignees who respect diversity and are able to adapt to cultural differences. Sending someone who cannot adapt to the culture successfully will make the expatriation process a failure.
2. Family Requirements – the expatriate's family must also be ready for the international assignments.
3. Technical Ability – the main reason why an expatriate will be sent to a foreign subsidiary is to offer support to the subsidiary. It is a given that the expatriate must possess excellent knowledge of the company and also possess technical ability.
4. MNC Requirements – the expatriate must also pass the requirements of the company.
5. Language and Country/Cultural Requirements – the expatriates must undergo language and cultural training to make sure that they are familiar with the language and culture of the subsidiary.

Question10: Outline the main characteristics of the four approaches to international HRM.

The staffing challenges for international assignments are broader in scope than those for domestic staffing. There are different approaches to the management of International human resources. These are as follows:

- Ethnocentric – the home country attitudes, management style, knowledge, evaluation criteria, and managers are superior to anything the host country might have to offer.
- Polycentric – there is a conscious belief that only host country managers can ever really understand the culture and behavior of the host country market; therefore, foreign subsidiary should be managed by local people.
- Geocentric – based on the assumption that the best manager or other employee for any specific position anywhere on the globe may be found in any of the countries in which the organization operates.

- Regiocentric – this approach reflects the geographic strategy and structure of the multinational enterprise. It utilizes a wider pool of managers but in a limited way. Staff may move outside their countries but only within the particular geographic region.

These three sets of multinational values translate into three broad international staffing policies or sources for staffing international operations. First, the company can send people from its home country. These employees are often referred as expatriates. Second, it can hire host-country nationals, natives of the host country, to do the managing. Third, it can hire third-country nationals, natives of a country other than the home country or the host country. These sources of overseas workers have different advantages.

Question 11: What are some of the challenges faced in training expatriate managers?

One challenge is the difficulty of organizing training for expatriate managers. Because of the changes in the international arena and because trainers from the home-country are not well-informed about the changes that are happening in the host-country, training for expatriate managers are often inadequate. Another challenge is the commitment of the multinational company to train expatriates. Many MNCs do not view expatriate training as effective. The third challenge is the commitment of the expatriate. Many expatriates are not interested in learning the language, culture and society of the host-country subsidiary. Lastly, the lack of time and resources is also seen as a challenge. Many companies fail to provide training for expatriates because they say that training requires time and resources that they cannot afford.

Question 12: Why do some multinationals appear reluctant to provide basic pre-departure training?

The reason why multinationals are reluctant to provide even basic pre-departure training is because they do not believe that this type of training is necessary or

effective. Many companies are reluctant to provide training to expatriates because they do not see the value in understanding general cultural awareness and meeting business goals. In addition, many companies do not see expatriate training as being cost effective. Many believe in the 'global manager' thinking – believing that effective expatriates share the same characteristics and there is no need to pre-departure training as long as expatriates have the technical knowledge and skills. Another reason lack of time and resources – many companies see pre-departure training as time consuming and requires large amount of resources.

Question 13: What should be the main objectives for a multinational firm with regard to its compensation policies?

A multinational firm must seek to satisfy the following objectives. First, the policy must be consistent with the overall strategy, structure and business needs of the multinational. Second, the policy must work to attract and retain staff in the areas where the multinational has the greatest needs and opportunities. The policy must be competitive and recognize factors such as incentive for foreign service, tax equalization and reimbursement for reasonable costs. Third, the policy should facilitate the transfer of international employees in the most cost-effective manner for the firm. Fourth, the policy must give due consideration to equity and ease of administration.

For example, in the case of multinationals such as Toyota, the compensation package of the expatriates are aligned with the overall strategy of the firm. The compensation package is very attractive and competitive so as to ensure that the expatriates are satisfied and will not leave their posts. The compensation package is also clear and very easy to understand to avoid confusion.

Question 14: What are the key differences in salary compensation for PCN's and TCN's? Do these differences matter?

Major differences in base salary between PCN and TCN can occur in the employee's package depending on whether the base salary is linked to the home country of the PCN or TCN or whether an international rate is paid. There is a tendency for multinationals to pay TCNs and PCNs differently according to their home country base salary. This has a big impact on both international assignees. This difference in compensation may cause problems as it may result to international assignees being paid differently for performing the same job in the host location, according to their different home base salary. For example, in a regional headquarters of a US bank in Hong Kong, an American PCN and an Indian TCN may perform the same banking duties but the American will receive higher salary than the Indian because of the differences in US and Indian base-salary levels.

Question 15: What are the effective ways to manage repatriation process?

The repatriation process is composed of three stages and to ensure that the process is effective the company or the one in-charge of the process must manage each stage effectively.

The repatriation process is the last part of the international assignment. It is when the expatriate is brought back home. The repatriation process is composed of three phases. Before the global assignment (phase 1), multinationals must assign home sponsors or mentors and hold them responsible for keeping the expatriate in touch with changing conditions in the home country. During the assignment (phase 2) work-related information exchanges, sponsor communications and a systematic pre-return orientation must be facilitated. Allowing for periodic returns to the home country will help the expatriate and he/his family to reconnect with firm employees, family and friends and catch up with changing business conditions. Upon return (phase 3), issues relating to housing must be dealt with. Schools for children, new shopping patterns and family survival activities in new locations are required. Expatriates must be assigned a new work space, and given a whole new orientation to the MNE. The new job assignment and local work group must be encountered and understood on a broader scale, the repatriated must reconnect with

the local and social network of the multinational, and personal and career dynamics may have to be adjusted in new and potentially unpredictable ways.

Question16: What are the elements of a good mentoring system for international assignees?

In order to make mentoring successful it is important that the mentor:

- Maintains contact with the expatriate throughout the assignment
- Ensures expatriates are kept up to date with developments in the home country
- Ensures expatriates are retained in existing management development programs
- Assists expatriates with the repatriation process, including helping them with a repatriation position

A good mentoring system for international assignees seek to enable the international assignee to successfully adapt to the host environment while at the same keeping them in touch with the home country and preparing them for repatriation and other assignments.

Question 17: Why is it important to understand the historical origins of national industrial relations systems?

It is important to understand the historical origins of national industrial relations systems because industrial relations systems and behavior is different in each country. Industrial relations may change considerably when translated from one industrial relations context to another. For example, the concept of collective bargaining in the United States is understood to mean negotiations between a local trade union and management while in Sweden and Germany, the term refers to negotiations between an employers; organization and a trade union at the industry

level. It is important to understand the historical origins of national industrial relations system because one cannot fully understand them and appreciate them without looking back at their histories.

History predicts what kind of structure trade unions in a particular country will take. Some of the historical differences that shape trade union structures are:

- The mode of technology and industrial organization at critical stages of union development
- Methods of union regulation by government
- Ideological divisions within the trade union movement
- The influence of religious organizations on trade union development
- Managerial strategies for labor relations in large corporations

Question 18: Discuss two aspects of cultural differences and their impact on HRM practices.

In-Group Collectivism – this aspect of cultural difference affects recruitment and selection. In societies with low in-group collectivism, individual achievements represent important selection criteria while in societies with high in-group collectivism, the emphasis in the recruiting process is more on team-related skills than on individual competencies.

For example, in the United States where individuality is highly valued, employees who are able to work individually, with little supervision and can decide on their own regarding their jobs are often desired. In China, where harmony in the group and teamwork is valued, employees who follow their superior and who can work harmoniously with their peers are often desired.

Uncertainty Avoidance – this aspect of cultural difference affects compensation. In societies with high uncertainty avoidance, employees tend to avoid risks and prefer fixed compensation packages or seniority-based pay while in societies with low

uncertainty avoidance, employees tend to welcome risks and accept high income variability through performance-based pay.

In China, where the uncertainty avoidance is high, employers and employees believe in the paternalistic nature of employment relations. Most companies and employees also value annual pay increase more than performance-based increase. In the United States where the uncertainty avoidance is low, employees desire performance-based rewards and salary increase.

Question 19: Why should MNEs be concerned about expatriate failure?

Expatriate failure is an area of concern for multinationals because of its direct and indirect costs. Direct costs include airfare, relocation expenses, training, compensation package. Indirect costs include loss of market share, change impact on local staff, drop of morale, drop of productivity, impact on expatriates.

Failure also has a lingering impact on the expatriate who may lose self-esteem, self-confidence and prestige among peers. Future performance is also affected as failed expatriates often exhibit decreased motivation and lack of promotional opportunities. Finally, the expatriate's family relationships may be threatened

Question 20: What are the determinants of the balance of standardization and localization in human resource management in MNC's?

The determinants of the balance of standardization and localization in HRM according to the multinational's global requirements are:

- Strategy and structure
- Corporate culture
- Firm size and maturity

The determinants of the balance of standardization and localization in HRM according to the host country context are:

- Cultural environment
- Institutional environment
- Firm size and maturity
- Mode of operation
- Subsidiary role

Assumption:

In order to balance standardization and localization in HRM the HR department must align the policies and practices with the parent company's strategy and structure, corporate culture and the size and maturity of the firm. Host-country factors such as cultural environment, institutional environment, firm size and maturity, mode of operation and subsidiary role must also be considered and integrated.

Question 21: Compare three responses (ethical relativism, absolutism and universalism) a MNC manager may take in his/ her operation in a host country; identify the dilemma of these three responses.

In the ethical relativist perspective, there are no universal or international rights and wrongs, it all depends on a particular culture's values and beliefs. The ethical absolutist does follow its own cultural values and has no regard for the values and beliefs of the host-country. The ethical universalist on the other hand, believes that there are fundamental principles of right and wrong which transcend cultural boundaries, and that multinationals must adhere to these fundamental principles or global values. Dilemmas:

1. Ethical Relativist – the ethical relativist follows the saying “when in Rome, do as the Romans”, so when a multinational operates in a country where corruption is rampant and where bribery is tolerated, this company may also use bribery in order to get what it wants even if this is considered as wrong in the parent country.
2. Ethical Absolutist – the ethical absolutist believes that “when in Rome, one should do what one would do at home, regardless of what the Romans do”. For

example when a U. S. expatriate manager caught an employee in a subsidiary in the Kingdom of Saudi Arabia stealing, he can fire the employee and then report the employee to the authorities (because that is how they deal with stealing in the United States). However, it is unknown to him the in the Saudi Arabia, severe punishment is given to people who steal.

3. Ethical Universalist – the ethical relativist believes that there is a fundamental, universally accepted norm and that this must be applied regardless of your culture or society. The dilemma for this perspective is that it tends to make the multinational inflexible and adaptive to its environment.

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