

Course Book



INTERNATIONAL HUMAN RESOURCES MANAGEMENT

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APPLIED SCIENCES

INTERNATIONAL HUMAN

RESOURCES MANAGEMENT

LEARNING OBJECTIVES

Companies operated on an international scale long before globalization. Maintaining an international presence requires the movement of goods, services, and money across national borders. The success of these international activities often relies on the relocation of employees. The  **International Human Resources Management** (IHRM) concerns the management of international workers and the creation of partnerships despite divergent linguistic and cultural backgrounds.

The movement of goods, services, money, and people across borders is a dynamic process, and this course explores the human side of these international operations. Specifically, it analyzes the challenges faced by human resource management in multinational corporations (MNCs). As the movement of employees from one country to another is a key element of IHRM, this course highlights the opportunities, risks, and success factors for the international assignment of expatriates, and identifies ways the process can be optimized.

The management of employees in different countries requires managers with transnational competencies. As a student of IHRM, it is important to be aware of the diversity and complexity that can arise when dealing with different countries, cultures, legal systems, and economies. As such, this course will identify specific risks and opportunities in international staff deployment, with a focus on selected regions.

This course will give you an overview of the key concepts, tasks, and challenges of IHRM, including intercultural management, human resources management in different countries, MNCs and their approach to IHRM, international personnel deployment, international strategies and host countries, and developing international managers. ~~Every unit will be introduced by a case study to illustrate how IHRM works in practice. This will allow you to gain practical insight into this fascinating topic and how it is implemented in the real world.~~

UNIT 1

CULTURE AND INTERCULTURAL PERSPECTIVES

STUDY GOALS

On completion of this unit, you will be able to ...

- understand why intercultural differences are a pivotal aspect of international human resource management (IHRM).
- explain how these intercultural differences impact organizations.
- understand different perspectives on intercultural differences.
- describe how organizations can benefit from intercultural differences.

1. CULTURE AND INTERCULTURAL PERSPECTIVES

Case Study

Amsoft, an American information technology (IT) company, has acquired Swisssoft, a company based in Switzerland. The Swiss company offers similar products and services to its American parent. As a result of the acquisition, Amsoft now has direct access to the Swiss market. John, a financial controller who works at Amsoft's headquarters in the USA, was offered a job at Swisssoft. He happily accepted the opportunity to work as an expatriate in Switzerland for a few years. He and his supervisor were convinced that this would mark an important step in his career. John was tasked with aligning Swisssoft's financial processes to those used at Amsoft.

John was surprised to find that his Swiss colleagues were rather cold toward him. He tried to initiate informal chats with his colleagues at lunch and discuss his family and hobbies. However, John's local colleagues seemed unwilling to divulge information about their private lives and did not want to engage in personal conversations in the office. They also always left the office at 5 p.m. without exception, whereas John only left once he had finished all his work.

When John got home and talked about his experiences at work with his wife, she suggested reaching out to the lady from the relocation company. She had helped them find an apartment and was more than happy to let the couple know how things work in Switzerland.

We all encounter certain aspects of human resource management (HRM) on a daily basis, from pay and working conditions, to training or recruitment. Even if it doesn't affect us directly, it almost certainly affects people we know, such as family and friends who are also employees or managers. For example, when you enter a store, it quickly becomes apparent whether their HRM is good or bad.

International human resources management (IHRM) concerns the employee policies and processes that allow organizations to operate in more than one country. Its purpose is helping an organization achieve its objectives across borders. IHRM takes place at both an operational and strategic level and is relevant to companies, public sector organizations, and non-governmental organizations (NGOs).

IHRM deals with the same matters as HRM, but the addition of "I" shifts it to an international scale. **First** and foremost, crossing borders entails managing differences, such as different tax and social security systems, laws, cultures, languages, time zones, and locations. **Secondly**, it encompasses mobility, such as moving people, policies, and processes from one country to another. Unquestionably, the international element is not without its complexity. Importantly, this unit deals with the most fundamental aspect of IHRM: addressing the differences between cultures and how they affect HRM.

When we look beyond our borders, we encounter cultures that are entirely different than our own. Interculturality is one of the various forms of diversity found in the workforce. It is important that IHRM understands these differences and the impact they can have on teamwork. For organizations to navigate cultural differences, IHRM must apply the knowledge gained to date about working with diversity in organizations.

Diversity poses a paradox to effective collaborations within the same organization or team. Diversity leads to better decisions, greater creativity, and more innovation. At the same time, it can cause misunderstandings, tension, or even conflict (Lee & Schneider, 2020).

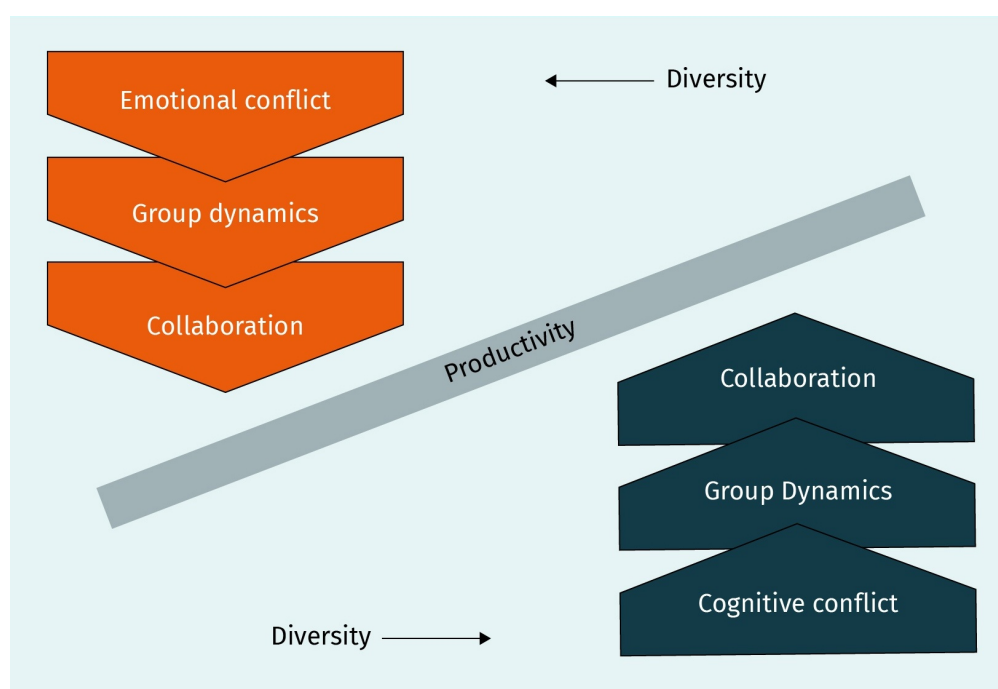
Group dynamics are often cited as critical to success. Diversity can have both a positive and negative impact on the dynamics of a team. On the one hand, diversity can lead to **emotional conflict**, which typically has a negative impact on group dynamics and hampers team performance. On the other hand, diversity can result in **cognitive conflict**, which conversely has a positive impact on group dynamics and leads to improved team performance. In the latter case, higher levels of creativity combined with positive collaboration makes a diverse team more productive than a non-diverse team (Lee & Schneider, 2020).

Group dynamics
The behavior of people within a group is referred to as group dynamics.

Emotional conflict
An emotional conflict is an interpersonal conflict between individuals.

Cognitive conflict
A cognitive conflict is a personal conflict that arises when a person feels that their opinion is contradictory.

Figure 1: How Diversity Influences Team Productivity



Source: Paul Vanderbroeck (2021).

It is therefore IHRM's task to recognize relevant differences and help employees and managers from different cultures who work within the same organization overcome them. This is particularly important when they pose an obstacle to collaboration. Employees and managers can also leverage differences in situations where they provide an opportunity.

Accordingly, IHRM benefits from an awareness of intercultural differences and the reasons behind them. Intercultural differences can have a significant influence on the way HRM is organized in different countries (Werner et al., 2012). For example, in predominantly collectivistic cultures (such as Japanese culture), companies strive to offer long-term employment. Layoffs are avoided at all costs. Instead, the organization bears a collective responsibility to reduce costs and subsequently prevent layoffs. **On the other hand**, in the USA, where the culture values individualism and personal responsibility, layoffs are much more common. At the same time, moving from one organization to another is not considered disloyal. Understanding these differences is crucial when managing staff from different cultures. Otherwise, expatriates may feel demotivated, despite their manager's best intentions. Among other issues, IHRM needs to ensure managers are well prepared to work in a foreign country.

The increasing globalization of organizations has led to a heightened interest in the role played by intercultural differences in organizational settings. Indeed, the study of differences between cultures around the globe is nothing new. However, IHRM focuses on studies conducted on management practices across cultures.

Schein (1985) researches the relationship between national cultures and leadership. According to **Schein's concept of culture**, culture is a set of basic assumptions through which members in a group find ways to survive (external adaptation) and stay together (internal adaptation). These assumptions are deeply ingrained and are expressed in behaviors and expressions, but outsiders often struggle to understand which assumptions result in these behaviors and expressions. From Schein's perspective, culture can be modeled as illustrated in the following figure.

Schein's concept of culture

Culture is a set of basic assumptions through which people try to adapt to their external environment and each other.

Figure 2: Schein's Model of Culture



Source: Paul Vanderbroeck, based on Schein (1985).

When you encounter a culture different to your own (e.g., when you travel to a foreign country), the first thing you will notice is the country's **explicit culture**, including the architecture, products sold in shops, music, and fashion. Then, you will notice behaviors, including the way people talk, how they greet each other, and how they care for public spaces. However, it is not possible to determine which **norms and values** drive these behaviors at first glance, let alone which basic assumptions are at the core of the culture, i.e., **implicit culture** (Schein, 1985).

In the following **sections**, we will look at research that has been conducted from a number of perspectives to gain an understanding of cultures and how to foster teamwork in organizations that operate on a global scale. These perspectives are referred to as positivist, interpretive (sometimes also constructivist), and critical (Primecz, 2020).

Explicit culture

Visible and audible cultural expressions are known as explicit culture.

Norms and values

The beliefs that drive the behavior of the members of a culture are referred to as norms and values.

Implicit culture

An implicit culture includes the basic assumptions that are at the core of a culture.

1.1 Positivist View

Researchers in social sciences who adhere to the **positivist perspective** test hypotheses against collected data. Qualitative data are gathered through interviews and experiments and then subjected to quantitative analyses. The positivist perspective aims to form gen-

Positivist perspective

For advocates of the positivist perspective, only facts derived from a scientific method are regarded as legitimate knowledge claims.

eral predictions about human behavior in a given culture. This is done through systematic observation of the respective behavior and investigation of the thoughts and feelings of a group of individuals.

Advocates for the positivist perspective include Geert Hofstede, and the duo, Fons Trompenaars and Charles Hampden-Turner. Both parties conducted studies based on their own personal experiences as employees at multinational companies (IBM and Royal Dutch Shell respectively). Their methodology entailed the collection of data through surveys in order to further analyze the responses from employees with different cultural backgrounds at the same organization.

Geert Hofstede's (2001) research on cultural dimensions has long been, and remains, widely used in organizations, particularly to train expatriates on intercultural differences and how to negotiate with partners from overseas. Hofstede was a pioneer in the systematic research of the thoughts and feelings of employees at large corporations. The title of his book, *Culture's Consequences*, highlights his interest in researching the impact of culture on organizations. Hofstede identified and quantified five dimensions of national culture, which he referred to as "cultural dimensions": the power distance index, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance index, and long-term orientation versus short-term normative orientation. Each are explored in more detail below:

1. Power distance index is the extent to which less powerful members of society accept the unequal distribution of power in institutions and organizations (e.g., France versus Denmark).
2. Individualism versus collectivism is the extent to which people prefer to only take care of themselves and their immediate families or prefer to be part of a larger group (e.g., the UK versus Japan).
3. Masculinity versus femininity refers to the prevailing values in society, which are characterized as either "masculine" (assertiveness, competitiveness, and materialism) or "feminine" (nurturing, quality of life, and relationships) (e.g., the USA versus Sweden).
4. Uncertainty avoidance index is the extent to which the members of a culture feel uncomfortable about uncertainty and have created beliefs and institutions to provide stability and protection (e.g., Switzerland versus Russia).
5. Long-term orientation versus short-term normative orientation is the extent to which people have a long-term perspective on life or prefer to focus on objectives in the present and near future (e.g., Singapore versus Argentina).

According to Hofstede, these cultural dimensions are deeply rooted in a culture and scarcely change over time. They accordingly influence the behavior of the employees that work in these cultures.

Charles Hampden-Turner and Fons Trompenaars (2000) identified six dimensions. Rather than "cultural" dimensions, they modeled "value" dimensions. These dimensions were derived from quantitative data based on responses to surveys and interviews from approximately 50,000 participants. Like Hofstede, they concluded that people from different cultures differ in several highly nuanced ways because each culture has its own mindset, values, beliefs, and preferences. The six dimensions of cultural diversity identified by

Trompenaars and Hampden-Turner are as follows: universalism versus particularism, individualism versus communitarianism, specific versus diffuse, achievement versus ascription, internal direction versus outer direction, and sequential time versus synchronous time. The different values represented by these dimensions distinguish the preferences of members of one culture from another. The six dimensions are explained below.

Table 1: Trompenaars and Hampden-Turner's Cultural Dimensions

	Dimension	Preference for	?	Dimension	Preference for
1	Universalism	Rules, codes laws	☒	Particularism	Exceptions, special circumstances, unique relationships
		Switzerland			Italy
2	Individualism	Individual freedom, competition	☒	Communitarianism	Social responsibility, harmony, cooperation
		Denmark			China
3	Specificity	Objectives, controlled, fixed, goal-oriented	☒	Diffuseness	Holistic, elaborative, abstract, process-oriented
		The Netherlands			Mexico
4	Achieved status	What you have achieved	☒	Ascribed status	Who you are and where you come from
		Australia			South Korea
5	Inner direction	Thoughts and opinions are self-generated	☒	Outer direction	Thoughts and opinions are influenced by the outside world
		Canada			Switzerland
6	Sequential time	One thing happens after another; time provides order and limits.	☒	Synchronous time	Past, present, and future can overlap; people value completing tasks more than following a strict schedule.
		The USA			Japan

Source: Paul Vanderbroeck, based on Hampden-Turner & Trompenaars (2000)

1.2 Interpretive View

Unlike the positivist perspective, the **interpretive perspective** allows researchers to gain an understanding of a culture based on subjective experiences and observations. Instead of observing from afar, the researcher participates in the lives of the people in a specific group, e.g., by working in an organization.

Interpretive perspective

In the interpretive approach, the researcher becomes part of the research. They interpret data from observation; yet, as a participator, they cannot be completely objective.

Anthropologist Edward Hall is a well-known proponent of the interpretive perspective, which is related to anthropology. Margaret Mead was the first anthropologist to study human development from a cross-cultural perspective. In the early twentieth century, she went to live among tribes in the Pacific Islands to learn more about their cultures. The goal of an anthropologist is to interpret the world around them. Their interpretation is based on their subjective observations. As such, the interpretive perspective offers the antithesis to the positivist approach, which relies on objective evaluation. Hall established three dimensions to explain how modern cultures differ: context, space, and time.

Hall and Hall (2000) believe that, in organizations, everything a manager does sends a message, i.e., each action communicates something and has a meaning. They refer to this as “silent language.” Accordingly, understanding cultures is about interpreting these messages to find what they mean. These meanings are hard-wired and deeply embedded in the individuals that grow up in a particular culture. In turn, this makes it difficult for individuals to adapt when they move to another culture.

The Importance of Context in Communication

High-context cultures rely on context to fully understand a message (i.e., how, when, in what way, and by whom a message is conveyed). Communication is more indirect and implicit. Effective communication requires the individuals involved to be aware of the rules. By contrast, in low-context cultures, the information is contained in the message itself, usually with the words being used. Communication is more direct and explicit (Hall & Hall, 2000).

Context orientation has a major influence on the way we communicate. For example, low-context cultures communicate directly and unambiguously, and include all information in what is said or written. The context does not need to be interpreted to understand what is being said. While this means that communications are often longer or more extensive, the likelihood of misunderstandings is lower (Hall & Hall, 2000).

Need for Personal Space

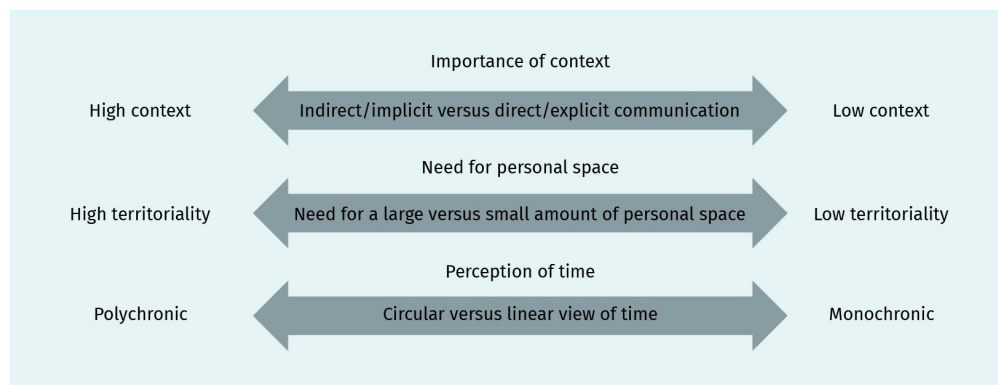
In a culture with high territoriality, individuals need more personal space. They consider many things, whether objects, information, or opinions, to be part of their personal domain. They are unwilling to share these things with people they aren't familiar with or closely related to. Privacy is protected by distance from outsiders. However, in cultures with low territoriality, individuals keep few things to themselves. They are willing to share more aspects of themselves, their space, and their belongings with others. They are also generally more open to physical contact with others, i.e., shaking hands, hugging, and exchanging kisses (Hall & Hall, 2000).

Perception of Time

In a monochronic culture, time is perceived as linear and inflexible: Everything has a start and an end. Time is a resource and can be segmented. The time before and after is just as important as the time at present. Schedules, punctuality, and preciseness are highly valued. Meanwhile, in a polychronic culture, time is perceived as circular and flexible. The

time at present, particularly the human interactions currently taking place, are more important than the time before and after. Accordingly, time is a subjective experience that can be adapted to personal needs (Hall & Hall, 2000).

Figure 3: Cultural Dimensions by Hall



Source: Paul Vanderbroeck, based on Hall and Hall (2000)

There is a certain degree of overlap between the various models of cultural dimensions and the conclusions drawn about the positivist and interpretative approaches. For example, Hofstede's conceptualization of individualism versus collectivism shares certain similarities with Trompenaars and Hampden-Turner's notion of individualism versus communitarianism. Similarly, Hall's perception of time (polychronic versus monochronic) closely resembles Trompenaars and Hampden-Turner's dimensions of synchronous and sequential time.

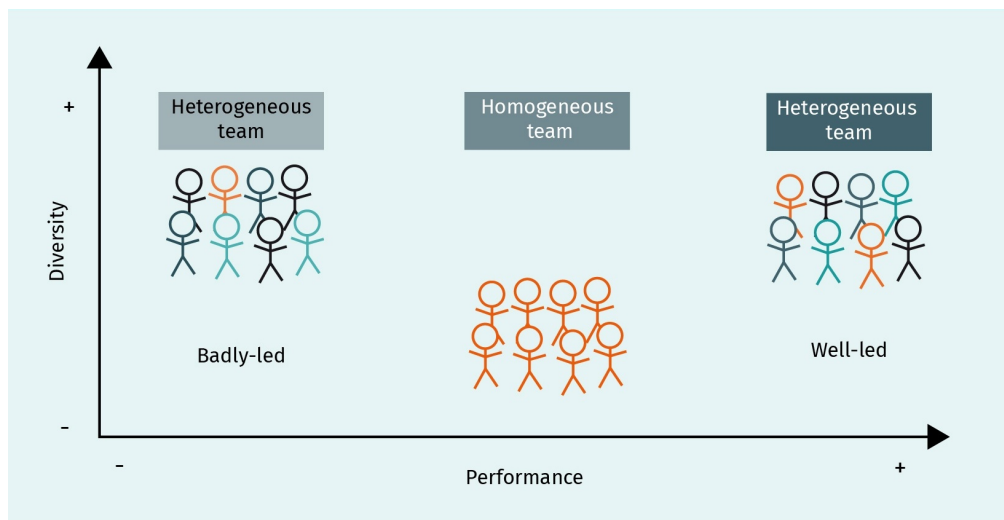
1.3 Critical View

The **critical perspective** offers a third approach to the research of cultural differences. In principle, the critical perspective concerns what we stand to gain from research. Advocates of this perspective believe that the identification of cultural dimensions is only useful if they are subsequently translated into behavioral recommendations that result in improvements to relationships between employees from different cultures. In this regard, the focus is always on the extent to which HRM works, which includes assessing which activities require a standardized approach around the globe or need to be adapted to suit local and cultural conditions.

Critical perspective
Advocates of the critical perspective focus on the applicability of research in an organizational context.

Diverse teams are not more productive by default. In comparisons of multicultural and monocultural teams, some diverse teams outperform homogeneous teams, some reach an equal level of performance, and others even perform worse than their homogeneous counterparts. On closer observation, it could be concluded that a team's performance is primarily determined by how it is managed (Vanderbroeck & Wasserfallen, 2017). Effective team leaders can prevent and mitigate emotional conflict while stimulating cognitive conflict to make a team more productive.

Figure 4: Team Performance in Relation to Diversity

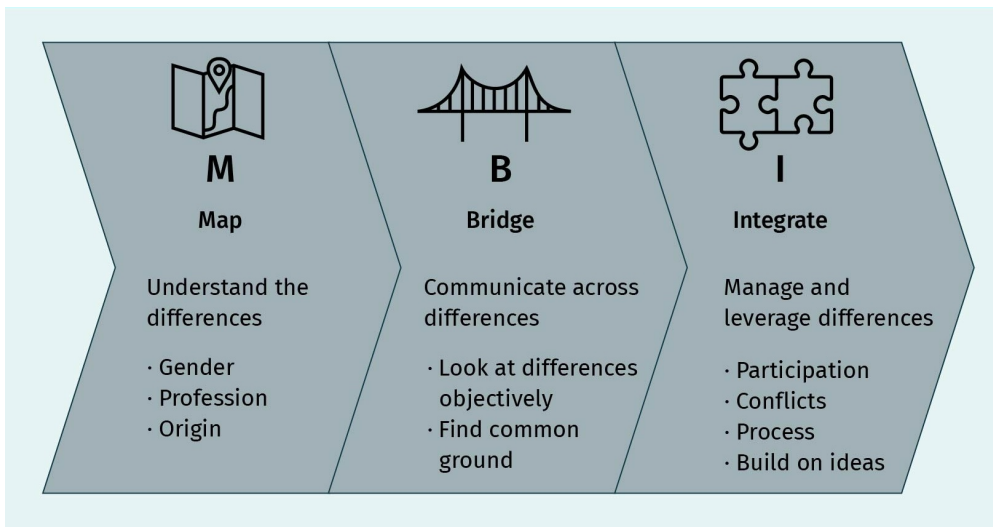


Source: Paul Vanderbroeck (2021).

Based on practical observations of culturally diverse teams, the map-bridge-integrate (MBI) model was developed at the start of the century and has successfully been applied since (DiStefano & Maznevski, 2000; Vanderbroeck & Wasserfallen, 2017). The MBI model permits a systematic and conscious approach to the management of diverse teams. Team leaders often start with the incorrect assumption that people are the same, or they ignore differences and aim to build on the similarities between members. This rarely leads to good performance. For example, when different approaches to time are adopted (synchronous versus sequential), workplace conflicts arise quickly, resulting in a culture of blame and distrust.

However, the mere acknowledgement of differences does not suffice. The identification or “mapping” of differences is far more effective. Cultural frameworks that describe these differences and how they impact behavior offer helpful guides when it comes to mapping. If people are not made aware of differences, communication can falter, which leads to misunderstandings, inconvenience, and stress. If members of a team have different approaches or values, a conscious effort is required to make sure they understand each other. Communication despite differences becomes easier once a common ground has been established. Accordingly, the role of the team leader is to bridge differences, resolve contradictions, and leverage different perspectives and approaches to achieve more creativity, better decision-making, and improved processes (Vanderbroeck & Wasserfallen, 2017).

Figure 5: Managing Diversity: From the Manager's Viewpoint



Source: Vanderbroeck & Wasserfallen (2017).

The MBI model involves three steps. The first step is mapping differences, which entails identifying and understanding differences, particularly in relation to aspects that are important for collaborations. The second step is building a bridge that facilitates communication across differences. For example, using empathy to look at things from the other person's view and gain an objective, non-judgmental perspective. Establishing common ground can often serve as a springboard for collaboration. The third step is managing differences. Team leaders need to be able to recognize the different ways each team member participates, how they solve problems and disagreements, and the reasons behind these various approaches. For example, team members from a culture with a high power distance score may find it difficult to give feedback to their boss. Managing differences also helps the team leader foster collaboration, prevent interpersonal conflict, and get the most out of each team member (Vanderbroeck & Wasserfallen, 2017).



SUMMARY

International human resource management (IHRM) comprises a series of activities aimed at managing the employees of organizations that operate in more than one country. The main difference between international and national human resource management lies in the complexities that result from employees from different cultural backgrounds working in different countries and/or collaborating with colleagues from different cultures.

Cultural diversity can lead to higher productivity if managers are able to keep conflict between different ideas, rather than between team members. Research has been conducted to understand, explain, and work with cultural differences in order to harness this complexity. In recent

decades, awareness of cultural differences has increased, along with the acknowledgement that cultural diversity poses both challenges and opportunities to organizations.

Research on intercultural differences is conducted from three main perspectives: positivist, interpretative, and critical. Positivists believe that society or culture shapes the individual and mainly use quantitative research methods. Advocates of the interpretive perspective primarily use qualitative methods and believe that individuals shape society and its culture.

The critical perspective also investigates intercultural differences. However, proponents of the critical perspective are principally interested in which methods and practices can be used to constructively manage differences. For example, a method such as map-bridge-integrate can help teams overcome cultural differences and leverage these differences to increase productivity.



UNIT 2

COMPARATIVE HUMAN RESOURCES

STUDY GOALS

On completion of this unit, you will be able to ...

- describe the impact of globalization on international human resource management (IHRM)
- discuss research conducted on comparative human resources (HR).
- explain the influence of context and how it leads to differences or similarities in HR practices between countries.
- describe the prerequisites for successful IHRM, both presently and in the future.

2. COMPARATIVE HUMAN RESOURCES

Case Study

The Standard Mining Company maintains a global presence to extract, process, transport, and sell minerals. In order to achieve the company's objectives, the human resources (HR) department has moved managers and specialists around the world to transfer managerial, functional, and technical knowledge to the different countries in which the company operates. These cross-border transfers also occur for temporary projects, such as sourcing new mineral deposits or entering a new market and often result in a chain of movements. When person A is needed in country X, they can only move if they can be replaced by B, who is currently based in country Y. In order to mobilize B, C must first move from country Z to Y, and so on.



The HR department at Standard Mining developed a new process to increase its contribution to the company's business goals. According to this new process, each member of staff needs to add something new to a position rather than simply replacing someone when they are transferred around the globe. In this example, the added value is limited to A being transferred to X to do their job. The other transfers only offer a way to move A without disrupting operations in the other countries. However, with the new process, HR has developed a way to ensure each transfer adds value to the company. For example, B is given a promotion to replace A. Rather than selecting C to replace B, HR will now opt for D or E, who may benefit more from the new experiences presented by taking B's job. Other added value can be gained through diversity, i.e., by hiring more women to transform the company's traditionally male environment, or by introducing different nationalities to the transfer chain. In certain countries, local governments require foreign companies to create jobs and career development opportunities for locals. Hiring local staff from these countries as part of the transfer chain put Standard Mining in a better position to extend or expand its operating license in these countries. By introducing this added value process, HR has moved beyond simply sourcing people to fill vacancies. Now, it can optimally develop its staff and simultaneously help strategic matters within the organization.

2.1 Globalization and Its Effects on Human Resource Management

In the twenty-first century, international human resources management (IHRM) must adapt not only to the consequences of **globalization** but also to certain major social, economic and political developments (Altman & Bastian, 2021; Scullion et al., 2007; Vanderbroeck & Aasted Skov-Hansen, 2020). The previously closed domestic markets of the former Soviet Union and its allies in Eastern Europe and China have become increasingly important in recent years, along with the emerging economies of India and Brazil. Figuratively, the world is getting bigger. This has led to an expanded pool of nations for the export and import of human resources. At the same time, the world is confronted with a

Globalization

This term refers to a process in which companies around the world are increasingly linked by their activities and the opportunities they provide each other (Werner et al., 2012).

growing number of global issues that pose certain challenges for international deployment, such as security concerns due to global terrorism or health concerns during the global pandemic that started in 2020.

Changing attitudes have also had a significant impact on international careers and expatriation. Working for the same organization over the entire span of a career is no longer the norm. Employees have also adopted different views on the benefits of expatriate assignment. In addition, globalization and the associated free movement of people have increased the number of self-movers who relocate to another country of their own initiative or accept job offers in different countries. Finally, the rise in dual-career couples goes hand in hand with the growing number of international career couples, which pose a particular challenge when it comes international HR (Vanderbroeck & Aasted Skov-Hansen, 2020).

Global organizations are hardly a new phenomenon. Companies have crossed borders for centuries. During the seventeenth century, the Dutch and British started their respective West- and East-Indian companies that traded and transported goods between most continents on the planet, and maintained a presence of personnel on the ground in numerous countries. By the end of the nineteenth century, their dominance was replaced by that of oil companies, which extracted, processed, transported, and sold oil products on a global scale. The twentieth century saw the rise of industrial companies with global distribution networks for commodities, such as coffee, cars, and telephones. Global organizations can also extend beyond trade, as exemplified by the International Committee of the Red Cross (ICRC). Founded in the nineteenth century and considerably expanded with the advent of the First World War, the ICRC remains active in conflict zones around the world.

The most recent wave of globalization started with the opening of Chinese markets to foreign trade in the 1980s and the collapse of the Soviet Union in 1990–1991. These developments marked the opening of the last major markets that had been closed off from the global economy. As a result, global economic activities were no longer limited to a set number of organizations but could now include smaller companies and individuals. Technological advancements, such as the internet and cellphones, made it possible to relocate administrative activities to cheaper countries. Agreements were established between countries to abolish tariffs, facilitating easier import and export of goods and services. Deregulation paved the way to a surge in cross-border capital flows, and increased mobility in regions such as the European Union opened up international work and study opportunities to a wider group of individuals. These developments have reinforced each other to create the increasingly interconnected world we know today (Evans et al., 2011).

The primary difference between internationalization and globalization lies in borders. Internationalization entails crossing borders, whereas globalization aims to remove them. Globalization has led to major changes, both within organizations and in a wider context, and has created both winners and losers (Werner et al., 2012). An example of the latter can be found in the increased demand for caregivers for Europe's growing elderly population. Nurses are leaving developing countries in record numbers to enjoy better career prospects in Europe, which often leaves their home countries to struggle with an insufficient workforce to manage their own healthcare needs.

However, globalization isn't all doom and gloom. It can also create fruitful new business opportunities. For example, one European telecommunications company discovered that it could expand its market to developing countries. In developed countries, it sold cell-phones to city dwellers looking for modern and easy communication devices to suit their on-the-go lifestyle. In order to increase sales, the company looked further afield to Africa, where it found a booming market for its network and cellphones. Here, the customer base would not be limited to city dwellers but could include everyone in the region who didn't previously have access to telecommunications because of a lack of phone cable networks.

Globalization has added a host of new challenges for HR. In the past, globally active organizations (e.g., oil companies and the ICRC) would send expatriates to different countries to head local operations and transfer knowledge from their home country. Now, local operations have become increasingly important and require locally recruited and developed leadership. The free movement of people has also enabled organizations to look beyond national borders to source talent. Regions such as the Silicon Valley and Singapore are now home to talented individuals from all over the world. In the modern era, organizations are required to compete globally, not only for clients, but also for talent.

In terms of IHRM, global organizations are constantly faced with finding the balance between local responsiveness and global integration (Dowling et al., 2017). Companies need to adapt to local labor markets, cultures, and legal systems to operate effectively in a particular country. Nevertheless, a transnational organizational culture needs to be established and human resources must be managed at the same standards around the globe when it comes to matters such as performance management and staff development.

Managing Operational Effectiveness

Globalization has increased the amount of competition on the market. As a result, big multinationals in particular must improve the cost-efficiency of their operations. IHRM has helped by creating more effective organizational structures (e.g., by removing layers of managers), developing management skills, improving teamwork, and promoting efficiency with performance-based pay (Dowling et al., 2017).

Developing Human Capital

A firm's success is not solely determined by its tangible assets (products, services, technology, and production capability). Intangible assets (brand image, human talent, and knowledge) can also indicate how well a company is doing. IHRM has helped by introducing selection processes and management development to create highly skilled employees within organizations around the globe (Dowling et al., 2017).

Developing Organizational Capability

Companies can develop a competitive edge by integrating technical systems, people skills, and cultural values in their organization. These attributes are otherwise referred to as a company's core competencies. IHRM has helped organizations to identify these com-

petencies and ensure they are enacted in all the different locations where the company maintains a presence, e.g., by transferring people to local offices on an international assignment (Dowling et al., 2017).

Transfers of Knowledge and Technology

Company-specific knowledge on the production of goods or performance of services needs to be available at every company location. Organizations can increase their competitive edge by sharing their best practices around the world. IHRM has helped by moving employees around the world to share their knowledge at different company locations or gain local knowledge and take it back to their home offices (Dowling et al., 2017).

2.2 Contextual Effects

Globalization has made the world a smaller place. The recent surge in interconnectedness through media technologies has inspired the term “the global village.” Global brands, fashion trends, online shopping, and social media have resulted in growing similarities in consumer behavior around the globe. We will now explore the extent to which this affects management methods, with a particular focus on human resources management.

One of the key differences between human resources management (HRM) and IHRM is the challenge faced by IHRM when it comes to dealing with the diversity of HR practices encountered around the globe. As previously mentioned, global organizations need to work on striking a balance between local responsiveness and global integration. Organizations must often decide whether to standardize HRM across borders or to adapt their approaches to suit local cultures.

Comparative HRM is primarily concerned with how organizations address this issue. It aims to identify tendencies towards **convergence**, **divergence**, and **stasis** between HR practices in different countries. Despite the integration of markets and increased partnerships between countries, HR practices generally struggle to converge. Different national contexts, legal systems, cultures, and national economic systems can complicate convergence within organizations that operate on a global scale (Brewster et al., 2018; Dowling et al., 2017; Gooderham & Brewster, 2008; Gooderham et al., 2019).

For example, workers’ councils in Germany have a much greater say in how a company is run than those in France. The flexibility of labor markets (i.e., how quickly a company can adjust its workforce to respond to changing market conditions) varies widely from country to country—even within a single market like the European Union. However, HR practices do not exhibit any increased tendency towards divergence either. For example, the pay systems in place for senior executives often converge based on American HR practices. As a result, the labor market for senior talent has become increasingly global. To remain competitive in the current climate, companies must adapt to the global market (Gooderham et al., 2019; Werner et al., 2012).

Convergence

A convergence is a decrease in the differences in HR practices between countries. Market forces drive HR practices to become standardized across borders.

Divergence

A divergence is an increase in the differences in HR practices between countries. HR practices adapt to the local context because local culture, institutions, and rules are more important than market forces.

Stasis

A stasis occurs when the HR practices between countries stay the same. Local culture, institutions, rules, and market forces hold each other in check.

The impact of context becomes increasingly apparent when looking at the influence of union presence. In countries where unions are more prevalent or powerful, the role of HR as the main negotiator is more strategic. However, in countries where unions play a smaller role, HR responsibilities are more likely to be distributed among line managers (Mayrhofer et al., 2019).

The Cranfield Project on International Strategic Human Resource Management (Cranet)**Cranet**

The Cranet surveys are conducted in participating countries. These surveys collect data on human resource management practices.

The Cranfield project on international strategic human resource management (**Cranet**) offers valuable insight into comparative human resource management. Several international business schools have come together to form the Cranet network, and they conduct surveys on HRM around once every five years. The surveys study HR policies and practices with a set of common questions. By comparing the data from different surveys, we can gain insights into HRM policies and practices across a large number of countries. It also allows us to analyze trends and changes in HRM over a 21-year period (Gooderham et al., 2019).

The latest Cranet Survey International Executive Report, which includes data collected between 2014 and 2016, provides insights into current trends in HRM practices, along with an overview of the extent to which entrepreneurial HRM practices converge or diverge across countries (Cranet, 2017).

The Role of the HR Department

While most organizations in the European Union (EU) have a dedicated HR department, the power given to HR directors in terms of organizational leadership can vary widely. This may also explain the manifest differences in HRM strategies across various companies. For example, 67.1 percent of companies worldwide have a personnel/HRM strategy. However, the percentage of organizations in which the HR department is consulted on the implementation of business strategy is significantly lower (Cranet, 2017).

In most cases, the responsibility for key HR tasks, such as remuneration, recruitment, training, and development, is shared between line managers and HR managers. In Europe, this also covers relations with unions and works councils. Workforce expansions or downsizing, on the other hand, usually fall to the line manager with assistance from the HR department in the majority of cases (Cranet, 2017).

The outsourcing of HR activities, like payroll or pensions, is not common in most countries. However, the same cannot be said for training and development, which are often sourced externally in most European countries. By contrast, these tasks are often sourced within the organization in countries like the USA and China (Cranet, 2017).

Staffing: Practices for Building and Reducing the Workforce

The results of the Cranet survey indicate that the selection of a recruitment method depends on the position and required qualifications of an employee. For example, firms in Europe typically prefer to source executives in-house or with the help of personnel consul-

tants who specialize in executives and senior management. However, specialized professionals are often recruited through newspaper ads, word-of-mouth, social media, job portals, or other online sources. References and interviews are common features in the recruitment process (Cranet 2017).

Differences can also be observed in the implementation of tailored career development programs. These initiatives are more likely to be found in countries such as France, the United Kingdom (UK), and the Benelux region than in the rest of Europe (Cranet, 2017).

In addition to recruitment, downsizing is also a major topic for global HRM. Most countries are currently experimenting with the use of softer downsizing measures— at least when it comes to management positions—such as temporary recruitment freezes, voluntary severance packages, and internal transfers. In the UK and the USA, tougher measures, such as wage freezes, are more readily introduced than in their continental European counterparts (Cranet, 2017).

In the following sections, we will explore four topics that received particular attention in the latest 2017 Cranet report: work-life balance, training and development, compensation and benefits, and employee relations.

Work-Life Balance

Initiatives to improve work-life balance started with increasing the options available to working women, mainly in the form of maternity leave beyond the statutory required duration. This subsequently expanded to include paternity and parental leave. Workplace childcare is still not commonplace around the globe; however, Cranet has indicated a widespread use of flexible working arrangements, such as part-time jobs (Cranet, 2017).

Training and Development

In general, countries outside Europe tend to invest more in training and development than their counterparts in Europe, both in terms of money and time allotted to training. The majority of organizations rely on appraisal data to identify their training needs and make important training and development decisions. Growing numbers of organizations now systematically evaluate the effectiveness of their training measures (Cranet, 2017).

Compensation and Benefits

Remuneration is the aspect of HRM where Cranet reported the most divergence. Context plays a major role in terms of pay due to country-specific legislation and taxation. Employers aim to optimize pay and incentives by choosing solutions that offer the lowest tax burden. Performance-related bonuses and financial participation through shared ownership schemes are subject to different taxation levels in different countries. Collective bargaining is governed at a national level in certain countries, whereas, in other countries, it takes place at an industry or company level. Initiatives such as performance-based pay are particularly widespread in China, Russia, and the USA. In Germany, for example, performance-related pay is more likely to be found in sales positions or companies that want to align individual performance more closely with corporate success (Cranet, 2017).

Employee Relations

Cranet has revealed that trade union membership varies greatly between countries. For example, Nordic countries enjoy the highest trade union representation in Europe, whereas the UK, Australia, and Switzerland have relatively low representation levels. However, representation does not necessarily determine the influence of unions. Depending on local legislation, unions may be granted greater or less influence on matters concerning employees. In communist China, many employees are members of a union, yet Chinese unions have less of an influence than their French counterparts, despite the fact that less than ten percent of the workforce is in a union in France (Cranet, 2017).

The results of the Cranet survey have confirmed findings from studies in comparative HRM (Gooderham et al., 2019). Namely, that divergence can be attributed to contextual factors, such as labor laws and taxation, which are difficult for employers to influence. By contrast, convergence tends to occur when human resources managers are able to apply best practices that are not affected by local restrictions in policies, such as recruiting methods. Associations have also been established to allow HR professionals to exchange ideas and learn from each other. For example, the European Association for People Management includes a number of national professional HR organizations. Every two years, hundreds of professionals meet at the association's international congress to exchange ideas and network. The World Federation of People Management Associations offers the same platform at a global level. It represents over 660,000 HR professionals from over 90 national associations around the world (Cranet, 2017).

2.3 Requirements

What are the requirements for successful IHRM in organizations? In the following section, we will explore the following key elements of IHRM: contributing to the organization's strategy, organizational development, international staff mobility, international talent development, international business ethics, and new ways of working internationally.

Contributing to the Realization of the Organization's Strategy

IHRM needs to be aligned with the organization's objectives. HR needs to accordingly measure its impact to determine whether it is effective (Dowling et al., 2017; Mayrhofer et al., 2005).

Organizational Development

The trend toward fast-changing, nimble, and flexible organizations is also reflected at an international level. This can lead to the dissolution of large central (staff) departments and the transfer of responsibilities and resources to line management. The importance of formal and informal information networks for the internal cohesion of the new, more autonomous units has also grown. Companies are increasingly partnering in international joint

ventures or strategic alliances. Culturally diverse workforces have long since become the norm. In response, new approaches need to be established in IHRM (Dowling et al., 2017; Mayrhofer et al., 2005).

International Staff Mobility

Globalization goes hand in hand with global staff mobility. As before, employees will continue to be sent abroad for three- to four-year periods. However, other forms of expatriation will also become increasingly common, i.e., short-term assignments. IHRM will be required to deal with a more diverse international workforce with varying needs and requirements. As growing numbers of women enter leadership positions, their career development will need to be facilitated on a global scale. In addition, IHRM will need to establish a response to new mobility challenges, such as dual-career couples (Mayrhofer et al., 2005; Vanderbroeck & Aasted Skov-Hansen, 2020).

International Talent Development

Employees working in an international or multicultural environment need to feel comfortable working with internal and external individuals and teams. In recent years, there has been a surge in self-movers, i.e., individuals who seek career opportunities abroad. Consequently, it is important that organizations capitalize on this global potential and include self-movers in their workforce (Baruch et al., 2016; Mayrhofer et al., 2005).

International Business Ethics

Each country is governed by its own unique ethical code. IHRM is responsible for determining which rules apply to employees, whether in the country where the multinational corporation (MNC) is headquartered or local to a subsidiary. This decision can have a decisive impact on issues like working conditions, salaries, and corruption (Dowling et al., 2017). The internet and social media have fostered a culture of transparency. As a result, companies now need to be wary that customers and the general public may object to practices that differ from accepted standards.

Internal policies may also be subject to external pressure. In 2020, Swiss citizens voted in a referendum on the nation's responsible business initiative (Business & Human Rights Resource Centre, 2020). The proposal aimed to introduce a binding legal framework to hold Switzerland-based MNCs accountable for human rights and environmental violations committed abroad. Those who rallied against the proposal argued that it would limit the ability of Swiss-based companies to do business in other countries. They also feared that some companies might leave Switzerland for a country with a more favorable legal framework, taking their tax payments and jobs with them. In the end, the proposal was defeated by a small majority.

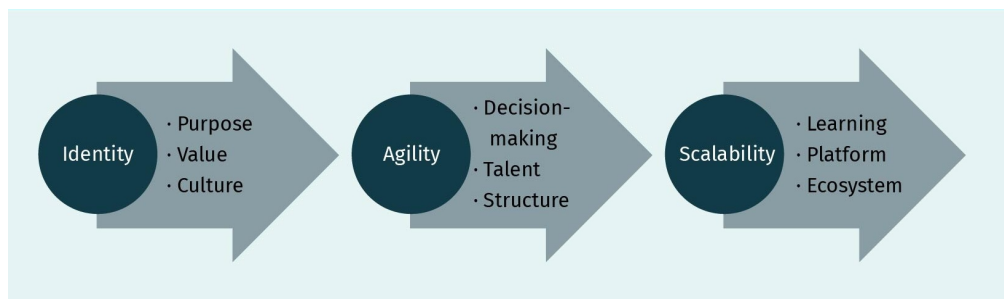
New Ways of Working Internationally

Technology has paved the way for virtual work and collaborations. It has reduced the need for travel and, in certain cases, rendered international transfers unnecessary. Nevertheless, it comes with its own set of unique challenges, particularly in global virtual teams. IHRM needs to implement training to increase the productivity of these teams (Mayrhofer et al., 2005).

As of November 2021, the global COVID-19 pandemic that started in December 2019 continues to rage. More than just a global health crisis, the pandemic has resulted in major social and economic upheaval across the world. Its long-term effects remain to be seen. However, despite predictions made early on in the pandemic, globalization has not come to a grinding halt (Altman & Bastian, 2021). Evidently, when considering future requirements in terms of IHRM, it's important to account for current events.

Consulting firm McKinsey has conducted interviews with 350 HR leaders in Europe and the USA throughout the COVID-19 pandemic and performed additional surveys with chief executive officers (CEOs). Based on their findings, they have predicted which requirements will become a priority for IHRM moving forward. McKinsey calls for a more flexible and responsive model to meet the organizational challenges of the future. These challenges can be found in the rise in interconnectivity and automation, lower transaction costs, and changes in the workforce. For instance, 162 million workers in the EU and the USA now engage in some form of independent work. Organizations need to respond by offering new structures and different ways of working (Komm et al., 2021).

Figure 6: HR Priorities for the Future



Source: Paul Vanderbroeck, based on Komm et al. (2021).

The McKinsey study predicts that identity, agility, and scalability will be prioritized in the future. These areas are described in the table below.

Table 2

Identity (being clear about “who” an organization is, i.e., what it stands for and where it makes a positive impact)	HR can contribute to this imperative by selecting talent that fits the organization’s identity and creating incentives that motivate staff to drive value creation.
	It can also contribute by fostering an organizational culture that makes people feel at home and engaged, even when they are not physically in the office.
Agility (streamlining operations)	Empowering employees to take risks and rewarding them for doing so in place of punishment will facilitate faster decision-making.
	A workforce that is flexible and responsive can deploy employees quickly in the areas they can add the most value.
	Agility also involves restructuring to transform hierarchies into a network of empowered teams.
Scalability (learning and innovation)	Building an Agile HR platform enables HR to use data to develop, deploy, and motivate employees, e.g., by providing dashboards to line managers to integrate data-driven insight in recruitment decisions.
	Scalability involves the transformation of leaders into coaches.
	New skills and insights can be gained from collaborating with competitors in partnerships and joint ventures.



SUMMARY

Comparative international human resources management (IHRM) seeks to identify, describe, understand, and explain the convergences and divergences in human resources (HR) practices across different countries. It primarily focuses on differences in local contexts and how these contexts (i.e., different cultures, institutions, laws, social regulations, taxes, and political systems) can lead to divergent practices.

Comparative IHRM explores the tendency of HR practices to converge or diverge across borders. At present, this aspect is in the spotlight because of the growing impact of globalization, which has led to a surge in the number of multinational organizations.

The relevance of IHRM continues to grow as a result of globalization. As such, it is critical that knowledge and skills are enhanced in the field of IHRM. The Cranfield project on international strategic human resource management (Cranet), a global network of universities that maps IHRM practices around the globe, represents a pioneering initiative to gain val-

uable insight into comparative human resources. The research undertaken by Cranet is supplemented by numerous international networks of HR professionals that contribute to IHRM research.

UNIT 3

MULTINATIONAL CORPORATIONS AND INTERNATIONAL HR MODELS

STUDY GOALS

On completion of this unit, you will be able to ...

- describe the challenges faced by multinational corporations (MNCs) in terms of human resource management.
- explain how international human resources management (IHRM) can be used to combat these challenges through the application of human resources (HR) theories.
- describe standard IHRM models and how they can help HR departments handle complex situations often found in MNCs.

3. MULTINATIONAL CORPORATIONS AND INTERNATIONAL HR MODELS

Case Study

In the 1980s, the automobile manufacturing industries of Europe and North America faced stiff competition from their Japanese counterpart. Successful organization of their factory workforce to increase productivity allowed Japanese automobile manufacturers to gain a competitive edge over their European and American competitors with cheaper, better-quality, and more fuel-efficient cars (Cole, 1981). The practices adopted in Japan also stemmed from certain behaviors and values in Japanese organizational culture. Notably, production workers were permitted to work together in teams that had the autonomy to resolve quality issues and to continuously improve quality and production. Accordingly, production was considered a group responsibility for the entire factory, in contrast to the traditional Western top-down approach.

Western companies countered the emerging Eastern market by importing Japanese human resources management (HRM) practices. New assembly factories were established according to the Japanese mindset, incorporating aspects such as group work, quality circles (workers solving quality issues as they arise rather than post-production), and company uniforms for all staff, including managers. This case study provides an example of the transfer of human resources practices from one country to another. This transfer had a significant and positive impact on automobile manufacturing in Europe and North America.

3.1 Challenges in Multinational Corporations

Despite the opportunities afforded by globalization to small- and mid-size companies to do business beyond their domestic market, the standards for international human resources management (IHRM) continue to be set by **multinational corporations** (MNCs). MNCs are organizations that operate on a global scale and have staff working at numerous locations around the world. The majority of today's largest MNCs were already engaged in multinational operations during much of the twentieth century. They are active in a wide range of sectors, including automobile manufacturing (Toyota), pharmaceuticals (Novartis), energy (Exxon), chemicals (BASF), banking (HSBC), consulting (KPMG), home furnishing (IKEA), telecommunications (Vodafone), electronics (Samsung), computers (Lenovo), consumer goods (Unilever), agriculture (Cargill), tourism (Hilton), and logistics (Maersk). Notably, there has been a surge in recent years in the number of MNCs operating in the tech sector (e.g., Google, Apple, and Microsoft).

Multinational corporation (MNC)

A multinational corporation is a large private company that maintains employees and operations in several countries, often on more than one continent.

Cross-border operations are nothing new in the not-for-profit sector, which has long included numerous organizations that operate internationally and send staff to different countries for strategic purposes. The not-for-profit sector includes inter-governmental organizations like the United Nations and the World Bank, as well as non-governmental organizations (NGOs). NGOs are involved in various forms of humanitarian aid, which include disaster relief (National Red Cross and Red Crescent Societies), healthcare (*Médecins Sans Frontières*), nature protection (World Wildlife Fund), famine relief (Oxfam), human rights (Amnesty International), and assistance to war victims (International Committee of the Red Cross).

However, these organizations primarily model their human resources (HR) practices around those implemented by MNCs. In this unit, we will therefore focus on IHRM in MNCs. The majority of research conducted on this topic is also primarily based on these organizations. Below, we will look at the most significant global obstacles faced by organizations at present, with a focus on MNCs. Then, we will discuss possible solutions and different HR models that could help organizations overcome or at least alleviate these challenges.

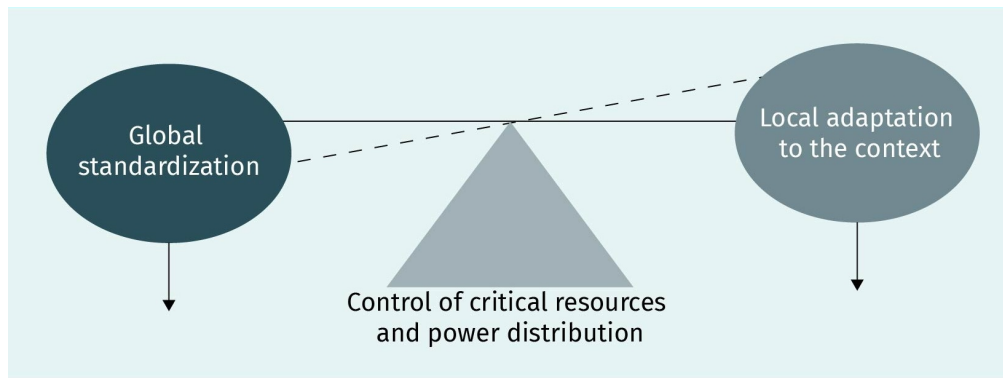
HRM at MNCs is confronted with a constant tension between cross-border standardization and adherence to local norms. In other words, there is a struggle to balance the need to foster cooperation, uniform policies, and an internal labor market with the need to adapt to local conditions, cultures, and circumstances (Dowling et al., 2017; Gooderham et al., 2019). As the purpose of IHRM is to support a company's strategy, this tension is inherently present.

Centralized versus Decentralized HR

Strong interdependencies tend to exist between subsidiaries and their corporate parent within MNCs. As a result, managers are required to interact closely with managers from different cultural and organizational backgrounds, particularly in the HR department. Cultural, political, technological, and legal differences can lead to significant friction when it comes to HR processes and policies, particularly concerning the coordination of HR processes and policies (Dowling et al., 2017; Gooderham et al., 2019).

These tensions largely stem from the push toward global standardization (HRM according to the MNC's strategy) versus the desire for a localized approach (HRM tailored to the local context). The entity that controls the organization's critical resources (money and expertise) and holds the power (decision-making authority) determines whether to adopt a more centralized or decentralized approach (Festing et al., 2008; Dowling et al., 2017; Gooderham et al., 2019).

Figure 7: Balancing Centralization and Decentralization in IHRM



Source: Paul Vanderbroeck, based on Festing et al. (2008).

Competition

Competing at a global level entails competing in terms of cost-effectiveness. IHRM thus helps MNCs to relocate human resources to cheaper locations. India, with its large, well-educated, and English-speaking workforce, has become a popular hub for outsourcing financial management and accounting services. Many companies have also opened factories in China, where they employ the local low-wage workforce to manufacture goods in bulk at a fraction of the price (Werner et al., 2012).

An increasingly global world comes with **stiffer competition** for resources. IHRM helps MNCs attract talent from countries with a high availability of workers to countries with scarce resources. This particularly concerns **knowledge workers**. However, the relocation process is not straightforward. Cultural differences and insufficient language skills can make it difficult to successfully transfer new hires from one part of the world to another. At the same time, organizations need to retain talent to prevent qualified employees from transferring to their competitors (Bonneton et al., 2019).

Knowledge workers
A knowledge worker is a skilled, educated individual whose main capital is their knowledge.

Demographics

International mobility has made IHRM significantly more complex. Developments that cause issues at a national level often prove far more challenging when transposed to an international level (Komm et al., 2021). IHRM now needs to encompass the varying attitudes to work, careers, and mobility fostered by younger generations, such as **millennials** (those born after 1980). In general, millennials are less motivated by career progression and money, and more motivated by flexibility, meaningful jobs, and a good work-life balance. More loyal to their profession than their organization, they are more difficult to retain (Werner et al., 2012). However, they can be expensive if they decide to jump ship once the company has paid for an international transfer. Nevertheless, MNCs can be particularly attractive to millennials, who are often interested in enhancing their knowledge and changing horizons. International assignments offer a way for HR departments to attract young talent to their MNC (McNulty, 2014).

Millennials
Also known as Generation Y, millennials are the generation born after 1980. Millennials typically believe that change, meaning, and work-life balance are key aspects of working life.

Home Country or Host Country Nationals

Since the establishment of the very first MNC, IHRM has been faced with the conundrum of whether to expatriate managers and specialists from their home country (the country where the MNC is headquartered) to other countries to perform key tasks, or whether to recruit equivalent staff locally (the country in which the MNC operates). **Home country nationals** tend to be more expensive than local staff (Werner et al., 2012). While they bring the knowledge, network, methods, and values that the MNC wants to instill on a global scale, they may initially lack language and cultural skills and the knowledge to perform effectively in the local environment and market, particularly compared to **host country nationals** (Dowling et al., 2017).

Home country nationals

Employees from the country in which the MNC is headquartered who are sent to temporarily work in a different country are called home country nationals.

Host country nationals

A host country national is a local employee who works for the MNC in a country other than the one in which it is headquartered.

Developing a Global Mindset

Since MNCs came into existence, IHRM has worked hard to help managers operate effectively abroad. MNCs continue to invest heavily in training and development as it is critical that managers are equipped to operate across borders as expatriates and leaders of multicultural teams (Dowling et al., 2017; Werner et al., 2012).

HR Systems

Data systems that collect and analyze employee data can help MNCs with international deployments, adding value, and developing talent on a global scale. HR needs to harness the power of data to help an organization learn and innovate going forward (Komm et al., 2021). However, privacy protection laws, like the EU's General Data Protection Regulation (GDPR), often hamper the free exchange of data across borders (Dowling et al., 2017; Werner et al., 2012).

International Mobility, Management across Cultures, and Global Talent Management

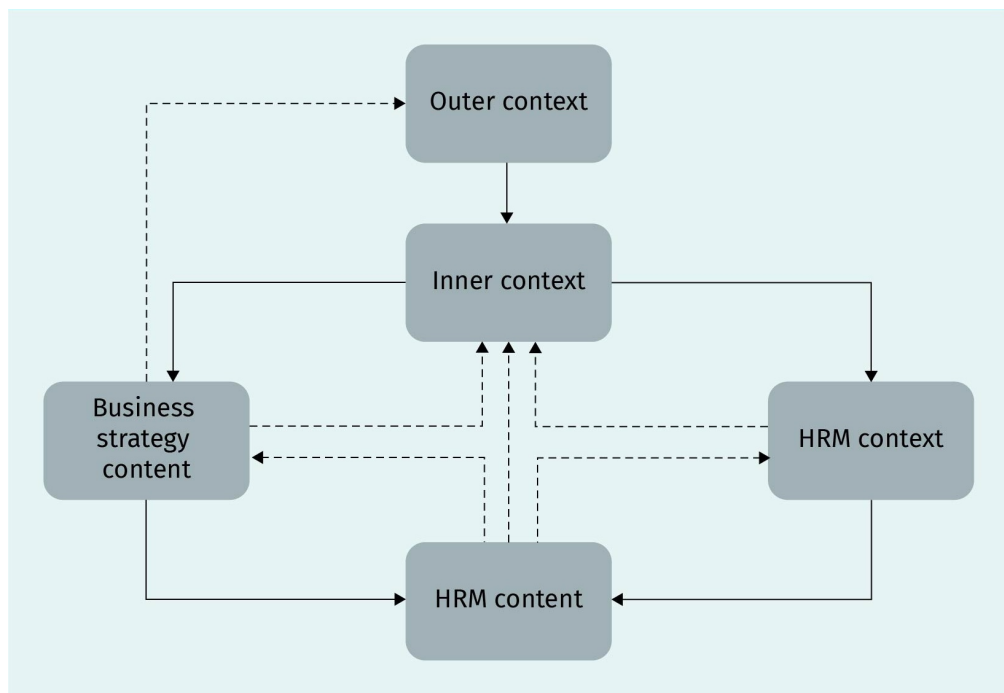
These three aspects are of particular importance for MNCs. While they have always been a challenge, globalization has added a further layer of complexity. First and foremost, these aspects emphasize the need for HR professionals who know the business well and are able to plan ahead and predict internal and external developments. HR departments must acquire a global mindset to support the international operations of the MNC it serves (Dowling et al., 2017).

3.2 Resolution Methods

In principle, IHRM engages in the same activities as HRM; however, the difference is that HRM solely focuses on human resources in a particular country, while IHRM operates in several countries. MNCs are therefore required to transcend international borders with their HR policy to manage the challenges posed international operations.

The Warwick model, named after the university where it was developed in the 1990s (Hendry & Pettigrew, 1990), is still considered one of the most prominent theories of HRM (Brewster et al., 2018). Because of its emphasis on the importance of context (both internal and external to the organization), the model is particularly applicable to IHRM in light of the challenges posed by the contexts of different countries.

Figure 8: The Warwick Model of HRM



Source: Paul Vanderbroeck, based on Hendry & Pettigrew (1990).

The model above demonstrates how HRM functions under the influence of strategic change. The model depicts the outer and inner contexts, the business strategy content, the HRM context, and the HRM content as interdependent elements. This results in a system whereby an organization constantly evolves over time (Hendry & Pettigrew, 1990).

The outer context consists of economic, technological, and socio-political conditions. The economic conditions are ownership and control (e.g., private shareholders or the government); the size and structure of the organization; the life cycle of the organization (e.g., start-up, high-growth, or mature phases); and the circumstances of the industry and relevant markets (e.g., high or low competition). These conditions are interrelated and determine the HR policies for a specific organization. For instance, a small start-up that operates domestically would require a different HRM approach than a large MNC (Hendry & Pettigrew, 1990).

Technological conditions concern the technologies used within an organization and their advancement over time. HRM needs to ensure the organization keeps up with technological advancements by ensuring the workforce possesses the necessary skills and introducing training where necessary. HRM is also increasingly faced with the issue of replacing employees with robots and automated systems (Hendry & Pettigrew, 1990).

Socio-political conditions pertain to aspects such as the availability of sufficient talent with the right skillset in the markets in which the organization operates. They also encompass conditions including local labor laws and the presence and role of employee representatives, such as unions or works councils, which can impact the flexibility of human resource management (Hendry & Pettigrew, 1990).

The inner context consists of culture, structure, leadership, task technology, and business output. Organizations may elect to pursue a team-oriented or individualistic culture. They can feature flat or horizontal hierarchies, and leadership can be either top-down or bottom-up. Task technology concerns the technology used at an organization (e.g., software) to ensure successful business operations, whereas business output refers to the products and services offered by the organization. These factors play a role and are equally influenced by HRM (Hendry & Pettigrew, 1990).

HRM is driven by an organization's goals and requirements, namely its strategy, objectives, and the products and services it offers in specific markets. HRM gives organizations the workforce they need to implement their strategy and achieve their objectives (Hendry & Pettigrew, 1990). This first requires an HRM context, i.e., an HR department or function with roles and responsibilities that permit it to achieve its objectives through HRM content. This refers to the various tasks for which HRM is responsible: HR flows (hiring, retaining and firing staff); work systems (e.g., training); reward systems (pay and benefits); and employee relations (e.g., negotiations with unions) (Hendry & Pettigrew, 1990). All of this creates a complex framework in which different factors and actors (line managers and HR professionals) interact with, cooperate with, and influence each other (Hendry & Pettigrew, 1990).

When this model is applied to IHRM, adapting to the local context and the challenges posed by international operations is crucial. This is particularly evident when we look closely at one of the key tasks of IHRM: moving talent across borders. Actions HR can take to facilitate recruitment, integration, training, performance assessment, career development, and rewards include

- recruitment. Adaptability, flexibility, and building and maintaining relationships are key attributes to look for when recruiting staff with international responsibilities, particularly employees who are expected to work abroad.
- integration. When staff move to another country, a local mentor can help them to integrate into the local (company) culture. However, expatriates are often faced with the challenge of adhering to the corporate culture of the parent company (the MNC) while simultaneously adapting to the local culture, which sometimes results in tension.
- training. This includes both language and intercultural training.
- performance assessment. The objectives of the international assignment (e.g., technology transfer) and local feedback need to be addressed in performance evaluations.

- career development. In the ideal scenario, employees should have a clear career plan for once they return to their home country. In the absence of a plan, the employee's next move should be planned well ahead of their repatriation to allow the MNC to continue to benefit from their talent in the long term and ensure the experience gained during their time abroad is put to good use.
- reward. Expatriates often seek special compensation to account for their ties to their home country and needs in their host country.

Let us explore a situation where the external context (changing profile of clients around the globe); business strategy content (international services for clients); and HRM content (staff development) were aligned to achieve a certain outcome.

A globally active bank specializes in private banking services for wealthy individuals. The banking sector is becoming increasingly globalized, and the bank's clients expect to receive the same service in every location they move to or operate in. In response, the international human resources department introduced an assessment center to guarantee the same level of quality around the globe. This standardized process assessed and selected candidates for promotions to the position of senior client manager. Each location applied the same methods and criteria. After completing several assessments, HR analyzed the data. It emerged that, on balance, all candidates demonstrated relatively weak strategic thinking skills. This was considered a risk factor in terms of the company's clients, who were increasingly requesting strategic investment advice. The HR director subsequently proposed a seminar for the recently promoted senior client managers in order to improve their strategic thinking. The chief executive officer of the bank accepted the proposal.

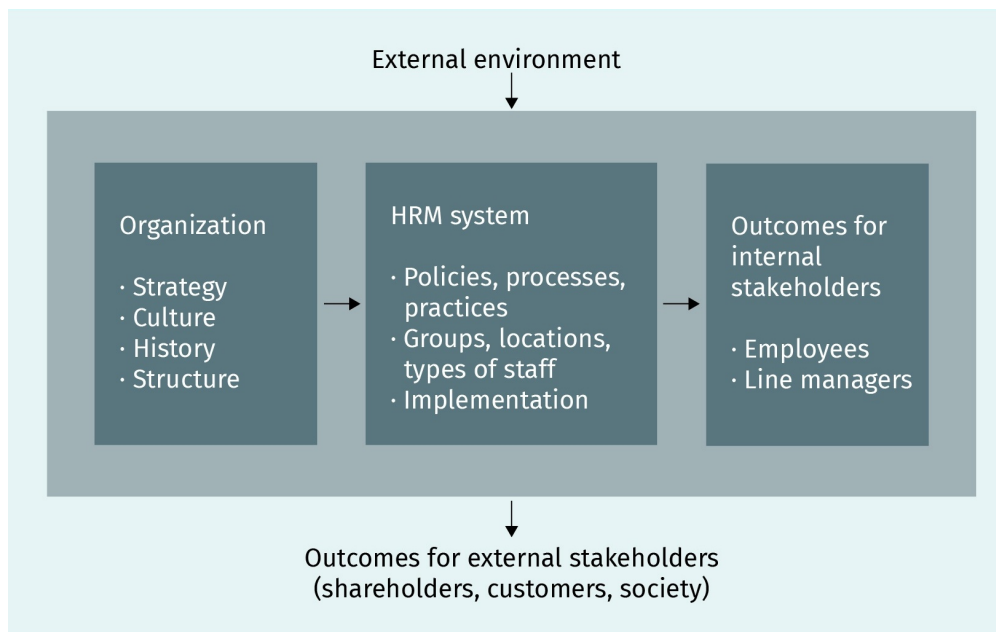
3.3 International HR Models

IHRM in MNCs often poses a challenge because of the size and complexity of an organization. In addition to the theories used to determine the structure of an organization and the roles of HR, other **models** approach HR in terms of how it can contribute to the success of an organization. In the following section, we explore three key theoretical perspectives on IHRM, which provide the basis for further research in this field.

Model

Through emphasizing core features, models help us understand complex situations.

Figure 9: Framework for Strategic Human Resource Management



Source: Paul Vanderbroeck, based on Jackson et al. (2014).

HR models typically encompass the causal chain depicted above to highlight the impact HRM has on employee capabilities and motivation. In turn, these aspects contribute to improved productivity, which results in better outcomes for customers and shareholders (Brewster et al., 2018; Jackson et al., 2014). However, HR models usually break down these elements and focus on parts thereof. Below, we will look at three prominent models that offer explanations for this proposed causal chain, each with their own emphasis: human capital theory, the resource-based view, and the behavioral perspective (Jackson et al., 2014).

Human Capital Theory

Human capital theory states that, along with other capital investments (e.g., machines, technology), organizations need to invest in “human capital.” The return on this investment is found in the increased capabilities of an organization’s human resources (knowledge, skills, and behavior). Organizations can invest in human capital by recruiting talent with the necessary skills or potential to contribute to the organizational objectives. Alternatively, they can invest in training employees to acquire and develop the required competencies. Rewarding high performers for reaching targets is another form of investment in human capital. In principle, investing in human capital is expected to yield economic returns (Jackson et al., 2014).

Human capital theory
This theory views employees as capital investments that, when successful, yield positive results for the organization.



Resource-Based View

The **resource-based view** states that the success of an organization depends on maintaining a workforce that includes unique, high-value, and outstanding employees that are difficult to source or replace. HRM is another key tool organizations can use to generate eco-

Resource-based view

The resource-based view asserts that employees should be unique to the organization, allowing the organization to become more competitive.

conomic value. As its name implies, human resource management includes the activities through which an organization manages key human resources. The more effective HR is, the more capable it is of sourcing, attracting, deploying, and developing individuals that provide the critical and unique resources required by the organization (Jackson et al., 2014).

Behavioral Perspective**Behavioral perspective**

This model claims that the success of an organization depends on the behavior of the employees in their respective roles.

The **behavioral perspective** states that the performance of employees depends on their behavior in their role within the organization. Employees primarily learn the behaviors appropriate for their role through human resource management, e.g., job descriptions, development feedback, performance management, and training. HR promotes proper conduct with initiatives, such as bonuses and other incentives. The desirability and use of certain employee behaviors is also influenced by external and internal cultures (Jackson et al., 2014).

**SUMMARY**

Multinational corporations (MNCs) are the main driving force behind international human resources management (IHRM) practices. Internationally active organizations are faced with the constant challenge of striking the balance between centralizing practices around the globe and decentralization to enable local autonomy and adaptation to local contexts.

IHRM is required to address numerous challenges within MNCs, from changing demographics and technology, to selecting between expatriates and local employees. In order to navigate these issues, IHRM can apply various models to structure human resources (HR) and the various roles found in an HR department, e.g., service provider, change agent, and strategic contributor. These roles can then be adapted to meet the specific requirements of IHRM.

HR models view HR in terms of how it can contribute to the success of an organization. As they provide a simplified overview, models help us make sense of complex situations. Human capital theory views employees as capital investments that, if successful, yield positive results for an organization. The resource-based view contends that employees should be unique to an organization to allow it to become more competitive. In contrast, the behavioral perspective is that the success of an organization depends on the behavior of employees in their respective roles.

UNIT 4

INTERNATIONAL PERSONNEL DEPLOYMENT

STUDY GOALS

On completion of this unit, you will be able to ...

- list the strategies multinational corporations (MNCs) use for international personnel deployment.
- describe different types of international assignments and the purposes they serve.
- explain which criteria are applied to select individuals for international assignments.
- describe how the talent pool for international assignments has become more diverse.
- outline how organizations can motivate employees to become internationally mobile.
- discuss what determines the success of an international assignment.

4. INTERNATIONAL PERSONNEL DEPLOYMENT

Case Study



The intensification of globalization in recent decades has led to an increase in the number of people who move abroad, many of whom relocate because of an international assignment given by their employer. Some are recruited by companies based abroad, while others cross borders to study or live with their partner. All internationally mobile individuals face the challenge of building a professional network in their new country. Partners of internationally mobile professionals often also want to continue their career in their new location.

As a result, volunteer and commercial networks have been set up to support professionals who live and work abroad. Some of these are local, whereas others are international and have branches in worldwide locations. Certain organizations focus on particular demographics within the international community (e.g., women) or on particular activities, like volunteer work and charity. Most networks have their own website or a presence on social networks, such as Facebook or Instagram. This unit explores the reasons that organizations assign staff to other countries. It also discusses related aspects that concern international human resources management (IHRM), such as selecting employees and success factors for postings abroad.

4.1 International Personnel Planning

International personnel planning

This is the process through which an organization ensures the right person is assigned to a job in a particular country, at the right time, and for the required period.

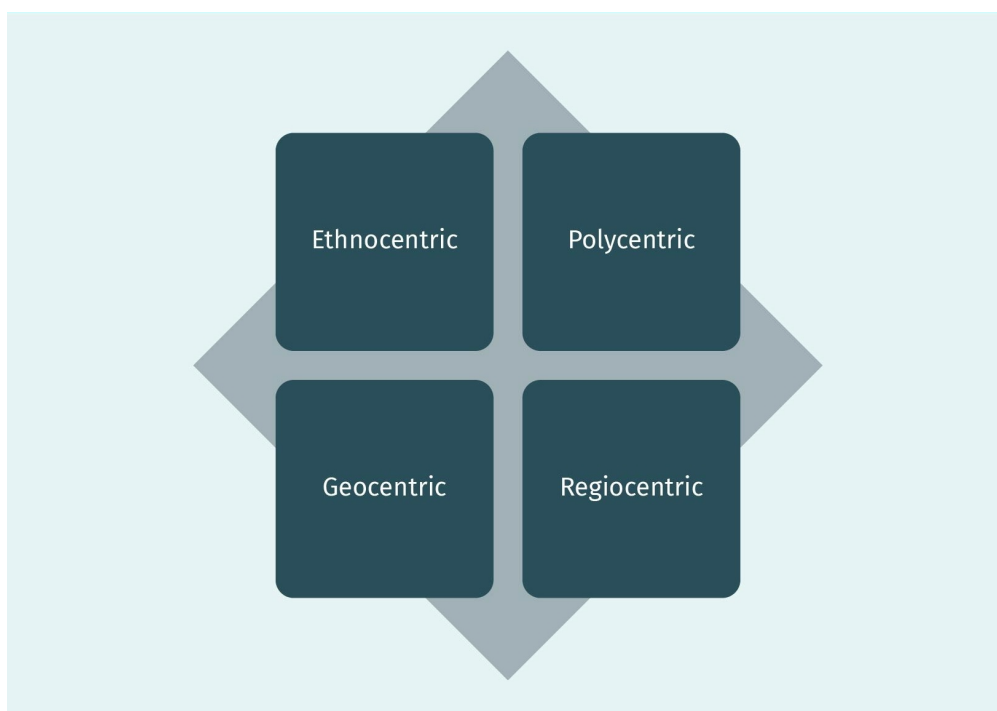
International personnel planning entails deploying the right person for a specific job at the right time in a particular country. It generally relates to professional and managerial staff. Cross-border staff deployment adds to the complexity of IHRM. Successfully moving an employee from one country to another often requires moving an entire family, which comes with a host of obstacles, e.g., dealing with tax and pension issues, applying for work and residence permits, providing schooling for the children, and overcoming cultural barriers. All in all, this is a complex and costly affair (Hurn, 2014; Laws et al., 2008). In light of globalization, demographic trends, and the lack of skilled workers, this topic has become increasingly significant in multinational organizations.

Originally, international workforce planning helped companies to manage their exports from one country to other markets. As a result of globalization, it now helps organizations build a global workforce. A global workforce is an international pool of employees that hold key positions in the organization, either in the parent company or at local subsidiaries, and a talent pool of succession candidates for these positions. A key task of international workforce planning is to develop the skills and careers of all members of this global workforce (Laws et al., 2008).

International assignments are an important tool in international workforce planning and serve several purposes related to the organizational strategy, such as entering new markets, transferring knowledge and technology, managing international partnerships or joint ventures, and developing management careers (Laws et al., 2008). People sent on an international assignment by their employer are referred to as **expatriates**.

There are four different strategies for international workforce planning that are each based on an organization's overall approach to internationalization and IHRM. These are the ethnocentric, polycentric, regiogenic, and geocentric strategies (Hurn, 2014; Laws et al., 2008):

Figure 10: Strategies for International Personnel Workforce



Source: Paul Vanderbroeck (2021).

Ethnocentric Strategy

With the **ethnocentric personnel planning** strategy, key positions in the various countries where the organization operates are filled by employees from the parent company, or **parent country nationals** (PCNs). The ethnocentric strategy is often combined with a IHRM approach, whereby key human resources practices are determined by the global headquarters. The advantages of this strategy are that it allows organizations to have experienced people on the ground to transfer knowledge and start new operations where there is a lack of local skilled workers. It also enables the parent company to maintain control, which can be crucial for financial management, protecting brand equity, and ensuring quality standards. An ethnocentric policy is generally a costly approach due to the tendency of PCNs to cost more than local staff. The success of this strategy also depends on

International assignment

An international assignment is a transfer of an employee from one country to another for a certain period of time. The term expatriation is often used as an alternative.

Expatriate

In the context of IHRM, an expatriate is an employee who is sent by the employer to work in another country for a certain period of time, usually between one and five years.

Ethnocentric personnel planning

In ethnocentric workforce planning, key posts are filled by staff from the country in which the organization is headquartered, i.e., PCNs.

Parent country national

A PCN is an expatriate from the country in which the organization is headquartered.

how quickly PCNs are able to adapt to the local context. Employees may find their opportunities for career development capped if they lack international experience (Hurn, 2014; Laws et al., 2008).

Polycentric Strategy

Polycentric personnel planning

In this strategy, posts are filled by a mix of staff from the country in which the organization is headquartered and local subsidiaries.

MNCs that pursue a strategy of **polycentric personnel planning** assign PCNs to subsidiaries while selecting host country nationals for positions at headquarters or operations in third countries. This strategy is often combined with a IHRM approach in which the key human resources (HR) practices are produced by cooperation between the global headquarters and local HR departments. Furthermore, contrary to the ethnocentric strategy, the polycentric strategy generally gives local subsidiaries more autonomy and freedom of movement in their own human resources management (HRM). This approach reduces the risk of cultural misunderstandings and leverages valuable local knowledge. It is often applied in conglomerates or holdings that jointly participate in various types of businesses with their own specific products, services, and markets that benefit from a decentralized approach. However, it can be more costly than the ethnocentric strategy due to the increased overall number of expatriates (Hurn, 2014; Laws et al., 2008).

Regiocentric Strategy

Regiocentric personnel planning

In a regiocentric strategy, the organization establishes regional bases instead of a global headquarters. Staff are deployed within a region rather than locally or globally.

The **regiocentric personnel planning** strategy combines certain elements of both the ethnocentric and polycentric approaches. Instead of global deployment, employees are assigned within a certain region, for example, Europe. These employees are referred to as **third-country nationals** (TCN). This strategy allows organizations to deploy qualified employees where they are needed most, while facing fewer obstacles when it comes to adapting to local contexts. Agreements at a regional level, as seen in the EU, make intraregional transfers far more cost-effective. This strategy is often combined with a regional approach to IHRM (Hurn, 2014; Laws et al., 2008).

Third-country national

A TCN is an employee from a different country than the country in which the organization is headquartered or a subsidiary is located.

Geocentric Strategy

Geocentric personnel planning

This strategy has no preference for nationality. The best person is selected for the job from a global talent pool.

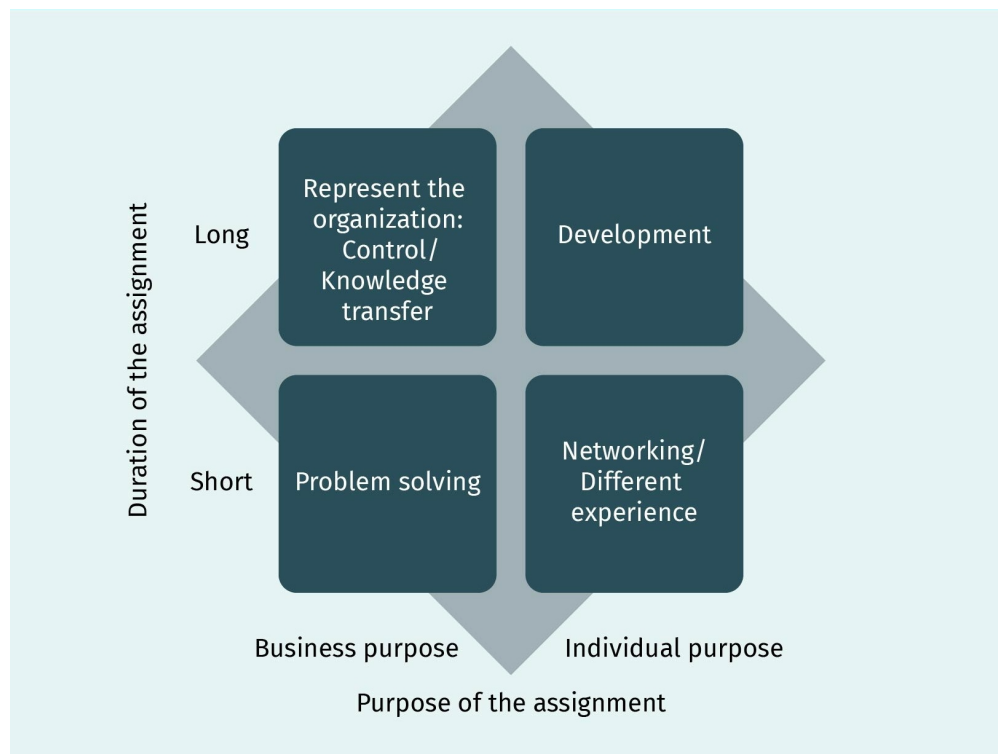
We end this section with a strategy called **geocentric personnel planning**, whereby an organization appoints the most suitable person for a job irrespective of their nationality. People are selected based on their competency rather than their background. By pursuing this strategy, organizations can develop an international talent pool for deployment around the globe. The upside to this approach is that it fosters a global culture that incorporates all countries where the organization is active. The downside is that it can result in a “homeless” group of permanent expatriates who don’t have a strong affiliation to any of the organization’s structures. The geocentric strategy aligns with an IHRM approach that grants subsidiaries significant autonomy. However, a significant amount of coordination and communication may be required between the various countries when it comes to establishing a common approach to international deployment (Hurn, 2014; Laws et al., 2008).

Needless to say, organizations can pick and choose between these strategies as they please. They may select one strategy for a particular region or part of the business and opt for another strategy for the rest of the organization.

4.2 Reasons for Deployment and Job Rotation

Assignments to different countries for varying lengths of time can serve a variety of purposes (Evans et al., 2011; Festing & Müller, 2008; Laws et al., 2008).

Figure 11: Purposes of an Expatriation



Source: Paul Vanderbroeck, based on Evans et al. (2011).

Employees are primarily sent abroad to solve a problem, for example, to manage a temporary project, handle a technical failure in a factory, or fill a position that is temporarily unoccupied. These examples are generally short-term assignments.

Longer-term assignments tend to involve the employee representing the organization's interests abroad, performing the traditional tasks of a PCN. They include positions in financial management or roles that facilitate the transfer of company-specific technology to a local subsidiary. These assignments tend to be two to five years in length (Evans et al., 2011; Festing & Müller, 2008; Laws et al., 2008).

Employees also stand to gain several benefits from international assignments. Spending four to five years in a different country can prepare someone to take on international responsibility at a more senior level in the future.

Shorter-term assignments allow employees to put a face to stakeholders they work with on a regular basis and gain different perspectives on their profession or responsibilities. They can also be used to integrate promising young professionals into the MNC (Evans et al., 2011; Festing & Müller, 2008; Laws et al., 2008).

Commuter assignment

In a commuter assignment, an expatriate's family stays in their home country for the duration of the assignment. The expatriate commutes every weekend (or less frequently) from their home country to the host country.

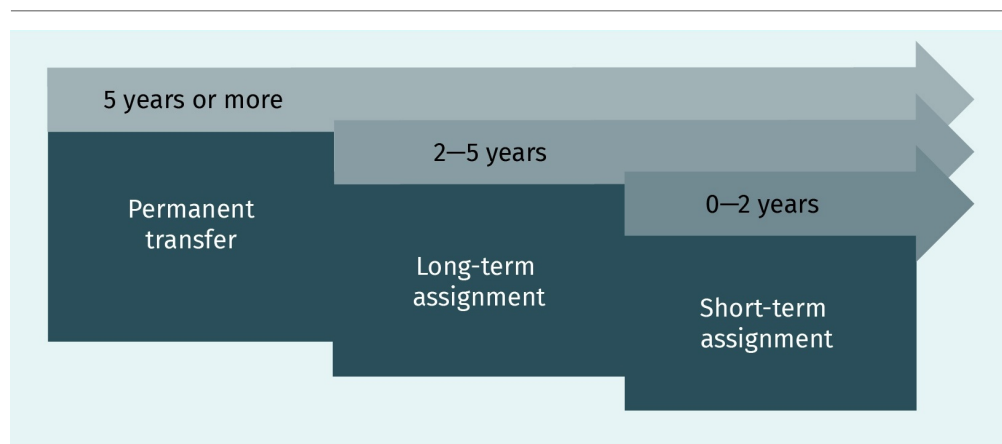
Commuter assignments offer a different approach to cross-border employment (Festing & Müller, 2008). They can be either short- or long-term and driven by business or personal needs. The employees who engage in commuter assignments tend to have families, hence why these postings are typically short-term (Evans et al., 2011). They usually become relevant when the location of the assignment is not suitable for the expatriate's family due to security, infrastructure, or health reasons. Often, the family is unable or unwilling to join the expatriate because of career obligations or the children's schooling (Laws et al., 2008).

It is important to differentiate between temporary expatriates and permanent transfers to an affiliate organization in a different country. In contrast to the unlimited nature of permanent transfers, commuter assignments are generally limited to a certain period. Permanent expatriates are also granted the same terms and conditions as local employees, notably in terms of compensation (Evans et al., 2011; Festing & Müller, 2008). In certain cases, expatriates may opt to stay in their host nation after the end of their assignment and continue working for the firm on a local employment contract with a local salary. This process is referred to as **localization** (Laws et al., 2008).

Localization

Changing the employment contract of an expatriate to a local contract in the host nation is called localization. The expatriate's compensation is accordingly adjusted to a local salary.

Figure 12: Types of Assignments Abroad



Source: Paul Vanderbroeck, based on Laws et al. (2008).

Globalization has led to the harmonization of university degrees, studies abroad, and international Master of Business Administration programs, which has resulted in an increase in the number of professionals who seek to develop their careers internationally (Altman & Baruch, 2012). The growing demand for qualified staff and knowledge workers has forced organizations to expand their search for talent beyond the borders of their parent country (Scullion et al., 2007). These **self-movers**, or self-initiated expatriates, are part of the expatriate workforce, even if they are compensated differently than traditional expatriates (Vanderbroeck & Aasted Skov-Hansen, 2020).

In principle, organizations can employ several forms of international assignment to meet their global staffing needs and attract talent from different countries. Going forward, organizations will likely need to offer a range of flexible forms of international assignments to meet their needs and guarantee workforce availability (Scullion et al., 2007).

Self-movers

Professionals who move between countries to further their career at their own initiative (as opposed to being assigned by their employer) are called self-movers.

4.3 Selection of Expatriates

A decisive HR policy is crucial when it comes to selecting employees for international assignments. IHRM is responsible for defining the requirements for a position and establishing and managing the selection process (Laws et al., 2008). It doesn't matter whether the posting is driven by business or personal needs, selection criteria should not be restricted to a candidate's performance record or technical expertise (Evans et al., 2011). In fact, unsuccessful international assignments can rarely be attributed to a lack of professional or technical competency. In order to ensure an international assignment ends in success, organizations need to additionally focus on other qualities, such as (Evans et al., 2011; Hurn, 2014)

- adaptability and flexibility: open-mindedness, openness to change, and an ability to try different approaches.
- relationship building: empathy, tolerance, an interest in working with others, and a sense of humor.
- communication: the ability to understand others, get a message across, and use different forms of communication.
- independence: the ability and willingness to take initiative and assume responsibility.
- family circumstance: a situation that facilitates rather than hinders relocation.

Organizations may also need to add more specific criteria depending on the context. The success of a business in certain locations may be contingent on certain skills or motivational forces. The type of organization also plays a role in defining the criteria. An MNC requires different things from its employees than a small company or a **non-governmental organization** (NGO) (Scullion et al., 2007).

Non-governmental organization

A non-governmental organization (NGO) is a not-for-profit organization that has no direct affiliation with a government. NGOs are funded by contributions from individuals, companies, and governments.

The selection process is crucial for international assignments as there is a higher chance that an expatriate will fail to meet expectations than a local employee. Furthermore, the organization will incur higher costs if an international assignment fails than if a local employee with similar qualifications fails (Baruch et al., 2016). Future expatriates are primarily selected through an interview process aimed at establishing whether the candidate has the necessary skills for the job and the ability to integrate into the local culture abroad (Evans et al., 2011).

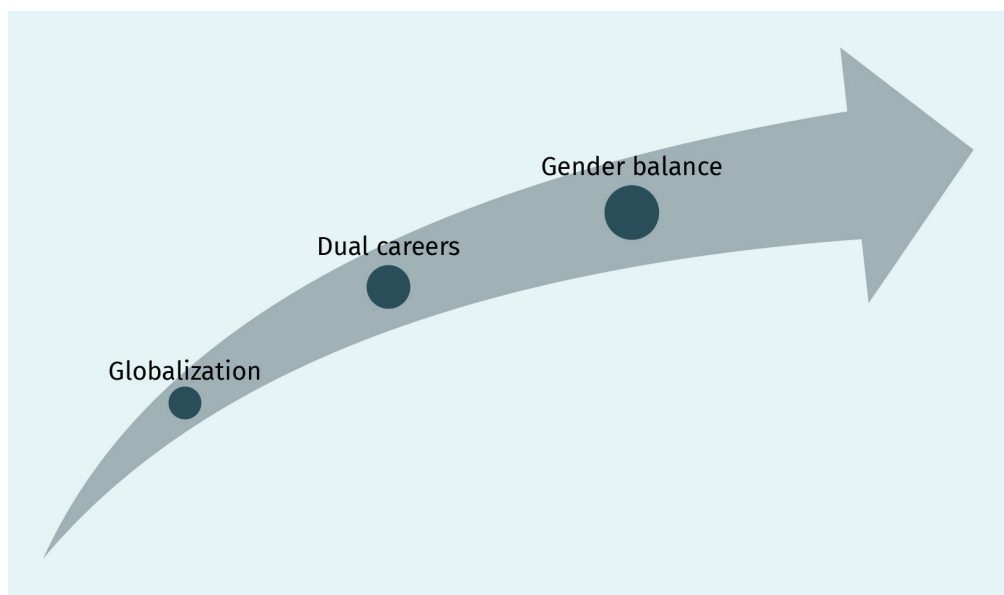
Employees also subject the organization to their own selection process, since they decide whether to accept a potential assignment or seek opportunities to work abroad (Festing & Müller, 2008). Younger managers tend to pursue international assignments for career-related motives. These postings can often lead to more internal opportunities (Baruch et al., 2016). For example, certain organizations will only consider candidates for a senior position if they have gained previous experience abroad. Still, posting managerial staff abroad

comes with the added risk that employees may leave the company if there are not adequate career opportunities at the end of their assignment (Festing & Müller, 2008). Employees may also be motivated to seek opportunities abroad because of the challenge presented by a certain assignment and/or location, along with the desire to develop on a personal level by experiencing a different culture (Baruch et al., 2016).

In addition to the aforementioned selection criteria, IHRM also sources potential expatriates from the organization's candidate pool, and these pools have become increasingly diverse in recent decades (Santa Fe Relocation, 2019). Factors such as globalization and economic development outside of Europe and the USA have increased the number of nationalities represented in talent pools. Additionally, a growing number of employees are now self-movers. Organizations have more options than ever before, but they must still account for a wide range of requirements and motivations to attract talent to move abroad.

We will now take a closer look at three demographics that have shaped this new diversity: self-movers, dual-career couples, and female expatriates. These groups pose both challenges and opportunities in terms of IHRM.

Figure 13: Three Trends Leading to More Diversity in Expatriates



Source: Paul Vanderbroeck, based on Vanderbroeck & Aasted Skov-Hansen (2020).

Globalization has led to more people on the move than ever before. A growing number of people are taking things into their own hands and initiating their own expatriation (self-movers). Preferring to maintain control over their own lives instead of being ruled by their employers, self-movers trade security for autonomy and flexibility (McNulty & Vance, 2017).

Recent studies have shown that the number of dual-career couples is also on the rise. This phenomenon stems from new attitudes towards careers and families along with **assortative mating**. In the past three decades alone, assortative mating has increased by almost 25 percent (Petriglieri, 2019). As a result, fewer people have a partner who is willing to give up their career to follow them on an assignment abroad. Many couples also require two incomes to finance their lifestyle (Hurn, 2014). When a dual-career couple moves abroad, they can be referred to as an **international career couple** (Vanderbroeck & Aasted Skov-Hansen, 2020).

A growing number of professional and leadership roles are now filled by women, which has caused organizations to increasingly choose women for their international assignments (Scullion et al., 2007). The percentage of female expatriates grew from 25 percent in 2018 to 32 percent in 2019 (Santa Fe Relocation, 2019). Without question, these trends toward self-moving, dual-careers, and female workers are mutually reinforcing. More working women than working men are currently in dual-career couples. It then follows that the increased number of women moving abroad entails more dual-career couples doing the same (Vanderbroeck & Aasted Skov-Hansen, 2020).

At an individual level, most people who pursue international assignments do so to further their career, personal development, or both. This applies to both conventional company-initiated expatriation and self-movers (Altman & Baruch, 2012; McNulty & Vance, 2017). Certain MNCs require a minimum of one period spent abroad to qualify for senior management positions. In recent years, the distinction between traditional expatriates and self-movers has become increasingly blurred. Nowadays, it's not unusual for people to move to a different country and return several times over the course of their career. In certain cases, this can stem from an employer-based assignment, but it can also be the result of an employee's initiative to broaden their career and experiences. They may also switch employers in the process (McNulty & Vance, 2017).

4.4 Success Determinants

Preparing, relocating, compensating, and repatriating a person (along with their entire family) is a costly affair and significantly outstrips the cost of hiring a local employee (Festing & Müller, 2008; Laws et al., 2008). As a rule, an expatriate assignment costs two to three times the base salary of an employee in the host country. This is also accompanied by costs related to the time spent by locals to integrate the expatriate (Baruch et al., 2016).

These considerations can lead organizations to question whether an assignment will truly be worth it. The employee needs to deliver on expectations, regardless of whether they were posted abroad for strategic reasons or to learn new skills. Ideally, the amount of time it takes the employee to become accustomed to their job in the new host country needs to be as short as possible. If the employee has been relocated with their partner or family, it is crucial that these accompanying individuals also quickly adapt to the local context. Along with not achieving the objectives of the assignment, a failed assignment can have a nega-

Assortative mating

The tendency of people to find partners with a similar outlook on life, goals, and educational background is called assortative mating.

International career couple

An international career couple refers to a couple with two careers that moves to another country or is internationally mobile.

tive impact on the expatriate and their accompanying dependents. Because an expatriate typically stands out in the local context, an assignment that goes wrong may also damage the reputation of the parent organization and its host country (Hurn, 2014).

Unsurprisingly, it follows that expatriates tend to appreciate heavy investment in IHRM activities related to international assignments. At a psychological level, expatriates feel a strong affiliation to their employer if they receive a good level of support before, during, and after the posting. On the other hand, if the employer has no real interest in retaining the employee after the posting, it can be conducive to limit IHRM to compensation and leave other matters, such as career development, to the employee (Festing & Müller, 2008).

In this manner, IHRM, as the counterpart to HRM, plays a key role in upholding crucial elements of the employer-employee contract, namely the performance of tasks in exchange for extrinsic and intrinsic reward (Bottger & Vanderbroeck, 2008). Organizations are consequently advised to clarify their expectations upfront with a prospective expatriate. This ensures both parties are clear the agreement they are about to enter into and how IHRM assistance can make sure their expectations are met (Festing & Müller, 2008). The demise of lifetime employment often motivates employees to take things into their own hands in light of the lack of clarity. For instance, a dissatisfied expatriate may opt to pursue an attractive career prospect with an employer located abroad instead of returning to their home country (McNulty & Vance, 2017).

Generational and social shifts have further changed attitudes toward careers and international deployment (Scullion et al., 2007). IHRM needs to account for these shifts and respond to them in order to ensure that international assignments prove successful. Younger generations are more mobile, both in terms of where they work and who they work for. As a result, international assignments often appeal to younger employees. However, organizations must realize that they are typically viewed by the employee as an investment in their own career and personal development as opposed to the pursuit of a long-term career with a single employer. Self-initiated international moves are also becoming more frequent (Altman & Baruch, 2012; Scullion et al., 2007). Organizations now find themselves struggling to uphold the notion of expatriation as a long-term investment in an individual career or an organizational talent pool. Currently, around 40 percent of expatriates in the private sector leave their employer in the first two years following a repatriation to their home country (Scullion et al., 2007).

These generational and social shifts further influence the success of international workforce deployment. A fundamental factor that drives the supply of qualified candidates for international assignments is mobility. Without mobility, expatriation cannot succeed. Employee concerns about whether they are the right fit and their future career prospects following repatriation have increasingly led candidates to turn down opportunities to move abroad in the first place (Scullion et al., 2007). The most cited reason behind refusing an expatriate opportunity is the effect it could have on the career of the expatriate's partner (Hurn, 2014; Laws et al., 2008; Vanderbroeck & Aasted Skov-Hansen, 2020). As lifetime employment continues to sink in popularity (Bottger & Vanderbroeck, 2008), IHRM needs to apply increased efforts to counter these concerns.

We will now explore the factors required to boost the mobility of the international talent pool with respect to its previously identified demographic shifts. First, we will look at self-movers. In order to achieve success and happiness, self-movers need to develop a **portable identity** (Petriglieri et al., 2018). As remaining at the same organization for an entire career is no longer the norm, individuals now require a portable identity to transport their career across different organizations. A portable identity helps to combat feelings of rootlessness while addressing the need to belong. It's independent of location and therefore empowers its holder. It can be regarded as part of an individual's brand, which is where it ties into international employability. A portable identity can be anchored in an individual's values, profession, or the type of organization they work for.

Portable identity

A portable identity refers to the shared private and professional identity of an individual that they maintain in different countries and organizations.

We will now examine the case study of the Russian couple, Boris and Katja, who are self-movers. After completing his studies to become an information technology (IT) engineer, Boris enjoyed a successful career in the IT department of a conglomerate in Russia. Katja worked as a financial manager. Keen on taking his career to the next level, Boris applied and was accepted for a two-year international Master of Business Administration program in Paris. The couple decided to have a child, and their daughter was born in Paris. Although they were open to moving back to Moscow, Boris started looking for a new job and received an attractive offer for a position in process engineering at NordPharma in Sweden. NordPharma helped Katja to get a work permit, allowing her to continue her career in Sweden. Now the family has settled in Sweden and Boris has been promoted at NordPharma. Katja found a job working as an auditor at an international consulting firm. Their daughter spends her days at the NordPharma on-site daycare center. The future remains uncertain, but the couple currently enjoys life in Sweden. Nevertheless, they remain open to moving elsewhere, perhaps through an international assignment by NordPharma.

Another new and growing type of potentially mobile staff are the partners of expatriates in international career couples (Vanderbroeck & Aasted Skov-Hansen, 2020). Expatriates were traditionally men, who, as the sole breadwinner, went abroad with their family and spouse, who would maintain her role as a homemaker or an otherwise supportive spouse. Now, increasing numbers of dual-career couples are looking further afield, provided they are both able to continue developing their own careers in their host country (Hurn, 2014; Laws et al., 2008). Unless employers are willing to help facilitate this, they will struggle to recruit from this talent pool when it comes to international assignments. (Scullion et al., 2007; Vanderbroeck & Aasted Skov-Hansen, 2020).

Recent research has shed light on how international career couples can stay together and be internationally mobile while simultaneously developing both of their careers (Vanderbroeck & Aasted Skov-Hansen, 2020). Three factors are decisive for the success of an international career couple:

1. A shared vision. This means a long-term objective for the couple to achieve together or the fulfilment of a purpose that guides the couple throughout their lives.
2. A secure space. This refers to a ritual or process for making strategic decisions and discussing thoughts and feelings on a regular basis.
3. Mutual career development. Partners should mutually support each other in developing and coordinating their individual careers, particularly when relocating to a different country.

The same research has indicated that the practical support offered by employers is not so important when it comes to making these couples mobile. Instead, mobility is primarily contingent on the couple's ability to achieve the aforementioned success factors, which are largely psychological. Employers tend to focus on making one individual—the employee—mobile for a particular assignment. Even when a wide range of options are available, HR policies favor a one-size-fits-all approach to support, usually tailored to trailing homemakers or spouses in part-time work (Vanderbroeck & Aasted Skov-Hansen, 2020). Support mainly entails cross-cultural and language training, providing information on local networks and social activities, and assisting with job hunts in the local area. A recent survey (NetExpat, 2018) found that 90 percent of 320 public and private organizations offer some form of assistance to partners who follow their spouses abroad. But there's still a long way to go. The 3000 employees and partners who participated in the study indicated that they weren't satisfied with the help they received from the expatriate's employer.

As organizations seek to create a better gender balance in their professional and leadership positions, they must increasingly open international assignments to women. Given the global competition for talent, women are a necessary addition to the talent pool to ensure a sufficient supply of potential expatriates. The traditional male-oriented model of expatriation as a career investment has failed to attract adequate female talent to look further afield (Scullion et al., 2007). Evidently, employers need to do more to tap into this talent pool. All too often, women are overlooked for potential international assignments due to the false assumption that they are less interested in them or unable to move because of their husband's career (Insch et al., 2008). When organizations do expatriate women, they appear to be insufficiently equipped to show the understanding and support required from female expatriates (Shortland, 2020).

Traditionally, MNCs have approached international mobility as a practical issue to be solved. First, convince the candidate to go, then resolve a series of practical problems related to the relocation, such as housing, work permits, schooling for any children, and insurance. Missing, yet often cited as the most important requirement for these new demographics of international staff, is care that is oriented toward psychological rather than practical support. Studies that have found that these separate demographics all consistently agree that employers don't offer adequate care (Altman & Baruch, 2012; Vander-

broeck & Aasted Skov-Hansen, 2020; Shortland, 2020). This can hinder MNCs in their aim to tap into this talent pool for internationally mobile staff. It also risks the success of an international assignment.



SUMMARY

Multinational corporations typically apply four different strategies to international workforce planning: ethnocentric, polycentric, geocentric, and regiocentric. In practice, organizations tend to mix aspects of these strategies or adopt different strategies over time in different parts of the world.

In terms of business objectives, employees are sent on international assignments to represent the organization or solve a problem. Expatriation can also serve personal objectives, such as career development or gaining different experiences. Both types of assignment can take place across longer (three to five years) or shorter (up to two years) periods.

Selecting the right candidate is crucial when it comes to ensuring the success of an international assignment, which is costly both in terms of money and its impact on the employee and their dependents. Along with technical expertise and a strong performance record, candidates must demonstrate personal skills that will enable them to integrate well in the new environment.

Expatriate roles are complex. They can present challenges both to the expatriate and to their family. International human resources management (IHRM) needs to account for factors that can lead to the failure or early termination of the posting and adopt a proactive approach to counter them. This includes considering the needs of the expanding talent pool. With growing numbers of self-movers, women, and dual-career couples in the global workforce, the range of potential candidates is more diverse than ever.

IHRM needs to offer support in line with the expectations of expatriates, e.g., in terms of career development, to give every international assignment the best possible chance of ending in success. Employees will be more motivated to move abroad if IHRM responds to the various needs of the increasingly diverse candidate pool.

UNIT 5

INTERNATIONAL MISSIONS AND HOST COUNTRIES

STUDY GOALS

On completion of this unit, you will be able to ...

- explain how international human resources management (IHRM) is influenced by the environments in which a multinational corporation (MNC) operates.
- describe the effects the host country can have on MNCs and how these can have an impact, notably on employee compensation.
- discuss the role IHRM plays in cross-border mergers and acquisitions.
- specify how IHRM can contribute to the successful integration of two organizations brought together by a merger or acquisition.

5. INTERNATIONAL MISSIONS AND HOST COUNTRIES

Case Study

Peters, a multinational electronics firm based in the Netherlands, acquired a research facility from another company. This facility is in Germany and specializes in sound technology. Peters invests heavily in its human resources (HR) practices and has employees deployed around the globe. The company believes that its sophisticated processes and systems to evaluate and develop staff contribute to its competitive edge. Anneke, a talented HR manager, was sent on an international assignment from the Netherlands to Germany to integrate the new division, Peters Research GmbH, into the wider organization. Anneke welcomed the opportunity. Not only did it come with a promotion, but she also knew that, if successful, it would help her further her career in HR at Peters.

Anneke became the new HR manager of Peters Research GmbH and was tasked with introducing Peters' policies. She started by implementing the company's performance evaluation process, which was new to the organization in Germany. This was promptly brought to a halt by the local **works council**, who informed her that according to German law, she would first need to obtain permission from the works council before introducing any evaluation processes. The works council, afraid that the new policies would be used to lay off staff based on social criteria rather than performance, refused to give the go-ahead. Anneke was unable to get the works council on her side. She then decided to call her former boss in the Netherlands. He put Anneke in touch with Jan, a senior figure in the union. Jan was the union representative who usually conducted negotiations with Peters on behalf of the union for its operations in the Netherlands. Jan was happy to travel to Germany and discuss the union's experience of working with Peters with the works council. He informed the works council that the union had always maintained a positive, mutually beneficial relationship with Peters. Once they were equipped with more knowledge about the working culture at Peters and how the German employees stood to benefit from the opportunities offered by the firm, the works council agreed to accept Peters' global evaluation process.

Works council

A works council represents employees within a company. The members of these councils are democratically elected by employees. Depending on the country, they have a say in collective and/or individual employment matters.

5.1 Variance in Environmental Variables

Globalization has forced multinational corporations (MNCs) to compete at a global level. At the same time, they need to adapt to the local circumstances of the countries in which they operate. If they succeed, MNCs can combine global efficiency with local responsiveness and promote worldwide learning among employees. Sharing best practices across borders can give an organization a competitive edge (Brewster et al., 2018; Festing & Eidems, 2011).

The same applies to human resources management (HRM), which needs to strike a balance between global standardization to obtain consistency across the organization and local adaptation for successful operations within local boundaries. In MNCs, international human resources management (IHRM) typically combines globally standardized HR policies and guidelines with local adaptations (Brewster et al., 2018; Festing & Eidems, 2011).

The balance between globally standardized and locally adapted IHRM activities and policies often depends on the institutional and cultural boundaries in the host-country environments. This applies, in particular, when it comes to compensation strategies—for example, pay for performance versus pay for loyalty—which vary widely from country to country and are strongly influenced by the local culture. Standardizing compensation across countries is one of the toughest obstacles faced by IHRM (Brewster et al., 2018; Laws et al., 2008).

A particularly complex issue often encountered by conventional expatriates (employees temporarily assigned from the parent company to a local subsidiary in another country) concerns which country has jurisdiction when either party wants to terminate the contract: the home or host country? Expatriates generally conclude a permanent employment contract in their home country and a temporary contract in their host country. Courts have taken various approaches to these scenarios in different countries and a standardized process remains to be established (Brewster et al., 2018; Laws et al., 2008).

The legal complexity surrounding expatriation can prove particularly challenging when it comes to layoffs, as we will now explore with a fictional case study. British Plastics decided to move its production of bottles from the UK to the USA to reduce costs and move closer to its primary market. David was assigned to oversee the establishment of the new plant in Texas. After four years of planning, production was up and running. David was invited to stay in the USA as a local employee at the end of his expatriation contract. However, David and his family wanted to return to the UK. This was an issue as British Plastics didn't have a suitable position for him there. Although David had an employment contract in the UK, he was also covered by local legislation through his US contract. The Global HR Director decided that it would be best to avoid confusion in the event the David opted to take his case to court, so David was first repatriated to the UK according to his contract as an expatriate and reemployed on his UK contract. Soon after his arrival, David's UK contract was terminated and he was given the standard layoff compensation, including an outplacement service to find a new job in the UK.

Organizations often struggle to get subsidiaries to adopt global practices when they are subject to local labor market regulations. Unions, employment protection laws, and practices that heavily tax bonuses can stop ideas from the parent company in their tracks. The more liberal an economy, the easier it is to adapt to external practices (Brewster et al., 2018; Festing & Tekieli, 2018; 2021).

Cooperation and communication throughout the entire organization are required to strike the right balance (Evans et al., 2011). Often, the balance between standardization and localization is struck at different levels. Managers and professionals with cross-border responsibilities are usually covered by standardized global policies, whereas lower-level employees are dealt with at a local level (Festing & Eidems, 2011).

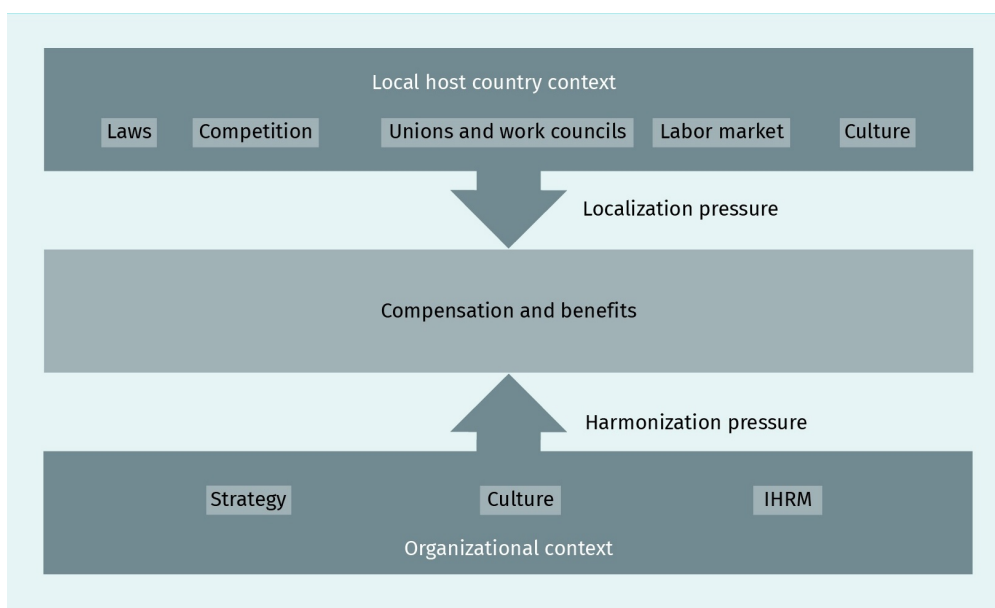
Technology has connected people around the globe. Online platforms, email communications, and video calls have made it possible for people to cooperate and learn on a global scale, regardless of their location or time zone. In a similar vein, it has allowed organizations to implement global best practices and adopt company-wide processes (Festing & Eidems, 2011). Technology is also increasingly used to standardize performance management within MNCs. Organizations can now use similar processes, information technology (IT) systems, and criteria to evaluate, develop, and motivate staff at the same level around the globe (Brewster et al., 2018).

5.2 Host Country Effects for Multinational Corporations

One of the key tasks of HRM is to reward employees through bonuses or other incentives. Line managers tend to keep a close eye on employee rewards due to the costs involved and their ability to attract, motivate, and retain talent. Accordingly, it is important to look at this aspect of IHRM when exploring the impact of host country cultures on MNCs.

As a rule, MNCs favor aligning compensation and benefit policies across countries in order to motivate employees to implement their strategies on a global scale. Harmonization can also foster a global organizational culture. For instance, certain organizations offer longer parental leave than the local legislative norms to promote gender diversity. Certain MNCs may attribute their competitive edge to their human resource management systems and consequently make it their goal to implement uniform policies across all their locations. At the same time, unique, country-specific conditions need to be accounted for. By offering different salaries in different countries, organizations can respond flexibly to the individual local conditions, learn from subsidiaries, and respect the cultural and legal norms of the host country (Festing & Tekieli, 2018; 2021). The following table illustrates the tension between global harmonization and local differentiation.

Figure 14: Tension between Harmonization and Localization Regarding Reward Systems in MNCs



Source: Paul Vanderbroeck, based on Festing & Tekieli (2021).

Globalization has led to the emergence of a global market for chief executive officers (CEOs) and other senior executives. Not only are they internationally mobile when it comes to switching companies, but their pay has now become globalized. The total compensation of senior executives has become largely the same worldwide and is no longer determined by the local labor market (Festing & Tekieli, 2018; Laws et al., 2008). Within MNCs, the harmonization of rewards is more prevalent for managerial staff than lower-level employees. The primary focus here is not on the total monetary value of bonuses, etc., but rather on the system of reward. For instance, managers are likely to enjoy variable pay or performance-based pay added to their base salary (Festing & Tekieli, 2021).

Several factors encountered in a host country can increase the pressure towards localization. Organizations are not granted complete freedom when it comes to designing their reward system. Instead, they are governed by local regulations on matters, such as minimum wage, number of vacation days, equal pay, and non-discrimination. Unions and works councils can also work to prevent the harmonization of reward practices. Organizations need to tailor their reward system in the local environment to meet the competitive circumstances within their industry and on the labor market in general. Finally, rewards need to fit the local culture to effectively motivate staff. For example, cultures that value individualism tend to prefer performance-based bonuses, whereas hierarchical cultures may opt for bonuses determined by an employee's status in the organization over performance (Festing & Tekieli, 2021).

Host country factors can be decisive when it comes to establishing the legal framework for international assignments. Expatriate compensation falls under the responsibility of IHRM. For example, what pay should a home country national working in a host country receive in comparison to a host country national working at the MNC's headquarters?

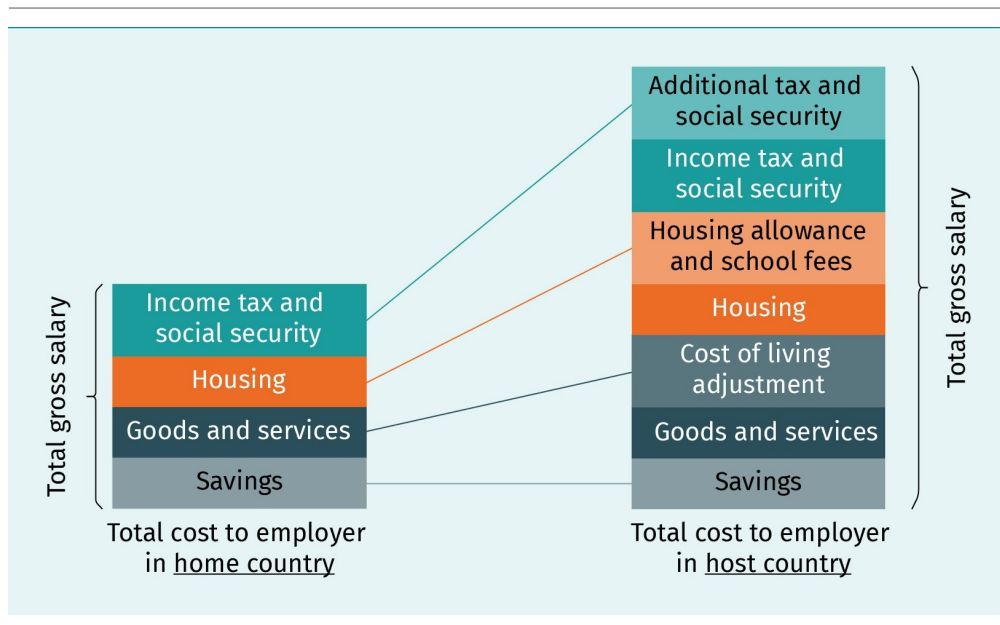
Should home country nationals sent abroad receive the same treatment as their local host country colleagues, or their colleagues from their home country? The same considerations apply to third-country nationals (Dowling et al., 2017; Laws et al., 2008).

Balance sheet approach

The balance sheet approach ensures the expatriate receives the amount of compensation required to maintain the same standard of living as in their home country.

Traditionally, MNCs have adopted a **balance sheet approach** to expatriate compensation. Following this approach, expatriates receive comparable compensation to same-level counterparts in their home country. Accordingly, their salary is based on their home country salary, resulting in a net-to-net comparison, i.e., the balance sheet approach. In practice, this means that expatriates maintain the level of purchasing power afforded to them by their home country salary, regardless of whether the local salary is higher or lower. In addition, assuming the expatriate will be repatriated to their home country, contributions to the pension system and other social insurances will be maintained in their home country. The balance sheet approach entails complex calculations, which often require specialist support. Therefore, this approach can be expensive for employers, since achieving the same net salary and equal purchasing power often requires additional tax payments and allowances for living costs (Dowling et al., 2017; Evans et al., 2011; Laws et al., 2008).

Figure 15: Expatriate Compensation (Balance Sheet Approach): Moving to a Country with a Higher Cost of Living



Source: Paul Vanderbroeck (2021).

The illustration above demonstrates the balance sheet approach for expatriation to a host country with a higher cost of living. The graph illustrates the costs the organization incurs when the employee works in their home country and when they move to the host country. Because of the higher cost of living in the host country, the organization provides a cost-of-living allowance to ensure the employee maintains the same purchasing power they enjoyed in their home country. The search for temporary housing can also be a costly endeavor for expatriates. To account for this, the organization has granted a housing allowance to guarantee the same standard of living. If an expatriate has children, employers will often foot the bill for their children to attend an international school. The resulting

higher overall income often leads to higher income tax. In order to ensure the employee receives the target net income in the host country, the employer may be required to pay the difference. Social security contributions remain the same while the expatriate is posted abroad as they are not immediately affected by the move. For example, pensions will be paid to the expatriate in their home country once they retire. For more information on the balance sheet approach, see the literature by Dowling et al. (2017), Evans et al. (2011), and Laws et al. (2008).

In response to the diversification of international assignments and the global workforce, organizations have accordingly diversified their compensation policies (Evans et al., 2011). Organizations have also tried to find ways to reduce the cost of international assignments (Dowling et al., 2017; Laws et al., 2008). Self-movers typically receive similar compensation to local staff, often with certain financial incentives to help them integrate into their new country (Evans et al., 2011; Dowling et al., 2017). In the case of staff who permanently move around as part of the international cadre, it makes little sense to maintain strong ties to a home country they may or may not return to one day (Dowling et al., 2017; Laws et al., 2008).



Let us consider another **fictional case study**. Universal Motor Company (UMC) took an innovative approach to the compensation of its permanently mobile employees. UMC manufactures and sells cars at many locations all over the world. Each country in which UMC operates has its own legal and tax framework and customer requirements, which require a dedicated local sales division. In a high-volume market, such as Europe, this leads to a myriad of UMC sales divisions across the continent. At the same time, cross-border cooperation and standardization can help the company to achieve economies of scale in the supply of spare parts or to invest in marketing. UMC's strategy is to create a consistent brand image across all markets. To achieve this objective, UMC decided to scour the globe for new recruits. Each year, the company hires a select number of Master of Business Administration graduates from different schools. These graduates are then funneled into key roles, such as sales, marketing, finance, supply chain, and strategy, with the intention of rotating these employees between locations and countries. Each time they transfer to a new location, they bring innovation and standardization to the various divisions. This recruitment method has enabled UMC to establish an international cadre of talented individuals hired by the parent company rather than by local subsidiaries. UMC also has traditional expatriates, i.e., employees hired in one country, often the global or regional headquarters, who are sent abroad for one or more assignments. However, these individuals generally return to their home country, where they spend the majority of their career. Their salaries are governed by an expatriate compensation policy based on the remuneration package they receive in their home country.

The new international cadres, who should be considered third-country nationals (TCNs), are not tied to one home country, but constantly move between countries. They are hired by a regional headquarters and their career is managed from there, but some may never work there. As a result, UMC decided to develop a different compensation policy for this group of employees. After some research, the company determined that the salaries and home countries of these employees would be dictated by Swiss norms, i.e., Switzerland would be their official home country. Switzerland offers a number of advantages to employers. Its labor law is flexible, which makes it comparatively easy to terminate a con-

tract if needed. Salaries may be higher, but social security contributions are lower than in many other countries. Overall employment costs are therefore reasonable. Employees can also benefit from a Swiss-based salary by being paid in a stable currency. With relatively high compensation, an employee living on a Swiss salary can enjoy a higher standard of living than their local counterparts. Likewise, the employer is only required to grant cost-of-living allowances in a handful of scenarios. On balance, this makes these internationals cheaper and easier to employ than traditional expatriates who require complex adjustments. In addition, these attractive conditions help UMC to more reliably retain these highly valuable employees.

5.3 HRM in Cross-Border Mergers and Acquisitions

Merger

A merger occurs when two companies are merged into one, usually through the integration of shares of the two entities into a new company. The employees of the two original companies are then employed by the new company.

Acquisition

During an acquisition, one company subsumes another company by buying its shares and assets.

The employees of the acquired company are henceforth employed by the acquiring company.

Home country and host country factors play a key role when a company decides to expand abroad through **mergers** or **acquisitions**. Global mergers and acquisitions involve the integration of two workforces previously hired by different companies. IHRM is tasked with ensuring integration goes to plan and that the new, bigger company is productive and successful. The degree of support and resistance toward integration exhibited by the employees can determine the success or failure of the merger or acquisition in business terms (Dowling et al., 2017).

Globalization has led to a surge in cross-border mergers and acquisitions. Organizations have discovered that it is often quicker or easier to enter a new market by partnering with or buying an entity that is already active in the respective market than setting up a new subsidiary. Sometimes, a company is simply acquired by a parent company abroad and left to manage its own operations. In this case, minimal integration is required. However, in other cases, cross-border cooperation and integration first need to overcome the obstacles faced by the strong affiliation of the host country workers to their national, institutional, and cultural contexts (Dowling et al., 2017).

We will now explore how IHRM can help facilitate integration. Ideally, HR needs to be involved early in the process. The earlier HR is involved, the more likely the merger or acquisition is to succeed. Accordingly, HR should be involved in all four phases of the merger and acquisition process: pre-merger or acquisition, due diligence, integration planning, and implementation and assessment (Dowling et al., 2017).

Pre-Merger or Acquisition Phase

This phase entails gathering as much information as possible about the other company prior to visiting or speaking to employees from that company. It can help HR to determine the key questions to ask once they receive access to data on the other company. It also enables HR to prepare for the subsequent phases. For instance, armed with this information, they can select the employees to be involved in the later phases and start contemplating the potential impact of the merger or acquisition on their own company.

Due Diligence Phase

In this phase, the buyer receives access to data from the company being acquired or, in the case of a merger, both companies are granted access to data on each company. This allows HR to gain insights into the company's workforce numbers and costs, along with its HR practices and policies. During this phase, it is crucial that HR determines the costs required and opportunities presented by the integration process. HR also needs to assess which cultural obstacles need to be overcome to make the process a success.

Integration Planning Phase

In this phase, HR plans what needs to be done to bring the two organizations together. This generally involves strategic change and communication plans. The planning of reorganization and restructuring measures plays a key role in this phase. New positions may be created, whereas other jobs may be merged, making some employees redundant. As this process can create a climate of insecurity among employees, HR needs to establish a way to retain key talent from both organizations. This phase also entails planning for the future alignment of HR practices.

Implementation and Assessment Phase

In this phase, the plans are put into practice. HR implements the elements of the merger or acquisition that fall under its responsibility with a series of new policies. The progress of the different policies needs to be constantly monitored and management must be kept informed of any delays or areas where change is required. HR must also support and advise line managers on employee-related issues while they implement their part of the merger or acquisition. Integration can often be eased by posting staff from one company to the other.

5.4 Integration

IHRM is tasked with ensuring that two organizations successfully integrate following a merger or acquisition. This task covers several key aspects, including communication, involvement, training and development, retention of knowledge and talent, and culture (Barth, 2020).

Communication lets employees know what is happening and where the organization is headed (Barth, 2020; Dowling et al., 2017). Honest, positive messages give employees faith in the new organization, particularly if the acquisition or merger is followed by downsizing (Pucik et al., 2015). Regular and targeted communication makes employees feel more involved and encourages them to support the new situation. It allows them to feel they have received fair treatment. Where possible, employees from both companies should be offered the opportunity to get to know their new colleagues, be it through meetings or in the company newsletter (Barth, 2020; Vasilaki et al., 2016).

Involving employees in the transition period can give them a sense of purpose and make them feel valued. It fosters a sense of ownership for the new organization and culture. It can also promote trust and engagement. HR has the power to encourage involvement by bringing together people from the different organizations to work on solutions for improvement, involving employees in decision-making processes, and listening to what they have to say (Barth, 2020; Vasilaki et al., 2016).

Training and development are useful HR tools when it comes to promoting post-merger or acquisition integration. Employees often need to adopt new and different ways of working, along with the values and the behaviors that define the new organizational culture. By embracing the new situation, employees will be better equipped to deal with the transition that forms part of the integration process. Likewise, employees will need to learn how to cooperate effectively with their new colleagues who come from a different culture. Investing in training and development can allow an organization to benefit from the positive effects of the merger or acquisition at an earlier stage (Barth, 2020; Vasilaki et al., 2016).

Following a merger or acquisition, it is crucial that key talent is retained at all levels to ensure continuity and prevent the loss of knowledge and client relationships. Organizations can hold onto these valuable resources by ensuring senior management maintains a dialog with the relevant employees by aligning their prospects in the company with their talents and goals or offering retention bonuses. Beyond simply retaining resources, HR can also add considerable value to the new venture by overseeing the transfer of knowledge between the organizations, which is often cited as one of the most important benefits of a merger or acquisition. Fostering collaboration in teams that include employees from both original organizations provides an effective way to ensure these vital knowledge transfers. As a rule, a systematic approach to integration with clearly defined roles and responsibilities significantly increases the likelihood that integration will succeed. With that in mind, HR is also responsible for checking that the additional work required due to the integration for managers and other employees doesn't result in work overload or unsustainable stress (Barth, 2020; Pucik et al., 2015; Vasilaki et al., 2016).

HR needs to assist the leadership of the new company in establishing the future culture of the organization. Should a new culture be introduced, or is the acquired company expected to adopt the culture of the parent company? Crucially, the workforce must be kept informed. As this section focuses on cross-border mergers and acquisitions, it is important to explore the additional level of complexity and obstacles posed by different cultures when it comes to creating a new corporate culture (Barth, 2020; Pucik et al., 2015). One key decision is the choice of corporate language. Does the organization opt for the language used at the MNC's headquarters, or does it choose a third-country language, like English? This choice impacts communications within the company and may also imply where corporate places importance in the organization (Brewster et al., 2018).

The following fictional case study looks at several aspects of integration through HR policies. The French Machine Tool Company acquired its main competitor, the Italian Machine Tool Company. A new company was formed, the Franco-Italian Machine Tool Company. The two original companies were around the same size and had been fierce competitors

for many years in several markets across the globe. There were major differences in the cultures of the two organizations: one was primarily technology-oriented, whereas the other focused more on the commercial side.

From the start, it was clear that merging the two companies would be a challenge. They would now need to join forces and work together without continuing their previously competitive relationship. The new HR director decided to introduce a leadership workshop, which was held for a week-long period once or twice each year. It brought together senior leaders and promising employees from different roles and locations all over the world. The workshop included internal and external speakers. Over the course of the week, the participants worked in small groups to address topics relevant to the future strategy of the new company. Both original companies were equally represented at the event. In addition, each iteration of the workshop was hosted at a different location. These locations were always close to one of the company's factories, which allowed participants to visit them. The workshops concluded with a discussion and a dinner with the chief executive officer (CEO). Over the years, these events made a significant contribution to bringing the two former competitors together to form a united workforce. People bonded and formed relationships. Importantly, they recognized the need for the merger and that they would have a better future together than apart.



SUMMARY

International human resources management (IHRM) helps multinational corporations (MNCs) to compete at a global level, while they simultaneously adapt the organization to the local circumstances of the countries in which it operates. IHRM is tasked with striking the balance between global standardization to obtain consistency across the organization and local differentiation to operate within local boundaries. These local boundaries are cultural, legal, institutional, and economic in nature.

Norms in the host country have a strong impact on compensation and benefits, which are difficult to harmonize across borders. As a result, expatriate compensation is typically an arduous and costly affair. MNCs tend to favor the balance sheet approach to account for factors in both the home and host country when it comes to expatriate compensation.

When organizations expand by merging with or acquiring another company, IHRM is tasked with integrating two organizations and two workforces. Ideally, HR should be involved in all four phases of the merger or acquisition process. The integration phase is crucial and requires particular support from the HR department. Communication, involvement,

training and development, the retention of knowledge and talent, and cultural integration play major roles in the success of an integration phase.

UNIT 6

THE DEVELOPMENT OF INTERNATIONAL MANAGERS

STUDY GOALS

On completion of this unit, you will be able to ...

- discuss the importance of the development of international managers and the responsibilities of international human resources management in this regard.
- explain key methods for international personnel development.
- list the ways in which expatriates can receive support before, during, and after an international assignment.
- discuss how employers should handle repatriation to ensure the overall success of an international assignment for both the employee and employer.

6. THE DEVELOPMENT OF INTERNATIONAL MANAGERS

Case Study

NewPharma is a global life sciences company. As a pharmaceutical company, it relies on innovation and engages in complex manufacturing and distribution processes. Moreover, its global operations need to adhere to the various regulatory frameworks of the markets it operates in. As a result, NewPharma employs a high number of knowledge workers, who are individuals with a higher education and use their knowledge and expertise to manage complex processes and systems. At the same time, cooperation among the company's global operations and various departments, including research, manufacturing, logistics, and marketing, is crucial. In order to develop its talent and foster cross-functional and international cooperation, NewPharma set up a training center at Boston Manor, a former nineteenth century estate with several buildings surrounded by woodlands in the North-eastern United States.

NewPharma sends its managers and professionals from around the world to Boston Manor to attend one- to two-week training programs. The participants learn about leadership and other topics, while the grounds of Boston Manor are used for team building activities. Senior leaders regularly visit Boston Manor to share their knowledge and have informal discussions with the participants. Sometimes, participants engage in action learning where they are consulted on real strategic challenges NewPharma faces. The outcomes of their discussions are then shared with the organization's leaders. Great care is taken to ensure that there is ample opportunity for the participants to meet and network in a relaxed atmosphere. Boston Manor has built an excellent reputation within NewPharma. Staff from all over the world are eager to receive an invitation to participate in one of the programs. Many ideas and successful strategic initiatives have come out of Boston Manor. It has also created a strong sense of loyalty and motivation among NewPharma's promising staff and managers.

6.1 Personnel Development in an International Context

Personnel development

The process through which an employee acquires the competencies required for a future job is known as personnel development.

Personnel development is a core competence of any human resources (HR) department and is increasingly complex in an international setting. While training refers to learning to do the job you currently do, the term development usually entails preparing for a future role (Dowling et al., 2017). In order to be good at their job, an employee needs to acquire a set of **competencies**. These competencies can be specific to their role (e.g., manager, controller, or purchaser) or the technology or service that is unique to the organization (e.g., software engineering, peacekeeping, or financial investments). Once an organization becomes active in several countries, staff development also involves learning to apply

these competencies in different contexts, or with individuals from a different culture. This may require additional competencies, such as intercultural management or language training.

Successful personnel development ensures that staff are able to do their jobs and increases motivation. An organization that develops the careers of its staff tends to create loyal employees (Bonneton et al., 2019). Moreover, the careers of both company-assigned expatriates and self-movers benefit from the experience, network, and competencies they will gain from working abroad (Dickmann et al., 2018).

Multinational corporations (MNCs) employ several methods to develop staff. In certain cases, they have their own learning centers or **corporate universities** where staff from all over the world gather to attend learning programs. International assignments are frequently used to develop staff in MNCs. They have the twofold benefit of developing the employee through international experience and instructing the expatriate to develop staff in the host country (Dowling et al., 2017).

Before embarking on an expatriate assignment, an employee will generally receive intercultural, language, or other forms of training to prepare them for their new position abroad. Often their spouse and children will be involved in this training to increase the likelihood of the assignment being a success for the expatriate and their accompanying family. Intercultural training aims to explore the differences between the cultures of the home and host countries and seeks to clarify the amount of interaction with the local workforce required to fulfill the expatriate's role in the new location (Dowling et al., 2017). Coaching has recently become an additional, effective method of developing individual employees. It has proven particularly valuable for employees posted internationally, since it helps them to adapt and become more effective in their particular contexts (Eidems & Höntzsch, 2021). Development through international assignments helps individuals further their careers by giving them the experience, network, and competencies they require to take on more senior roles at an MNC. It also creates a pool of talented and experienced managers and professionals that an MNC can select from to fill roles to run the organization across borders (Dowling et al., 2017).

International assignments help organizations grow. They facilitate the sharing of technology, knowledge, and learning across an organization. In this way, they can promote an organizational culture. Expatriates help the business to grow and benefit from opportunities. By expatriating home country nationals to work alongside parent country nationals (PCNs), international assignments allow organizations to build a global talent pool of individuals that have gained experience within the MNC on a global scale, rather than solely within their respective home country organization (Dowling et al., 2017).

International assignments and global staff mobility offer a way to match demand with supply (Dowling et al., 2017). In some countries, the demand for staff with certain competencies (e.g., technical or financial) can outstrip supply due to demographic shifts or a lack of graduates. At the same time, other countries may have too many qualified workers looking for career opportunities (Brewster et al., 2018; Vanderbroeck, 1992).

Competency

The combination of knowledge, skills, and behaviors required to perform a specific task well is called competency.

Corporate university

A corporate university is an in-house training center for managers and professionals of an MNC. It can be either on-site or virtual.

Globalization has led to an increasingly diverse and internationally mobile workforce (McNulty & Vance, 2017). In addition to traditional company-assigned expatriates, companies now employ individuals who have initiated their own cross-border relocation or have been directly hired from a third country. In a bid to capitalize on global postings with a more cost-effective approach, MNCs have also introduced short-term assignments to achieve the same objectives without the need to relocate an entire family (Baruch et al., 2016). Over the course of their career, some individuals alternate between participating in company-assigned expatriations and proactively seeking opportunities by moving abroad at their own volition (McNulty, 2014). In order to facilitate these various approaches to global mobility, staff development requires an equally diversified approach. However, the solution doesn't necessarily lie in different development methods. Instead, the HR managers who handle international mobility need to become talent managers who take a holistic approach toward international development (McNulty & Vance, 2017).

Over time, the relations between employer and employee have diminished in strength. Employers are no longer able to guarantee long-term employment and employees feel more empowered to develop their own career with different employers. MNCs are increasingly struggling to see a return on their investments in staff development, as employees may have already jumped ship by the time they reach the planned competency level. At the same time, development has also become a key way to retain staff. Paradoxically, mobile employees may want to stay longer with an employer who improves their **employability** by investing in staff development (McNulty, 2014).

Employability

An individual's ability to get a job is their employability. It often relates to individual competencies matching the demand on the labor market.

6.2 Preparation, Support, and Reintegration of Expatriates

Employers often invest in preparing the expatriate and their family for the move to their new host country to ensure the assignment is a success. This particularly applies to company-assigned expatriations. Preparation activities include cultural awareness training, visits to the new location, language training, and security briefings.

Cultural Awareness

Often in the form of training, cultural awareness programs aim to help future expatriates gain an understanding of the foreign culture and its differences to their home culture. These programs are typically based around adopting behaviors that facilitate communication and integration in the new country and, importantly, enable the expatriate to avoid misunderstandings or conflicts with the inhabitants of their host country (Dowling et al., 2017).

Visits

When given the opportunity to visit their new location before moving, the expatriate, often accompanied by their spouse, may find it easier to adjust to their new environment. Visits allow them to familiarize themselves with the new country and their future professional

and home environments. They also typically entail house hunting and visits to potential schools for their children, if applicable. Visits may ultimately end in the employee declining the assignment. However, in light of the costs, this outcome would be preferable to a failed assignment (Dowling et al., 2017).

Language Training

Language training helps expatriates learn the language of the host country or English. As a result, the expatriate will share a common language with their new colleagues and be able to create social relationships with other expatriates in the location. Expatriates posted to MNC headquarters where a different corporate language than, for example, English is spoken, may find it beneficial to learn the language of the MNC's home country. Furthermore, this has the added benefit of integrating the expatriate into the organization as a whole and can facilitate networking (Dowling et al., 2017).

Security Briefings

If relevant, expatriates and their families are made aware of the potential dangers and threats in the future location and how to manage these risks. They may be related to factors such as the political situation in the country, terrorist threats, crime, health risks, dangerous driving, or a high likelihood of national disasters. In certain cases, expatriates will receive extra pay to compensate for the risks incurred (Dowling et al., 2017).

The support granted to expatriates (including self-movers) upon arrival can take various forms. Beyond financial support, the amount of support given often depends on the challenges of the local environment and its differences relative to the employee's home country. It starts with physically moving the expatriate, their family, and their possessions to the new location. Upon arrival, expatriates then receive assistance with finding housing, schooling (for example, an international school), medical services, transportation, applying for work and residence permits, and similar tasks. During the posting, additional support is provided with regard to filing tax returns, which is often required in both the home and host country. In high-risk countries, employers may be required to provide special housing, guards, a car with a driver, and private health care (Dowling et al., 2017).

It is particularly important that adequate support is provided throughout a posting in the case of company-assigned expatriations. Expatriates who feel insufficiently supported in their career development by their employer may opt to leave the company upon their **repatriation** (McNulty & Vance, 2017).

When an expatriate returns home, a number of changes will have occurred (Dowling et al., 2017). First, the expatriate and their family will have undergone personal and professional development. They may have integrated well in their host country and may be surprised to discover how much readjusting is required once they return home. In their home country and organization, they will find that certain things and people have also changed (Baruch et al., 2016). Expatriates are visible in the organization and other employees tend to track their success. If the employer treats them particularly well with things like a promo-

Repatriation

Relocating an expatriate and their family back to their home country is called repatriation. This includes providing a new job in the home country.

tion upon repatriation, others may be more inclined to accept an international assignment. Repatriation does not have to signify the end of an international career. It can also be a stepping stone to an employee's next career move abroad (McNulty & Vance, 2017).

Nevertheless, repatriation remains an obstacle for MNCs. It can often be difficult to find a new position for the employee following their posting that recognizes and uses the new skills gained during their time abroad. Nowadays, unless they work for a government, expatriates aren't guaranteed a job on return. Sometimes there is simply no job available when they come back. As a result, repatriates generally experience a higher turnover rate than local employees, which constitutes an additional cost to assignments (Dowling et al., 2017).

All too often, MNCs view expatriation and repatriation through a short-term lens as separate stages. This can become particularly apparent when a (potential) expatriate is part of a dual-career couple. Their partner's career is one of the most common reasons expatriates in dual-career couples reject international assignments or leave the company at the end of their posting abroad. At best, employers may offer the expatriate's partner some support in finding employment in their new country. However, this practical approach fails to adequately meet the requirements of both partners. International career couples would benefit more from a thought and planning process that offers a long-term perspective. This would allow the couple to determine what can best help them achieve their goal of combining two careers with international mobility. Once this has been established, the employer will receive clarity on how it can help the couple put their individual solution in place (Vanderbroeck & Aasted Skov-Hansen, 2020). The solution lies in a fusion of psychological and practical support. When it comes to international career couples, investing in long-term perspectives fosters mobility.

Successful repatriation starts early and consists of three stages:

1. Before moving abroad, the future expatriate is assigned sponsors and mentors with whom to touch base throughout their assignment in order to monitor their career development and keep them updated with developments at the home office. Websites and newsletters offer effective methods of communication to prevent the expatriate from losing touch with their home office (Dowling et al., 2017).
2. During the assignment, employers offer paid leave to allow the expatriate and their family to visit their professional and social networks back home on an annual basis. These visits enable the expatriate to maintain a presence and receive updates on their potential career opportunities after repatriation (Dowling et al., 2017).
3. Closer to the date of repatriation, expatriates will often require similar assistance to the kind they received when moving to the host country. They may need help finding a new job, housing, schooling, and assistance moving personal belongings back to

their home country. This assistance can be even more crucial if the expatriate does not have a home to return to or are repatriating to a different region in their home country than where they used to work (Dowling et al., 2017).



SUMMARY

Successful personnel development not only ensures staff are able to do their jobs, but it also has a positive effect on motivation and their sense of belonging. Developing staff through international assignments helps employees progress their career by providing them with the experience, network, and competencies required to enter more senior roles within a multinational corporation (MNC). In this regard, globalization has led to the creation of a more diverse and internationally mobile workforce.

In order to ensure an international assignment is a success, employers often invest in preparing the future expatriate and their family for their new lives abroad. These preparation activities include cultural awareness training, visits to the new location, language training, and security briefings. A repatriation consists of three stages: staying in touch with the home organization, regular paid return trips to the employee's home country, and assistance with finding a new position upon repatriation.

UNIT 7

APPLICATION IN SAMPLE MARKETS

STUDY GOALS

On completion of this unit, you will be able to ...

- describe how contexts and circumstances relevant to human resources management (HRM) vary or converge in different countries and regions around the world.
- explain what this entails for processes and practices related to HRM.
- outline how HRM has developed differently in various countries, depending on historical, cultural, political, and economic circumstances.
- discuss the impact of globalization on HRM in different markets.

7. APPLICATION IN SAMPLE MARKETS

Case Study

 The fictional Jansen Supermarkets has been the leading supermarket chain in Belgium for the past five years. With no ascertainable further growth opportunities on the domestic market, Jansen acquired a supermarket chain with a presence in France, the Netherlands, and Germany. A new holding company, Jansen Retail International, was created in Amsterdam, allowing the firm to benefit from the attractive tax regulations for multinational companies. In order to ensure compliance with European Union (EU) regulations, Jansen was required to establish a European Works Council (EWC). This body offers a platform for employee representatives from the countries in which the company operates to convene. The EWC must be kept informed and consulted on the multinational company's strategy and cross-border matters.

The various Jansen companies send delegates to the meetings, which take place once or twice a year, at the invitation of Jansen International's human resources (HR) director. While the event offers delegates the ability to meet and discuss company matters with colleagues from different countries, communicating in English can be a struggle for some. Given their different interests, it can often be challenging to establish a shared view towards management. There are clear differences in opinion. The Germans, who have a tradition of cooperation, may find it easier to build a relationship with the management of Jansen International, whereas the French, well-versed in tough negotiations that can sometimes involve strikes, may be more distrustful of the information they receive from the company.

7.1 Asia: Japan and Taiwan

In the years following World War II, Japan, Taiwan, and South Korea adopted Western-style democratic political systems along with free market economies. This signified a clear departure from the policies adopted by nearby mainland China, North Korea, and Vietnam, which became Communist autocracies with planned economies (Brewster et al., 2018). In the 1980s, both the People's Republic of China and Vietnam started to open up their countries to foreign investment and to introduce free market reforms into their economies.

On the one hand, human resources management (HRM) practices in Japan have been strongly influenced by traditional practices, values, and philosophies. On the other hand, these traditional aspects needed to be adapted to rebuild the country, which was left devastated by war. Each year, companies source employees from the pool of new university graduates, who receive extensive company training. Promotions and salary increases are regulated. Often, long working hours and loyalty to the company are prioritized over performance (Brewster et al., 2018). Decisions in HR departments are centralized. Wage differentials are low, and lifetime employment is the norm. Unions are organized on a com-

pany-wide basis and regularly negotiate collective agreements with management. Relations between employees and their superiors are characterized by egalitarianism. By contrast, external and temporary workers receive markedly different treatment to their permanently employed counterparts (Cooke, 2018; Dowling et al., 2017).

These HR practices have made a significant contribution to the economic success of Japanese industry, renowned for its high quality at low prices. Companies in Europe and the USA have subsequently emulated these practices in order to improve their competitive positions. However, since the 1990s, the Japanese strategy has struggled to manage the challenges posed by globalization and the nation's shrinking population. To offer better financial returns to their shareholders and improve their competitive edge, Japanese companies introduced financial incentives for staff, as well as cost-cutting measures, to the detriment of lifetime employment and employees in non-permanent employment contracts. As a result, unions are now primarily focused on job security, not salary increases. Companies are also increasingly trying to capitalize on the growing number of female and older employees along with introducing measures to improve work-life balance. Going forward, Japan will need to further adapt to unlock the potential of its younger generations, who are increasingly less willing to accept the arduously long hours for which Japanese office culture is renowned, particularly in light of the demise of lifetime employment (Brewster et al., 2018; Kramar & Parry, 2014).

Confucianism, which places importance on education, the economy, and family, is strongly embedded in Taiwanese organizational culture (Dowling et al., 2017; Zhu & Warner, 2019). Loyalty is demanded from employees and employers are expected to look after the well-being of their employees. Networking plays a major role in finding a job. The preferred management style is top-down and paternalistic (Brewster et al., 2018). However, since the start of the century, economic developments have made it increasingly difficult for Taiwanese companies to uphold their commitment to long-term employment. As a result, Taiwanese companies have started to introduce Western style human resources (HR) practices, such as performance evaluations and merit pay (Cooke, 2018; Festing & Tekieli, 2018).

Despite political differences, the Taiwanese economy has grown increasingly intertwined with that of mainland China. This has resulted in a mass exodus, with low-paid workers and mid-level managers looking to mainland China for employment opportunities. In response, the Taiwanese government has actively encouraged attractive high-tech companies to generate new jobs on the island. However, the education system simply cannot catch up with the changing labor market. The candidate pool is unable to offer the competencies required by tech companies, leading to difficulties in filling vacancies. As a result, companies have started to dedicate more funds to training and development (Brewster et al., 2018; Kramar & Parry, 2014).

Historically, the Taiwanese government has actively sought to regulate workers' pay and working conditions by introducing legislation that sets the (minimum) standards. The same applies to social benefits and insurances. At the same time, Taiwanese legislation limits workers when it comes to actively organizing and getting involved in unions (Brewster et al., 2018).

Given the historical and cultural ties between the two Chinas, coupled with the increasing economic cooperation, Taiwanese HRM practices are expected to shape practices on the mainland to a certain extent in the future (Brewster et al., 2018).

Japan and Taiwan have struggled to integrate women into the workforce, even in light of the issues posed by their aging populations and diminishing number of new workers entering the labor market. It should be noted, however, that Taiwan has taken further steps forward in the political sphere compared to Japan. Women currently hold top positions in the Taiwanese government, as seen with President Tsai Ing Wen, but the same cannot be said for Japan (Horton, 2020). Both countries are also strongly reluctant to absorb foreign workers into the workforce (Brewster et al., 2018).

At the lower end of the salary scale, workers in Japan and Taiwan are facing growing competition from low-wage regions like China and Southeast Asia. However, both economies have benefited from the opening-up and growth of the Chinese economy. Traditional practices, such as loyalty in exchange for lifetime employment, are giving way to the more individualized Western style HRM practices, including a strategic approach to HRM. As a result, the community-based working culture that has long been key to the success of the post-war Japanese and Taiwanese economies is falling by the wayside. The key to success in both countries lies in the diversification of their workforce through the integration of women and foreign workers, for example. Several hurdles still need to be overcome in this regard (Brewster et al., 2018; Kramar & Parry, 2014).

7.2 Asia: China and Vietnam

After liberation from Japanese occupation during World War II, both China and Vietnam were engulfed in civil wars in which communist forces ultimately prevailed. During the 1980s, once the Cold War had ended, the two socialist republics started to enjoy more peaceful relations with their former adversaries abroad. They granted more individual freedom in their economies and opened their countries to foreign investment. China has rapidly developed into a global economic powerhouse that rivals the USA and the European Union (EU). In Vietnam, peace came in the mid-1970s. The nation first needed to rebuild from the destruction caused by the war. As it currently stands, both countries are yet to complete their full transition from centrally-planned to free-market economies. This transition has led to a shift from a collectivist to an individualist mentality among the workforce, particularly among the younger generations (Brewster et al., 2018; Nguyen et al., 2018).

Before the economic reforms, HRM in China was centralized. All companies were state-owned. HR ensured lifetime employment, centrally managed wages, and oversaw managerial appointments, which were determined top-down by the respective ministries. Over time, increasingly individualized and temporary contracts and benefits have been introduced, along with performance-based pay. Managers have started to adopt leadership styles aimed at motivating employees while retaining their traditional style of command and control. The government has shown growing tolerance of organized labor and even strikes, which were previously forbidden. Unions have been permitted to play bigger roles

in negotiating collective agreements with employers. Certain legislation has also been passed to improve working conditions. Overall, the aim of the government remains as fostering harmonious relations at work (Brewster et al., 2018; Zhu & Warner, 2019).

China's younger generation, having grown up in the new, economically open China, lean toward different management practices that offer more job satisfaction and an improved work-life balance. Along with older generations, they tend to prefer working for a foreign company in China with foreign HR practices to working for traditional Chinese firms. Multi-national corporations (MNCs) are consequently able to attract local talent. At the same time, China's younger generation expect rapid promotions and steep career progression. As a result, they are more difficult to retain (Walk et al., 2013; Zhua & Warner, 2018).

Vietnam underwent a similar development to China in terms of its workforce. The influx of foreign investors setting up enterprises in Vietnam introduced the need to establish labor agreements and regulations to govern workers' pay and working conditions. Vietnam has also recently embarked on a major public administration reform process. As a result, civil servants now receive more training. The previous system of basing promotions on seniority and position within the civil service is being replaced by a performance-based system. As in China, the role of unions in employee relations has become increasingly pivotal (Brewster et al., 2018; Nguyen et al., 2018).

Foreign MNCs that set up companies in Vietnam and China or partner with local enterprises through joint ventures typically introduce their HRM practices that are used elsewhere. Nevertheless, there is no standardized approach. Many different forms of HRM exist and continue to evolve at record pace because of the rapid economic growth of these countries. As in developed economies, formal HRM systems are more likely to be adopted by larger, high-tech, and internationally-oriented companies. Regional differences also play a key role. Companies located in more developed regions or regions with particular economic freedoms are more likely to adopt formal HRM practices (Brewster et al., 2018; Nguyen et al., 2018; Zhu & Warner, 2019).

7.3 USA

HRM in the USA is characterized by the following aspects (Brewster et al., 2018; Dowling et al., 2017):

- a strategically critical aspect of an organization
- an individualized approach toward relationships with employees
- sophisticated selection tools
- performance-based compensation
- investments in training and development
- an emphasis on diversity and inclusion
- exporting American HRM practices to the international operations of US-based MNCs

In light of its abundance of lawsuits and indemnity payments, the local context forces HR in American organizations to dedicate considerable time and resources to ensuring compliance with legal requirements, notably anti-discrimination legislation (Brewster et al., 2018).

The US economy places a strong emphasis on shareholder value. Companies demand reports to justify the cost of HRM. Monetary criteria are often used to demonstrate the effectiveness of HR practices. For example, the cost of recruitment efforts can be compared to the number of targets recruited, or competencies can be assessed in order to calculate the return on investments for training. More recently, other criteria have been added, such as employee engagement and retention, as these aspects are directly correlated to the productivity of the workforce (Brewster et al., 2018). At present, HRM in the USA focuses on three particular challenges: the growing freelance economy, **gender balance**, and heightened corporate transparency.

Gender balance

Creating a gender balance means ensuring that the number of men and women at each level in the organization is fundamentally equal.

7.4 European Countries



With its myriad of countries, each with their own unique political and economic systems, much more diversity can be found in the European region than in a single country like the USA or China. Still, certain commonalities distinguish European countries from other markets in the world. In this regard, it is important to make a distinction between Western and Eastern Europe. Similar to the USA, Western Europe has long enjoyed a free-market economy. Along with Japan, these countries achieved stability and prosperity in the aftermath of World War II. This transitional phase also led to the formation of the European Union. By contrast, the Eastern European markets, formerly under Soviet influence and rule, only began to enter the global economy after the fall of the Berlin Wall in 1989. These countries underwent developments similar to what was seen in China and Vietnam, as they transitioned from state-run economies to open markets with private ownership. Many of these countries have since joined the EU (Brewster et al., 2018; Dowling et al., 2017).

Brewster et al. (2018) use six aspects to distinguish the markets in Western Europe from the rest of the world: a unique political, social, and economic landscape; a stakeholder-centered approach; a heightened role of the state; the importance of social welfare; complex patterns of ownership; and traditions of employee involvement representation.

A Unique Political, Social, and Economic Landscape

The EU now includes 27 member states (including the Eastern European countries and not including the United Kingdom [UK], which recently left following **Brexit**), making it the largest political entity and common market in the world in terms of population and economy. The EU gives its citizens four freedoms: the free movement of goods, services, capital, and people (Brewster et al., 2018; Dowling et al., 2017).

Brexit

The departure (exit) of the United Kingdom from the EU is called Brexit. This took place because of a popular referendum held in 2016.

A Stakeholder-Centered Approach

The legal systems in European nations have traditionally assigned priority to employee involvement and protection. As a result, HRM is required to deal with shareholders, management, employee representatives, and often external stakeholders like unions and government agencies that oversee the application of labor legislation and working conditions (Brewster et al., 2018; Dowling et al., 2017).

A Heightened Role of the State

Compared to other regions and nations, such as the USA, HRM in Europe works in a highly regulated environment and must ensure compliance with legislation on the minimum wage, working hours, working conditions, co-determination, parental and other leave, and pension benefits. The corresponding regulations are becoming increasingly standardized across the EU. For example, social security benefits have become progressively aligned to facilitate the mobility of workers within the EU (Brewster et al., 2018; Dowling et al., 2017).

The Importance of Social Welfare

The **welfare state** was invented in Western Europe. As a result, European countries spend 50 percent more on social issues than the USA (Brewster et al., 2018). The state levies taxes and social security contributions from employees and employers, which are then redistributed in the form of pensions, disability and unemployment benefits, healthcare, education, individual subsidies for housing, and childcare (Brewster et al., 2018).

Welfare state

A welfare state is a form of government that emphasizes the socioeconomic well-being of its citizens, usually through a progressive tax system to redistribute wealth more equally across society.

Complex Patterns of Ownership

Many shares in companies and banks are owned by governments, including regional and municipal governments. The government plays a key role in the economy. For instance, governments often hold shares in housing corporations that build and manage housing for lower income families or own infrastructure, such as ports, roads, airports, railroads, telecommunication networks, and power plants. Traditionally, the government is responsible for providing services, e.g., telecommunications, transportation, utilities, and healthcare. Since the late twentieth century, there has been a shift towards the deregulation and privatization of government assets and companies (Brewster et al., 2018).

Traditions of Employee Involvement and Representation

In Europe, unions and employee representation bodies (works councils) have a strong voice when it comes to HRM matters. Negotiating employee terms and conditions with these institutions is a strategic task for HR directors in the EU. They also need to be involved in decisions regarding organizational restructuring and layoffs. Cultural and political traditions often determine whether these negotiations have a tendency toward conflict, such as in France and Italy, where strikes are a frequent occurrence. Both parties nevertheless aim to reach a deal. In other countries, such as Germany and the Netherlands, interactions between HR and unions are generally more harmonious and the goal is to reach a consensus (Brewster et al., 2018; Dowling et al., 2017).

Now that the UK has left the EU, HRM in the UK will likely diverge from that of the EU and follow an independent path, potentially shifting towards American practices. On the other hand, we can expect to see HRM in Eastern Europe progressively converging with Western European practices as the differences between the former Eastern Bloc countries and the original EU member states fade over time. The shift of Eastern European countries to free market economies was initially plagued by issues such as the eradication of guaranteed employment from state-owned companies. Many industries found themselves lagging behind and uncompetitive in the new market situation, and they were forced to restructure or risk going under. Internal political conflicts further slowed the transition to new political and economic systems. MNCs took advantage of the lower labor costs in these new markets by establishing factories and shared services centers in the former communist nations, bringing jobs to the underemployed workforce. Many individuals also relocated for better opportunities in richer countries. This process has been supported by HRM at each stage, and there remains a persistent need to develop competent HR professionals in the region (Brewster et al., 2018; Dowling et al., 2017).

**SUMMARY**

While certain multinational corporations (MNCs) may opt not to introduce international assignments, awareness of the cultural, economic, social, and political context in the markets in which a company operates remains pivotal to the success of international human resources management (IHRM).

A number of crucial differences and similarities can be found by comparing the human resources management (HRM) models of individual countries or regions. Certain differences around the globe have decreased over time due to globalization. However, other developments show how global regions remain dynamic and changeable.

In order to remain globally competitive, nations such as Japan and Taiwan have shifted their HRM models away from a traditional system of lifetime employment and job security and toward performance-related pay and assessments. Both countries need to respond to the challenges faced by shrinking populations, i.e., a declining workforce.

China and Vietnam have successfully transitioned from state economies to increasingly open economies. Foreign investments and the growing success of local entrepreneurship have resulted in the adoption of Western style HRM practices, e.g., performance-based pay.

In comparison, the American HRM model prioritizes individuals and shareholders. The state and regulations have a comparatively small influence on the private sector. Current challenges facing American HRM

include responding to the rise of freelancers versus permanent employees, improving the gender balance in leadership positions, and managing the growing amount of personal data.

The HRM model in Europe is characterized by the strong influence of the state and employee representatives. European governments aim to create and uphold a welfare state for all stakeholders. In Western Europe, integration within the EU has led to a convergence of HRM practices. In a similar vein, obtaining EU membership has helped many Eastern European economies transition from state-owned to free market economies with the introduction of Western European HRM practices.