



International Human Resources Management

April – May 2023



Local to International Move

If the company goes international,

- What type of employees do we need to hire?
- How are HR practices conducted in other countries?
- How do we manage knowledge across geographical and cultural distances?
- What are the risks of this move?
- What are the benefits of this move?
- How to scale the HR operations?

Learning outcomes:

On successful completion of the course, you should be able to:

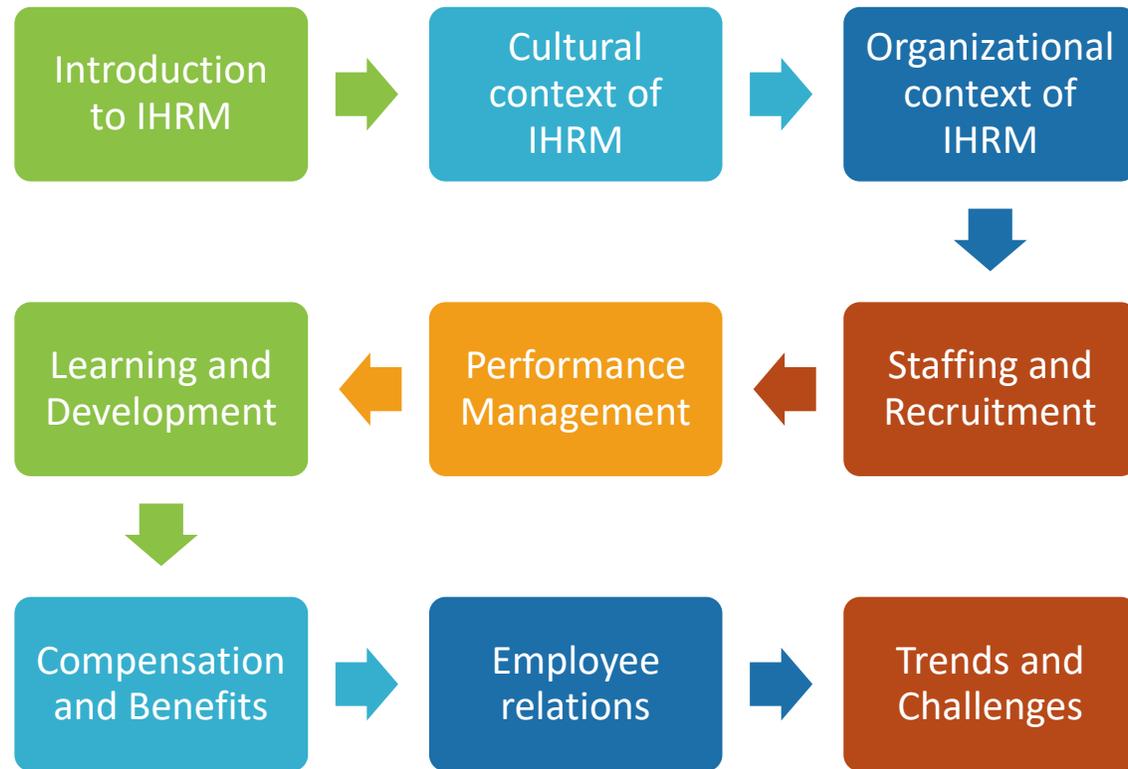
1. Synthesize concepts and diverse perspectives pertaining to IHRM and the global HR function including global planning, recruitment and selection, talent management, compensation and benefits.
2. Understand the institutional, legal and regulatory context of IHRM and critically evaluate the HRM implications for an international organization.
3. Discuss the complexities associated with managing a global workforce and evaluate the influence of cultural and ethical issues on IHRM.
4. Apply the knowledge obtained in this course in your organization.

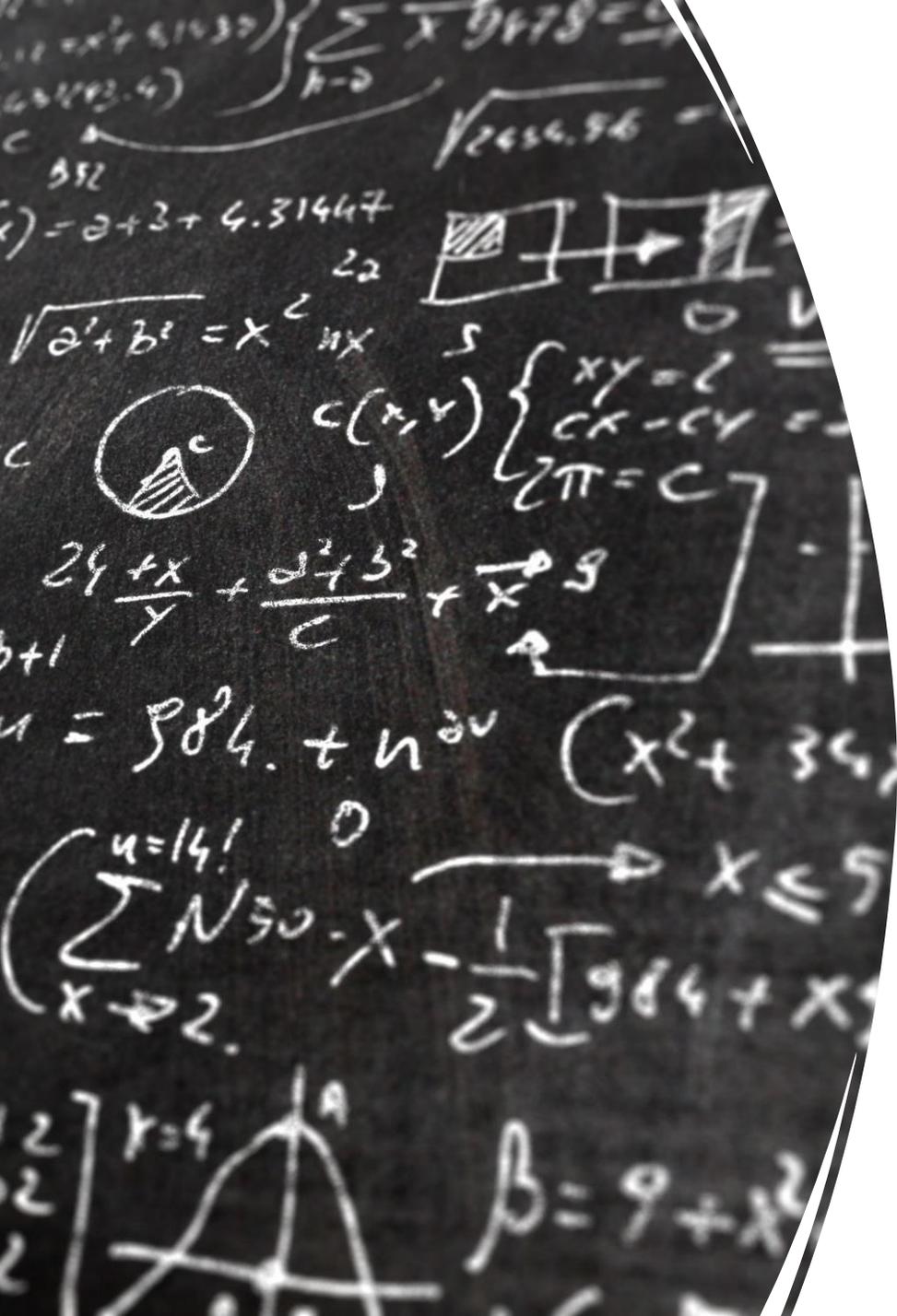


About me

- **Kateryna Bannikova**
- 20+ years of experience in business operations, human resources and customer service, in IT and travel industries.
- PhD in Sociology
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International Human Resources Management (IHRM)





Introduction to IHRM

Module 1

Module 1 objectives

1

Define key terms in international human resource management (IHRM) and consider several definitions of IHRM

2

Outline the differences between domestic and international human resource management (HRM)

3

Present the complexity of IHRM

4

Discuss the challenges to existing IHRM practices



Defining IHRM

HRM refers to those activities undertaken by an organization to effectively utilize its human resources (HR).

These activities would include at least the following:

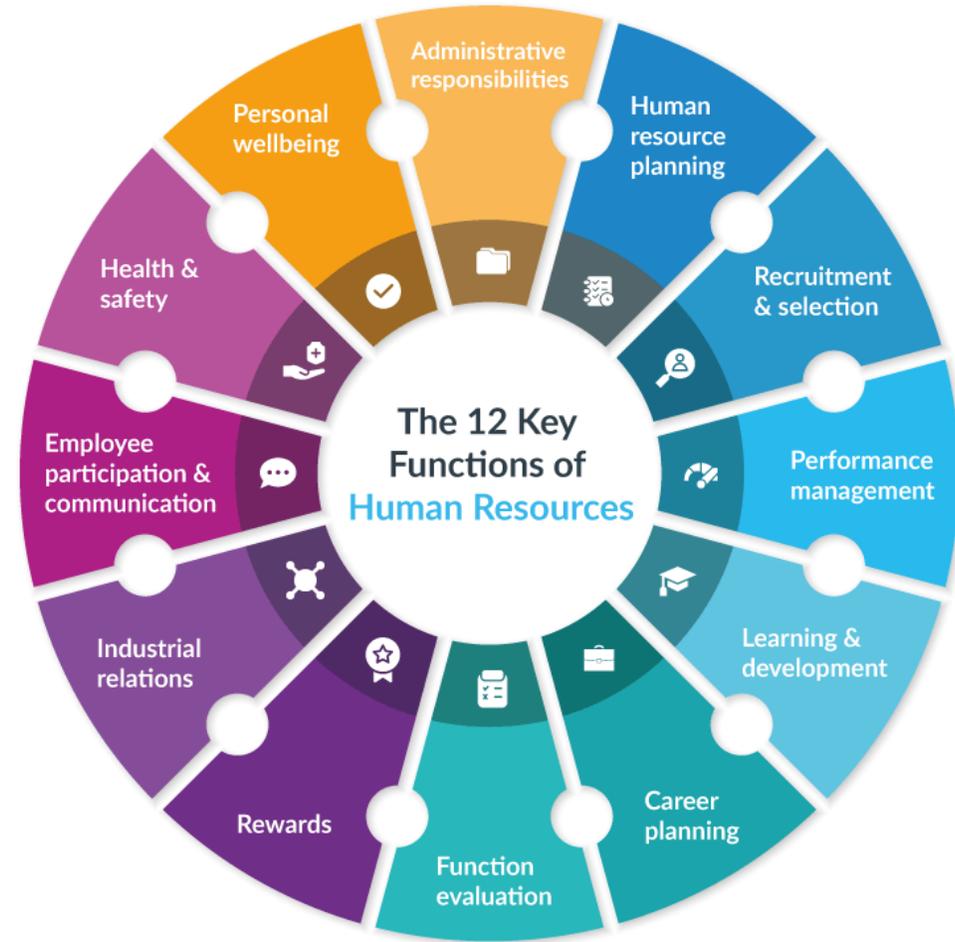
- talent planning
- staffing (recruitment, selection, placement)
- performance management
- training and development
- compensation (remuneration) and benefits
- employee relations

HRM Basics

7 HRM Basics



HRM Functions



Three
approaches
to IHRM

Cross-cultural
management

Comparison of HR
systems

HRM in multinational
companies

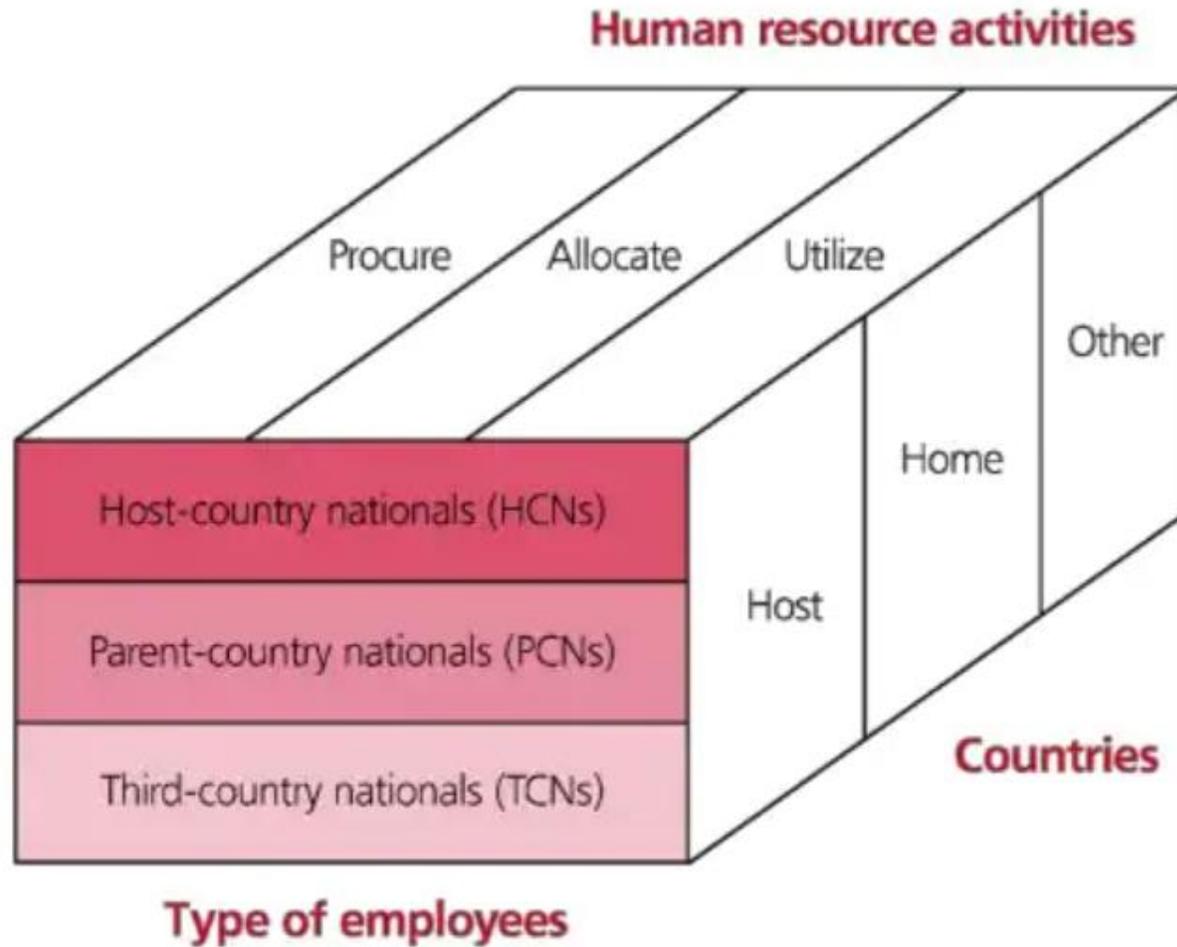
Morgan's Three Dimensions of IHRM

WHAT – Three HR activities:
procurement, allocation, and utilization
of resources

WHERE – Three country types: host-
country, parent-country, 'other' countries

WHO - Three categories of employees:
host-country nationals (HCNs), parent-
country nationals (PCNs), and third-
country nationals (TCNs)

P. Morgans Model of IHRM



- Morgan defines IHRM as the interplay among 3 dimensions:
 - Human resource activities
 - Types of employees
 - Countries of operation

Which activities
change when HRM
goes international?

IHRM Definition

“We define the field of IHRM broadly to cover all issues related to managing the global workforce and its contribution to firm outcomes. Hence, our definition of IHRM covers a wide range of HR issues facing MNEs in different parts of their organizations. Additionally we include comparative analyses of HRM in different countries.”

Stahl, Björkman, and Morris; Handbook of Research in International Human Resource Management

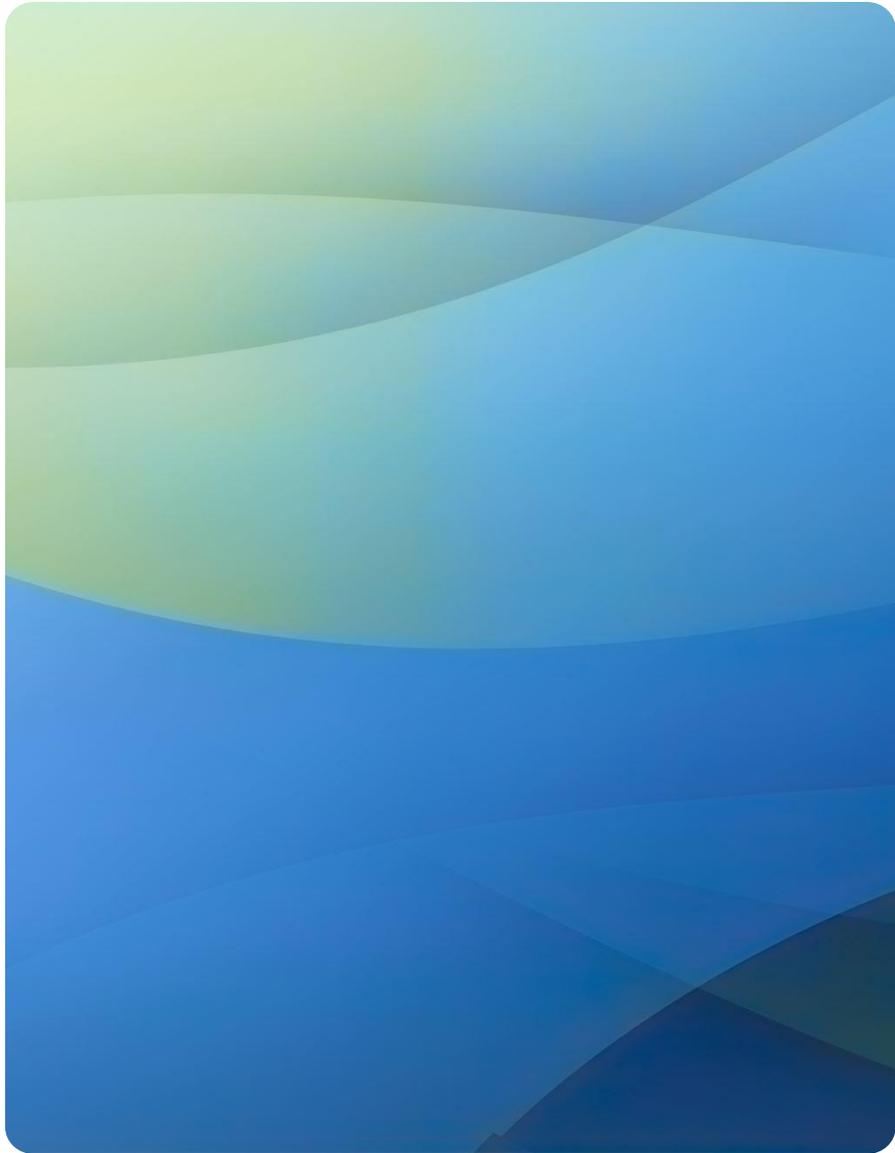
Expatriates

Working and
residing in
foreign countries

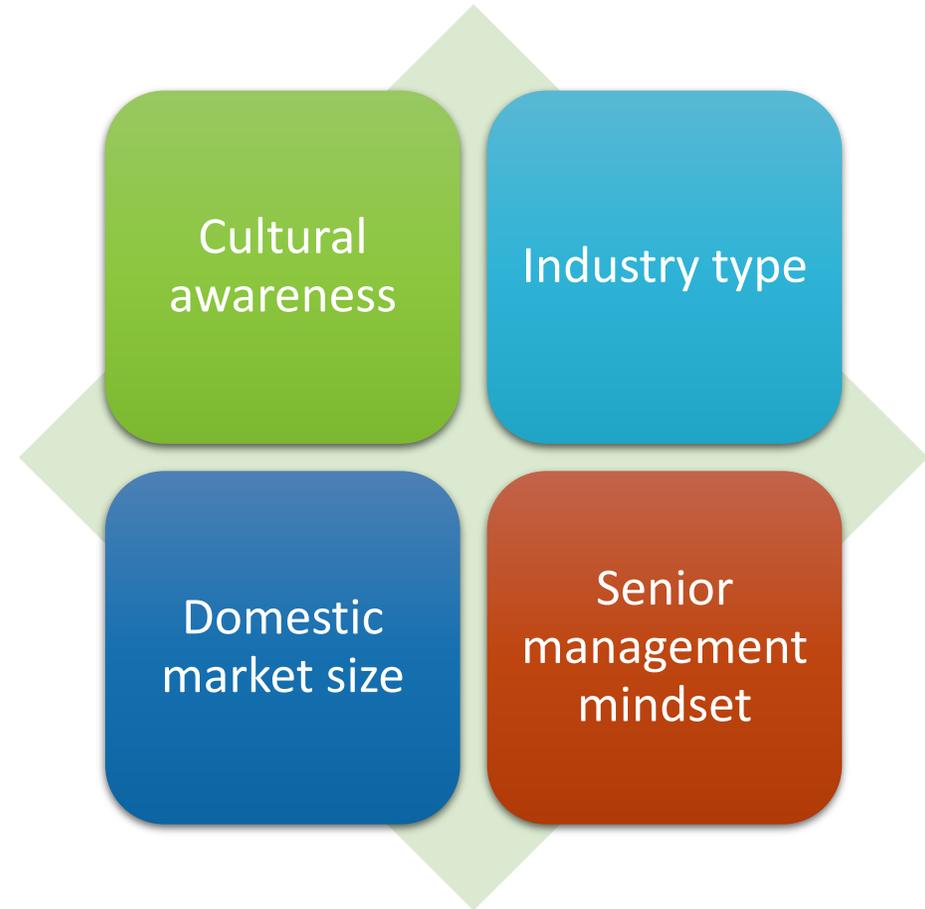
International
assignments

Domestic vs International HRM

- Narrow range of HR activities
 - Specialized expertise
 - One nationality
 - Limited involvement in personal lives
 - Limited exposure to risks
 - Less external influence
- Broad range of HR activities
 - Broad expertise
 - More than one nationality
 - Greater involvement in personal lives
 - Greater exposure to risks
 - Greater external influence



Variables that diminish differences



POLITICS

- Government type and policy
- Funding, grants and initiatives

ECONOMY

- Inflation and interest rates
- Labour and energy costs

SOCIAL

- Population, education, media
- Lifestyle, fashion, culture

TECHNOLOGY

- Emerging technologies, Web
- Information & communication

LEGAL

- Regulations and standards
- Employment law

ENVIRONMENT

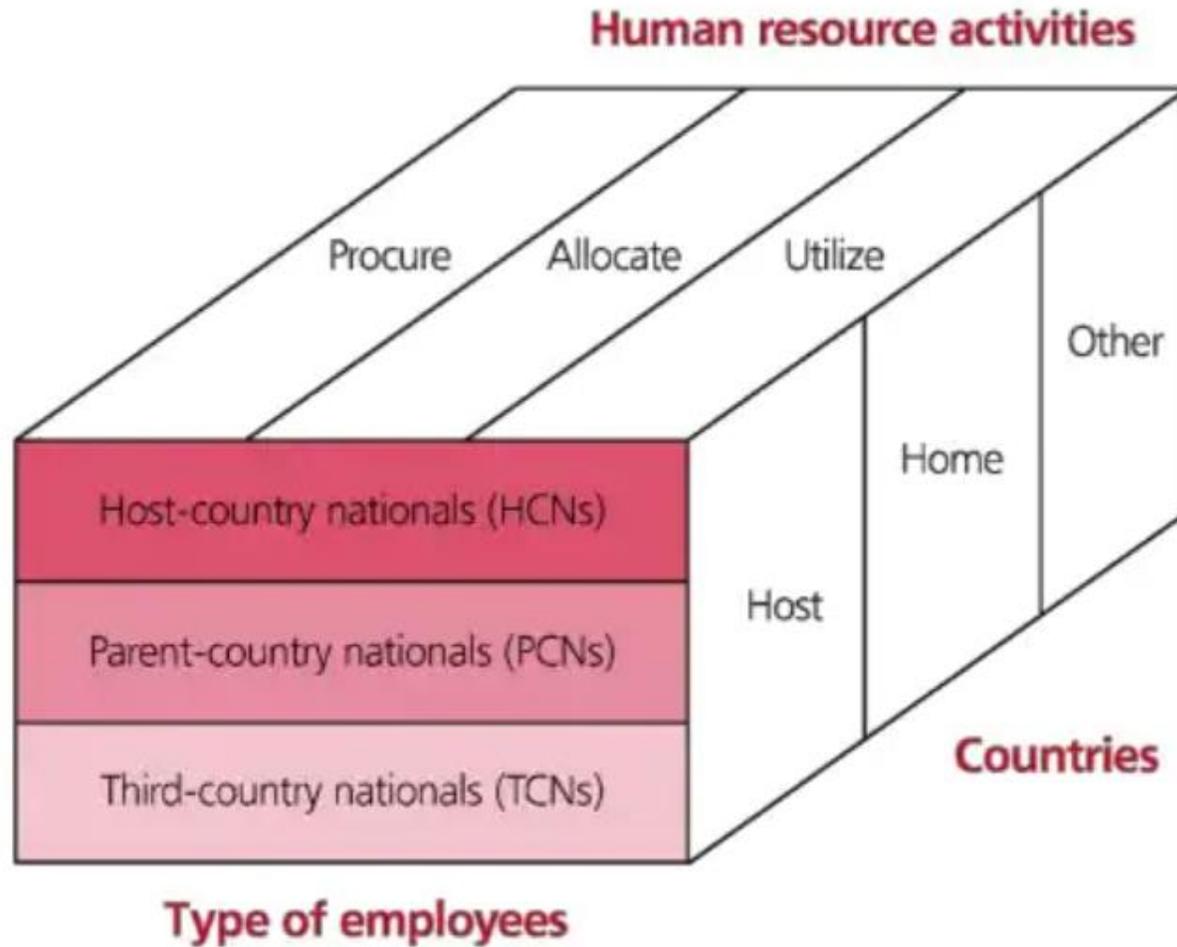
- Weather, green & ethical issues
- Pollution , waste, recycling

PESTLE analysis

PESTLE analysis for an online English language school that operates internationally:

- **Political factors:** The school must consider the political environment in each country where it operates, including government regulations that affect the online education industry, such as online privacy laws and licensing requirements. For example, the school must comply with different regulations related to online education in each country where it operates.
- **Economic factors:** The school must consider the economic conditions in each country where it operates, including factors such as exchange rates, economic growth, and disposable income. For example, the school may need to adjust its tuition fees based on the economic conditions of each country.
- **Social factors:** The school must consider the social and cultural norms in each country where it operates, including factors such as language proficiency and cultural attitudes towards online education. For example, the school may need to adapt its marketing strategies to appeal to the cultural preferences of each target market.
- **Technological factors:** The school must consider the technological environment in each country where it operates, including factors such as internet connectivity and availability of technology. For example, the school must ensure that its online platform is accessible to students in each country where it operates and that it complies with local data privacy regulations.
- **Legal factors:** The school must consider the legal environment in each country where it operates, including factors such as employment laws, tax laws, and licensing requirements. For example, the school must comply with local laws related to employment of staff and licensing requirements to operate as an online education provider in each country where it operates.
- **Environmental factors:** The school must consider the environmental factors in each country where it operates, including factors such as climate and natural resources. For example, the school may need to adapt its operations to minimize its environmental impact and comply with local environmental regulations.

P. Morgans Model of IHRM



- Morgan defines IHRM as the interplay among 3 dimensions:
 - Human resource activities
 - Types of employees
 - Countries of operation

Remember country types

- Host-country is the country where the multinational firm operates and where its subsidiary or affiliate is located.
- Parent-country is the country where the multinational firm is headquartered or where it originated from.
- 'Other' countries are any other countries where the multinational firm operates, but that are neither the host-country nor the parent-country.

Remember employee types

- A host country national is an employee who is a citizen of the country where the multinational firm operates.
- A parent country national is an employee who is a citizen of the country where the multinational firm is headquartered or where it originated from.
- A third country national is an employee who is a citizen of a country that is neither the host country nor the parent country of the multinational firm.

Summary

We discussed the overview of IHRM.

We did this by:

- defining key definitions in IHRM
- outlining the differences between domestic and IHRM by looking at six factors which differentiate international and domestic HR
- presenting the complexity of IHRM

Homework

Case study: ABC Tech

ABC Tech is a multinational company that specializes in software development. The company is headquartered in the United States and has operations in several countries, including India, China, and Brazil. The company is known for its innovative software products and services, which are used by businesses and consumers around the world.

Recently, the company has been facing several challenges related to its international human resource management. For example, the company has been struggling to find and retain skilled software engineers in India, which has been affecting its ability to meet project deadlines. In addition, the company has been facing difficulties in complying with local labor laws in China, which has resulted in penalties and legal disputes. The company has also been facing pressure from environmental groups to reduce its carbon footprint in Brazil, which has been affecting its recruitment and retention of talented employees.

Your task: Conduct a PESTLE analysis of ABC Tech in relation to its international human resource management. Identify the external factors that are affecting the company's ability to manage its workforce in India, China, and Brazil, and evaluate their impact on the company's performance. Based on your analysis, make recommendations for how the company can manage these external factors to improve its human resource management practices and maintain its competitive position in the international marketplace.

Essay size – 300-500 words max.

Examples:

- Managing cross-cultural diversity: Multinational firms must respect cultural differences among their diverse workforce, adapting policies to local laws while maintaining consistency. This may involve modifying compensation and benefits programs, training, and providing cultural sensitivity training.
- Compliance with international labor laws: Multinational firms must comply with labor laws in each country, monitoring changes and updating policies. This includes compliance with laws related to minimum wage, working hours, overtime pay, leave entitlements, health and safety, non-discrimination, and international labor standards.

Examples (continued):

- **Global mobility management:** Multinational firms may need to manage the relocation of employees across different countries, which involves obtaining visas, work permits, and other legal documents. They must also provide support to employees and their families, such as housing, education, and healthcare. They must ensure compliance with tax laws in both the home and host countries, and manage the repatriation of employees at the end of their assignments.
- **Language and communication support:** Multinational firms may need to provide language and communication support to employees who speak different languages. This may include translation services, language training, and interpretation services. They must also ensure that communication is clear, consistent, and culturally sensitive across different countries and regions.

Cultural context of IHRM

Module 2

Module 2 objectives

- Discuss the definitions of culture and cultural concepts
- Study the results of intercultural management studies such as Hofstede, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) study, Erin Meyer and others
- Reflect on cross-cultural management research and the development of cultures.

Cross-cultural studies

- description of organizational behavior within countries and cultures
- comparison of organizational behavior between countries and cultures
- explanation and improvement of interaction between employees, customers, suppliers, or business partners from different countries and cultures

What is culture?

“Culture consists in patterned ways of thinking, feeling, and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups including their embodiments in artefacts; the essential core of culture consists of traditional ideas and especially their attached values”

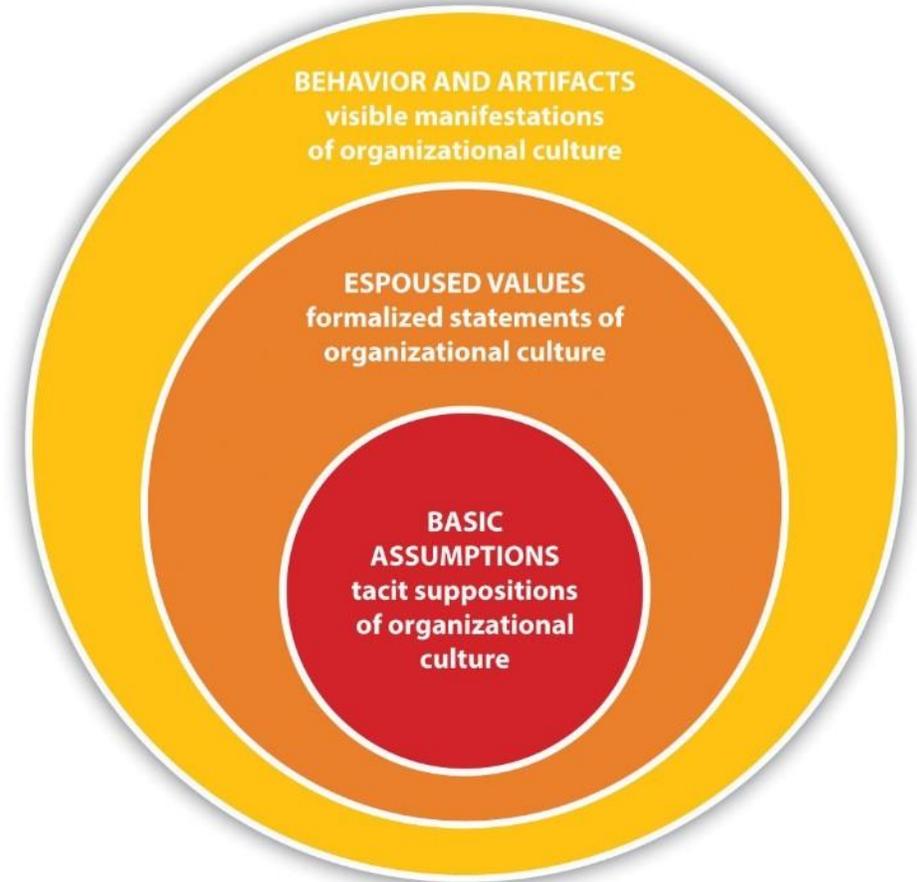
Kluckhohn and Kroeber

Schein's concept of culture

Edgar Henry Schein identified three distinct levels in ***organizational cultures***:

- artifacts and behaviors
- values
- assumptions

which came to be known as Edgar Schein's three levels of ***organizational culture***



Assumptions

1. The **nature of reality** and the **nature of truth**: what is real and what is not? Do members of a culture assume more of an experimental position, where decisions about true and false depend on experiment, or do they follow more traditional convictions
2. The **time dimension**: how is the time dimension defined and calculated? How important is time? Do members of a culture live more in relation to the past or to the future? Are they oriented more to the long-term or the short-term?
3. The **effect of spatial proximity and distance**: how is space attributed to members of a society? What objects and locations are private and what are public? What role does spatial distance play in evaluating relationships, e.g. in regard to level of intimacy?

Assumptions (continued)

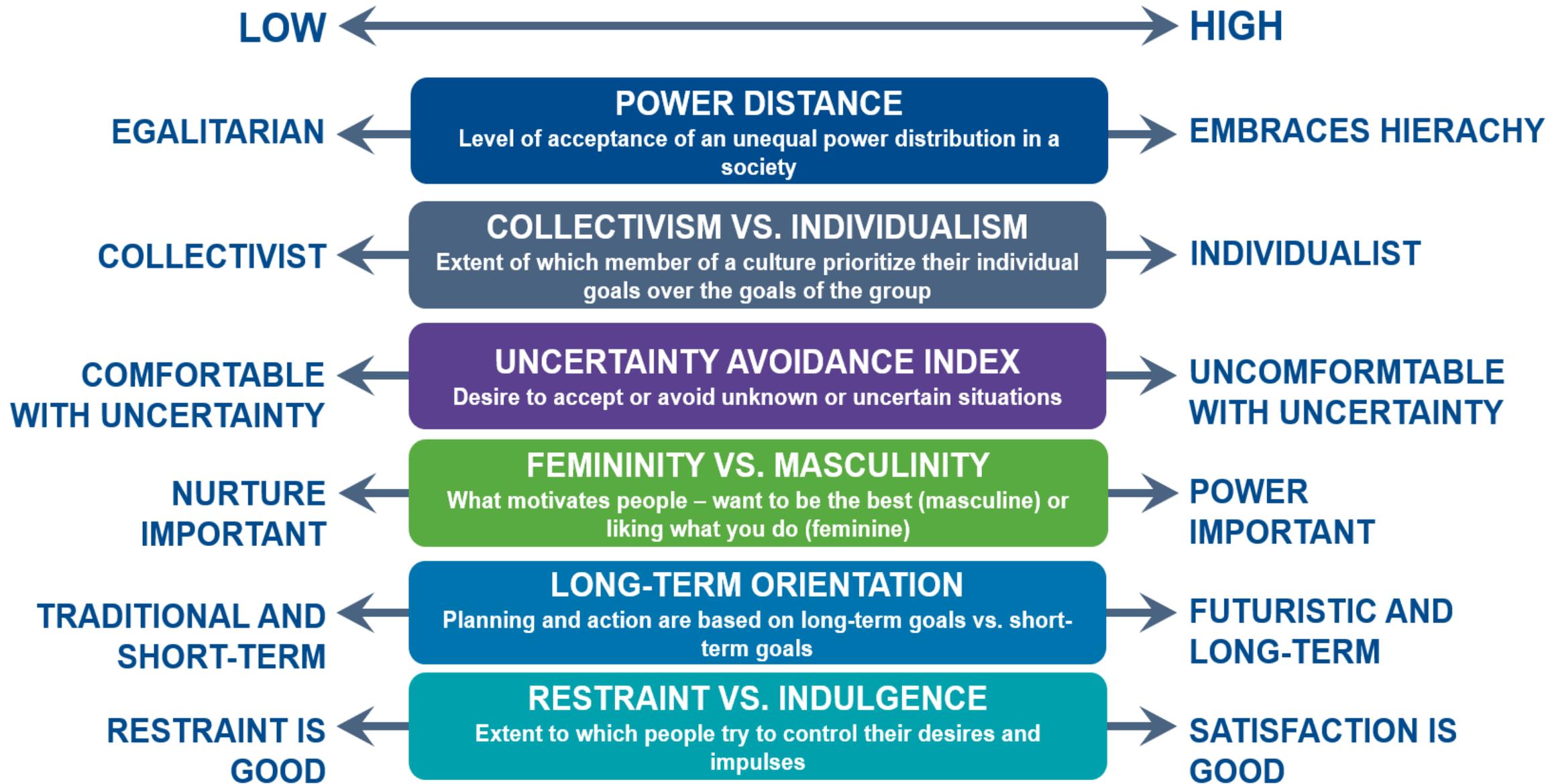
4. The **nature of being human**: what does it mean to be human? Is human nature marked more by good or bad intentions? Can people change and develop, even as adults?

5. The **type of human activity**: how is the relationship to the environment evaluated? Is the environment considered more compelling or overpowering? Are the members of a society more passive in their fate or do they try to actively change it?

6. The **nature of human relationships**: what ideas about criteria of social order dominate in a society (e.g. age, origins, success)? What characterizes relationships between people? Is team success or individual success important?

Hofstede Study

- Professor Geert Hofstede conducted one of the most comprehensive studies of how values in the workplace are influenced by culture.
- He defines culture as “the collective programming of the mind distinguishing the members of one group or category of people from others”.
- The six dimensions of national culture are based on extensive research done by Professor Geert Hofstede, Gert Jan Hofstede, Michael Minkov and their research teams.
- The application of this research is used worldwide in both academic and professional management settings.



Hofstede model

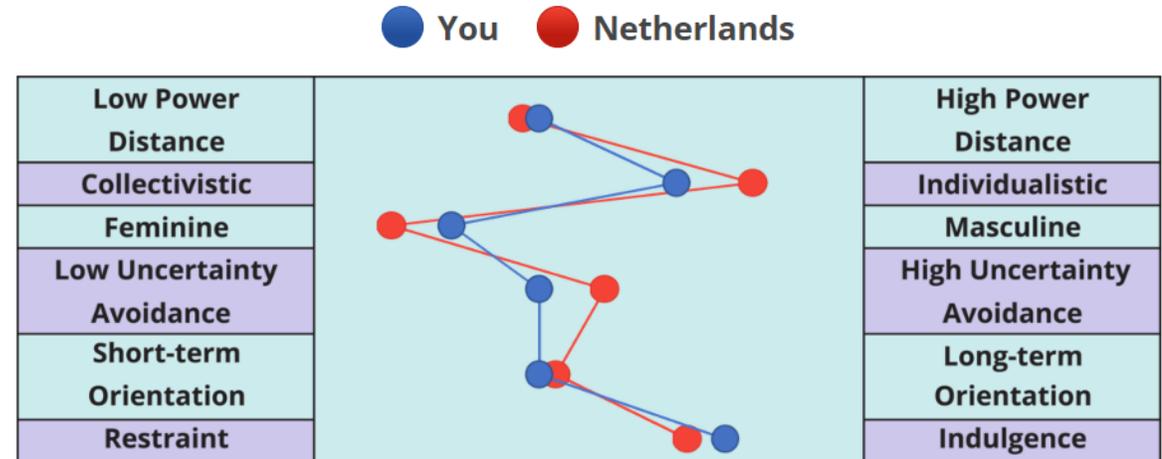
Country comparison – Let's have a look!

<https://www.hofstede-insights.com/country-comparison/>

Test Yourself (Optional)

<https://www.idrlabs.com/cultural-dimensions/test.php>

results:



You prefer:

- A balanced power distance.
- Individualism over collectivism.
- Femininity over masculinity.
- A balance between high and low uncertainty avoidance.
- A balance between short and long-term orientation.
- Indulgent over restraint.

Your cultural dimensions are the most like those of Netherlands.

Examples of the impact of the cultural context on HRM practices

HRM practices	Impact of the cultural context
Recruitment and selection	<ul style="list-style-type: none">• In societies <i>low on 'in-group collectivism'</i>, individual achievements represent important selection criteria.• In societies <i>high on 'in-group collectivism'</i>, the emphasis in the recruiting process is more on team-related skills than on individual competencies.
Training and development	<ul style="list-style-type: none">• In societies <i>high on gender egalitarianism</i>, women have the same chances for vertical career advancement as men.• In societies <i>low on gender egalitarianism</i>, female managers are rare.
Compensation	<ul style="list-style-type: none">• In societies <i>high on uncertainty avoidance</i>, employees tend to be rather risk averse and prefer fixed compensation packages or seniority-based pay.• In societies <i>low on uncertainty avoidance</i>, employees tend to be rather risk-taking and accept high income variability through performance-based pay.
Task distribution	<ul style="list-style-type: none">• Societies <i>high on collectivism</i> tend to emphasize group work.• Societies <i>high on individualism</i> rather attribute individual responsibilities in the work system.

Homework

- Choose one of the below 4 cases
- Write an essay – 300 - 500 words



IHRM in Action Case 2.1

Establishing a branch of a family business in China

A family-owned carbon steel company from Germany has extended its business to Hong Kong. The owners bought a small traditional Chinese firm and decided to copy the successful structure they had developed at home. This structure was headed by three general managers who equally shared the responsibilities for the business activities of the firm. The consequences were as follows.

1. The Chinese employees were assigned tasks by people they had never seen before and whom they did not understand. Many misunderstandings occurred, some were quite costly.
2. The employees back in Europe were only concerned with whether the assigned tasks were completed and did not consider any other obligations to the Chinese employees, such as taking care of the relationships with the Chinese government, banks, etc.
3. Eventually, the local employees became frustrated and were ready to leave the company.

The result was that the management model was changed again and a single managing director of the subsidiary was accountable for all business activities in Hong Kong.

Discussion Questions:

1. Relate the described situation to one of the cultural dimensions identified by Hofstede. How can you explain it?
2. How does this situation compare to comparable situations in your home country? What are the limits of a cultural explanation?



IHRM in Action Case 2.2

Long-term development plans of a German multinational in the USA

A German firm had developed its activities in the electrical industry in the USA for two years and the Chief Executive Officer (CEO) Peter Hansen was happy with their current performance: market share for important products had increased significantly and progress was better than expected. The number of employees had increased, including quite a few local American managers in high-level management positions – a situation which was rather unusual for a subsidiary of a German multinational in its early stage of development. The CEO's goal from the beginning was to avoid an ethnocentric approach to the American activities of his firm and to take a polycentric approach that supported recruitment of local managers.

One of these US local managers was John Miller, the marketing director of the company. During the last two years, he had been thoroughly prepared for his job. The company had sent him to various high-level training programs at top business schools and had provided him with a long-term career plan, which included short-term vertical career advancement. While Peter Hansen wanted to support the development of an American management style, he nevertheless tried to transfer some HR practices which are highly valued in Germany – particularly investing in training and taking a long-term intraorganizational career perspective. While some US firms took this approach, these ideas were not as widely accepted in the USA as in Germany. However, Peter Hansen assumed that these policies would be valued by the new US employees of the firm and would provide an important incentive for employee retention.

One morning, Peter Hansen was shocked to learn that John Miller was about to quit his job. A competitor had offered John a challenging position – in large part because he had systematically built up his knowledge and experience base, supported by his German employer. How can you interpret Peter Hansen's surprise from a cultural point of view?

Discussion Questions:

- 1 Relate the described situation to one of the cultural dimensions identified by Hofstede. Can you explain Peter Hansen's surprise using this theory?
- 2 How does this situation compare to comparable situations in your home country? What are the limits of a cultural explanation?



IHRM in Action Case 2.3

Female careers in various environments

Elisabeth Harstad was employed as a trainee at the Norwegian risk management consultancy DNV when she realized that being a woman was a barrier. Although trainees were supposed to go abroad, the company had problems finding a job for Elisabeth in a foreign subsidiary: “I wanted to go to London, Houston, or Singapore. In the end I managed to get an international assignment from Oslo to Copenhagen”.

This was in the 1980s. However, Elisabeth Harstad did not give up and energetically pursued her career. She is now the manager of the research and innovation unit at DNV, and since 2006 a member of the board of directors of the large Norwegian chemical company Yara. When the new members of the board of directors were elected, for the first time it was an advantage for Elisabeth to be a woman. Since 2008, Norwegian companies are required by law to have 40 per cent female members of their board of directors. Thus, Elisabeth is part of an experiment – if women do not make it to the top on their own, politics support this process in Norway.

Discussion Questions:

- 1 Relate the situation in Norway to one of the cultural dimensions identified by Hofstede. How can you explain it?
- 2 Can the rules for quotas of female managers be applied in other countries as well? What are the advantages and disadvantages?



IHRM in Action Case 2.4

Meeting on a Friday in Kenya?

Our building company had finished an important project concerning a new major road in Kenya. However, the company had not been paid for all of the completed work. The managing director of the Kenyan subsidiary of the building corporation organized a meeting with a representative of the relevant Kenyan government agency.

The meeting started and the representative was very polite and friendly. However, at the same time he also seemed to be quite nervous. Every few minutes he received a telephone call or had to initiate a telephone call himself. All telephone discussions were carried out in the local language. Despite the interruptions, I tried to explain the reason for my visit – the outstanding account balance. Of course, the government representative apologized for every interruption. However, after 15 minutes we were both very tense because the conversation had not advanced at all.

Eventually I said that I was sorry that my counterpart had so much to do and asked for another meeting next Tuesday. Instantly the government representative was relaxed again and happily confirmed the new meeting. Now he could finally concentrate on the preparation and organization of his big family meeting that weekend, which is typical for large Kenyan families.

Discussion Questions:

- 1** Relate the described situation to one of the cultural dimensions identified by Hofstede. How can you explain it?
- 2** How does this situation compare to comparable situations in your home country? What are the limits of a cultural explanation?

The GLOBE Study

GLOBE is an acronym for Global Leadership and Organizational Behavior Effectiveness - <https://www.globeproject.com/>

- Are there leadership behaviors, attributes, and organizational practices that are generally accepted and effective across cultures? in some cultures only?
- How much do leadership attributes that are traced back to social and organizational contexts affect the effectiveness of specific leadership behavior and its acceptance by subordinates?
- How much do behaviors and attributes in specific cultures influence the economic, physical, and psychological well-being of the members of societies?

Basic Cultural Dimensions from the GLOBE project

1. ***Power distance*** - How equally should power be distributed?
2. ***Uncertainty avoidance*** - How much should social norms and rules reduce uncertainty and unpredictability?
3. ***Institutional collectivism*** - How much should loyalty to the social unit override individual interests?
4. ***In-group collectivism*** - How strong should one's loyalty be to family or organization?
5. ***Gender egalitarianism*** - How much should gender discrimination and role inequalities be minimized?
6. ***Assertiveness*** - How confrontational and dominant should one be in social relationships?
7. ***Future orientation*** - How much should one delay gratification by planning and saving for the future?
8. ***Performance orientation*** - How much should individuals be rewarded for improvement and excellence?
9. ***Humane orientation*** - How much should individuals be rewarded for being kind, fair, friendly, and generous?

Cluster	Countries	Attributes
Anglo	Canada, USA, Australia, Ireland, England, South Africa, New Zealand	Competitive and results-oriented; places less emphasis on family and close kinship ties.
Confucian Asia	Singapore, Hong Kong, China, Taiwan, South Korea, Japan	Results driven and focused on groups working together, with strong loyalty to family bonds.
Eastern Europe	Greece, Hungary, Albania, Slovenia, Poland, Russia, Georgia, Kazakhstan	Low on performance orientation, with strong support for co-worker and gender equality.
Germanic Europe	Austria, Netherlands, Switzerland (German-speaking), Germany	Values competition; more results-oriented than people-oriented; plans and invests in the future, being considered individualistic in this respect.
Latin America	Ecuador, El Salvador, Columbia, Bolivia, Brazil, Guatemala, Argentina, Costa Rica, Venezuela, Mexico	Loyal and devoted to family, but less focused on performance and institutions.
Latin Europe	Israel, Italy, Switzerland, (French-speaking), Spain, Portugal, France	Values individual autonomy and places less emphasis on societal goals.