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Managing Global Human Resources



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HR Challenges of International Business

Researchers asked "What are the key global pressures affecting human resource management practices in your firm currently and for the projected future?" Responses were:

- ◆ Deployment
- ◆ Knowledge and innovation dissemination
- ◆ Identifying and developing talent globally



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Global Staffing Pressures



- Candidate selections
- Assignment terms
- Relocation
- Immigration
- Culture and language
- Compensation
- Tax administration
- Handling spouse and dependent matters

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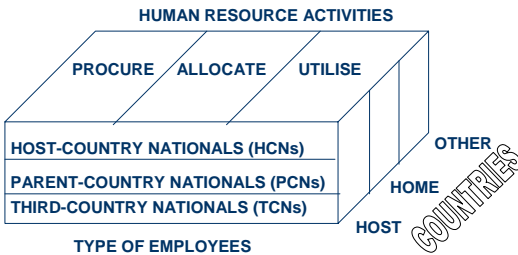
How Intercountry Differences Influence HRM

- ◆ How do cultural, political, legal, and economic differences of other countries influence HR policies?
- ◆ Cultural factors address the ethos of a country
- ◆ Management styles vary



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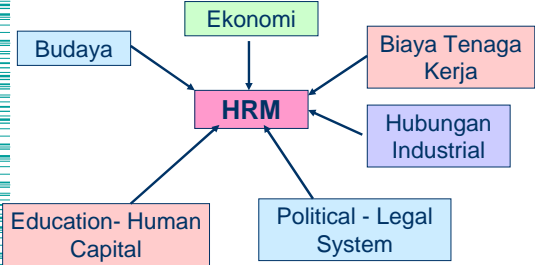
Model of International HRM



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Factors Affecting HRM in Global Markets

Bagaimana perbedaan antar negara mempengaruhi MSDM



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INTERNATIONAL HRM

- ♦ Interplay among the three dimensions
 - Human Resource Activities
 - Types of employees
 - Countries of operation
- Main difference from HRM
 - Complexities of operating in different countries
 - Employing different national categories of workers.

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- ♦ Mengapa penugasan internasional mengalami kegagalan?
- ♦ Penugasan internasional: ekspatriat
- ♦ Pelatihan ekspatriat
- ♦ Penilaian kinerja ekspatriat
- ♦ Hubungan industrial internasional
- ♦ Keselamatan kerja dan perlakuan adil repatriasi

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Six Factors Of Differentiation

- ✓ More HR activities
- ✓ The need for a broader perspective
- ✓ More involvement in employees personal lives
- ✓ Changes in emphasis as the workforce mix the expatriates and local varies
- ✓ Risk exposure
- ✓ More external influence

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A Classic Study

- ♦ **Power distance** is the extent to which the less powerful members of institutions accept and expect an unequal distribution of power
 - Different expectations

11-11

Power Distance Effect

- ♦ In Mexico,
 - Managers keep their distance
 - Formal rules
 - Individualism and self-sufficiency
- ♦ German workers never arrive late



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Economic Differences

- Translate into differences in HR practices:
- ♦ Espousing ideals of free enterprise
 - ♦ Wage costs vary
 - ♦ Other labor costs vary




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Definition

Legal and Industrial Relations Factors

- ◆ **Industrial relations** means the relationships among the worker, the union, and the employer
- ◆ The US practice of employment at will does not exist in Europe
- ◆ **Work councils**
- ◆ **Codetermination**



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European Union



EU formation caused:

- ◆ Tariffs disappeared
- ◆ Free movement between jobs
- ◆ Use of the Euro as single currency
- ◆ Union consulting


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Intra-EU Differences

- ◆ Some countries have no minimum wages
- ◆ Workweeks vary
- ◆ Minimum number of annual holidays
- ◆ Termination advance notice length
- ◆ Employment contracts vary

48 hours

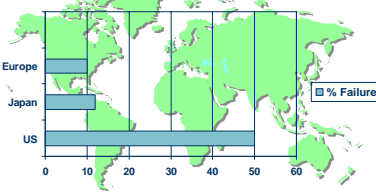


No limit

11-16


Failure Rates of International Assignments

- ◆ International assignment failure can cost hundreds of thousands of dollars



Europe
Japan
US

% Failure



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Why International Assignments Fail

- ◆ Personality
- ◆ Person's intentions
- ◆ Family pressures
- ◆ Lack of cultural skills
- ◆ Other non-work conditions like living and housing conditions, and health care





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Improving Failure Rates/ Solutions

- ◆ Provide realistic previews
- ◆ Have a careful screening process
- ◆ Improve orientation
- ◆ Provide good benefits
- ◆ Test employees fairly
- ◆ Shorten assignment length

32%

23%



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International Staffing

- ◆ Multinational corporations (MNC's) use several types of international managers:
 - Locals
 - Expatriates
 - Home-country nationals
 - Third-country nationals



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Reasons to Hire Locals



- ◆ Working in a foreign country
- ◆ Cost
- ◆ Being a "better citizen"
- ◆ Short-term projects
- ◆ Security

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Reasons to Use Expatriates

- ◆ Technical competence
- ◆ Know company culture
- ◆ Climbing the corporate ladder



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Avoiding Pitfalls in Hiring Multinationals

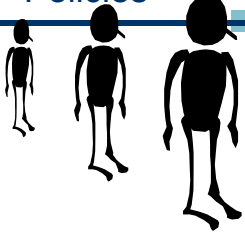


- ◆ Don't rush
- ◆ Always obtain originals
- ◆ Confirm existence of institution
- ◆ Write or fax
- ◆ Have applicant sign and notarize documents
- ◆ Verify foreign credentials
- ◆ Telltale signs of fraudulent credentials

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Value Systems and Staffing Policies


Ethnocentric
Polycentric
Geocentric



If you were an executive manager in an ethnocentric run firm, who might you hire? Why?

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Selecting International Managers




- ◆ Test for traits that predict success in adapting to new environments
- ◆ Job knowledge and motivation
- ◆ Relational skills
- ◆ Flexibility and adaptability
- ◆ Extracurricular openness
- ◆ Family situation

Predictive trait breakdown

<ul style="list-style-type: none"> ◆ Job Knowledge and Motivation ◆ Relational Skills ◆ Flexibility and Adaptability ◆ Extracurricular Openness ◆ Family Situation 	<ul style="list-style-type: none"> ◆ Personality ◆ Attitudes ◆ Values ◆ Self-concept ◆ Social desirability ◆ Machiavellianism ◆ Ethical orientation ◆ Risk-taking ◆ Self-esteem ◆ Self-efficacy ◆ Resilience ◆ Stress tolerance ◆ Emotional stability ◆ Openness to experience ◆ Conscientiousness ◆ Agreeableness ◆ Neuroticism
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Important Predictors of Success

- ◆ Family situation tops the list
- ◆ Flexibility/adaptability screening was high on results
- ◆ Use paper and pencil tests like the Overseas Assignment Inventory
- ◆ Previewing what changes an international assignee can expect

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The New Workplace: Sending Women Abroad

- ◆ Only 6% filled overseas positions compared to 49% domestic
- ◆ One survey found inaccurate stereotypes
 - Not as internationally mobile
 - Might have a tougher time building teams

77% Effective at building teams
80% Would take foreign assignment

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Orienting and Training



- ◆ More form than substance
- ◆ Little or no systematic selection and training
- ◆ Only 42% have formal briefings

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What Special Training Do Overseas Candidates Need?

- ◆ Impact of cultural differences
- ◆ Understanding attitude formation
- ◆ Factual knowledge about target country
- ◆ Language and adjustment/adaptability skills

Level 1
Level 2
Level 3
Level 4

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Continued Training and Development



- ◆ IBM offers rotating assignments
- ◆ Have worldwide management development centers
- ◆ INSEAD in France provides educational opportunities

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Training Trends

Trends in expatriate training and development:

- ◆ Use of cross-cultural training
- ◆ Use returning managers as resources for new assignees
- ◆ Software and internet programs like *Bridging Cultures* for cross-cultural training



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International Compensation

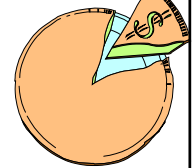
- ◆ Determining international pay scales is no easy task
- ◆ Expensive locales require additional pay else no one will take position
- ◆ What to do when relocating to less costly locale

Tokyo \$3000/week Madrid \$1500/week

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Determining Equitable Wages

- ◆ Lots of compensation data available in US but not overseas
- ◆ **KRAFT** conducts an international study of compensation
- ◆ Used to determine next year's compensation



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Balance Sheet Approach

- ◆ 85% of US firms use it
- ◆ Has 4 main home-country expense groups:
 - Income taxes
 - Housing
 - Goods and services
 - Discretionary expenses
- ◆ Expatriate receives base pay + additional for each group

Sample balance sheet approach

Item	Home	Host	Home	Host
Income taxes	\$1,000	\$1,000	\$1,000	\$1,000
Housing	\$2,000	\$2,000	\$2,000	\$2,000
Goods & services	\$3,000	\$3,000	\$3,000	\$3,000
Discretionary expenses	\$4,000	\$4,000	\$4,000	\$4,000
Total	\$10,000	\$10,000	\$10,000	\$10,000



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Incentives



- ◆ To have expatriates accept and stay on international assignments:
 - Foreign service premiums
 - Hardship allowances
 - Mobility premiums
 - Non-monetary rewards

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Performance Appraisals

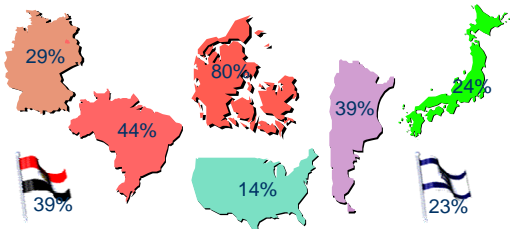


- ◆ Who appraises the expatriate is key
- ◆ Stipulate the assignment's difficulty level
- ◆ Favor the on-site manager's appraisal
- ◆ Home-office manager writing the appraisal consults a former expatriate
- ◆ Modify the normal performance criteria

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International Labor Relations

Union membership varies widely worldwide



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International Labor Relations Continued

- ♦ Areas of differences in labor relations practices include:
 - Centralization
 - Union structure
 - Employer organization
 - Union Security
 - Content and scope of bargaining
 - Grievance handling
 - Strikes
 - Worker participation



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Safety and Fair Treatment Abroad



Raises some unique safety issues

- ♦ Provide general training
- ♦ Blend in
- ♦ Arrive at airports at departure time
- ♦ Security systems
- ♦ Vary departure/arrival times and routes to work



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Safety and Fair Treatment Abroad

- ♦ Keep current on crime and other problems
- ♦ Remain confident at all times
- ♦ Companies working to combat AIDS



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Definition

HR.net – HR Information Systems

- ♦ HRIS is an automated system by which interrelated components work together to collect, process, store, and disseminate information to support decision-making, coordination control, analysis, and visualization of an organization's human management activities



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HRIS Benefits

- ♦ Get an accurate head count of employees worldwide
- ♦ Select for overseas assignment
- ♦ Keep track of pay plans and benefits
- ♦ Integrate and update HR systems and reports
- ♦ Monitor global HR activities in real time



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Repatriation Problems

- ♦ Leaving the firm prematurely
- ♦ Mediocre or makeshift jobs
- ♦ Finding former colleagues promoted
- ♦ Reverse culture shock



50% leave within 2 years

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Repatriation Solutions

- ◆ Shorten time abroad – have written agreement
- ◆ Assign a sponsor
- ◆ Provide career counseling
- ◆ Keep communications open
- ◆ Develop reorientation programs
- ◆ Have returnees advise future expatriates



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Strategic HR – Seimens Basic HR Strategy

- ◆ A living company is a learning company
- ◆ Global teamwork is the key to realizing potential
- ◆ Redefine management to meet globalization challenges
- ◆ A climate of mutual respect



11-45

Definition

Strategy and Strategic HR

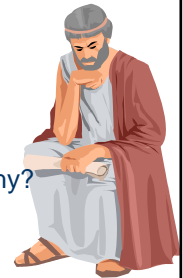
- ◆ Strategic human resource management is the linking of HRM with strategic goals and objectives
- ◆ HR strategies are the courses of action the company uses



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Management Values and Philosophy

- ◆ Do your assumptions and values influence your decisions?
- ◆ How do organizations demonstrate their philosophy?



11-47

Definition

Employee Commitment

- ◆ **Employee commitment** - An employee's identification with and agreement to pursue the company's or the unit's missions—to act like an owner rather than as an employee
 - Good managers use employee commitment as their guide



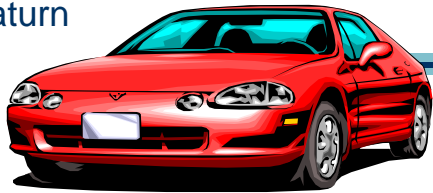
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Commitment Building

- ◆ Establish people-first values
- ◆ Guarantee fair treatment
- ◆ Use value-based hiring
- ◆ Encourage employees to actualize

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Saturn



I'm committed to Saturn for what they did for me; 300 plus hours of training and problem solving that expanded my personal horizon; the "Excel" program that pushes me to the limit; and because I know that at Saturn I can go as far as I can go. This company wants its people to be all that they can be.

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Summary

- ◆ Firms must be managed globally
- ◆ Challenges include:
 - coordinating production, sales, and financial operations on a worldwide basis
- ◆ Intercountry differences

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Summary

- ◆ A large percentage of expatriate assignments fail
- ◆ Screening for expatriate managers look for traits like:
 - Adaptability and flexibility
 - Cultural toughness
 - Self-orientation
 - Etc.

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Summary

- ◆ Training for overseas managers typically focuses on cultural differences and other factors.
- ◆ Can you name some?
- ◆ The need to have both local and home-office supervisors provide input into the performance appraisal

11-53

Summary

- ◆ Can you name some common repatriation problems and how to avoid them?
- ◆ *Strategic human resource management*
 - "...the linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility"
- ◆ The End!

