human resource management

t e n t h   e d i t i o n

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Chapter 17

Part 5 Employee Relations

Managing Global Human Resources

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After studying this chapter, you should be able to:

1. List the HR challenges of international business.

2. Illustrate how intercountry differences affect HRM.

3. Discuss the global differences and similarities in HR practices.

4. Explain five ways to improve international assignments through selection.

5. Discuss how to train and maintain international employees.

The Management Challenges of International Business

➢ *Coordinating market, product, and production plans on a worldwide basis*

➢ *Creating organization structures capable of balancing centralized home-office control with adequate local autonomy.*

➢ *Extending its HR policies and systems to service its staffing needs abroad:*

The HR Challenges of International Business

➢ *Deployment*

- Easily getting the right skills to where we need them, regardless of geographic location.

➢ *Knowledge and innovation dissemination*

- Spreading state-of-the-art knowledge and practices throughout the organization regardless of where they originate.

➢ *Identifying and developing talent on a global basis*

- Identifying can function effectively in a global organization and developing his or her abilities.

Global Staffing Issues

➢ Selecting candidates for overseas assignment

➢ Assignment terms and documentation

➢ Relocation processing and vendor management

➢ Immigration processing

➢ Cultural and language orientation and training

➢ Compensation administration and payroll processing

➢ Tax administration

➢ career planning and development

➢ Handling of spouse and dependent matters

Intercountry Differences Affecting HRM

➤ *Cultural Factors*

➤ *Economic Systems*

➤ *Legal and Industrial Relations Factors*

➤ *The European Union*

Global Differences and Similarities in HR Practices

➢ *Personnel Selection Procedure*

➢ *The Purpose of the Performance Appraisal*

➢ *Training and Development Practices*

➢ *The Use of Pay Incentives*

A Global HR System

➢ *Making the global HR system more acceptable*

- – Remember that global systems are more accepted in truly global organizations.

- – Investigate pressures to differentiate and determine their legitimacy.

- – Try to work within the context of a strong corporate culture.

A Global HR System (cont'd)

➢ *Developing a more effective global HR system*

  – Form global HR networks.

  – Remember that it's more important to standardize ends and competencies than specific methods.

➢ *Implementing the global HR system*

  – Remember, "You can't communicate enough."

  – Dedicate adequate resources for the global HR effort.

Summary of Best Practices

Do . . .	Don't . . .
• Work within existing local systems—integrate global tools into local systems	• Try to do everything the same way everywhere
• Create a strong corporate culture	• Yield to every claim that "we're different"—make them prove it
• Create a global network for system development—global input is critical	• Force a global system on local people
• Treat local people as equal partners in system development	• Use local people just for implementation
• Assess common elements across geographies	• Use the same tools globally, unless you can show that they really work and are culturally appropriate
• Focus on what to measure and allow flexibility in how to measure	• Ignore cultural differences
• Allow for local additions beyond core elements	• Let technology drive your system design—you can't assume every location has the same level of technology investment and access

Source: Ann Marie Ryan et al., "Designing and Implementing Global Staffing Systems: Part 2—Best Practices," *Human Resource Management* 42, no. 1 (Spring 2003), p. 93.

Table 17–1

Summary of Best Practices

Do . . .	Don't . . .
• Differentiate when necessary	• Assume that "if we build it they will come"—you need to market your tools or system and put change management strategies in place
• Train local people to make good decisions about which tools to use and how to do so	
• Communicate, communicate, communicate!	
• Dedicate resources for global HR efforts	
• Know, or have access to someone who knows, the legal requirements in each country	

Table 17–1 (cont'd)

Staffing the Global Organization

➢ *International staffing: Home or local?*

  – **Expatriates (expats)**: Noncitizens of the countries in which they are working.

  – **Home-country nationals**: Citizens of the country in which the multinational company has its headquarters.

  – **Third-country nationals**: Citizens of a country other than the parent or the host country.

➢ *Offshoring*

  – Having local employees abroad do jobs that the firm's domestic employees previously did in-house.

Staffing the Global Organization (cont'd)

➢ *Offshoring*

– Having local employees abroad do jobs that the firm's domestic employees previously did in-house.

➢ *Issues in offshoring*

– Having an effective supervisory and management structure in place to manage the workers.

– Screening and required training for the employees receive the that they require.

– Ensuring that compensation policies and working conditions are satisfactory.

Values and International Staffing Policy

- ➢ *Ethnocentric*

  – The notion that home-country attitudes, management style, knowledge, evaluation criteria, and managers are superior to anything the host country has to offer.

- ➢ *Polycentric*

  – A conscious belief that only the host-country managers can ever really understand the culture and behavior of the host-country market.

- ➢ *Geocentric*

  – The belief that the firm's whole management staff must be scoured on a global basis, on the assumption that the best manager of a specific position anywhere may be in any of the countries in which the firm operates.

Why Expatriate Assignments Fail

➢ *Personality*

➢ *Personal intentions*

➢ *Family pressures*

➢ *Inability of the spouse to adjust*

➢ *Inability to cope with larger overseas responsibility.*

➢ *Lack of cultural skills*

Helping Expatriate Assignment Succeed

➢ *Providing realistic previews of what to expect*

➢ *Careful screening*

➢ *Improved orientation*

➢ *Cultural and language training*

➢ *Improved benefits packages*

Selecting Expatriate Managers

➢ *Adaptability screening*

  – Assessing the assignee's (and spouse's) probable success in handling the foreign transfer.

  – *Overseas Assignment Inventory*

    • A test that identifies the characteristics and attitudes international assignment candidates should have.

➢ *Realistic previews*

  – The problems to expect in the new job as well as about the cultural benefits, problems, and idiosyncrasies of the country.

I. Job Knowledge and Motivation
- Managerial ability
- Organizational ability
- Imagination
- Creativity
- Administrative skills
- Alertness
- Responsibility
- Industriousness
- Initiative and energy
- High motivation
- Frankness
- Belief in mission and job
- Perseverance

II. Relational Skills
- Respect
- Courtesy and fact
- Display of respect
- Kindness
- Empathy
- Non-judgmentalness
- Integrity
- Confidence

III. Flexibility/Adaptability
- Resourcefulness
- Ability to deal with stress
- Flexibility
- Emotional stability
- Willingness to change
- Tolerance for ambiguity
- Adaptability
- Independence
- Dependability
- Political sensitivity
- Positive self-image

IV. Extracultural Openness
- Variety of outside interests
- Interest in foreign cultures
- Openness
- Knowledge of local language[s]
- Outgoingness and extroversion
- Overseas experience

V. Family Situation
- Adaptability of spouse and family
- Spouse's positive opinion
- Willingness of spouse to live abroad
- Stable marriage

Five Factors Important in International Assignee Success, and Their Components

Source: Adapted from Arthur Winfred Jr., and Winston Bennett Jr., "The International Assignee: The Relative Importance of Factors Perceived to Contribute to Success," *Personnel Psychology* 18 (1995), pp. 106–107.

Figure 17–1

Orienting and Training for International Assignment

➢ *There is little or no systematic selection and training for assignments overseas.*

➢ *Training is needed on:*

- The impact of cultural differences on business outcomes.

- How attitudes (both negative and positive) are formed and how they influence behavior.

- Factual knowledge about the target country.

- Language and adjustment and adaptation skills.

Trends in Expatriate Training

➤ *Rotating assignments that permit overseas managers to grow professionally.*

➤ *Management development centers around the world where executives hone their skills.*

➤ *Classroom programs provide overseas executives with educational opportunities similar to stateside programs.*

➤ *Continuing, in-country cross-cultural training*

➤ *Use of returning managers as resources to cultivate the "global mind-sets" of their home-office staff.*

➤ *Use of software and the Internet for cross-cultural training.*

Compensating Expatriates

➢ *The "Balance Sheet Approach"*

- Home-country groups of expenses—income taxes, housing, goods and services, and discretionary expenses—are the focus of attention.

- The employer estimates what each of these four expenses is in the expatriate's home country, and what each will be in the host country.

- The employer then pays any differences such as additional income taxes or housing expenses.

The Balance Sheet Approach
(Assumes Base Salary of $80,000)

Annual Expense	Chicago, U.S.	Brussels, Belgium (U.S.$ equivalent)	Allowance
Housing & utilities	$35,000	$67,600	$32,600
Goods & services	6,000	9,500	3,500
Taxes	22,400	56,000	33,600
Discretionary income	10,000	10,000	0
Total	$73,400	$143,100	$69,700

Table 17–2

17–22

Incentives

➢ *Foreign service premiums*

– Financial payments over and above regular base pay, and typically range between 10% and 30% of base pay.

➢ *Hardship allowances*

– Payments to compensate expatriates for exceptionally hard living and working conditions at certain foreign locations.

➢ *Mobility premiums*

– Lump-sum payments to reward employees for moving from one assignment to another.

Appraising Expatriate Managers

➢ *Challenges in appraising oversea managers*

  – Determining who should appraise the manager.

  – Deciding on which factors to base the appraisal.

➢ *Improving the expatriate appraisal process*

  – Stipulate the assignment's difficulty level, and adapt the performance criteria to the situation.

  – Weigh the evaluation more toward the on-site manager's appraisal than toward the home-site manager's.

  – If the home-office manager does the actual written appraisal, use a former expatriate from the same overseas location for advice.

Differences in International Labor Relations

- *Centralization*
- *Union structure*
- *Employer organization*
- *Union recognition*
- *Union security*

- *Content and scope of bargaining*
- *Grievance handling*
- *Strikes*
- *Worker participation*

Terrorism, Safety, and Global HR

➢ *Taking protective measures*

- – Crisis management teams

➢ *Kidnapping and ransom (K&R) insurance*

- – Crisis situations
  - • Kidnapping: the employee is a hostage until the employer pays a ransom.
  - • Extortion: threatening bodily harm.
  - • Detention: holding an employee without any ransom demand.
  - • Threats to property or products unless the employer makes a payment.

Repatriation: Problems and Solutions

➢ *Problem*

  – Making sure that the expatriate and his or her family don't feel that the company has left them adrift.

➢ *Solutions*

  – Match the expat and his or her family with a psychologist trained in repatriation issues.

  – Make sure that the employee always feels that he or she is still "in the loop" with what's happening back at the home office.

  – Provide formal repatriation services.

Auditing the HR Function

1. What should HR's functions be?

2. Participants then rate each of these functions to answer the question, "How important are each of these functions?"

3. Next, they answer the question, "How well are each of the functions performed?"

4. Next, compare (2) and (3) to focus on "What needs improvement?"

5. Then, top management needs to answer the question, "Overall, how effectively does the HR function allocate its resources?

HR Scorecard for Hotel Paris International Corporation*

5. Strategic Performance Metrics (Are we achieving our strategic goals?)	Rankings in industry service satisfaction surveys	Profit margins, and total annual profits	Percent share of market	Annual revenues
4. Strategically Relevant Customer and Organizational Outcomes Metrics (How can we measure whether our customer service is actually improving and having the desired effects?)	Guest service satisfaction index	Number of written guest compliments and/or complaints per year	Various customer and Hotel Paris outcome metrics, including: frequency of guests' returns; average length of stay; and guest expenditures per guest per stay	
3. Strategically Relevant Emergent Employee Capabilities and Behaviors Metrics (What skills and actions must our employees demonstrate if our company is to achieve its strategic goals?)	Employee turnover	Employee morale	Various employee service-oriented behavior metrics, including: percent calls answered with required greeting; speed of check in/out; percent room cleaning infractions; and, percent guests receiving Hotel Paris required greeting on arrival	Employee service commitment and engagement index · Percentage of employees scoring at least 90% on Hotel Paris core values quiz
2. Strategic HR Activities Metrics (What HR function should we focus on, and how should we measure its efficiency and effectiveness?)	Chapter 17, Global Percentage expatriates receiving predeparture screening and counseling	Chapter 15, Labor Relations Percentage of workforce in unions	Chapter 16, Safety Number of safety training programs per year; accident costs per year; lost time due to accidents	Chapter 14, Ethics Number of grievances per year; percentage of employees able to quote ethics code
1. Hotel Paris Basic Strategic Themes (What basic themes must we in HR pursue to help Hotel Paris achieve its strategic goals?)	Create Service-Oriented Workforce	Embed Core Values	Encourage Personal Employee Growth and Learning	Emphasize Partnership and Sense of Ownership

*Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, "To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability")*

Figure 17–2

Key Terms

codetermination

expatriates (expats)

home-country nationals

third-country nationals

offshoring

ethnocentric

polycentric

geocentric

adaptability screening

foreign service premiums

hardship allowances

mobility premiums