

International Human Resource Management
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Special Topics in Internationalization

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Bergamo, ITALY



1. Introduction

2. Strategic Functions of International HRM

3. Approaches to Managing People

4. Managing Expatriates

5. Managing People Abroad

6. Resources & Human Resource Management

7. Implications for Practice



■ Learning Objectives

- Articulate **“3” DISTINCT APPROACHES** to international HRM.
- Understand the **ROLES** of expatriates.
- Explain **KEY FACTORS** in expatriate selection.
- Discuss **SOURCES** of stress for expatriates & possible **SOLUTIONS** to cultural shock.
- Apply the **VRIO FRAMEWORK** to explain the nature of HR practices.



What is ‘International Human Resource Management’?



■ What is HRM?

❖ ... is the approach a company takes to manage its most valued assets – the **PEOPLE** who implement its strategy.

❖ Opening & operating a business requires:

- Planning human resource needs;
- Recruiting & retaining people to meet those needs;
- Motivating them to perform well; &
- Upgrading their skills



❖ **WHY** is HRM so **DIFFICULT** for MNCs?

- (1) Differences in leadership styles & management practices.
- (2) Variations in the mix of costs & labor productivity.
- (3) Institutional differences (regulations, hiring & firing practices)
- (4) Dual career constraints & family obligations in terms of international assignments



■ A Driver of Firm Internationalization

❖ **Expatriates:** A person residing in a country & take positions outside their home country.





■ Is International Assignment Good for Career Trajectory?

Positive career outcomes

- Greater **'RESPONSIBILITIES'**
- Career **'PROGRESSION'**
- **'SKILL'** improvement & **'EXPERTISE'**
- Cultural **'AWARENESS'**
- **'CONFIDENCE'** in overcoming challenges
- **'CREATIVITY'** through new ways of doing things



Negative career outcomes

- **'SLOW TO REWARD'** a manager's successful international experience with expanded leadership responsibilities
- **'NO GUARANTEE'** for a promotion
- The **'GAP'** between life at home versus "over there" can create professional, family, & personal problems
- Expatriates' **'DISSATISFACTION'** with the fact their companies recognize their accomplishments

How to keep the tension between these “2” aspects?



1. Introduction



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3. Approaches to Managing People

4. Managing Expatriates

5. Managing People Abroad

6. Resources & Human Resource Management

7. Implications for Practice



■ The Perspective of the Expatriate

❖ Definition of expatriates

- ... refer to those who leaves their native country to live & work in another.
- Duration of assignments: **3–5** years

❖ Trends in Expatriate Assignments

- A burst in **worldwide demand** for expatriates.
- **Shortage of skilled locals** for start-up operations.
- **Short-term assignments** are popular because:
“They are more cost-effective than long-term assignments & they allow companies to transfer skill sets quickly & easily”.



The Strategic Function of International HRM



■ The Perspective of the Expatriate

❖ Stereotype

- Traditionally, expatriates were ~~mid-level executives~~ being developed for greater responsibilities.
- Now, companies are changing their ~~traditional profile~~ of an expatriate in terms of age.



❖ The Young, the Old, and the Restless

- Young employees: **Single**, more **mobile**, & **adaptable** to change.
- Female employees: **20%** of expatriates (↑)
- **Third**-country nationals (↑)
- Well-educated executives from **emerging economies**(↑)



■ What is the Major Role of Expatriates?

❖ Knowledge Transfer

- Smooth transfer of technology, knowledge, knowhows from the HQs to its foreign subsidiaries.
- Expatriates ensure the quality of products & services offered in the local market in line with the expected standards set by the HQs.

❖ Control

- Operational & financial oversights.

❖ Learning

- Parent country nationals can accumulate knowledge of foreign operations & learn effective best practices in different cultural & market environments.

❖ Cross-Border Communication

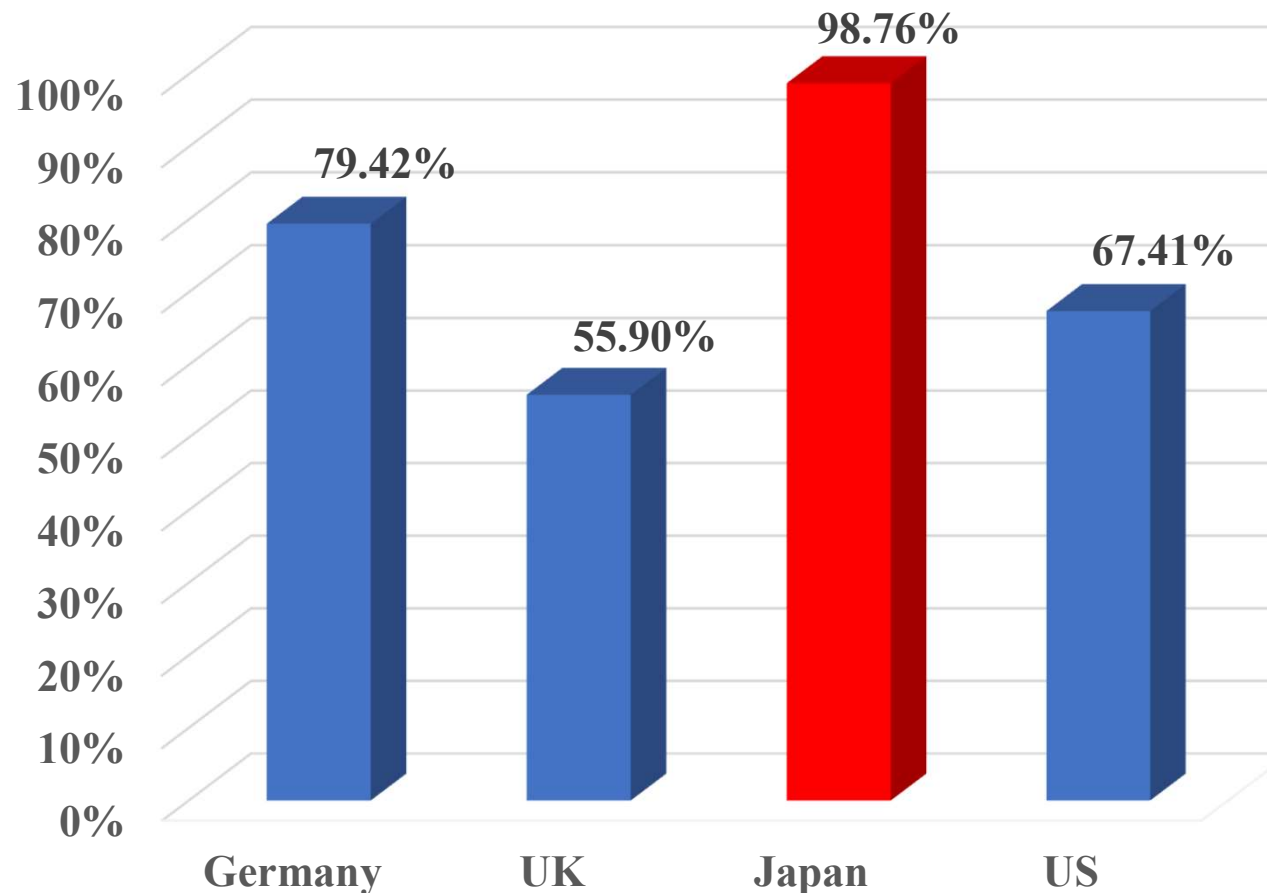
- Expatriates act as coordinators to promote information sharing in horizontal & vertical relationships within the MNC network.

Source: Oki (2017).

The Strategic Function of International HRM



■ The Origin of Expatriates (Home Country Nationals)



Source: Tungli & Peiperl (2009: 160).

The Strategic Function of International HRM



■ The Perspective of the Expatriate

TABLE I Reasons for Filling Managerial Positions With Expatriates

	Germany	U.K.	Japan	U.S.	Total	N	F	p(F)
To set up a new operation	4.70	5.13	5.21	5.25	5.07	126	1.77	ns
To fill a skill gap	4.18	4.83	4.68	5.33	4.82	127	8.68	***
To develop international management skills	4.91	4.77	4.11	4.53	4.63	125	3.62	*
To train and orient local staff	4.41	4.57	4.32	4.61	4.50	127	0.50	ns
To control the operation	4.00	4.07	4.61	4.53	4.29	124	2.47	ns
To ensure the same company standards worldwide	4.48	4.00	3.56	4.43	4.22	124	2.79	*
To coordinate with headquarters	4.12	3.80	4.68	4.16	4.14	126	2.06	ns
To provide career development opportunities	4.03	4.53	3.41	4.23	4.14	124	4.71	**
To establish and maintain corporate culture	4.09	3.83	3.74	4.14	3.99	126	0.74	ns
To learn about local business practices	4.30	3.90	4.11	3.60	3.94	124	3.10	*
To maintain the image of the operation as "foreign"	3.15	1.90	2.72	1.91	2.35	124	11.74	***
To find jobs for surplus managers	1.88	1.60	1.72	1.68	1.72	125	0.64	ns

Each item was rated on a 6-point scale (1 = very unimportant to 6 = very important).

* $p < .05$

** $p < .01$

*** $p < .001$

Source: Tungli & Peiperl (2009: 160).



1. Introduction

2. Strategic Functions of International HRM



3. Approaches to Managing People

4. Managing Expatriates

5. Managing People Abroad

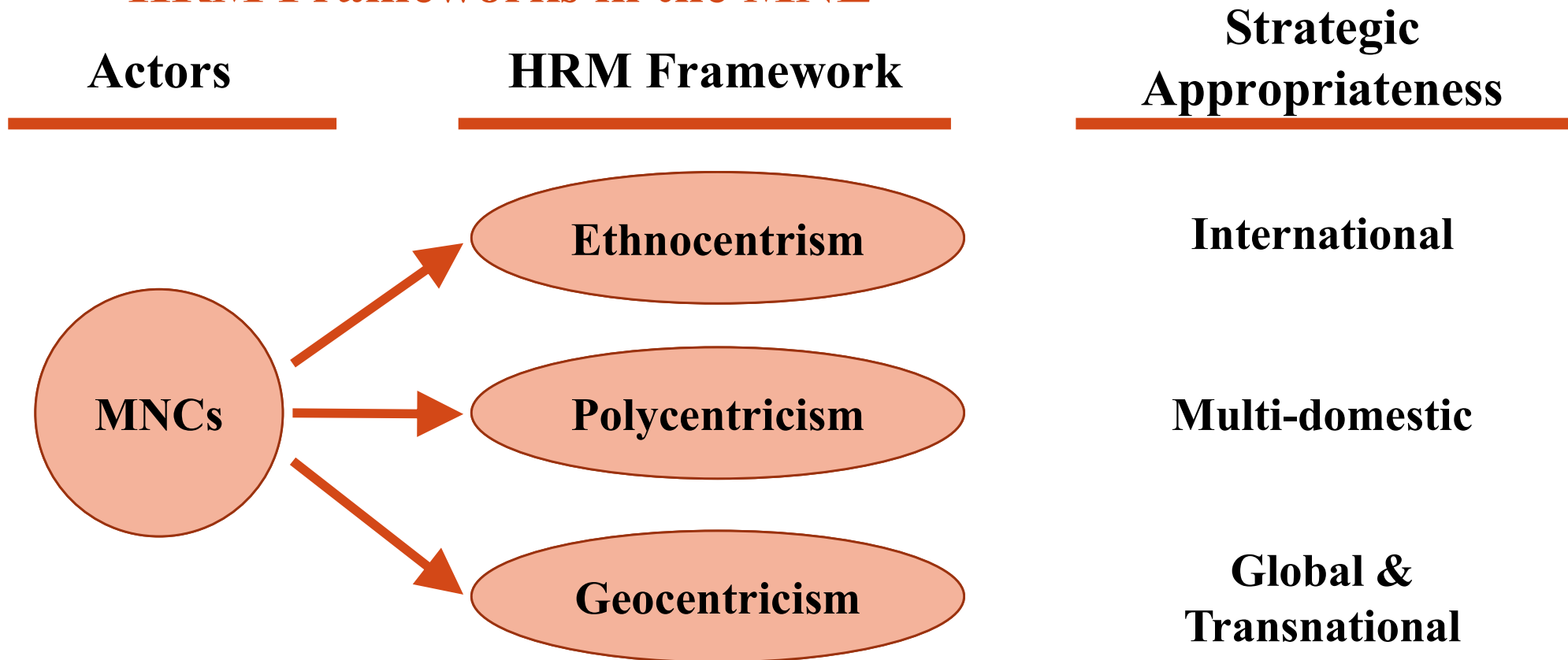
6. Resources & Human Resource Management

7. Implications for Practice

The Strategic Function of International HRM



■ HRM Frameworks in the MNE



Source: Own illustration based on Daniels, Radebaugh & Sullivan (2010: 799-804).



■ HRM Frameworks in the MNC (*Ethnocentrism*)

❖ Definition/Assumptions

- An ethnocentric framework fills **key management positions with home-country nationals**.
- **HQs** makes **key decisions** & **subsidiaries** follow **commands**.

❖ Advantages/benefits

- Command & control
- Local talent gaps
- Local implementation
- High turnover among locals
- Management development

❖ Disadvantages/costs

- Cultural arrogance & illiteracy
- Local employees' resentment
- Unmotivated local managers
- Lost opportunities about different, possibly better, business methods



■ HRM Frameworks in the MNC (*Polycentrism*)

❖ Definition/Assumptions

- Companies use **host-country nationals** to manage local subsidiaries.
- The polycentric framework underscores the importance of adapting to **differences between the home & host countries**.

❖ Advantages/benefits

- Cost containment
- Less nationalism
- Employee morale
- Reduction in expatriate failure rate
- Product issues

❖ Disadvantages/costs

- Difficulties regarding accountability & allegiance
- Less incentive to engage an international perspective
- Potential for quasi-autonomous country operations



■ HRM Frameworks in the MNC (*Geocentrism*)

❖ Definition/Assumptions

- A geocentric framework seeks **the best people** for key jobs throughout the organization, regardless of nationality.
- **HQs & subsidiaries collaborate** to identify, transfer & diffuse best practices.

❖ Advantages/benefits

- Adaptation to different people in different countries
- Leveraging powerful ideas worldwide
- Exploiting learning opportunities

❖ Disadvantages/costs

- Tough to develop, costly to run
- Hard to maintain
- Contrary to many nations' market-development plans
- Difficulty in finding qualified expatriates



1. Introduction

2. Strategic Functions of International HRM

3. Approaches to Managing People



4. Managing Expatriates

5. Managing People Abroad

6. Resources & Human Resource Management

7. Implications for Practice



■ The Roles of Expatriates

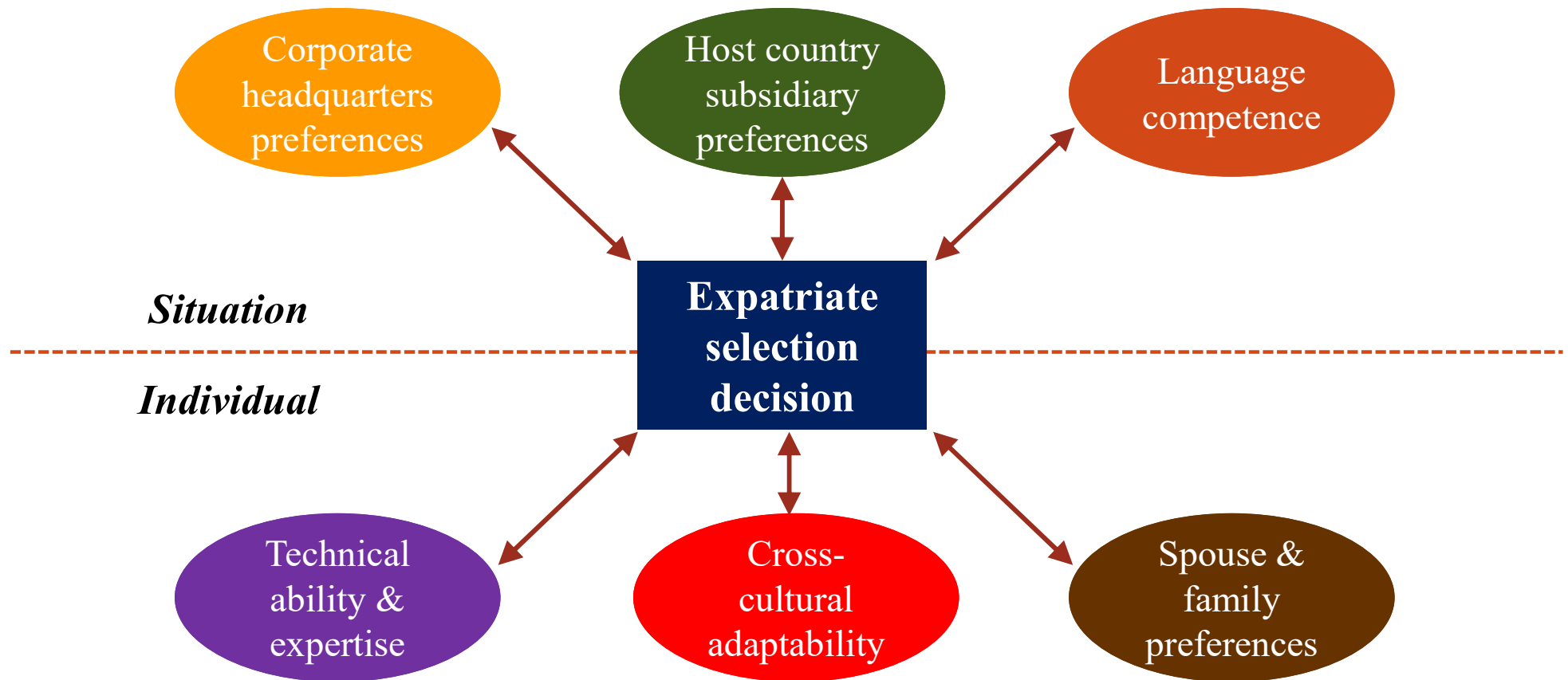


Source: Peng & Meyer (2011: 491).

Original source: Dowling et al. (2008) International Human Resource Management, 5th ed., London.



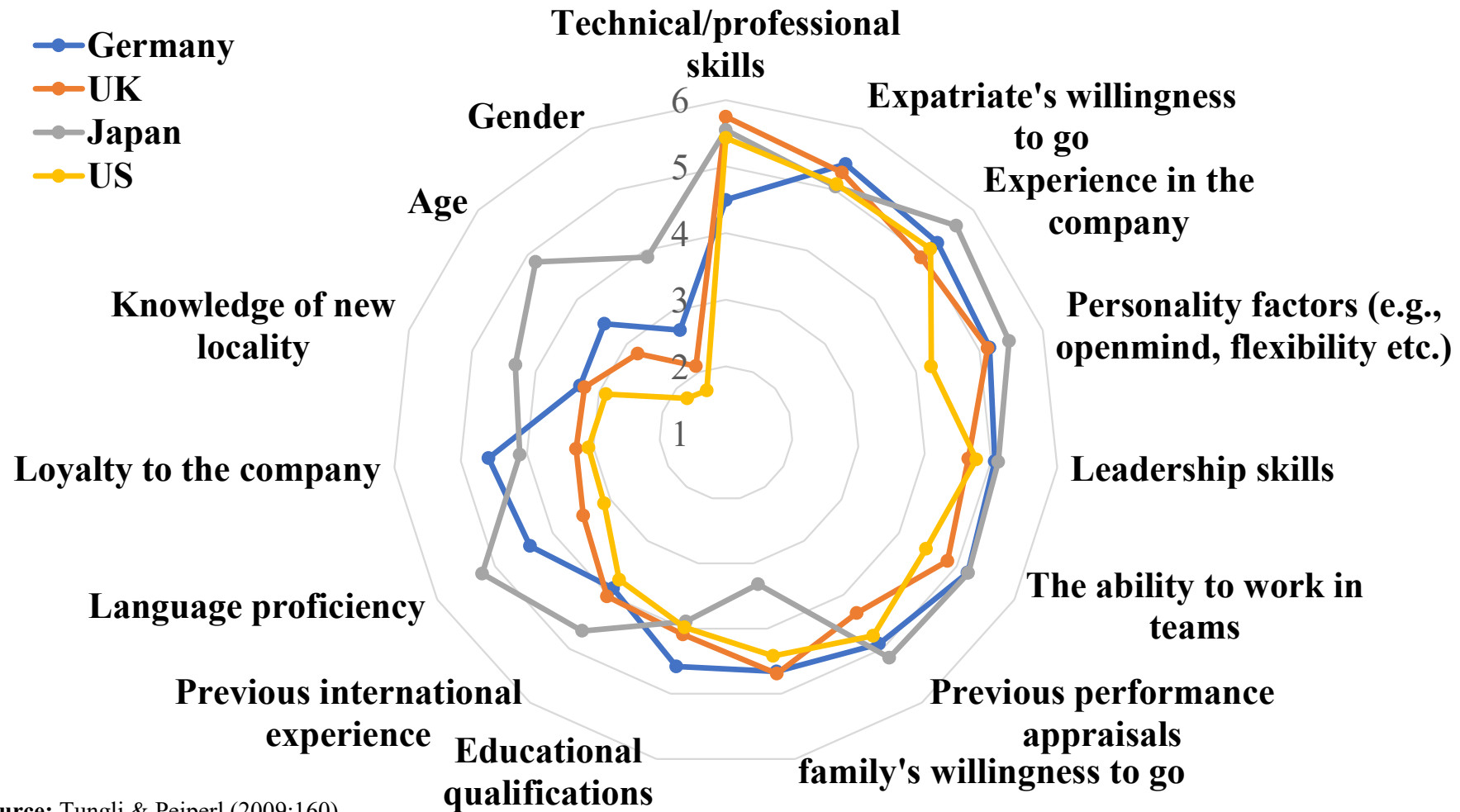
■ Factors in Expatriate Selection



Managing Expatriates



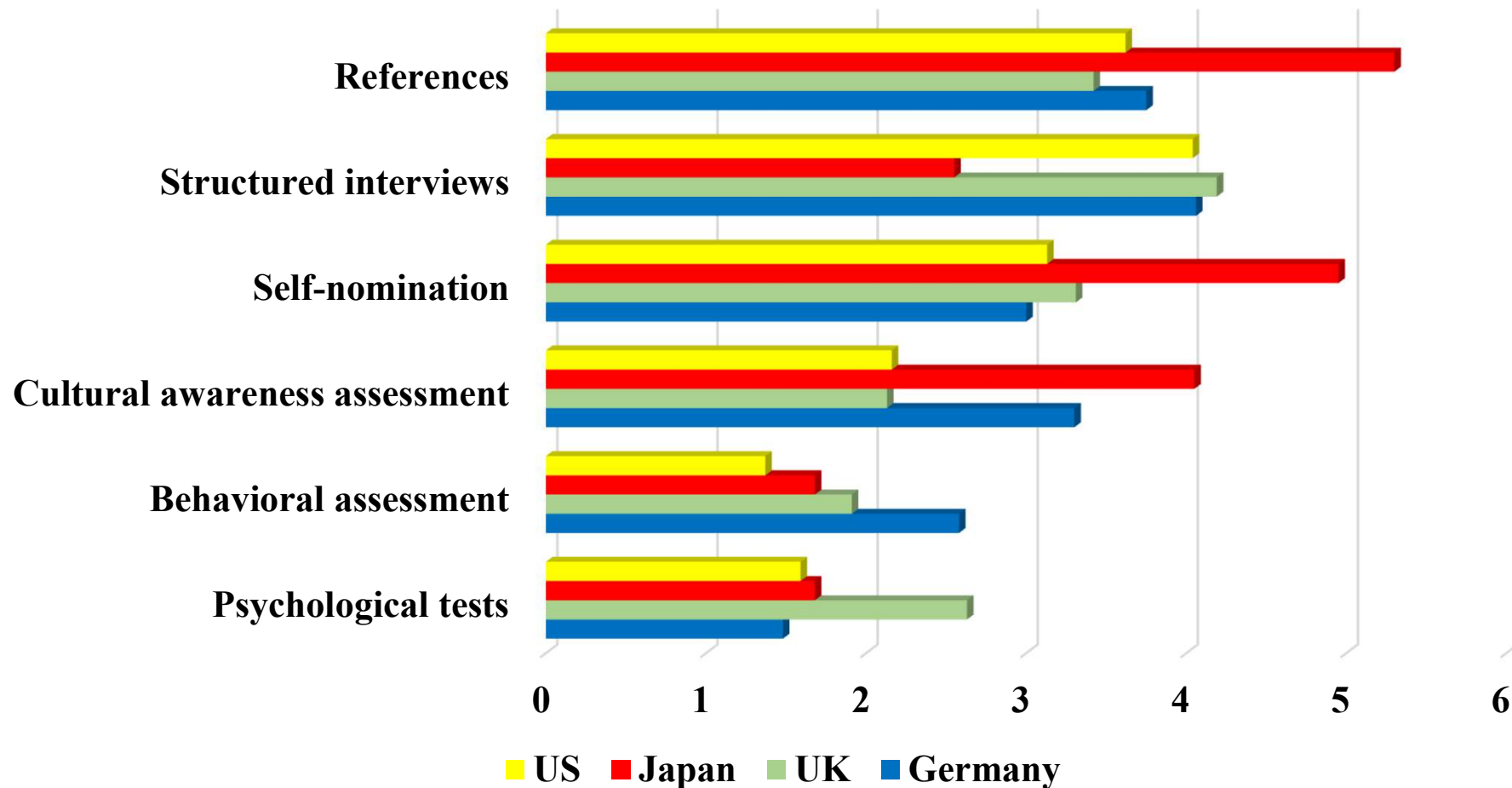
■ Selection Criteria for Expatriates



Source: Tungli & Peiperl (2009:160).



■ Regularity of Using the Following Selection Methods

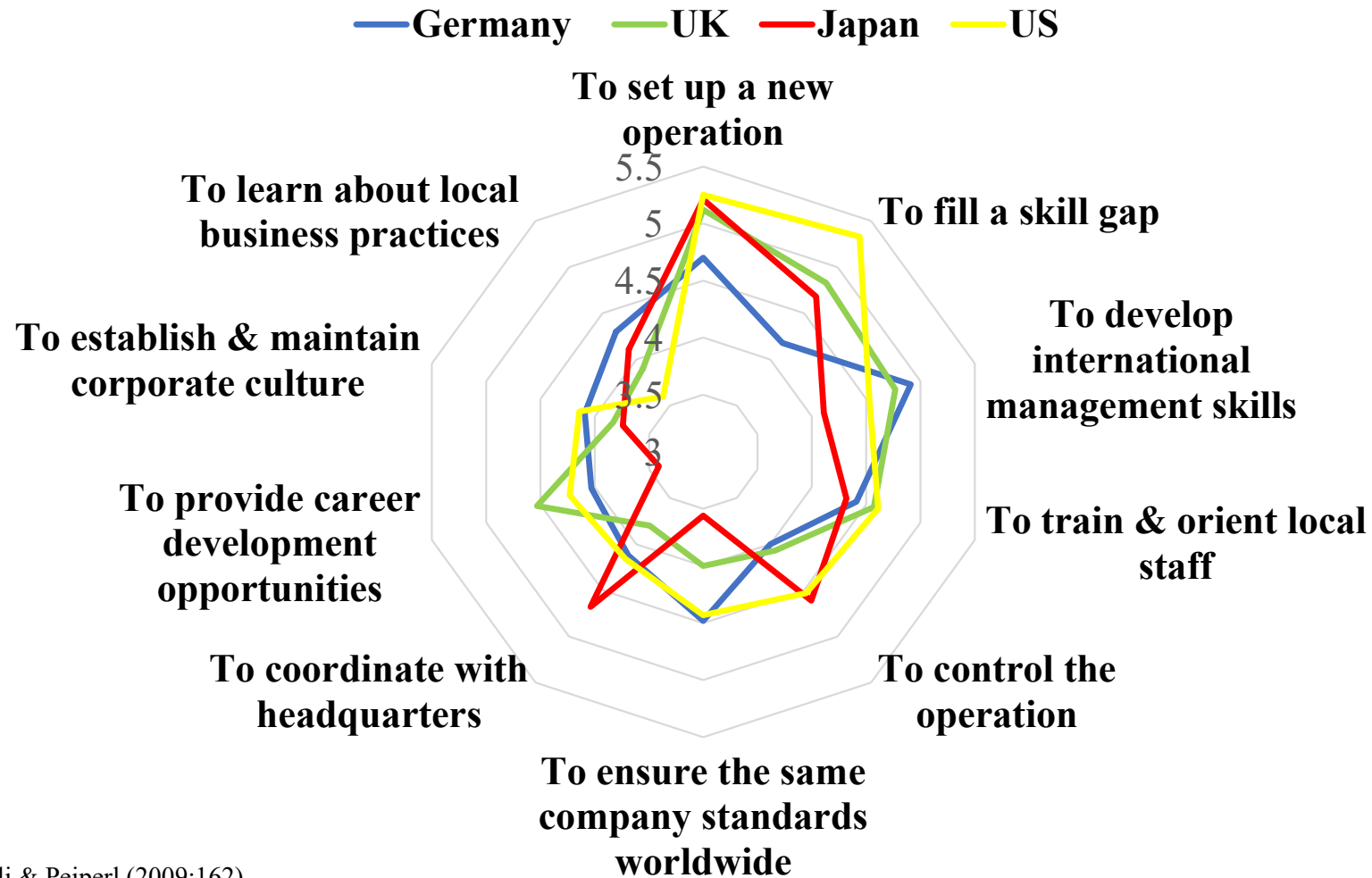


Source: Tungli & Peiperl (2009: 161).

Managing Expatriates



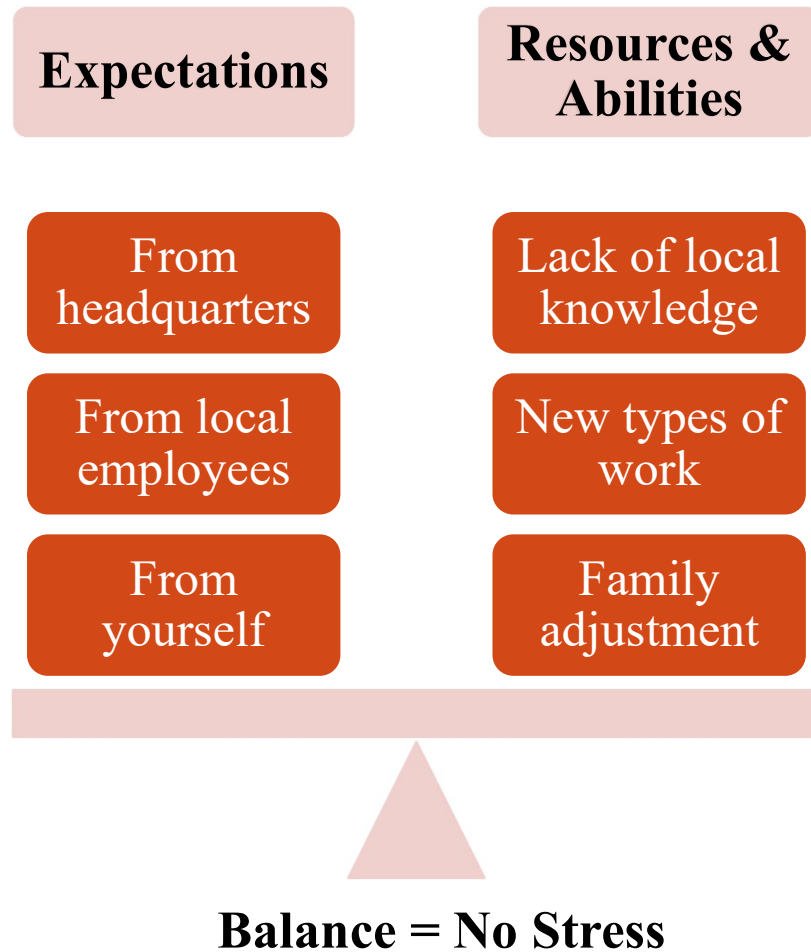
Reasons for Filling Managerial Positions with Expatriates



Source: Tungli & Peiperl (2009:162).



■ Sources of Stress for Expatriates

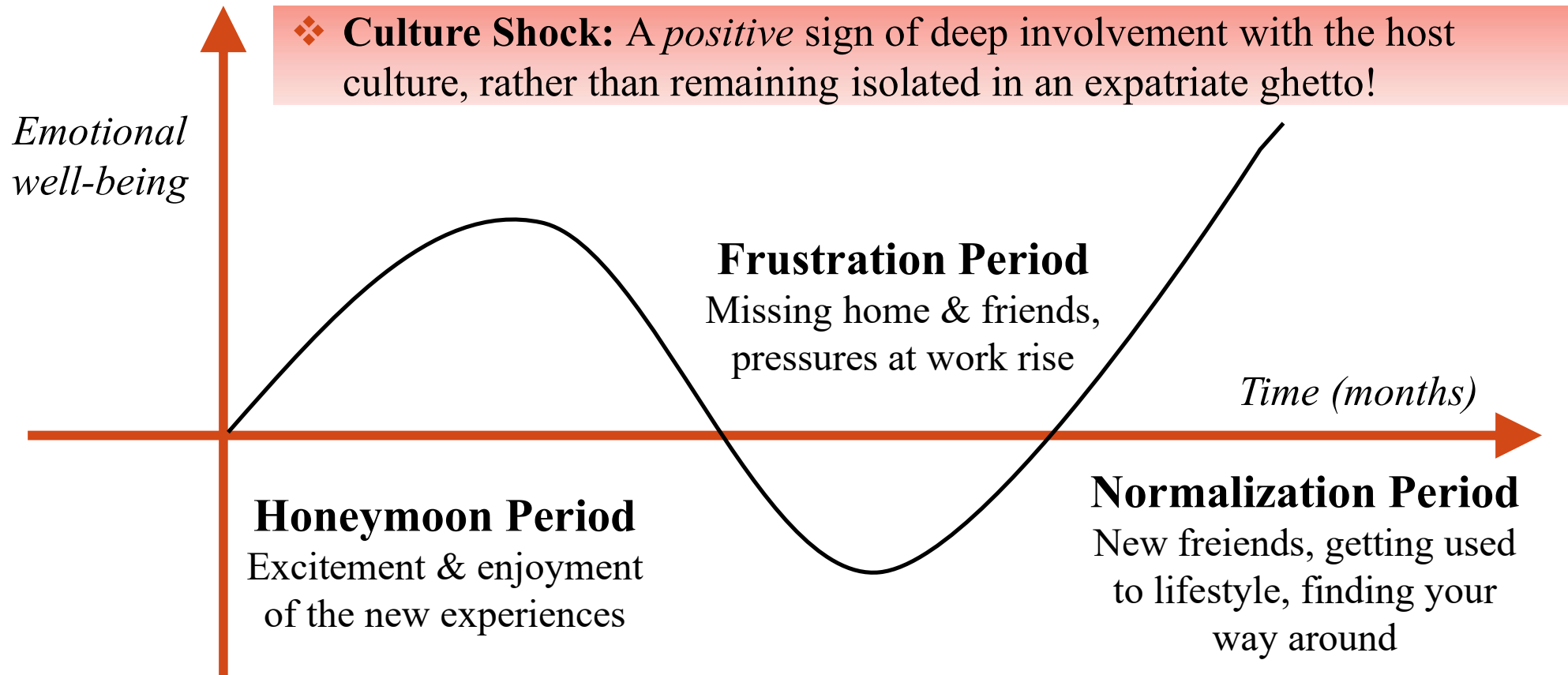


KEY COMMENTS

- > Many of the practical challenges or expatriates are similar to experiences of **students going abroad on exchange**.
- > Arriving at the place of an international assignment, the **initial concerns** are usually very **practical matters**:
 - Who does what?
 - Who is who?
- > **Our cognitive systems** of interpreting what is happening is grounded in **our culture**.
- > The **imbalance** between the effectiveness of your **action** & your **expectations** causes **expatriate stress**.



■ Culture Shock: From Honeymoon to Normalization



- ❖ **Solutions:** (1) Physical exercise, (2) meditation & relaxation techniques, (3) 'stability zones' such as groups in your own cultural community



1. Introduction
2. Strategic Functions of International HRM
3. Approaches to Managing People
4. Managing Expatriates
- ▶ **5. Managing People Abroad**
6. Resources & Human Resource Management
7. Implications for Practice



■ The Costs of Expatriate Failure (see next slide)

- ❖ The financial & personal costs of **expatriate failure** are high.
 - The average cost per failure can be as high as **3 times** the expatriate's annual domestic salary plus the cost of relocation.
 - The direct costs of each failure can reach **US\$1 million**.
 - A secondary cost is the **disruption of the family** (e.g., relationship destruction, stress creation)

■ Preventing Expatriate Failure

- ❖ Develop **preemptive training & preparation programs!**
- ❖ **Gauge** the ability of the expatriate's spouse & family to adjust to the foreign environment!
- ❖ Find ways to minimize the **risk of family disruption!**



■ Compensating Expatriates in Japan? (*Exchange rates, as of 07.05.2012)

Direct Compensation Costs	\$	€	£
▶ Base salary	150,000	114,918	92,639
▶ Foreign-service premium	25,000	19,153	15,440
▶ Goods & services differential	120,000	91,934	74,111
▶ Housing	97,000	74,313	59,907
▶ U.S. (hypothetical) taxes	38,000	29,112	23,469
Company-Paid Costs			
▶ Education (schooling for two children)	30,000	22,984	18,528
▶ Japanese income taxes	115,000	88,103	71,023
▶ Transfer moving costs	47,000	36,007	29,027
▶ Miscellaneous costs (e.g., shipping & storage; cultural, practical, language training; preassignment orientation trip; destination assistance)	85,000	65,120	52,495
▶ Working-spouse allowance	75,000	57,459	46,319
▶ Annual home leave (e.g., airfare for four, hotel, and meals)	15,000	11,492	9,264
▶ Additional health insurance, pension supplements, evacuation coverage	20,000	15,322	12,352
Total	817,000	625,918	504,573



■ Does the Repatriation System Work?

+ Positive trends

25-33.3% believe their international experience boosted their **career trajectory**.

- Faster promotions
- Obtaining new positions

One in four expatriates who returns home is **promoted** in his or her first year of repatriation.

Negative trends —

80% felt their new job was a **demotion** from their foreign assignment.

More than **60%** felt they did **NOT** have opportunities to **transfer their international expertise to their new jobs**.

27% of expatriates **left the company** within one year of returning from their international assignments.



1. Introduction
2. Strategic Functions of International HRM
3. Approaches to Managing People
4. Managing Expatriates
5. Managing People Abroad
- ▶ **6. Resources & Human Resource Management**
7. Implications for Practice



■ Applying the VRIO Framework to HRM Practices

❖ Does a particular HR activity add **VALUE**?

- Administering payroll & benefits may not add value.
- Results from 397 studies find that, on average, **training adds value**.

❖ Are particular HR practices **RARE**?

- If every MNC in China provides training to HCNs, such training, which is valuable, will be taken for granted but *not* viewed as *rare*.

❖ How **IMITABLE** are HR practices?

- It is relatively easy to imitate *a single practice*, but it is much more difficult to imitate *a complex HR system (or architecture)*.

❖ Do HR practices assist **ORGANIZATIONAL CAPABILITIES** in improving firm performance?

- Teamwork & diversity → Promoting learning & employee creativity



1. Introduction
2. Strategic Functions of International HRM
3. Approaches to Managing People
4. Managing Expatriates
5. Managing People Abroad
6. Resources & Human Resource Management
- ▶ **7. Implications for Practice**



■ Global Leadership

❖ Definition?

- Individuals who are able to lead global organizations to achieve their desired organizational objectives regardless nationality, age, gender, & religious backgrounds etc.
- Those who have the capacity to respond to complex business environments & manage cross-cultural organizations effectively.

❖ What Skills are Required for Global Leadership?

- **Traits** (e.g., curiosity, diligence)
- **Cognition** (e.g., self-efficacy, passion, global mindsets)
- **Business know-hows** (e.g., practical knowledge, business sights)
- **Vision** (e.g., entrepreneurial orientation)
- **Social skills** (e.g., communication skills, networking skills)

Source: Oki (2017).



■ Managerial Relevance



> Develop the ability to adapt to local conditions !

- (1) '*Self-maintenance*' (personal resourcefulness: skills & qualities, cultural sensitivity, readiness to see the world)
- (2) '*Networks*' with host countries (e.g., flexibility, tolerance)
- (3) '*Sensitivity*' to host environments



> The '4' Cs for HR managers !

- (1) Be *curious*: Need to know formal & informal rules of the game governing HRM in all regions of operations;
- (2) Be *competent*: Develop organizational capabilities that drive business success;
- (3) Be *courageous* & (4) Be *caring*.



> Be proactive in managing your international career

- You can pick any country likely to be *an attractive place* to do business in five years time.
- Well-equipped with the *knowledge* now, making proper investments & manoeuvring yourself to be picked eventually.

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Merci beaucoup !

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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