

Principles of Human Resource Management
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Module No. #07
Lecture No. #21
International Human Resource Management

Welcome back, to the class on, Human Resource Management. Today, we will talk about, International Human Resource Management.

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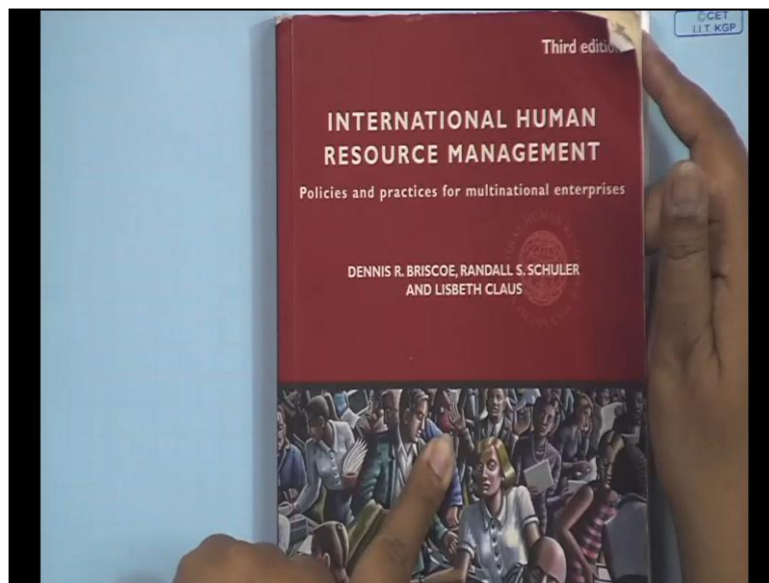
Sources

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*International human resource management:
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New Delhi: PHI Ltd.

We have something from, Briscoe, Schuler, and Claus, this book. A little bit from, Gomez-Mejia, Belkin, and Cardy. I will show you the book. Maybe, you can focus on the book, for a minute.

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So, this is the book, that i am using. This is the third edition. If you can find, a later edition, you can get it. The details are here. It is a Routledge book. And, have taken this part of your lecture, from this book. Okay. Let us move on.

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The internationalization of business

(Briscoe, Schuler & Claus, 2009)

- Increased travel
- Rapid and extensive global communication
- Rapid development and transfer of new technology
- Free trade
- Education
- Migration
- Knowledge sharing
- Pressure on costs
- Search for new markets
- Homogenization of cultures
- E-commerce

The internationalization of business. Till now, we were talking about, human resources, from the overall perspective. You know, what human resources are. How they are evaluated. You know, what do human resource personnel do. All that, we were discussing. Now, let us talk about this, from a global perspective, from an international perspective. Internationalization of business. Before, we talk about, international human resource management, we need to know, what it means to have a business, in more than one country. Okay.

So, why has business expanded, across the border. Because of, increased travel, rapid and extensive global communication. You can, now pick up the phone, and call up anybody, in any part of the world. You chat with your friends, sitting in any part of the world, over Facebook, you use WhatsApp, etcetera. Rapid development, and transfer of new technology. Technology comes up in, Japan, Korea, China, US. And, it is communicated, to the rest of the world, in no time at all.

It is not like the olden days, where it used to take, sometimes year, sometimes decades, for technology to be transferred, to another part of the world. Free trade. The trade policies have opened up. So, it is easier to do business, across the border. Education. People are becoming, more and more educated, more and more aware. They know, what is going on, in the world. And, they are able to use their, you know, they are able to expand, the horizons of their work, in other parts of the world.

So, that is, you know, so they, know a lot more, about their fields. And, they are able to expand, or to apply the knowledge, in different ways, all over the world. Then, migration is

another reason, for this. Migration refers to, move people, moving across the border, to stay, to live, to work, to study, etcetera. Knowledge sharing, is another one. Knowledge sharing means, you are sharing, whatever you know, with other people. We constantly tell people, what we know, what we learn. Okay.

Pressure on costs has led to, the internationalization of business. This all, global outsourcing process, you know, business process outsourcing, to places that are not, so expensive, is another one. Search for new markets, is another one. You exhausted the markets, within your own geographical region. And, you want to move into different areas. Or, whatever you have developed, is now obsolete, in your own country. And, there are still areas, where it is still viable.

So, you take that. And, you take to, you go to other places. Or, you have developed something, that is of more use, in another part of the world, that is not used as much, in your own country yet. (Refer Slide Time: 04:26) So, you will search for new markets. Homogenization of cultures. Homogenization means, establishment of similarity. Homogenous. Homogenous means, similar, in various, according to various parameters.

So, when we talk about, the homogenization of cultures, we are essentially talking about, people having similar cultures, across the board. You know, people having similar cultures, in different parts of the world. For example, when we were children, coke, was not as easily available in the country. What was available was, Campa. I remember, Campa-Cola. You know, Coca-Cola had just been, phased out. And, it had not yet, come back. And, Campa-Cola was the local brand, or, sorry, the local equivalent, of Coca-Cola and Pepsi.

And, our parents had tasted Coca-Cola. But, we were used to, Campa-Cola, Campa-Orange, Campa-Lemon, etcetera. And then, so you know, it was not, i mean, we did not know, we knew, sometimes, we would see through, Hollywood Movies. We would see, what was happening in the west, other movies, other news, we would see, what was happening, in other countries. But, we did not have access, to those things. Our ways of living, were different. The way, we spoke, was different. The way, we ate, was different.

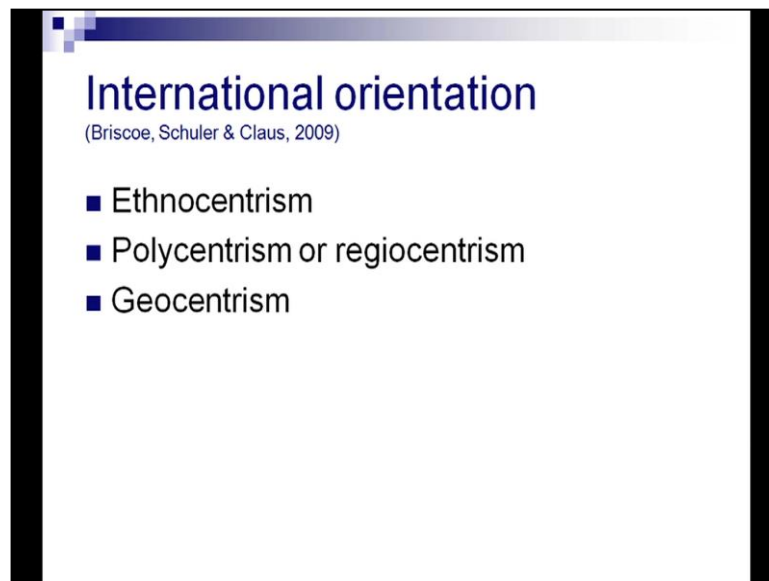
Nowadays, you will find a pizza shop, in a small town, in a far-flung area. So, everybody knows, what pizza and burgers are. Everybody knows, what Coke and Pepsi is. And, i am not

trying to promote, these brands. I am just, giving you an example. So does, any kind of aerated drinks, are very popular. We used to have, these local, you know, marble drinks. Marble is in Hindi, is called Cancha.

Which is, these round glass marble, you know, filled bottles, that were popped closed, with the help of a glass marble. So, used to have these, in the market. And, these days, you rarely find that. But, nowadays, a lot of things, have been standardized. All these, packeted foods, you know, chips, and wafers, and this, and that, i mean, all of this, has percolated.

So, everybody is consuming, the similar kind of stuff. So, that is what, homogenization of culture means that, our, the way, we are doing things, has become very similar, across borders. Okay. E-commerce. Electronic commerce has also led to, the internationalization of business. Okay.

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International orientation, is another concept, that i want to, introduce you to. International orientation refers to, how we situate ourselves, what we think of ourselves, in relation to the, rest of the world. One way, one aspect, of international orientation is, Ethnocentrism. I am the best. My country is the best. My community is the best. My community is, you know, whatever i do, has to be centered, around the best interests of, only my community. That is called Ethnocentrism.

My ethnicity. So, my ethnicity, takes priority over everything else. The other way, and so, this means that, internationalization or globalization, is not a priority for us. The other aspect, of this is, Polycentrism or Regiocentrism. Different countries, different regions, i accept, that there are different regions, and i will give, equal weightage. Geocentrism is related to, geographical boundaries. Okay.

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Internationalization of HRM
(Briscoe, Schuler & Claus, 2009)

- IHRM is the study and application of all human resource management activities as they impact the process of managing human resources in enterprises in the global environment.
- Challenges to HRM in multinational enterprises (MNEs):
 - Developing a global mindset inside the HR function, particularly awareness and understanding of the new global competitive environment and the impact it has on the management of people worldwide
 - Aligning core HR processes and activities with the new requirements of competing globally, while simultaneously responding to local issues and requirements
 - Enhancing global competencies and capabilities within the HR function

Internationalization of HRM. IHRM is the study and application of, all human resource management activities, as they impact the process of managing human resources, in enterprises, in the global environment. So, international human resource management, as the name indicates, is the application of human resource principles, to the management of human resources, in organizations, that are in, more than one country. So, okay.

Challenges to, HRM and Multinational Enterprises. Multinational enterprises are organizations, that are based in more than one country, as the name suggests. Some challenges are, one is developing a global mindset, inside the HR function. People, need to understand, that they are not dealing with, one country alone. Ethnocentric ideals, cannot apply in a global multinational company, global or multinational company. We need to take, everybody's interests, into account.

Aligning, core HR processes and activities, with new requirements of competing globally, while simultaneously, responding to local issues and requirements. So, how do we. The first challenge is, convincing the HR people, that everybody's interests are, equally important. It is

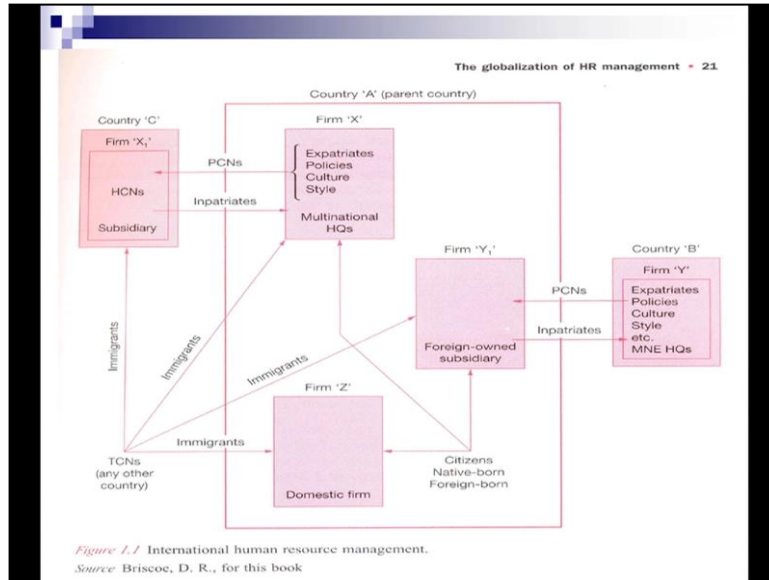
not only about, the parent company or parent country, it is also about, the host country. So, everybody's interests, need to be taken, into account. The second point here is, that we need to compete globally, but also take care of our local needs.

We are situated, in a local context. The office may be, in a small town, in say, the Philippines, or in say, Taiwan, or in say, the United Kingdom. And, the company may have its offices, all over the world. The company, may be in India. But, one office in UK, one office in Taiwan, one office in Australia, one office in Uzbekistan, and one office in the United States. And so, how do you deal with this. The office in Uzbekistan, will have a different set of needs. The people, sitting in that office, will have a different set of needs.

People sitting in the one office, in say, the United Kingdom, will have a different set of needs. People sitting in one office, and say, Kenya, will have a different set of needs. People sitting in the office, in Australia, will have a different set of needs. So, you know, how do you address, those needs. But, they also have to perform, in such a way, that they are able to achieve, the global goals of the organization. So, how do you strike a balance, between these, and how do you keep, everybody satisfied.

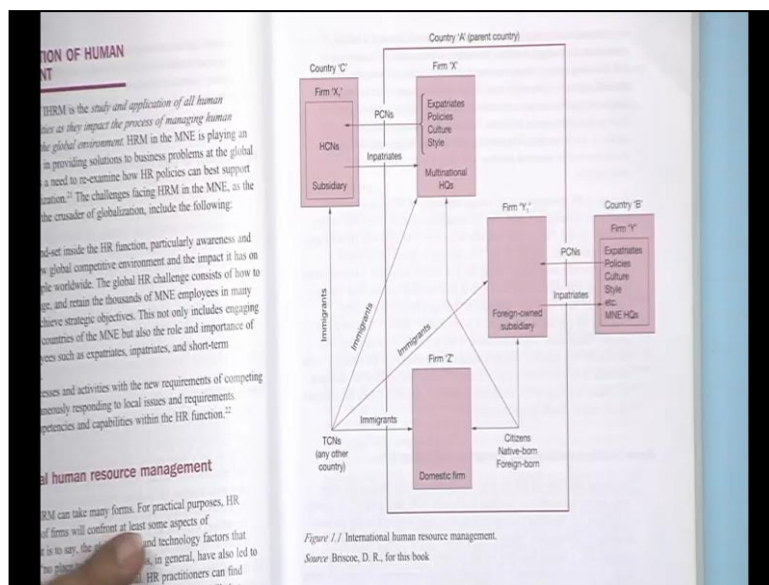
That is one big challenge, of the international human resource manager. Enhancing global competencies and capabilities, within the HR function. How do you, make the employees, capable of dealing with these, global problems? Or, how do you make, the HR staff, capable. How do you enhance the capabilities, of the human resources staff, in dealing with the employees, in different parts of the world?

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Now, this is the diagram. I do not think, i am supposed to have it on a slide. So, i will show you, this diagram, in this book, here.

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If the camera, can please be zoomed on the diagram, a little bit. Can you please, zoom in. Yeah. Thank you. Little, zoom out a little bit. Thank you, yeah, that will do. So, you see, that. Okay. This is international human resource management. So, you are in country A, which is the parent country. Firm X, is in the parent country. Firm X, sends the parent country nationals, to country C. Firm X₁, is a subsidiary of, Firm X. And, these parent country nationals, interact with the host country nationals.

You cannot only have your staff, in that other location. There is also the staff, from the local area. So, these people, go and interact, with the host country nationals, in country C. Inpatriates, these people go there, they do their work, and they come back, to their home country. And, all these things, you could have expatriates, in firm X, also. You could have people from, other countries. So, this is the third country nationals. Any other country, where there is no office, where, but there are competent people, who are coming here.

So, you will have, expatriates. You will have, policies. The culture, will be a mix of, host country, of parent country nationals, of Impatriates, of the other country nationals And, you will have to have, a multinational headquarter, here. Okay. Now, let us see this. Firm X, is this. Firm Y1. Firm Y is another firm, within that parent country. It is a foreign owned subsidiary. Okay. And, Firm Z is a domestic firm. This is one industry, in the parent country.

Now, Country B is another country, outside of this parent country, where Firm Y, sends its people to. It is a foreign owned subsidiary. It sends its people, to this country. And, the parent country nationals, from this country, come to Y, Firm Y. So, these people are contributing, to the culture of, Firm Y. People from Country B, are coming to Firm Y. From here, there are citizens, that are native-born, and foreign-born.

So, within the parent country, you could have citizens, you could have native-born professionals, you could have foreign-born professionals, serving in Country A, that are contributing to the working of, the Firm X, that are contributing to the working of Firm Y1, that are contributing to the working of Firm Z. Similarly, in the third country nationals, you could have people, contributing to, or people working in, Firm X1. Firm X, which is a subsidiary of Firm X.

And, you could have firm, sorry. Firm Y1, is a subsidiary of Firm Y, which are situated, outside the countries. So, these people are coming here. Third country nationals, are immigrating, are migrating to, the Firm Y. So, they are contributing here. This is a domestic firm, in which, you could have immigrants, you could have, native, foreign-born, and citizens, contributing to the, working of this firm.

And, as a human resource person, within the industry, if you are working with Firm X. You will need to know, what is happening in Firm Y. You will need to know, what is happening

in Firm Z. And, you will need to compete with, Firm Y, and Z, and their subsidiaries. And, you will need to know, this whole complex function. There are people, who are coming from, other countries. There are people, who are going back, to other countries. I mean, it is very, very, very complex. I think, in a previous lecture, i had told you, that one of the areas, one of the fields, in which, we employ a large number of foreign nationals, is the airline industry.

We have a number, a significant number of pilots, from other countries, in the, especially in the, privately owned airlines, in India. And, this model, really applies to situations, like those. Of course, there would be, other industries also. So, you know, as a human resource person, you need to understand, this whole mix of people, who could be employed, in your organization. And, how do you treat them, how do you look after their interests, is something, that you need to think about, very, very seriously.

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How do you develop, you know, development of IHRM, country selection? So, you select these countries, very carefully, where you can get, employees from. Or, where the office, can go. Then, global staffing is a concern, in the development of, International Human Resource Management functions. Recruitment and selection. The processes involved.

How do you, select. How do you, filter out people, who you do not think, will be able to perform, that well. Compensation is another issue. Standardization or adaptation, of the

parent country, procedures and policies, is another issue. And, we will talk about all this, in probably, the next lecture. Okay.

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Differences between international and domestic HRM (Briscoe, Schuler & Claus, 2009)

- More HR functions and activities
- A broader expertise and perspective
- More involvement in people's lives
- Managing a much wider mix of employees
- More external factors and influences
- Greater risk

Differences between, international and domestic HRM. More HR functions and activities, are required in, international HRM. A broader expertise in perspective, is required, in international human resource management, kind of activity. There is more involvement, in people's lives. Because, people are coming from, different countries. You have to look after, their welfare. You have to look after, their stay, their health facilities, their visas, their migratory status, their adherence to local laws, their adaptation to local systems, customs, etcetera.

Managing, a much wider mix of employees, who have come from, different cultures, different countries, with different needs. Who might want to go back, to their home country, in the case of an emergency. Who might want to move back, to their home country, in the case of an emergency. Which will not be the case, with local employees. So, stuff like this.

And, there is a greater risk, in these kinds of operations. For the simple reason that, people come from different parts of the world. And, their work, and their, the rightness or wrongness of their actions, could be governed in part, by the laws of the country, they belong to. So, their nationality, could have an impact on, how they can, and should be treated, and how the policies, are formulated.

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Creating the international organization: Strategy & structure (Briscoe, Schuler & Claus, 2009)

- Opportunities available to firms in the global environment:
 - Adapting to local market differences
 - Exploiting global economies of scale
 - Exploiting global economies of scope
 - Tapping into the best locations for activities & resources
 - Maximizing knowledge and experience transfer between locations

Creating the international organization strategy and structure. Some opportunities available to firms, in the global environment. Number one. The first opportunity is, adapting to local market differences. If you adapt to these differences, between the local markets, and the market in your home country, you could end up making, a lot more money. Exploiting global economies of scale. Exploiting global economies of scope. So, global economies of scale means, producing larger numbers, of the same product.

Global economies of scope means, having a larger, a wider variety of items, to offer. For example, the burger in India, has a potato patty, in it. The veggie burger, is actually a potato patty. So, that is not something, you will find, outside of India. Or, maybe, you could have, the chicken tikka burger, in some places. This is something, that is very unique to India. Achari chicken burger, you know. So, it is still a burger, with stuff, that is very, very, suited, to the local taste.

A Jalapeno burger, may not be, very, very, appreciated, more appreciated here. A salmon burger, for example, may not be appreciated, in India. You may not even find, salmon here. But you could definitely find chicken, and you could have that, here. So, these things are. So, this is exploiting, global economies of scope. And, of course, you know, you just widening

the scope, of your burger. You could start serving, local meals also. For example, biryani is served, in the Indian subsidiaries, of foreign, of western fast food chains.

So, that is expansion of the global economy, or, exploitation of the global economy of scope. You enlarge the scope, to fit the needs of the local markets. Tapping into the best locations, for activities and resources. You could, you know, it globalization, gives you a platform, to look for the best available place, anywhere in the world. Maximizing knowledge and experience transfer, between locations. You learn one thing, from one place. And, you go and take it, and apply it in another place.

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Stages in the development of MNEs
(Briscoe, Schuler & Claus, 2009)

- Evolution of MNEs: Geographic spread: Bartlett and Ghoshal (...) stages of internationalization of companies:
 - Domestic
 - International
 - Multinational
 - Global
 - Transnational

How do multinational enterprises, develop? The first step here is, evolution. So, geographic spread is, you know, is the first step, here. So, it could, sorry. How does, how do multinational enterprises, develop. They first, gets established, in the domestic markets. And then, they move on to, international markets. Which means, they keep the main operations, within their own organization. They just market their products and services, outside of the home country.

But, these things are manufactured, in the home country. They do not have offices, there. So, everything is controlled, centrally in the home country. That is the difference between, domestic and international. When you go multinational, you set up offices, in different countries. But, they are all doing, the same thing. Okay. So, that is multinational. Then, you

go global. Which means, that you are serving, the same thing, in the same manner. Some slight modifications, are being done. Some slight adaptations, are being done.

So, you expand, the economies of scale. You do not really, work about, or go about, expanding the economies of scope, that much. Or, exploiting the economies of scope, that much. In multinational, it is only scale. In global, it is little bit of scope. When we go transnational, we do one thing, in one country. Another thing in, another country. For example, you are an automotive manufacturer.

So, in the equatorial countries, your organization could be manufacturing, motorized two wheelers. And, in say the, or in the tropical countries, you could be manufacturing, motorized two wheelers, scooters, motorbikes, mopeds, etcetera. And, selling those. And, maybe in Europe, or say, Australia, or the United States, you could be making, or North American continent, you could be making, suv's, suburban vehicles.

So, the same company, yes, you are making automobiles. But then, you know, you making the larger, a different variation of motorized vehicles. So, it is no longer, two wheelers. You could be making, four wheelers, in a different country, but, under the same brand. So, that is going transnational. Okay.

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Stages in the development of MNEs
(Contd.) (Briscoe, Schuler & Claus, 2009)

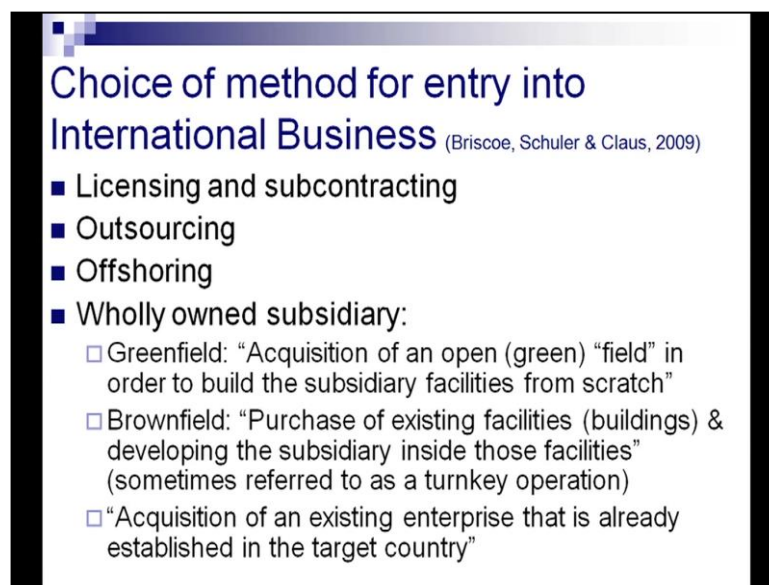
- Internationalization through export
- International division or global product division
- Multi-country/ multi-domestic strategy
- Regionalization
- The global firm
- The transnational firm
- The born global firm
- The globally integrated enterprise

Then, internationalization through export, is another one. So, you first, you know, so you evolve your, multinational organization. Then, you internationalize, through export. Then, you move on to, international division or global products division. Then, you move in to,

multi-country or multi-domestic strategy. Then, regionalization. You face-out, and have different regions, adapt to different things. Then, you have a global firm. The transnational firm, is another one.

Then, the next stage is, born global. One firm is set up. So, you start an organization, with the idea, or, you start an organization, in several countries, across the world, simultaneously. So, that is the born global firm. The globally integrated enterprises, that you start, different operations in different countries, and tie them in, with each other. So, these are the different stages, in the development of multinational enterprises.

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Choice of method for entry into International Business (Briscoe, Schuler & Claus, 2009)

- Licensing and subcontracting
- Outsourcing
- Offshoring
- Wholly owned subsidiary:
 - Greenfield: “Acquisition of an open (green) “field” in order to build the subsidiary facilities from scratch”
 - Brownfield: “Purchase of existing facilities (buildings) & developing the subsidiary inside those facilities” (sometimes referred to as a turnkey operation)
 - “Acquisition of an existing enterprise that is already established in the target country”

Choice of method for entry into international business. How do you enter, in to international business, in the world? So, you could do it, through licensing and subcontracting. For example, you take a franchise, of a world-renowned brand. And, you have it, within your country. Outsourcing is, you take your operations, from your country, and you take them, outside the border of your home country.

Outsourcing means, you take the operations, from within your country, and take them to a location, where you can either find cheap labor, or more skilled labor, or you know, better facilities. So, you take it, out of your organization. That is outsourcing. Off shoring is, taking the operations, taking one part or some operations, of your organization, to another country, across the border.

So, we have these, business process outsourcing organizations, in the world, that are, you know, moving into, say, so called cheaper locations, like India. So, that is off shoring. You could have, wholly owned subsidiaries. You could have, Greenfields. Various ways of having, wholly owned subsidiary. One in greenfield. Which means, you acquire an open field, in order to build the subsidiary facilities, from scratch. You will say, okay, i will open a factory, in some location.

And, all you have is, the land. You design your factory, according to your needs. You design your set up, according to your needs. And, you do things, according to your needs. That is the, greenfield approach. Brownfield approach is, you purchase buildings. And, you adapt the setup, within those buildings, to your needs. And then, the other way of doing it is, you acquire existing enterprises, and you break them apart, or you manage them, in a slightly different manner. So, this is the, wholly owned subsidiary strategy. Okay.

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Mergers and acquisitions. You take, merger means, two companies, coming together. Acquisitions means, you are a more powerful company. You take over a weaker company. And, integrate it, into your company. International joint ventures, are another one. International joint ventures is, slightly different than, mergers. You do something together. You work on a common project. Okay. So, that is an international joint venture.

You could have, strategic alliances. For example, for one thing, say, one aspect of your work, is done together, with somebody. You could have partnerships. And, you could have

consortia, where discussions go on. You know, ideas are thrown open. And, idea generation takes place. And, you get together, as and when required. Maquiladoras is a Mexican term. It is a special form of foreign subsidiary, with special characteristics, favorable to foreign parents.

So, you have an organization. And, you do not try and train, or, have the foreign country nationals, adapt themselves, to your organization. You adapt, you facilitate this, through the way, you do things. So, you have some way for them to, become very comfortable, in their new settings. Okay. And, there are some special characteristics, within your organization, that help with this. Okay.

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Factors that influence, how multinational enterprises organize for, global business. The strategy, the organization adopts, is affects, how the organization takes place. Goals of the organization, is another one. Environment, that you function in. The goals determine, what you do, how you do it, how you organize yourselves, the technology available to you, the technology available in different locations, will make a difference.

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Factors influencing how MNEs organize for global business (Contd.) (Briscoe, Schuler & Claus, 2009)

- Firm's forms and stages of international development
- Amount of cross-border coordination required by the firm's strategy (i.e. degree of desired standardization & centralization vs. degree of acceptable and/ or necessary localization & decentralization)
- Nature of host governments' involvement in the economic process
- Diversity and complexity of the MNE's business operations

The people, the background of the people, the training, etcetera. The size of the organization, will also have an impact on, how you organize for global business. Whether, you do it, and how you do it.

Factors influencing, how MNE's organize, for global business. Some more factors here. The firm's forms and stages of international development. At what stage, are you, in the international development. Amount of cross-border coordination, required by the firm strategy. So, the degree of desired standardization & centralization, versus, degree of acceptable and or necessary localization and decentralization.

So, how much of coordination, there is. Nature of host governments involvement, in the economic process. How much, do they control? Do they tell you, what is the minimum salary, or not, etcetera? Diversity and complexity of the MNE's business operations, is another factor, that influences, whether and how, you organize for global business.

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Stages of international involvement

(Gomez-Mejia, Balkin & Cardy, 2012)

- Stage 1: Primarily domestic market
- Stage 2: “Firm expands its market to include foreign countries but retains its production facilities within domestic borders”
- Stage 3: “Firm physically moves some of its operations out of the home country”
- Stage 4: “Firm becomes a full fledged ‘multinational corporation ... with assembly and production facilities in several countries and regions of the world’”

So, some stages of international involvement. Like I told you earlier, this is sort of, a wrap up, or a revision of, what I just told you, in the beginning of this class. And, that is, stage one is, you have a primarily domestic market. Stage two, you expand your market, to include foreign countries.

But, retain your production, within domestic borders. Stage three, the firm physically move, some of its operations, outside the home country. And, stage four, you become a full-fledged multinational corporation, with assembly and production facilities, in several countries, in different regions of the world. And, this is where, we will stop, now.

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Global employment law, industrial relations, and international ethics

We will continue with the, global employment law, industrial relations, and international ethics, in the next class. So, thank you very much, for listening. And, i will see you, in the next lecture.