

# Part 6 Special Topics in Human Resources

## Chapter 10 Managing Global Human Resources



# Chapter 10 Outline

- I HR and the Internationalization of Business
- II Improving International Assignments Through Selection
- III Training and Maintaining International Employees
- IV A Final Word: Strategic HR



# Learning Objectives

- More effectively manage international HR-related tasks
- Illustrate how intercountry differences effect HRM
- Explain five ways to improve international assignments through selection
- Discuss how to train and maintain international employees

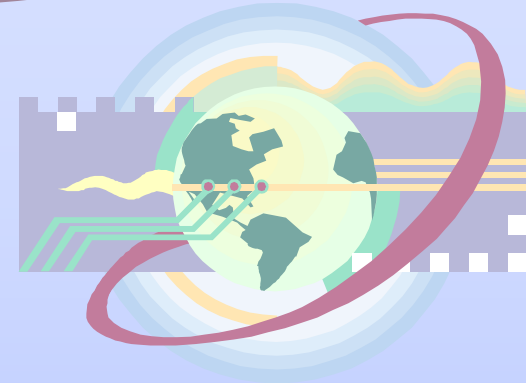
# I HR and the Internationalization of Business

1. 1 The HR Challenges of International Business
1. 2 How Intercountry Differences Affect HRM

# HR and The Internationalization of Business

- Increasingly, US based companies are doing business abroad
- Keys to success for firms like P&G, IBM, and Citicorp
- New challenges

# What US Firms Should Do



- Coordinate plans on a worldwide basis
- Create organization structures providing balance
- Extend HR challenges, systems abroad
- Answer these questions:

Should we staff offices with local or US managers?

**How should we appraise and pay the local employees?**

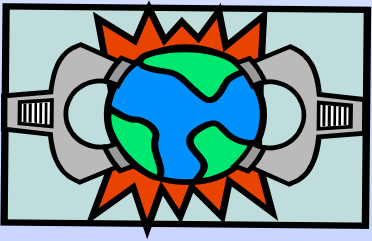
How should we deal with the unions in our offices abroad?

# 1.1 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





# Global Staffing Pressures

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



# 1.2 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



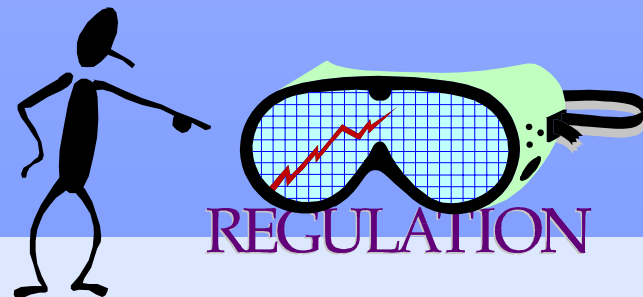
# A Classic Study

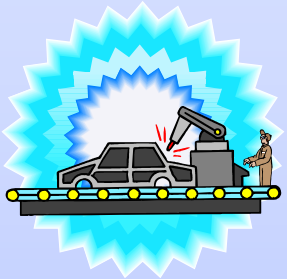
**Power distance** is the extent to which the less powerful members of institutions accept and expect an unequal distribution of power

- ◆ Different expectations

# Power Distance Effect

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





# Economic Differences

Translate into differences in HR practices:

- Espousing ideals of free enterprise
- Wage costs vary
- Other labor costs vary

**Mexico \$2.46**

**Taiwan \$5.98**

**UK \$15.88**

**Germany \$29.01**

**US \$19.86**

# Legal and Industrial Relations Factors

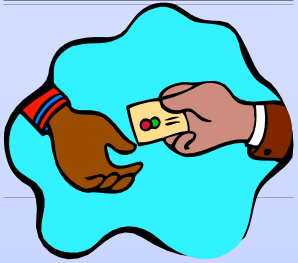
- **Industrial relations** means the relationships among the worker, the union, and the employer
- The US practice of employment at will does not exist in Europe
- **Work councils**
- **Codetermination**



# European Union

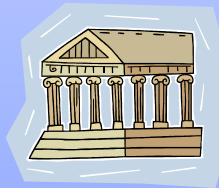
EU formation caused:

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



# 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



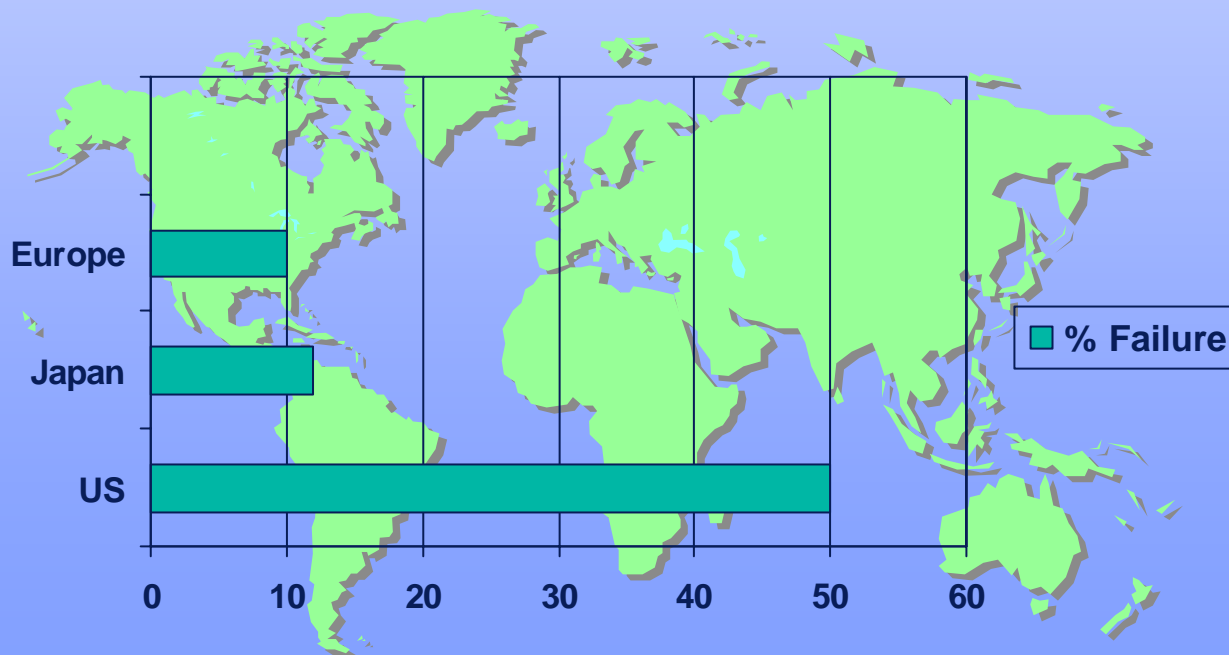
# II Improving International Assignments Through Selection

- 2. 1 Why International Assignments Fail
- 2. 2 International Staffing: Home or Local?
- 2. 3 Values and International Staffing Policy
- 2. 4 Selecting International Managers



# Failure Rates of International Assignments

International assignment failure can cost hundreds of thousands of dollars





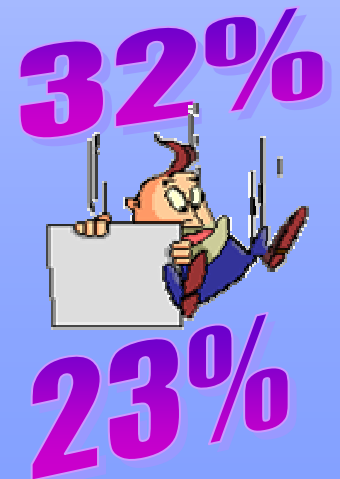
## 2.1 Why International Assignments Fail

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



# Improving Failure Rates/ Solutions

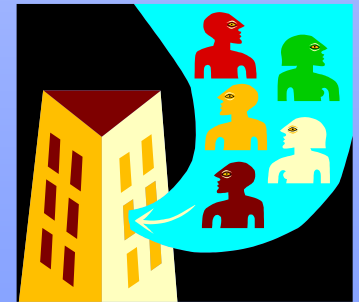
- Provide realistic previews
- Have a careful screening process
- Improve orientation
- Provide good benefits
- Test employees fairly
- Shorten assignment length



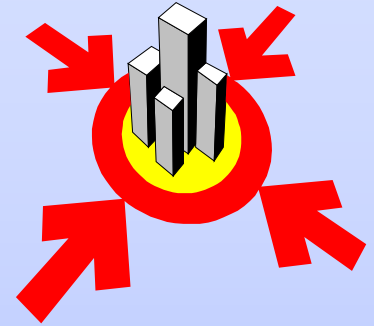
## 2.2 International Staffing

Multinational corporations (MNC's) use several types of international managers:

- ◆ Locals
- ◆ Expatriates
- ◆ Home-country nationals
- ◆ Third-country nationals



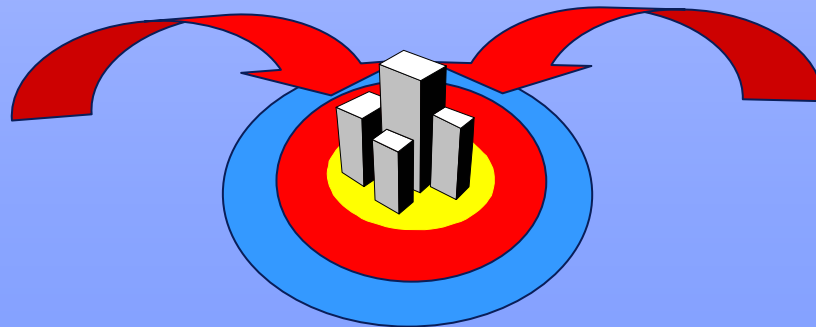
# Reasons to Hire Locals



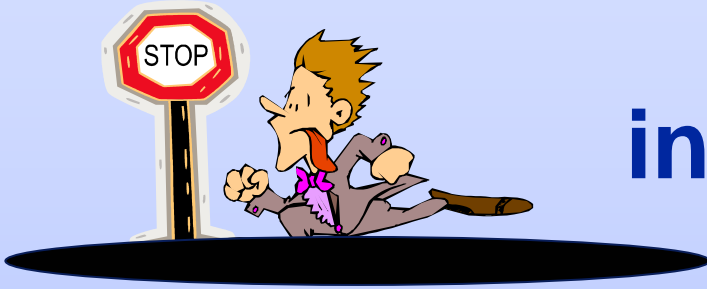
- Working in a foreign country
- Cost
- Being a “better citizen”
- Short-term projects
- Security

# Reasons to Use Expatriates

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



# Avoiding Pitfalls in Hiring Multinationals



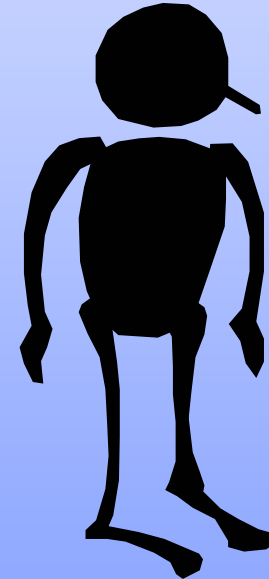
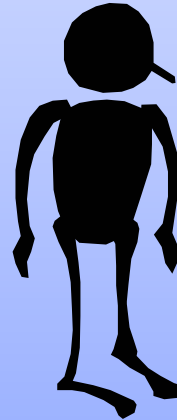
- Don't rush
- Always obtain originals
- Confirm existence of institution
- Write or fax
- Have applicant sign and notarize documents
- Verify foreign credentials
- Telltale signs of fraudulent credentials

## 2.3 Value Systems and Staffing Policies

Ethnocentric

Polycentric

Geocentric



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



## 2.4 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

<b>I) Job Knowledge and Motivation</b> Managerial ability Organizational ability Imagination Creativity Administrative skills Alertness Responsibility Industriousness Initiative and energy High motivation Frankness Belief in mission and job Perseverance	<b>III) Flexibility/Adaptability</b> Resourcefulness Ability to deal with stress Flexibility Emotional stability Willingness to change Tolerance for ambiguity Adaptability Independence Dependability Political sensitivity Positive self-image
<b>II) Relational Skills</b> Respect Courtesy and tact Display of respect Kindness Empathy Nonjudgmentalness Integrity Confidence	<b>IV) Extracultural Openness</b> Variety of outside interests Interest in foreign cultures Openness Knowledge of local language(s) Outgoingness and extroversion Overseas experience <b>V) Family Situation</b> Adaptability of spouse and family Spouse's positive opinion Willingness of spouse to live abroad Stable marriage



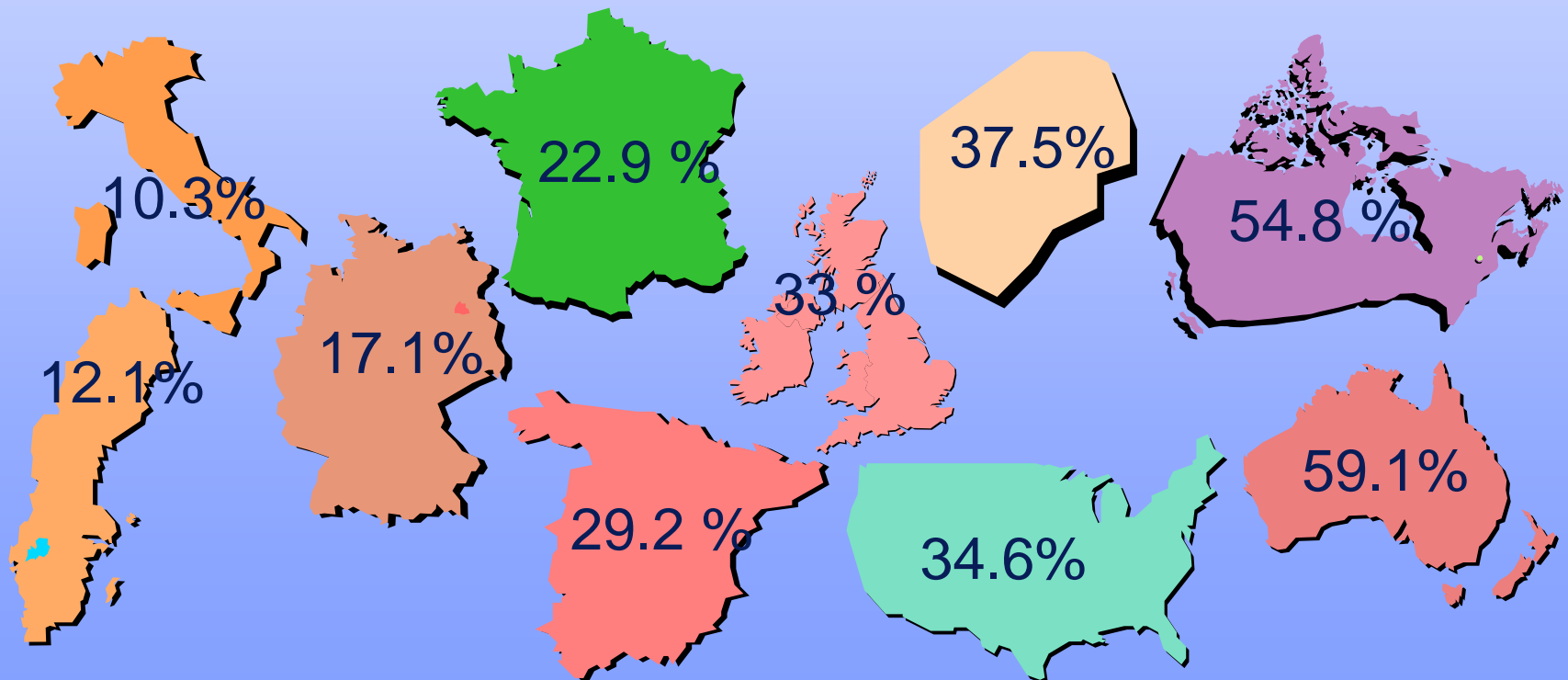


# Important Predictors of Success

- 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

# General Selection Procedures

Use of structured interviews varies widely by country



Can you name each country?

# III Training and Maintaining International Employees

3. 1 Orienting and training Employees of  
International Assignments
3. 2 International Compensation
3. 3 Performance Appraisal of  
International Managers



# **III Training and Maintaining International Employees(con't)**

- 3. 4 International Labor Relations
- 3. 5 Safety and Fair Treatment Abroad
- 3. 6 Repatriation: Problems and Solutions

## 3.1 Orienting and Training



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

# What Special Training Do Overseas Candidates Need?

Level 1

- Impact of cultural differences

Level 2

- Understanding attitude formation

Level 3

- Factual knowledge about target country

Level 4

- Language and adjustment/adaptability skills



# Continued Training and Development

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







# 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



## 3.2 International Compensation

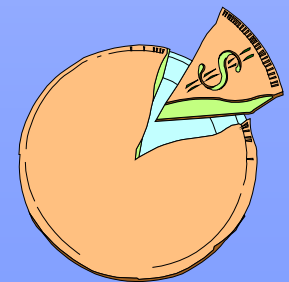
- Determining international pay scales is no easy task
- Expensive locales require additional pay else no one will take position
- What to do when relocating to less costly locale

**Tokyo \$3000/week**

**Madrid \$1500/week**

# 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

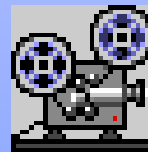


# Balance Sheet Approach

- 85% of US firms use it
- Has 4 main home-country expense groups:

- ◆ Income taxes
- ◆ Housing
- ◆ Goods and services
- ◆ Discretionary expenses

## Sample balance sheet approach



Annual Expense	Chicago, USA	Brussels, Belgium (U.S.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

Source: Joseph Martocchio, Strategic Compensation (Upper Saddle River, NJ: Prentice Hall, 2001), Table 12-15, p. 294.

- Expatriate receives home pay + additional for



U.S. DEPARTMENT OF STATE



# Incentives

To have expatriates accept and stay on international assignments:

- ◆ Foreign service premiums
- ◆ Hardship allowances
- ◆ Mobility premiums
- ◆ Non-monetary rewards

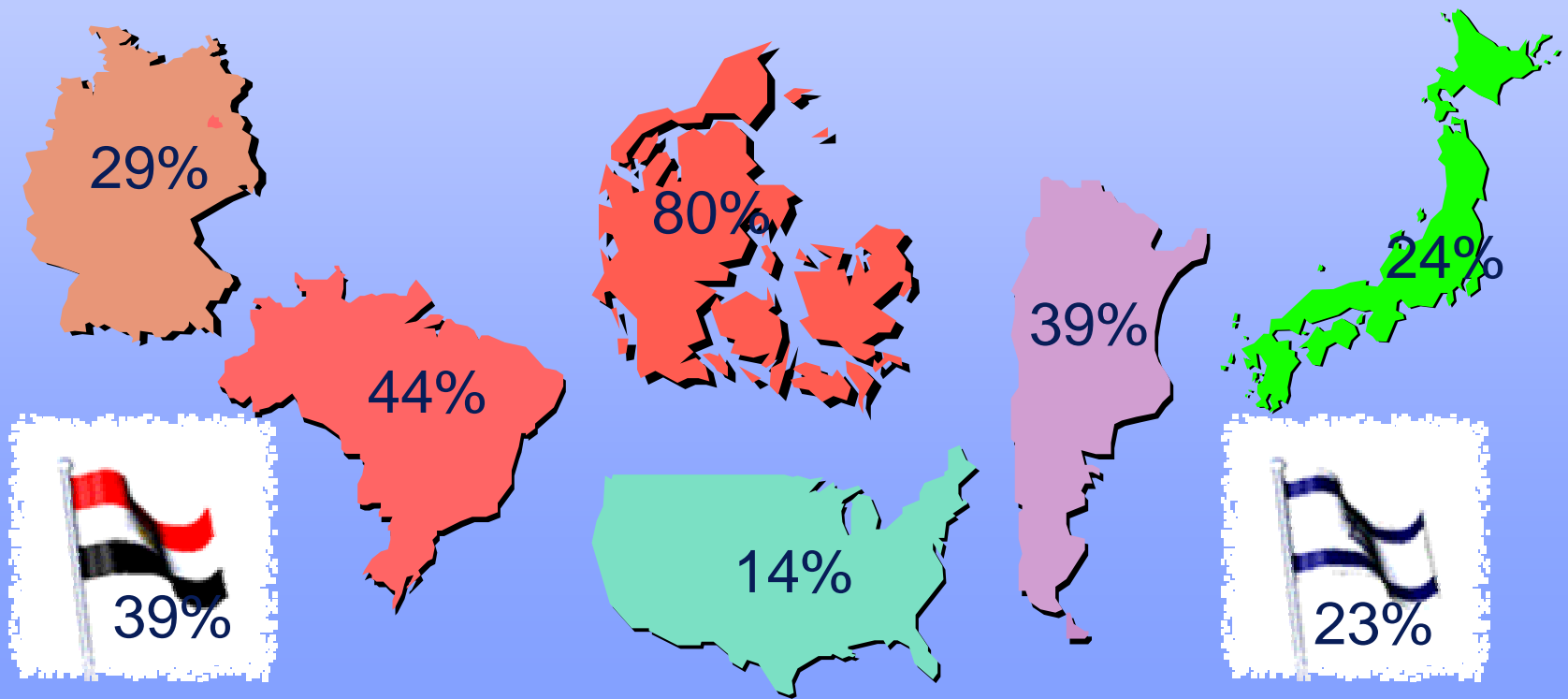
## 3.3 Performance Appraisals



- 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

## 3.4 International Labor Relations

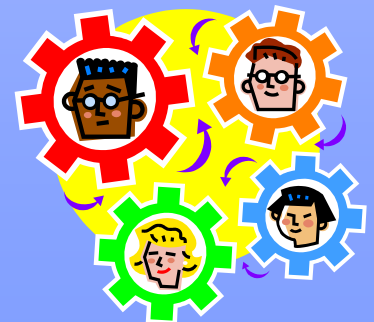
Union membership varies widely worldwide



# 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



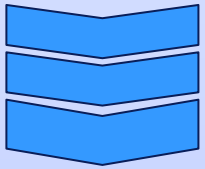


## 3.5 Safety and Fair Treatment Abroad



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



# Safety and Fair Treatment Abroad

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



# 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



# 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



## 3.6 Repatriation Problems

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



*50% leave within 2 years*

# 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



# **IV A Final Word: Strategic HR**

4.1 Strategy and Strategic HR

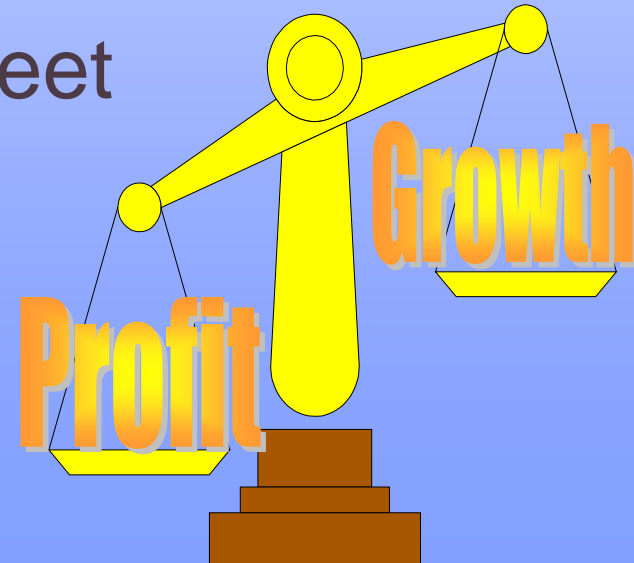
4.2 Management Values and Philosophy

4.3 Auditing the HR Function

# 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







## 4.1 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

## 4.2 Management Values and Philosophy

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



# 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

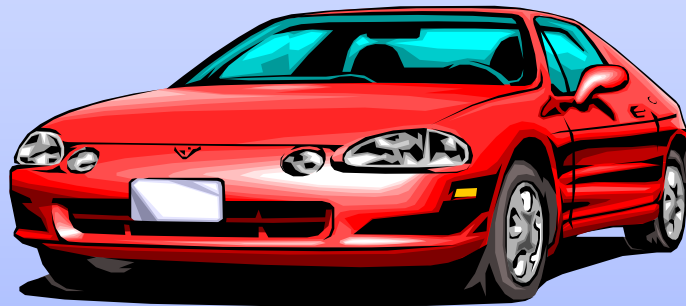
- ◆ Good managers use employee commitment as their guide



# Commitment Building

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

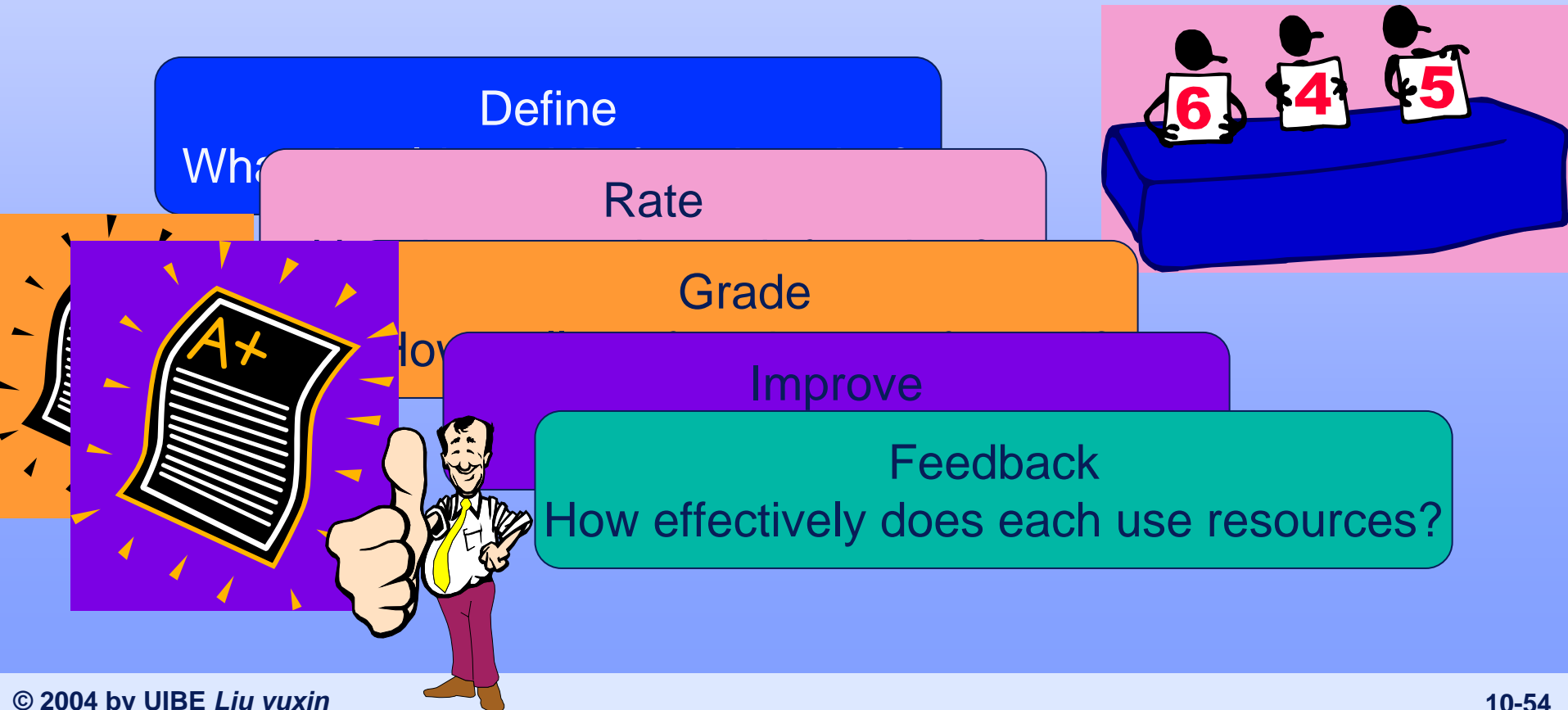
# Saturn



*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.*

# 4.3 Auditing the HR Function

Process involves 5 questioning steps:



# Chapter 10 Summary

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

# Chapter 10 Summary

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



# Chapter 10 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

# Chapter 10 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!





## End of Chapter question



1. Give three specific examples of multinational corporations in Beijing. Check the library or Internet or with each firm to determine in what countries these firms have operations and explain the nature of some of their operations, and whatever you can find out about their international HR policies.



## End-of-Chapter Case



### Top of the World, Ma

AT&T is having a hard time convincing Wall Street that he can turn this company into a growth giant, mainly because all of the company's revenues are coming from the highly competitive and increasingly less profitable long distance business. In order to get out of this slow growth classification, AT&T acquired IBM's Global Network, which is estimated to give a great boost for



## End-of-Chapter Case(con't)



AT&T. This acquisition will also give AT&T an international data network and a number of employees skilled in managing a vast array of network technologies. By acquiring this new company, AT&T has become a global player since it has redefined itself from being a domestic long-distance company into a global communication provider. This one acquisition has



## End-of-Chapter Case (con't)



lead AT&T to strike up several more deals with telecommunications carriers and companies like Teleport Communications Group Inc. and British Telecom PC. Even though all of this brings on great costs the big picture the CEO of AT&T is looking at entails the growth opportunities.



# End-of-Chapter Case (con't)



## Questions

1. AT&T's movement into the global leagues came mainly from its acquisition of Global Network from IBM. Previously, the firm had been largely domestic. What issues do you see AT&T will have in trying to manage a global workforce?
2. What are the issues that HR needs to be concerned with in managing this acquisition?