# Human Resource Management

### Learning Objectives:

– *To appreciate the role of HRM in the international organization, highlighting links between parent companies and geographically dispersed affiliates*
– *To understand the impact of diverse cultural and institutional environments on HR policies and practices in differing locations and organizational settings*
– *To identify the ways in which relations between management and employees are evolving in the global context*
– *To gain a practical perspective on the issues arising in cross-cultural organizational environments, including teams, networks and cross-border alliances*

## HRM in the International Organization:

- **HRM** has become more strategy-oriented than the traditional personnel management. Corporate strategy may emanate from the centre, but the roles of national environments and diverse stake-holders now impact on HRM.

- **IHRM** has evolved as the management of people in diverse locations has grown in importance for MNEs. This has three dimensions: corporate strategy, environmental factors and policies and practices.



## International orientation of the MNE:

- HR strategy flows from the firm's internationalization strategy and its competitive strategy.
- The **ethnocentric** firm is highly centralized, with little local adaptation, whereas the **polycentric** firm is de-centralized, with locally adaptive policies and informal ties between the HQ and subsidiaries, and the **geo-centric** firm combines global corporate strategy with local communication and responsiveness.

| Polycentric organization | Geocentric organization | Ethnocentric organization |
|---|---|---|
| Decentralized structure | Interdependence between center and subsidiaries | Centralized structure |
| Independently managed subsidiaries | Globally integrated but locally responsive | Strategy determined at the center |
| Systems reflect local conditions | Local systems integrated with center | Little adaptation to local conditions |
| Little control from the center | Collaboration between center and subsidiary | Systems determined by the center |

## National culture and IHRM:

Hofstede's cultural dimensions theory is used to compare national cultures.

- Countries with large power distance are centralized and hierarchical; subordinates have little authority while those with small power distance tend to have more open channels of communication; greater attention to employees as individuals.

- Emerging MNEs – mainly from countries of large power distance, with dominant owners and weak roles of shareholders and other stakeholders.

## National institutional environment

- National institutional environment – public institutions, legal framework, judicial system and political system.
- *Developed countries* tend to have more highly developed institutions, including social protections, employee rights and trade union rights whereas *developing countries* tend towards weak employee involvement, poor working conditions, little legal protection for the employees, limited rights to organize.
- MNEs from developing and transitional economies generally reflect their weak national institutional frameworks.
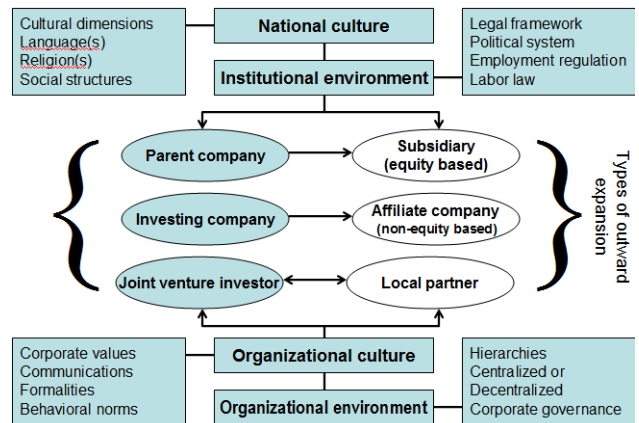


## IHRM policies and practices

- **HR planning** is the overall process of devising a co-ordinated system incorporating all the HR functions.



- Staffing policies and processes:

  – Parent-country nationals (PCNs) – Expatriates sent to foreign subsidiary to oversee processes (typical of ethnocentric firm)
  – Host-country nationals (HCNs) are recruited for operations, and also for supervisory roles (used in polycentric firms); and
  – Third-country nationals (TCNs) – person from neither home or host country, but with cross-cultural skills and global outlook (typical of the geocentric firm)