

Managing Global Human Resources

CHAPTER 2 · WEIGHTAGE: 20%

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Globalization & HRM

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IHRM

Definition, need, and differences from domestic HRM

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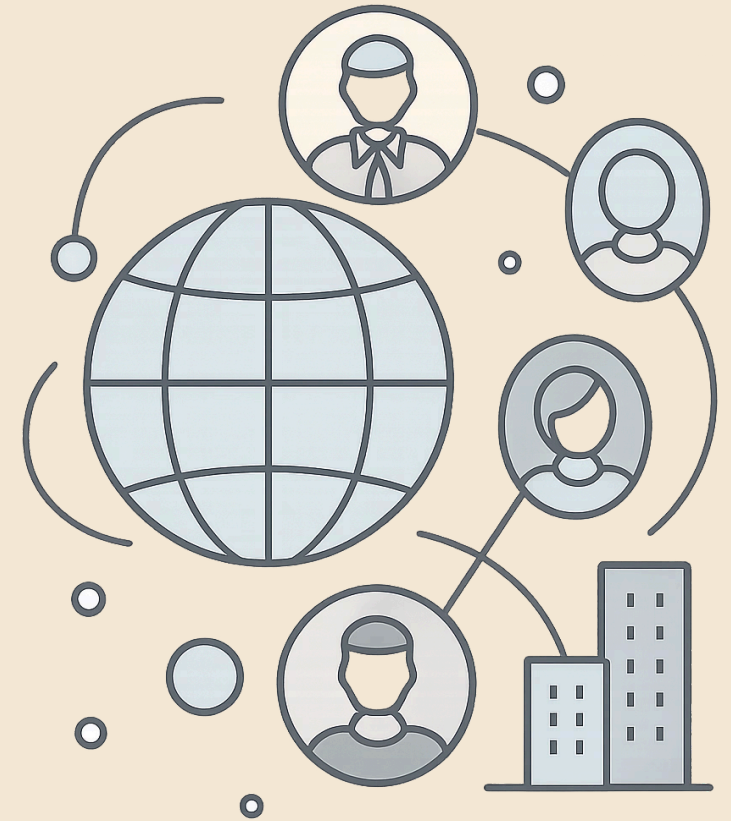
HR Functions

Recruitment, selection, performance, compensation, training

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Expatriate & Repatriation

Stages, problems, and support systems



Impact of Globalization on HRM

International business has grown rapidly, with large inflows of FDI and multinationals setting up in India. The world has become a global village, placing new responsibilities on HR managers to ensure the right mix of knowledge, skills, and cultural adaptability for global assignments.

Employment

MNC entry since 1991 increased opportunities, but competitive closures caused job losses. India's National Renewal Fund compensates displaced workers.

HRD

Global competition demands more qualified staff. Proactive learning, competency building, and positive attitudes are now essential.

Compensation

Higher salaries for skilled, committed employees; low wages for unskilled workers — a widening gap driven by globalization.

Trade Unions

Initially resistant, unions now cooperate with management to ensure organizational survival in competitive markets.

 Globalization has also improved HR practices such as employee empowerment, quality circles, counseling, and flexitime.

International HRM: Definition & Need

IHRM

IHRM is the process of acquiring, developing, allocating, and utilizing human resources in a global corporation to achieve organizational objectives *irrespective of geographical boundaries*.

In global firms, HR managers must achieve two somewhat conflicting strategic objectives:

Integration

Integrate HR policies and practices across subsidiaries in different countries so that overall corporate objectives are achieved.

Differentiation

Maintain sufficient flexibility to accommodate significant differences in business conditions and local cultures at the subsidiary level.

Balancing **integration** (control and coordination from HQ) with **differentiation** (local flexibility) is the defining challenge of IHRM.

IHRM vs. Domestic HRM: Key Differences

Cultural Factors

Wide cultural differences require adapted HR practices. Eastern cultures favor collectivism; Western cultures emphasize individualism. HR must reduce cultural shock and homesickness through counseling and acclimatization support.

Economic Factors

Free enterprise systems value productivity and efficiency; socialist economies prioritize preventing unemployment. HR policies must reflect these differing economic realities.

Labour Cost Factors

Higher labour costs (e.g., USA, UK vs. India) demand efficiency-focused HR practices. Wide gaps in working hours affect paid vacations, pay-for-performance, and severance pay.

Industrial Relations

Worker-union-employer relations vary widely. Germany mandates codetermination; India relies on state regulation of wages and benefits through law.

IHRM: Greater Complexity & Risk

External Influences

IHRM faces more external forces than domestic HRM. Foreign firms have greater visibility, requiring HR managers to deal with politicians, ministers, and social interest groups in host countries.

Degree of Risk

Unique risks include terrorism, government expropriation of assets, and political fallout if HR policies antagonize host country unions or officials.

Complexities Identified by Dowling

1 Broader Perspective

HR managers need a wider view of expatriate benefits and cross-cultural work dynamics.

2 More HR Activities

International relocation, taxation, language translation, housing, schooling, and host government regulations.

3 Greater Personal Involvement

HR must address housing, healthcare, and personal problems to ensure employee comfort abroad.

International Recruitment: Staffing Approaches

Recruitment in international firms depends on staffing policy, host government constraints, and the firm's ability to attract the right candidates. Three types of employees populate a typical international firm: **Parent Country Nationals (PCN)**, **Host Country Nationals (HCN)**, and **Third Country Nationals (TCN)**.



Ethnocentric

All key positions filled by home-country nationals (expatriates). Ensures unified culture and control, but expensive and limits local promotion opportunities.



Geocentric

Best people employed regardless of nationality. Maximizes human resource efficiency and builds a consistent global culture, but involves higher costs and paperwork.



Polycentric

Foreign subsidiaries staffed with host-country nationals; HQ retains parent-country nationals. Less expensive, culturally sensitive, but limits parent-subsidary understanding.



Regiocentric

Operations divided into geographic regions; managers transferred within regions. Balances local sensitivity with regional integration, but limits global career growth.

Korean Dual Structure: A Case Study

STAFFING IN PRACTICE

The Korean value of '**inwha**' — loyalty from employees and paternalism by the employer — is central to Korean MNC culture in India.

Dual Management Structure

Unlike European or American MNCs, Korean firms (LG, Hyundai, Samsung) maintain a dual structure: a Korean and an Indian manager for each function. Top management and critical areas (finance, production, quality) are Korean-controlled.

Korean managers bring international expertise and interface with the parent company, but mid-level Indian managers rarely access global strategy forums, limiting their global career advancement.

Staffing Comparison: Expatriates vs. Locals

Favour Expatriates

Technical/managerial skills, better HQ-subsidary communication, promotes MNC image, part of professional development.

Favour Locals

Lower total compensation, no cultural adaptation needed, consistent with promote-from-within policy, no work permits required.

Staffing Approaches: Comparative Overview

Aspect	Ethnocentric	Polycentric	Regiocentric	Geocentric
HR Strategy	Uniform across units	Diverse per unit	Regional integration	Global with local differentiation
Staffing Mix	Home-country managers	Host-country managers	Regional nationals	Best people anywhere
Career Development	Home-country focused	Within subsidiary	Regional paths	Global development
Control	By home HQ	By local subsidiary	Regional coordination	Global + local standards
Info Flow	HQ to subsidiary	Little between units	Medium within region	Inflows/outflows all directions

International Selection: Choosing the Right Expatriate

Foreign assignments make additional demands beyond technical skills. Special care is needed to avoid **expatriate failure** — premature return from a foreign assignment — which carries both direct costs (salary, airfare, relocation, training) and significant indirect costs.



Job Knowledge & Motivation

Managerial ability, creativity, initiative, high motivation, and belief in mission.



Relational Skills

Empathy, integrity, courtesy, tact, kindness, and non-judgmentalness.



Flexibility & Adaptability

Emotional stability, tolerance for ambiguity, political sensitivity, and stress management.



Extra-Cultural Openness

Interest in foreign cultures, knowledge of local language, overseas experience, and outgoingness.



Family Situation

Spouse adaptability and willingness to live abroad are critical — most expatriate failures stem from family and cultural issues, not technical incompetence.

- Adaptability screening by a professional psychologist is an integral part of expatriate selection. Tools like the Overseas Assignment Inventory are used by firms such as Colgate-Palmolive and Ciba-Geigy.

Expatriate vs. Global Manager

As Indian firms increasingly hire expat managers for specific skill sets, understanding the distinction between an **Expatriate Manager** and a **Global Manager** is critical. Senior expat salaries in India range from **₹50 lakh to ₹75 lakh per year**.

Dimension	Expatriate Manager	Global Manager
Perspective	Focuses on one foreign country	Understands worldwide business environment
Cultural Skills	Expert on one culture	Learns many cultures simultaneously
Cross-cultural Use	Primarily on foreign assignments	Daily throughout career
Foreign Experience	Expatriation to get the job done	Transpatriation for career development
Collaboration	Within defined hierarchies	Interacts with foreign colleagues as equals

Inpatriates — foreign nationals stationed at corporate HQ before returning home — are a cost-effective alternative to expatriates, offering diverse perspectives while reducing adjustment problems.

International Training & Development

FOUR-TIER TRAINING MODEL

In multinational firms, employees require orientation and training across technical, business, social, and cultural dimensions. One expert proposes a four-tier model for overseas employees:



Level I: Cultural Awareness

Focuses on the impact of cultural differences and raising trainees' awareness of how they affect business outcomes.



Level III: Country Knowledge

Provides factual knowledge about the target country — history, customs, business norms, and local conditions.



Level II: Attitude Formation

Helps participants understand how positive and negative attitudes are formed and how they influence behavior.



Level IV: Skill Building

Develops language proficiency, adjustment skills, and cultural adaptation capabilities for the overseas role.

IBM rotates employee assignments for professional growth and runs global management development centers to build a unifying corporate culture across subsidiaries.

Cross-Cultural Training Challenges

Why Training Programs Fail Across Cultures

- Training content does not transfer across cultures
- Delivery methods are culturally inappropriate
- Norms about training behavior differ
- Trainer's personal behavior may be inappropriate
- Equipment and logistics problems may occur

Many Indian executives from mono-cultural backgrounds find it difficult to adjust. Companies develop in-house cross-cultural programs or hire specialist trainers.

How to Avoid Cross-Cultural Missteps

- **Americans:** Be direct and upfront about your expectations
- **Japanese:** Be patient; use a respected mediator; expect large teams and slow decisions
- **Chinese:** Bargain aggressively; keep large margins
- **French/Italians/Australians:** Respect office hours strictly
- **General:** Read up on local culture before any assignment

MNCs & Global Talent Development

CORPORATE BEST PRACTICES



Panasonic

Provides management development, behavioral training, and compliance training. Mentors employees through business philosophy and core values.



Nokia

Launched the **Asian Talent Pipeline Programme** focusing on talent development, resourcing, and rewards. Senior managers are groomed through the "Leading Nokia Businesses in Asia" module.



Standard Chartered Bank

Runs a global successor development plan with mentoring and coaching programmes, assigning internal mentors and external executive coaches to potential global leaders.

International Performance Management

Monitoring performance and ensuring adherence to agreed standards are significant elements of IHRM. However, several obstacles arise in appraising expatriate performance, including cultural bias and the impact of local political conditions on measurable outcomes.

Measures to Improve Expatriate Appraisal

1

Stipulate Difficulty Level

Acknowledge that working in some locations (e.g., China) is harder than others (e.g., England) when setting performance expectations.

2

Weight On-Site Appraisal

Give more weight to the on-site manager's appraisal than to the home-site manager's distant perception of performance.

3

Seek Former Expatriate Advice

When home-site managers appraise, consult former expatriates from the same location to account for unique local issues.

4

Modify Performance Criteria

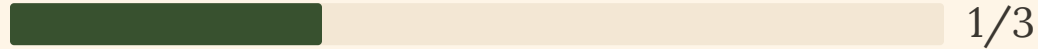
Adapt criteria to fit the overseas position — e.g., labour relations may matter more in India than in the US.

5

Use Qualitative Criteria

Supplement quantitative metrics (profits, market share) with qualitative insights into overseas operations.

Causes of Expatriate Assignment Failure



Family Adjustment

Failure of family to adjust is the leading cause of premature return



Work Adjustment

Inability to adapt to new work environment and cultural norms



Poor Selection

Candidates chosen for technical skills rather than cultural adaptability

All Identified Causes

1. Failure of the family to adjust
2. Failure in work adjustment
3. Lifestyle problems
4. Poor job performance
5. Poor selection process
6. Business reasons
7. Repatriation issues

⚠ Most expatriate assignments fail due to lack of cultural skills and family situation — not technical incompetence. Adaptability screening is essential.

International Compensation Management

International compensation is complex: a uniform pay scale ensures equity but ignores significant cost-of-living differences across countries (e.g., New York vs. New Delhi). The goal is a consistent, fair, and equitable compensation measure across borders.

Balance Sheet Approach

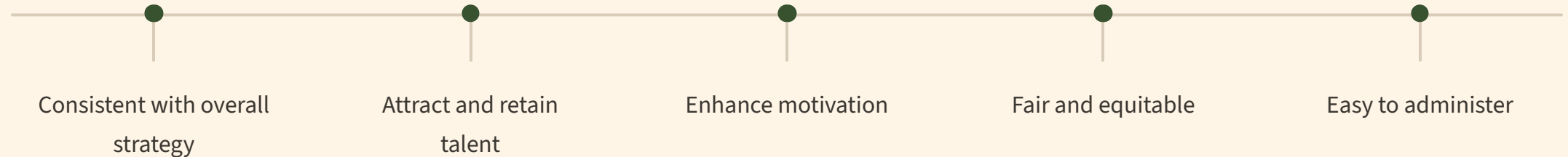
Equalizes purchasing power across countries. Each overseas employee maintains the same standard of living as in the home country. Covers income tax, housing, goods/services, and reserve. Includes relocation, housing, and education allowances.



Market Rate Approach

Base salary linked to host-country compensation scales, benchmarked through local compensation surveys. For example, a Japanese MNC may benchmark against other multinationals operating in India.

Objectives of a Sound Compensation Policy



Balance Sheet vs. Market Rate: Comparison

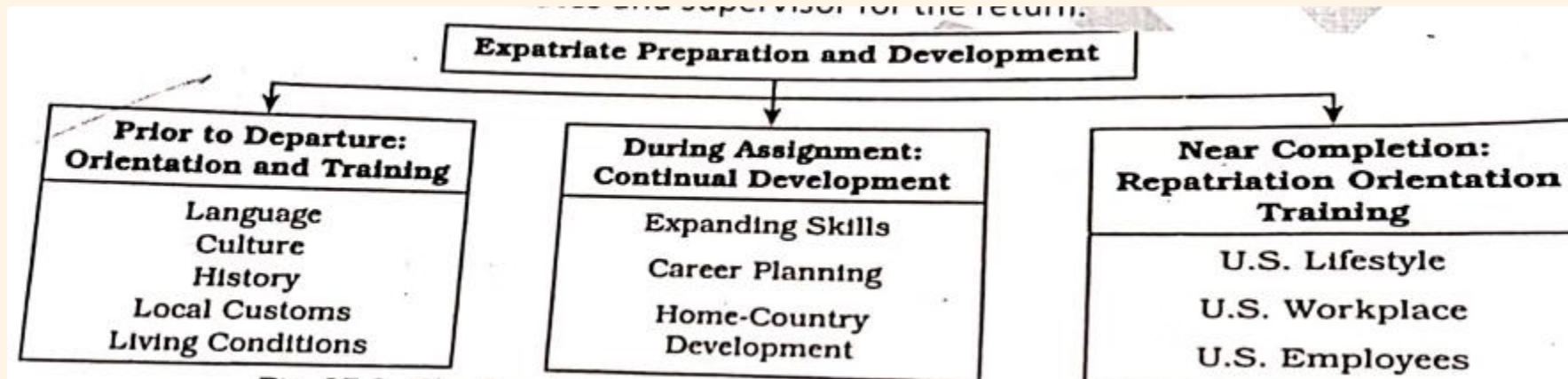
Dimension	Balance Sheet Approach	Market Rate Approach
Advantages	Equity between expatriates; ease in repatriation	Simplicity; equality with locals; identification with host country
Disadvantages	Complex to administer; disparity between expatriates of different nationalities	Rivalry for high-cost postings; difficulty in repatriation; variation between assignments for the same employee

Multinationals also use **long-term performance-based incentives** for overseas managers to attract and retain talent and create a sense of ownership among key local managers.

International Repatriation

THE RETURN JOURNEY

Repatriation is the process of returning to the parent company and country after a foreign assignment. It is often a bittersweet experience — success brings achievement, failure brings disappointment — but both require readjustment and HR support.



On returning, employees may lose perks (e.g., company car/driver), find former colleagues promoted, and face reverse cultural shock within their families. Proactive HR support is essential to ease this transition.

Managing Repatriation: Steps for Success

1

Guarantee Agreement

Ensure the overseas assignment is for a specific period and the employee returns to a mutually acceptable role.

2

Assign a Sponsor

Designate someone at HQ to look after the employee's interests during the foreign assignment.

3

Career Counselling

Ensure job assignments upon return meet the employee's career needs and growth expectations.

4

Stay Connected

Maintain regular communication with the employee throughout the overseas assignment.

5

Financial Support

Offer assistance for accommodation and children's education upon return.

6

Re-orientation Programme

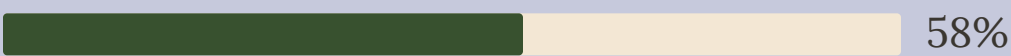
Organize structured re-orientation to facilitate adjustment back into the home culture for both employee and family.

Reverse Migration: India's Rising Global Talent

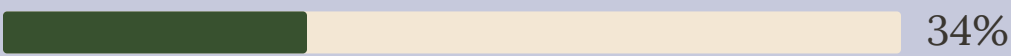
CASE STUDY: HINDUSTAN UNILEVER

Unilever is increasingly dipping into the HUL management pool as falling incomes in key Western markets force the group to rely on experience gained by Indian managers in the rough and tumble of the Indian market.

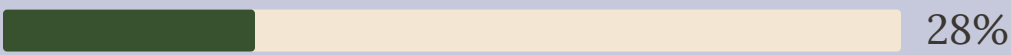
Key Reasons for Reverse Migration (2008–2011)



Insecure Job Market Overseas



Personal Growth Opportunities



Native Place

Barriers to Reverse Migration

- Stringent labour policies
- Lack of social protection
- Difference in quality of life

Family: The Biggest Challenge

HR must ensure families — not just returning employees — undergo orientation programmes. Clear work-life expectations and phased responsibility handover are essential for successful reintegration.

Key Takeaways: Managing Global HR

Globalization Reshapes HRM

Employment, HRD, compensation, and trade unions are all transformed by global competition and cross-border business.

IHRM Balances Integration & Flexibility

The core challenge is coordinating global HR policies while adapting to local cultural, economic, and legal realities.

Staffing Strategy Matters

Ethnocentric, polycentric, geocentric, and regiocentric approaches each offer distinct trade-offs in cost, control, and cultural fit.

Expatriate Success is Holistic

Selection, training, performance management, compensation, and repatriation must all be managed as an integrated lifecycle — not in isolation.

- ❏ The family dimension is consistently the most underestimated factor in international HR — from selection through repatriation, family adaptability determines success.

