



Global Business 3e
Chapter 15
Managing
Human Resources
Globally

© 2014 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

15-1 explain staffing decisions with a focus on expatriates.

15-2 identify training and development needs for expatriates and host-country nationals.

15-3 discuss compensation and performance appraisal issues.

15-4 understand labor relations in both home and host countries.

15-5 discuss how the institution-based and resource-based views shed additional light on HRM.

15-6 participate in three leading debates concerning HRM.

15-7 draw implications for action.

HUMAN RESOURCE MANAGEMENT

Human resource management (HRM)

Activities that attract, select, and manage employees

Staffing

HRM activities associated with hiring employees and filling positions

STAFFING

Host country national (HCN)

Employees from the host country and often known as locals

Expatriate (expat)

Individuals working in a foreign country

Parent country national (PCN)

Employees from the parent country of the multinational enterprise (MNE) who work at its local subsidiary

Third country national (TCN)

Employees from neither the parent country nor the host country

Table 15.1 Parent-, Third-, and Host-Country Nationals

	Advantages	Disadvantages
<i>Parent-country nationals (PCNs)</i>	<ul style="list-style-type: none">• Control by headquarters is facilitated• PCNs may be the most qualified people• Managers are given international experience	<ul style="list-style-type: none">• Opportunities for HCNs are limited• Adaptation may take a long time• PCNs are usually very expensive
<i>Third-country nationals (TCNs)</i>	<ul style="list-style-type: none">• TCNs may bridge the gap between headquarters and the subsidiary (and between PCNs and HCNs)• TCNs may be less expensive than PCNs	<ul style="list-style-type: none">• Host government and employees may resent TCNs• Similar to disadvantages for PCNs
<i>Host-country nationals (HCNs)</i>	<ul style="list-style-type: none">• Language and cultural barriers are eliminated• Continuity of management improves, since HCNs stay longer in positions• Usually cheaper	<ul style="list-style-type: none">• Control and coordination by headquarters may be impeded• HCNs may have limited career opportunity• International experience for PCNs are limited

Source: Adapted from P. Dowling & D. Welch, 2005, *International Human Resource Management*, 4th ed. (p. 63), Cincinnati: South-Western Cengage Learning.

APPROACHES TO STAFFING

Ethnocentric approach

Emphasizes the norms and practices of the parent company (and the parent country of the MNE) by relying on PCNs

Geocentric approach

Focuses on finding the most suitable managers; a geocentric approach is color-blind; the color of a manager's passport does not matter

APPROACHES TO STAFFING

Polycentric approach

Focuses on the norms and practices of the host country

Expatriation

Leaving one's home country to work in another country

Table 15.2 Multinational Strategies and Staffing Approaches

MNE strategies	Typical staffing approaches	Typical top managers at local subsidiaries
Home replication	Ethnocentric	Parent-country nationals
Localization	Polycentric	Host-country nationals
Global standardization	Geocentric	A mix of parent-, host-, and third-country nationals
Transnational	Geocentric	A mix of parent-, host-, and third-country nationals

Figure 15.1 The Roles of Expatriates



Sources: Adapted from P. Dowling & D. Welch, 2005, *International Human Resource Management*, 4th ed. (p. 98), Cincinnati: South-Western Cengage Learning.

ROLE OF EXPATRIATES

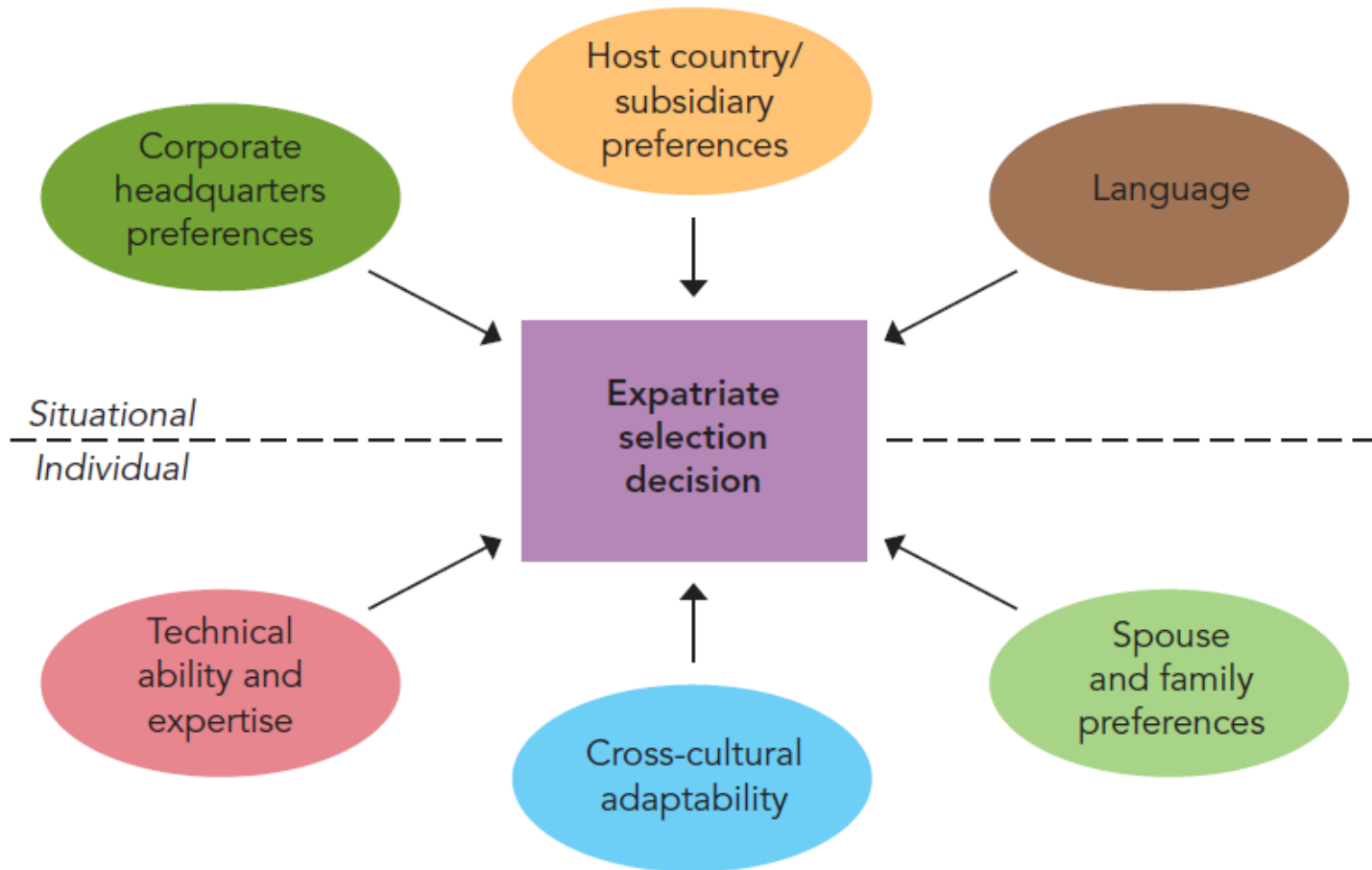
Strategists representing the interests of the MNE's headquarters

Daily managers to run operations and to build local capabilities

Ambassadors representing headquarters' interests

Trainers for their replacements

Figure 15.2 Factors in Expatriate Selection



Sources: Adapted from P. Dowling & D. Welch, 2005, *International Human Resource Management*, 4th ed. (p. 98), Cincinnati: South-Western Cengage Learning.

TRAINING AND DEVELOPMENT

Training

Specific preparation to do a particular job

Development

Long-term, broader preparation to improve managerial skills for a better career

? What specific types of training and development do you think you will need to land your ideal job?

DEVELOPMENT FOR REPATRIATES

Repatriate

Process of facilitating the expatriate's return

Repatriation

Process of facilitating the expatriate's return

Psychological contract

An informal understanding of expected delivery of benefits in the future for current services

Table 15.3 Problems Associated with Repatriation

- Career anxiety—what kind of position will I have when I return (if I will have a position)?
- Work adjustment—from a big fish in a small pond (at the subsidiary) to a small fish in a big pond (at headquarters)
- Loss of status and pay—expatriate premiums are gone, chauffeured cars and maids are probably unavailable
- Difficult for the spouse and children to adjust—“going home” is not that easy

TRAINING AND DEVELOPMENTS FOR HCNs

Training and development needs of HCNs deserve significant attention as well in the ongoing “war for talent”

COMPENSATION FOR EXPATS

Compensation

Salary and benefits

Going rate approach

Pays expatriates the prevailing (going) rate for comparable positions in a host country

Balance sheet approach

Balances cost of living differences relative to parent country levels and adds a financial inducement to make the package attractive

Table 15.4 Going Rate versus Balance Sheet Approach in Expatriate Compensation

	Advantages	Disadvantages
Going rate	<ul style="list-style-type: none">• Equality among parent-, third-, and host-country nationals in the same location• Simplicity• Identification with host country	<ul style="list-style-type: none">• Variation between assignments in different locations for the same employee• Re-entry problem if the going rate of parent country is less than that of host country
Balance sheet	<ul style="list-style-type: none">• Equity between assignments for the same employee• Facilitates expatriate re-entry	<ul style="list-style-type: none">• Costly and complex to administer• Great disparities between expatriates and host-country nationals

Table 15.5 A Hypothetical Expatriate Compensation Package Using the Balance Sheet Approach

Items for a hypothetical US expatriate	Amount (US\$)
Base salary	\$150,000
Cost-of-living allowance (25%)	\$37,500
Overseas premium (20%)	\$30,000
Hardship allowance (20%)	\$30,000
Housing deduction (-7%)	-\$10,500
TOTAL (pretax)	\$237,000

Note: The host country has a cost-of-living index of 150 relative to the United States. *Not shown here are (1) the full cost of housing, and (2) the cost to pay the difference between a higher income tax in a host country and a lower income tax in the parent country. Adding housing and taxation, the net cost on the MNE can reach \$300,000 in this case.*

Table 15.6 Compensation for Host-Country Nationals in Asia (Average Monthly Pay in US\$)

Dhaka, Bangladesh	Ho Chi Minh City, Vietnam	Jakarta, Indonesia	Shenyang, (north) China	Shenzhen, (south) China	Taipei, Taiwan	Seoul, Korea	Yokohama, Japan
\$47	\$100	\$148	\$197	\$235	\$888	\$1,220	\$3,099

Source: Extracted from data in *Bloomberg Businessweek*, 2011, Global inflation starts with Chinese workers, March 7: 10.

COMPENSATION FOR HOST COUNTRY NATIONALS

Low-level HCNs, especially those in developing countries, have relatively little bargaining power

They have jobs at MNE subsidiaries because of their low labor cost—they are willing to accept wage levels substantially lower than those in developed countries

Despite accusations of exploitation MNEs in developing countries typically pay higher wages

PERFORMANCE APPRAISAL

Performance appraisal

How expatriates provide performance appraisal to HCNs and how expatriates are evaluated

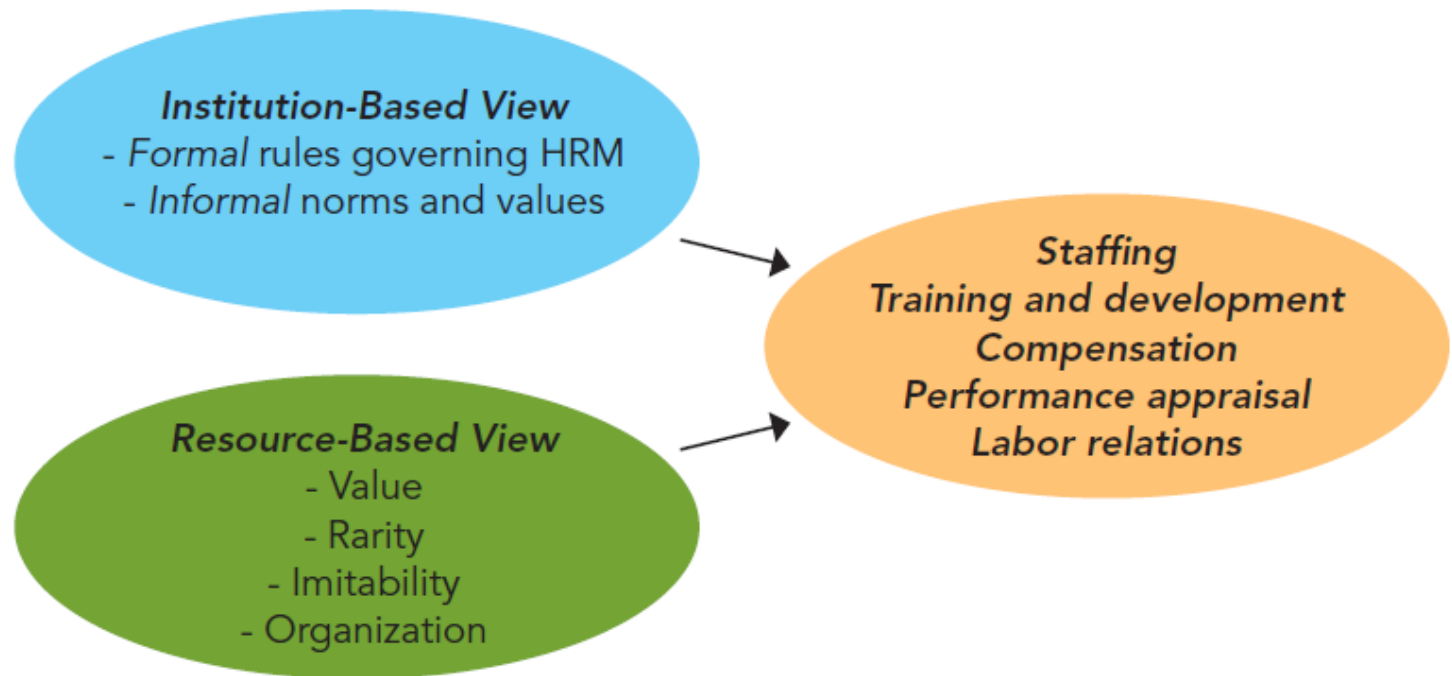
LABOR RELATIONS

Labor relations

Firm's relations with organized labor (unions) in both home and host countries

MNEs prefer to deal with nonunionized workforces

Figure 15.3 Institutions, Resources, and Human Resource Management



INSTITUTIONS AND HRM

Every country has rules, laws, and regulations governing the do's and don'ts of HRM. Foreign firms ignoring such rules do so at their own peril

Informal rules of the game, embodied in cultures, norms, and values, also assert powerful influence

Table 15.7 Some Blunders in International Human Resource Management

- A Spanish company sent to Saudi Arabia a team of expatriates, including a number of young, intelligent women dressed in the height of current style. Upon arrival, the Saudi immigration official took a look at their miniskirts and immediately sent the entire team on the next flight back to Spain. The expatriate team and the company belatedly learned that despite the heat, women in Saudi Arabia never show their bare legs.
- In Malaysia, an American expatriate was introduced to an important potential client he thought was named “Roger.” He proceeded to call this person “Roger.” Unfortunately, this person was a “Rajah,” which is an important title of nobility. In this case, the American tendency to liberally use another person’s first name appeared disrespectful and insensitive. The Rajah walked away from the deal.
- A Japanese subsidiary CEO in New York, at a staff meeting entirely consisting of Americans (except him), informed everybody of the firm’s grave financial losses and passed the request from headquarters in Japan that everybody redouble efforts. The staff immediately redoubled their efforts—by sending their resumes out to other employers.
- A female South Korean expatriate at a textile plant in Vietnam confronted a worker. She yelled in Korean, “Move!” The Vietnamese worker did not move, because he did not understand Korean. The South Korean expatriate then kicked and slapped him. According to the media, in South Korea, it is common for employers to scold or even beat employees if they make a big mistake. But in this case, ten Vietnamese colleagues retaliated by beating up the expatriate, who was wounded, hospitalized, and then deported. The workers went on to strike for four days and obtained 10% to 15% pay raises.

Source: Based on text in (1) P. Dowling & D. Welch, 2005, *International Human Resource Management*, 4th ed. (p. 59), Cincinnati: South-Western Cengage Learning; (2) D. Ricks, 1999, *Blunders in International Business*, 3rd ed. (pp. 95–105), Oxford, UK: Blackwell.

RESOURCES AND HRM

Does a particular HR activity add *value*?

Labor-intensive chores such as administering payroll, benefits, and basic training may not add value and can often be outsourced

RESOURCES AND HRM

Are particular HR activities *rare*?

The relentless drive to learn, share, and adopt best practices may reduce their rarity and thus usefulness

RESOURCES AND HRM

How *imitable* are certain HR activities?

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

EXPATRIATION VS INPATRIATION

Inpatriation

Relocating employees of a foreign subsidiary to the MNE's headquarters for the purposes of filling skill shortages at headquarters and developing a global mindset for such inpatriates

? Which do you think is better: expatriation or inpatriation?

Table 15.8 Implications for Action

For HR managers: The four Cs

- Be *curious*.
- Be *competent*.
- Be *courageous*.
- Be *caring*.

For non-HR managers: The fifth C

- Be proactive in managing your (international) *career*