Chapter 1 Review questions and answers

1. What is the difference between HRM, Strategic HRM and International HRM?

HRM is the development of policies, and management of processes and activities undertaken by a Human Resource Department for an organization. The activities have evolved from what used to be called Personnel Management. It includes the management of recruitment and selection of employees, their training and development, the management of their performance and rewards, and finally the termination of their employment. It also involves the management of employment relations, which may include dealing with employee representatives or their trade unions. It is usually studied in the context of one country and its legislation which affects the policies and practices. Strategic HRM includes all of the above activities. However, Strategic HRM ensures that all policies, processes and activities are focussed on supporting the Strategic objectives of the organization. Therefore Strategic HRM is derived from the strategy of the organization. The HR manager will ideally also be involved in developing the organization’s strategy.

International HRM concerns the worldwide management of human resources, usually in the context of a multinational enterprise. The purpose of IHRM is, ‘to enable the firm, multinational enterprise (MNE) to be successful globally’ (see page 6).

2. In what ways may the focus of the study of International HRM differ between authors?

Some authors study Contextual or Comparative HRM which describes the study of HRM as it is practised within different countries, primarily in their domestic organizations. It considers the extent to which different national institutions may impact on employment conditions and HR activities. Other authors focus on the study of International HRM within Multinational enterprises (MNEs). This considers how they manage their human resources in many different national environments. This approach considers the added complexities that face MNEs in managing their employees, who need to be recruited for different subsidiary companies in a variety of countries.
3. What differences might you find between texts originating from the USA and those from Europe, in terms of their approach to International HRM?

Texts on International HRM from the USA tend to focus on the multinational organization’s HR activities in the context of their pursuit of profit. The study does not normally extend beyond the firm. Government legislation is seen as another contingency which needs to be managed like any other. They constantly look for ‘one best way’ to manage, which can then be universally applied throughout the MNE.

However, texts from Europe tend to see the study of International HRM taking place within the wider context of society and they recognize the impact of their activities on the societies in which they operate. These contextual factors may be both cultural and institutional. These are thought to be integral to our understanding of IHRM, and not simply contingencies to be managed by the firm. They seek to manage the ‘best way’ depending on the particular circumstances facing the MNE and seek to achieve a ‘best fit’ in their practices, which depends on understanding contextual factors. European texts tend to be more exploratory and less prescriptive than American texts.

4. What does the study of Comparative International HRM include?

Comparative International HRM examines the human resource systems and practices used in different countries. This approach provides a helpful insight into the complexities of managing people in different parts of the world, and a useful guide to the laws and customs that influence how human resource activities are performed.

5. What are the main challenges that face MNEs in their management of overseas operations?

The challenges that face MNEs in the management of their operations include: effective global staffing; international reward management; performance management of expatriates; training, development and knowledge transfer within MNEs; diversity management in an international context; managing corporate social responsibility and ethical dilemmas; managing the employment relationship; and global talent management.
6. What is the significance of the EPRG theory to International HRM?

This ‘EPRG model’ helps explain the degree to which the parent company tries to control its subsidiaries’ activities, sometimes through the appointment of expatriates. It illustrates how different orientations result in a variety of staffing outcomes, in terms of the appointment of either expatriate or host country managers. An ethnocentric orientation would result in the appointment of a parent country national to key positions worldwide. A polycentric orientation would ensure HCNs are developed for key positions in their own country. A regiocentric orientation would see that people from a region are developed for key positions in that region, and a geocentric orientation would appoint the best people (whether PCN, TCN, or HCN) for key positions worldwide.

7. What factors determine the approach of an International HR department to their management of overseas employees?

The approach of an International HR department to their management of overseas employees will be affected by the way an organization internationalises, and the structural forms the MNE may adopt, as well as its orientation, as discussed in the answer to question 6. Overseas employees will largely be managed by the overseas subsidiary's own HR department. The approach of an International HR department will also depend on the degree of local responsiveness and global integration the organization is seeking to achieve.

8. How might the structure of an organization influence the role of an International HR manager?

The structure of an organization will influence the role of an international HR manager, depending on the stage of development domestic, international, multinational or global. During the domestic stage there is no need for employees to be recruited to work overseas although visits by sales or technical staff to foreign offices may be required. At the international stage, its main focus is on local responsiveness and the transfer of learning from the home base. This aligns with the polycentric approach when HCNs would be developed for managerial positions. The multinational form focuses on global strategy, typically governed from headquarters and bolstered by an ethnocentric orientation, meaning expatriate PCNs would be employed in the subsidiaries.
Finally the *global* stage adopts a form that seeks to combine local responsiveness and global integration. It shares characteristics associated with a regiocentric orientation so that the best people from the region would be appointed to management positions in the subsidiaries.

9. **In practical terms, how might the work of an International HR manager differ from that of an HR manager handling only domestic HRM?**

An international HR manager needs to deal with more complexity in managing expatriate employees than a domestic HR Manager. The International HR manager will need to be involved with many personal aspects of the expatriate’s life in managing relocation: spouse and family pre-departure preparation, accommodation, safety and health issues, schooling, and other benefits. In addition there is more complexity in recruitment, cross-cultural and pre-departure training, managing performance at a distance, and repatriation issues. There would not be so much complexity and involvement in family issues in domestic HRM.

10. **How and why might the compensation of expatriate employees be more complicated to manage than that of domestic employees?**

International compensation is more complicated because of the many additional considerations including: the costs of housing, transport, travel (including home leave, and travel to maintain contacts), salary, benefits, taxation, and the costs for the family, including assistance for spouse with job search, family transportation, shipping of personal effects, visas, medical costs, and education costs. In addition consideration has to be given to: where and how to pay the salary; suitable incentives and benefits for expatriate appointments; fluctuating exchange rates; taxation in the overseas country and any international transfer restrictions, and end of appointment bonuses etc.