

The Reality of International Human Resource Management (IHRM)

Differences between International and Domestic Human Resource Management

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Abstract

As the globalization of business is having a crucial effect on human resource management, when organizations go global, they need to understand the essential differences in managing human resources in foreign environments. Although there are growing interest in IHRM, there is still much room for better understanding of successful HRM practices in an international context. As a corporate practice and an area of academic research and inquiry, international HRM is relatively underdeveloped.

Therefore this paper aims to develop the current knowledge on IHRM by conducting an extensive literature review. At this point, the paper evaluates the following issues: (1) What exactly is IHRM?; (2) What are the differences between international and domestic HRM?; (3) What are the variables that moderate differences between domestic and international HRM?; (4) What are the four areas normally encompassed by the term IHRM?.

Keywords: Human Resource Management, International, Domestic, Differences, Four Areas.

1. Introduction

Prior to World War II, the number of organizations involved in foreign direct investment was relatively small. Although several US companies were getting raw materials from other countries, most firms were interested in the US market. This situation changed, however, during the 1950s especially after the establishment of the European Economic Community. Since that time, there has been a crucial expansion in international business activity.

In today's uncertain world, one of the few certainties is the growing effects of internationalisation on organizations, both large and small (Harris and Brewster, 1999: 1). The internationalization of business – or 'going global' – is especially an inescapable fact of life for most organization at the present time. As the organizations operate in a global base, the volume and nature of international business increase tremendously because of the many reasons which include:

- Increased pressure on costs (so firms move to where labor and other resources are cheapest);
- Search for new markets (for growth and to be able to compete more effectively with global competitors);
- Government policy (that encourages foreign investment for local development, or that may open up markets such as telecommunications, health care, and mass media when

public sector firms are privatized, and that encourages local firms to export to develop better trade balances and to earn hard currency);

- Technological development (multinational firms must be willing to search the globe for the best technology because no country now has a corner on it, and new technology has allowed smaller, more flexible manufacturing plants that can be placed closer to the new segmented markets);
- World-wide communication and information flow, which at least partially creates global knowledge of and demand for products and services;
- The interdependence of nations in trading blocs, such as the European Community, the Association of South East Nations (ASEAN), and the North American Free Trade Agreement (NAFTA) countries; and
- The integration of cultures and values through the impact of global communication and the spread of products and services such as music, food, and clothing, which has led to common consumer demands around the world. (Briscoe, 1995: 3).

The majority of the world's large organizations now perform an increasing proportion of their business activities outside their home countries. For many of those organizations, international business returns over one-half of their profits, and it is becoming more and more common for a typical organization to earn at least one-fourth of its profits through international business involvement (Dowling, et al. 1994). In fact, there may be a small number of large organizations which are not participants in the world of international business.

The globalization of business is having a crucial effect on human resource management. The integration of European markets and of North American markets is heightening this effect significantly. As more organizations move outside their domestic borders into the dynamic work of international business, it is, thus, not surprising to find that a large proportion of the workforce in an increasing number of organizations is located in other countries. For instance,

- The Ford Motor Company has half its employees outside the United States.
- Philips has three-fourths of its employees working outside the Netherlands.
- More than half of Matsushita Electric's employees are outside Japan.
- Just over half of Ericson's employees work outside Sweden (Barham and Devine, 1990).

These trends are likely to continue as employers will increasingly reach across borders to find the skills they need (Johnston, 1991).

The globalization of business is forcing managers to grapple with complex issues as they attempt to gain or sustain a competitive advantage. Faced with unprecedented levels of foreign competition at home and abroad, successful organizations are beginning to recognize that their competitive edge in today's market place is their people (Bratton and Gold, 1994). Therefore, the subject of international human resource management (IHRM) is becoming ever more critical and important for more and more organizations. Therefore, understanding of IHRM is of growing importance at the present time. Brewster and Scullion (1997) identify a number of reasons why an understanding of IHRM is growing importance at the present time:

- Recent years have seen rapid increases in global activity and global competition, which has resulted in an increase in the number and influence of multinational enterprises (MNEs) (Young and Hamill, 1992).

- The effective management of human resources internationally is increasingly being acknowledged as a key source of competitive advantage in international business (Edwards et al. 1996).
- It is increasingly recognized that the effective implementation of international business strategies will depend on the ability of companies to develop appropriate human resource strategies for the recruitment and development of their 'international managers' (Barlett and Ghoshal, 1992).
- There is growing evidence to suggest that the human and financial costs of failure overseas are more severe than in domestic business and that many companies underestimate the complex nature of the HRM problems involved in international operations (Tung, 1984).
- The advent of the Single European market and the rapid growth of Irish direct investment abroad mean that IHRM issues are increasingly important concerns for a far wider range of companies than the traditional giant MNEs, particularly among the growing number of smaller and medium-sized enterprises (SMEs) that have significantly internationalised their operations in recent years (Scullion, 1995). (Adapted from Scullion, 1999: 48-49).

However, although there are growing interest in IHRM, there is still much room for better understanding of successful HRM practices in an international context, as many researchers have suggested (Mendenhall and Oddou, 1991; Scherm, 1995; Nankervis et al. 2008). While developments in technology and information systems have facilitated the increased internationalisation of organization functions, such as finance, manufacturing and marketing, this process has been much slower when applied to the management of human resources (Allen and Finn, 1997: 302). As a corporate practice and an area of academic research and inquiry, international HRM is relatively underdeveloped.

2. What Is IHRM?

There is no consensus about what the term IHRM covers. The majority of studies in the area have traditionally concentrated on expatriation: cross-border assignments of employees that last for a significant period of time (Brewster, 1991; Dowling et al. 1994). Indeed, according to Harris and Brewster (1999: 2) for many organizations and many commentators, IHRM and expatriate management are virtually synonymous. Expatriates are among the most expensive human resources in any internationally operating organization and they are almost invariably in substantial positions.

IHRM, however, according to Harris and Brewster (1999: 2), covers a far broader spectrum than the management of expatriates. It covers the worldwide management of people. Several researchers have developed detailed models of how IHRM fits into the overall globalization strategy of organizations. Adler and Ghadar (1990) argue that organizations will need to follow very different IHRM policies and practices according to the relevant stage of international corporate evolution, which they identify as: domestic, international, multinational and global. Linking this with the attitudes and values of top management at headquarters they outline how organizations could adapt their HRM practices and approaches to fit the external environment in which the organization operates, and its strategic intent.

Before offering a definition of IHRM, definition of the general field of HRM should be made. According to Dowling et al. (1994: 4) typically, HRM refers to those functions undertaken by an organization to effectively manage its human resources. These functions include at least the followings:

- Human resource planning

- Staffing
- Performance evolution
- Training and development
- Compensation
- Labour relations
- Benefits and in-house communications.

As these are the functions of HRM, the question of which functions change when HRM goes international should be answered. Morgan's (1996) paper on the development of IHRM is helpful in answering this question. He develops a model of international HRM that consists of three dimensions:

- The three broad HR functions of procurement, allocation, and utilization.
- The three national or country categories involved in international HRM activities: (i) the host country where a subsidiary may be located, (ii) the home country where an international company is headquartered, and (iii) "other" countries that may be the source of labour or finance.
- The three types of employees of an international enterprise: (i) local/host-country nationals (HCNs), (ii) expatriates/parent-country nationals (PCNs), and (iii) third-country nationals (TCNs). Therefore, for instance, IBM employs Australian residents (HCNs) in its Australian operations, often sends U.S. employees (PCNs) to Australia on assignments, and may send some of its Australian employees on an assignment to its Japanese operations (as TCNs).

Morgan (1996) defines IHRM as the interplay among these dimensions – HR functions, countries of operation, and types of employees. As can be seen from Morgan's argument in broad terms international HRM involves the same functions as domestic HRM. The main factors that differentiate domestic and international HRM are that while domestic HRM is involved with employees with only one national boundary, IHRM possesses the complexities of operating in different countries and employing different national categories of employees. Many organizations, do not realize and therefore underestimate the complexities involved in international operations. However, according to Dowling et al. (1994: 4) there is some evidence to argue that business failures in international arena may often be related to poor management of human resources. Therefore, when organizations go global, they need to understand the essential differences in managing human resources in foreign environments. Certain management philosophies and techniques can be successful in the domestic environment, while their application in a foreign environment may lead to frustration, failure and underachievement (Desatnick and Bennett, 1978). Therefore, it is worthwhile analyzing in detail what is meant by the statement that IHRM is more complex than domestic HRM. In the next section the differences between international and domestic HRM is examined.

3. Differences between International And Domestic HRM

In the literature the researchers (such as Briscoe, 1995; Dowling et al. 1994; Dowling, 1988; Dowling et al. 2008) suggest that IHRM differs from its domestic counterpart in terms of a number of factors. These include the following:

3.1. Being Responsible for More Functions and Activities

The HRM development in a multinational firm must engage in a number of activities that would not be necessary in a domestic environment. These include relocation and

orientation of personnel, transferred to and from other countries, international taxation, administrative services for expatriates, building close relationships with host-country governments, and language translation services.

Relocation and orientation of personnel: Relocation and orientation of personnel involves arranging for predeparture training; providing immigration and travel details; providing housing, shopping, recreation, medical care, and schooling information; and finalizing compensation details such as delivery of salary overseas, determination of various overseas allowances, and taxation treatment.

Administrative services for expatriates: An international company also need to offer administrative services for expatriates in the host countries in which it operates. Giving administrative services can often be a time-consuming and complex activity because policies and procedures are not always clear cut and may conflict with local conditions. For instance, ethical questions can occur when a practice that is legal and accepted in the host country may be at best unethical and at worst illegal in the parent country. This situation can be understood more clearly by giving the following example created by Dowling and his colleagues: A situation may occur in which a host country requires an AIDS test for a work permit for an employee whose parent company is placed in California, where employment-related AIDS testing is illegal.

Building close relationships with host-country governments: Building relationships with host-government is an important activity for a HR department, especially in developing countries where work permits and other important certificates are often more easily obtained when a personal relationship exists between the relevant government officials and multinational enterprise (MNE) managers.

Language translation services: Provision of language translation services for internal and external personnel correspondence is an additional activity for an international HR department. Morgan (1986) suggests that if the HR department is the main user of language translation services, the role of this translation group is often expanded to give translation services to all foreign departments within the organization.

International taxation: Expatriates are subject international taxation, and typically have both domestic and host-country tax liabilities. Thus, tax equalization policies must be designed to ensure that there is no tax incentive or disincentive associated with any particular international assignment (Pinney, 1982).

3.2. Requiring A Broader Perspective

Domestic HR managers generally design and administer programs for a single national group of employees who are covered by a uniform compensation policy and taxed by one national government. However, international HR managers need to take a more global view of issues, because they face the problem of designing and administering programs for more than one national group of employees. Therefore, international HR managers must expand their areas of expertise to cover knowledge of multiple foreign cultures, HR practices, and legal frameworks, as well as global business, economic, and political issues that will affect their HR decisions and practices.

3.3. More Involvement in Employees' Lives

At least initially, as a multinational enterprise's (MNE) international business increases, it tends to use increasing numbers of expatriates from the parent firm (PCNs). Because of the very visible role that PCNs usually play in foreign subsidiaries in representing the parent company to the local firm and its workforce, to the local culture, and to the local government, the selection, training, preparation, and effective management of these expatriates is very important. This often requires maintaining a great degree of involvement in the expatriates' and their families' lives. In many countries, the personal lives and habits of foreigners are as important as are their professional lives and behaviours. The international HR department needs to ensure that the expatriate employee understands travel arrangements, housing arrangements, health care, education option for children, obtaining visas, safety concerns and so forth. Many international companies have an international personnel services branch that coordinated administration of the above programs and gives services for expatriate employees such as handling their banking, investments, and home rental while on assignment and coordinating home visits and final repatriation.

In the domestic setting, the HR department's involvement with an employee's family is limited, while in the international setting, the HR department must be much more involved in order to provide the level of support required and will need to know more about the employee's personal life. For instance, some governments require the presentation of a marriage certificate before giving a visa to an accompanying spouse. Therefore, marital status can become a factor of the selection process. In the international setting, the HR department may be required:

- To provide predeparture training activities – especially cultural awareness programs – to improve chances of expatriate success.
- To provide suitable housing and schooling in the assignment location.
- To assist children left behind at boarding schools in the home country.
- To develop and even run recreational programs.

For a domestic setting, most of these issues either would not arise or would be primarily the responsibility of the employee rather than the HR department.

3.4. Having to Change its Emphasis as The Employee Mix of Parent – and Host – Country Nationals Varies

As the companies become international, they experience the development of their international operations. One of the factors that such development shows is the change that occurs in HRM activities as foreign operations mature. Earlier in that development firms tend to rely on more heavily on the use of expatriates from the parent firm (PCNs) in key managerial, technical, and sales positions. As foreign activity increases, firms tend to rely more heavily on local/host-country nationals (HCNs). Thus, as the need for expatriates declines and more trained locals become available, resources previously allocated to areas such as expatriate taxation, relocation, and orientation are transferred to activities such as local staff selection, training, and development.

3.5. Experiencing Greater Exposure To Problems And Difficulties

Although the problems associated with purely domestic HRM are great enough, the human and financial consequences of failure in the international arena are more greater than in domestic business. The IHRM manager's exposure to problems includes all of the typical domestic problems plus the additional difficulty of dealing with the high expense and risk of sending managers and technical people abroad. When these assignments don't work out, the cost to the firm can be quite substantial. For instance, direct costs (training costs, salary, and

travel and relocation expenses) per failure to the parent company may be as high as three times the domestic salary plus relocation expenses, depending on currency exchange rates and location of assignment (Harvey, 1983; Mendenhall and Oddou, 1985). Indirect costs such as loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai, 1984).

Another aspect of risk exposure that is relevant to international HRM is terrorism. This factor must now be considered by most major multinational companies when planning international meetings and assignments.

3.6. Coping With More External Influences

The major external factors affect international HRM are the type of government, the state of the economy, and the generally accepted practices of doing business in each of the various host countries in which the business enterprise operates. IHRM managers, therefore, need to maintain close relationships with local governmental authorities, to understand local political and legal systems as they affect employment practices, and to understand local cultures and how they influence the success or failure of PCN expatriates and interaction of HCNs with the parent firm. Issues such as union relations, government regulations, benefit and taxation practices, and health and safety rules will vary from country to country and indirectly affect how IHRM managers conduct their activities. The IHRM manager must spend more time on learning and interpreting the local ways of doing business and the general code of conduct regarding activities such as bribery and gift giving. The IHRM manager may also become more involved in administering company-provided or –financed housing, education, and other facilities or services, such as recreational and medical, that may not be readily available in the local economy. All of these add considerably to the number of outside influences with which the IHRM manager must lead to deal.

3.7. Having To Consider Greater Overall Complexities In Decision Making

All of the above factors contribute to much greater overall complexity in decision making for the HR manager. Having to consider the requirement of multiple legal and regulatory systems, of multiple cultures, and of multiple educational and social systems generally makes it more difficult for IHRM managers to determine policy and practice for the multiple operations of their firms throughout the world.

4. Variables That Moderate Differences Between Domestic And International HRM

So far it has been argued that the complexity involved in operating in different countries and employing different national categories of employees is the main factor that differentiates domestic and international HRM, rather than any major differences between the HRM functions performed (Briscoe et al., 2009). According to Dowling et al. (1994) and Briscoe (1995) in addition to complexity, there are five other variables that moderate (that is, either diminish or accentuate) differences between domestic and international HRM. These variables are the cultural environment, the importance of cultural awareness, management process, the industry with which a company is involved, and the attitudes of senior management.

4.1. The Cultural Environment

Since international business involves the interaction and movement of people across national boundaries, an appreciation of cultural differences and when these differences are important is crucial.

4.2. The Importance of Cultural Awareness

It is generally believed that culturally intensive attitudes and behaviours coming from ignorance or from misguided beliefs (“my way is best”, or “what works at home will work here”) not only are inappropriate but often cause international business failure. Thus, an awareness of cultural differences is crucial for the HR manager. Activities such as hiring, promoting, rewarding, and dismissal will be determined by the practices of the host country and often are relied on a value system peculiar to that country’s culture.

4.3. Management Processes

An important sub-component of cultural differences is encountered when looking at the variations in management practices around the world. There clearly is more than “one best way” to manage successful organizations. This reality makes it necessary for multinational organizations to understand the substantial differences in management style employed in different countries and to find ways to accommodate those differences while holding on to the aspects of their own managerial and corporate structures that are necessary for worldwide co-ordination. The inability to merge corporate and management styles in joint ventures or mergers and acquisitions and the resistance encountered when trying to impose a parent-company style or culture on a foreign subsidiary show how important this problem can become.

Table 1. Management practices impacted by cultural constraints

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| <ul style="list-style-type: none">• Planning methods, tools.• Time horizon of plans.• Degree to which organization is “mechanistic”.• Types of performance and control standards used.• Degrees of specialization.• Degree of centralization or decentralization.• Spans of control.• Grouping of activities and departmentation.• Extent and use of committees.• Selection and promotion criteria used.• Nature and extent of training programs.• Degree of participative versus authoritarian management.• Communication structure and techniques.• Techniques for motivating personnel.• Nature and extent of employee benefits, welfare services, facilities.• The ease or difficulty of obtaining employees with the desired skills and abilities.• The ease or difficulty of motivating employees – both managers and workers – to perform their jobs efficiently and effectively, and to improve performance.• The degree to which individuals identify with their departments and the overall firm.• The degree of frustration, high morale, absenteeism, and turnover among employees.• The degree of co-operation and conflict common among employees.• The degree of information distortion and ineffective communication in the organization.• The degree of unproductive time spent in unmeaningful bargaining, restrictive practices, and socializing.• The ease or difficulty of introducing changes.• The degree to which the “scientific method” is used to deal with problems, both in terms of understanding causation and in decision making.• The degree or organizational flexibility to cause or adapt to changing conditions. |
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Source: Briscoe, 1995: 15.

In terms of particular management processes, there are a number of issues and concerns that are affected directly by the type of cultural constraints. Table 1 shows a number of these, showing that many activities of management can be affected by variances in cultural values and practices. Many of these specific problems are of importance to the development of human resource practices in a multinational environment, including issues such as methods and criteria for selecting employees, importance of family linkages in employee selection and placement, nature of benefits provided employees, and the nature of education and job preparation for host-country nationals.

4.4. Organizational Problems and/or Industry Type

The amount of international activity as well as the nature of the industry in which the firm is engaged all can affect the nature of the organizational problems that an MNE (Multi-National Enterprise) will confront. Porter (1986) argues that the industry in which a firm is involved is of crucial importance as patterns of international competition vary broadly from one industry to another. At one end of the continuum of international competition is the *multidomestic industry*, one in which competition in each country is mainly independent of competition in other countries. Examples include insurance, retailing, and distribution. The other end of the continuum is the *global industry*, one in which a firm's competitive position in one country is significantly affected by its position in other countries. Examples include copiers, commercial aircraft, and semiconductors. If the firm operates in a multidomestic industry, the role of the HR department will most likely be more domestic in structure and orientation.

There may be considerable demand for international services from the IHRM function, but these activities would not be essential core of the HR function – partially because many of these services can be given via consultants or through other forms of temporary assistance. The major role for HRM function would be to support the activities of the firm in each domestic market in which the parent company is engaged. That is, the HRM function is probably to be fairly well decentralized. However, when the firm is involved with a global industry and is pursuing a world-wide business strategy, the need for co-ordination and centralisation for worldwide consistency of HR policy and practice will become very important. This tension between centralization/consistency and decentralization/localization often becomes the major conflict within the multinational enterprise's strategic management planning and, specifically, within IHRM's support of those plans.

The end results of trying to cope with this problem is to leave HRM with a number of related problems to resolve in the international environment. The following questions is a short summary of these key issues:

- How does HRM fit into an international strategy?
- Which HRM practices are designed at headquarters? Which locally? By whom? When are international teams to be used?
- How does the firm reach agreement on company objectives while allowing variable (national, local) paths to achieving them?
- How much consistency in HRM policies should be insisted on? Which policies should be global and which local? If global, whose laws and cultural practices take precedence? Which are best (for organizational results)?
- Which nationalities should be represented by key managers at headquarters and in the main subsidiaries?
- How much and which expatriation should occur? Parent country to foreign subsidiary? Foreign subsidiary to parent company? Third-country nationals? Foreign subsidiary to foreign subsidiary?

- How should the whole expatriation process be managed? How are management potential and performance judged when criteria differ from country to country?
- How should the management of careers be orchestrated internationally? (Briscoe, 1995: 16-17).

In all sizes of multinational organizations, national cultures continue to play a major role in differentiating work values. These issues are at the forefront of discussions within the IHRM function, as it helps employers to develop the balance between localization and globalization, and as it attempts to figure out how to do that within its own areas of responsibility.

Laurent (1986) is more specifically concerned with the HRM function and suggests that a truly international conception of HRM would require the following steps:

1. An explicit recognition by the parent organization that its own peculiar ways of managing human resources reflect some assumptions and values of its home culture.
2. An explicit recognition by the parent organization that its peculiar ways are neither universally better nor worse than others but are different and likely to exhibit strengths and weaknesses, particularly abroad.
3. An explicit recognition by the parent organization that its foreign subsidiaries may have other preferred ways of managing people that are neither intrinsically better nor worse, but could possibly be more effective locally.
4. A willingness from headquarters to not only acknowledge cultural differences, but also to take active steps in order to make them discussable and therefore usable.
5. The building of a genuine belief by all parties involved that more creative and effective ways of managing people could be developed as a result of cross-cultural learning.

Implicit in Laurent's analysis is the idea that by taking the steps he mentions, an organization trying to implement a global strategy through co-ordination of activities would be better able to work through the difficulties and complex trade-offs inherent in such a strategy.

4.5. Attitudes of Senior Management to International Operations

Another variable that may moderate differences between international and domestic HRM is the attitudes of senior management to international operations. It is likely that if senior management does not possess a strong international orientation, the importance of international operations may be under emphasized or possibly even ignored in terms of organizational goals and objectives. In such cases, managers may attempt to concentrate on domestic issues and minimize differences between international and domestic environments. They may regard that there is a great deal of transferability between domestic and international HRM practices. This failure to realize differences in managing human resources in foreign environments often leads to major difficulties in international operations. The challenge for the HR manager is to work with senior management in fostering the desired global mindset. This goal requires a HR manager who is able to think globally and to formulate and implement HR policies that facilitate the development of globally oriented staff.

5. Four Areas Normally Encompassed By The Term IHRM

There are four main areas normally encompassed by the term IHRM: International staffing; expatriate performance and assessment; IHRM policies, international management development (Scullion, 1999).

5.1. International Staffing

In international companies, the difference between business failure and success often depends on how well organizations select, train, and manage their employees. International staffing is becoming more common as companies become more global in their strategic thinking and operations (Shenkar, 1995). Although some companies regard expatriates as the embodiment of the emerging global workforce, others view foreign national and third-country employees (e.g., a British working for a U.S.-owned company in Spain) as another recruitment source from which to fill jobs, especially in areas of low employment.

International companies have three alternatives with respect to the staffing of management positions abroad: the employment of parent country nationals (PCNs), host country nationals (HCNs), or third country nationals (TCNs) (Scullion, 1999). The following several factors affect the choice between the various alternatives:

Regarding their staffing, there are various options to MNEs: Scullion (1995) outlines, regarding their staffing policies, there are a number of options open to MNEs: ethnocentric, polycentric, mixed and ad hoc. Companies with a polycentric value system will tend to employ HCNs, while companies with ethnocentric predispositions will tend to favour the employment of PCNs (Heenan and Perlmutter, 1979). In regiocentric or geocentric international companies, overseas management positions may be staffed by TCNs.

The international business strategy: The international business strategy of the company also affects staffing policies at the subsidiary level (Scullion, 1999). Multinational integration strategies require a greater use of PCNs in order to co-ordinate and control integrated activities (Porter, 1986). Multi-domestic or nationally responsive strategies would require the use of HCNs, to ensure sensitivity to local market and cultural considerations (Scullion, 1993).

The characteristics of the subsidiary: The characteristics of the subsidiary will also have an effect on the choice of staffing policy (Scullion, 1999). The employment of PCNs will be higher in new subsidiaries, especially in the start-up place. Similarly the employment of PCNs will be higher in greenfield sites as compared with acquisitions and in subsidiaries which are strategically important to the international company (Hamill, 1989).

The type of organization structure: The type of organization structure will have an effect on the complexity of the mix of employees (Shenkar, 1995). A wholly owned subsidiary operation may employ only host country personnel and expatriate, whereas a strategic alliance may have a far more complex workforce.

Other factors: Other factors affecting the choice of staffing policy are the availability of local management talent in host countries and government restrictions on the employment of parent country nationals (Scullion, 1999).

5.2. The Performance Of Expatriate Managers

In the international HRM literature an important issue is expatriate failure, which is usually defined as the premature return of an expatriate manager (Dowling and Welch, 1988). The literature shows that expatriate failure remains a major problem, especially for US multinationals, ranging between 25 and 40 per cent (Mendenhall and Oddou, 1985). Recent research argues that these figures are somewhat exaggerated (Harzing and Van Ruysseveldt, 1995) and that expatriate underperformance is a far more frequent problem than failure of the type that requires repatriation (Scullion, 1995).

5.3. IHRM Policies

Recruitment and selection: The high costs of expatriate failure have highlighted the importance of effective recruitment and selection procedures to the international organization (Tung, 1982). Finding the right personnel for foreign assignments involves several issues depending on the variables of nature of operations, size, and so on, as well as the type of foreign country- developing, industrialized, and the like (Shenkar, 1995). According to Scullion (1994) a key recruitment issue is whether firms recruit internally or externally and an important selection issue is whether the criteria used for selecting expatriates should be different from that used for domestic appointments.

International briefing: An effective briefing on the nature of the international assignments prior to departure was also seen as important to the success of an international assignments (Brewster, 1991; Ronen, 1989).

International training and development: The effective implementation of the international assignments depends, to a large degree, on the existence of an adequate supply of highly skilled employees. This indicates the importance of developing effective training and development programmes. According to Shenkar (1995) a number of variables influence management's choices regarding training and development programs. Basic among them are whether the overseas programs will be integrated with or separate from that of the parent company. There will be questions about career development opportunities and techniques of training, about who does the training, who gets the training and where, and who pays for it.

Performance evaluation: An integral part of HRM is performance evaluation, and co-ordination of domestic and foreign employment policies is required (Shenkar, 1995). According to Shenkar (1995) the key to understanding the legal issues in this area involves performance standards and uses of the evaluations based on the standards, both in the foreign location and in comparison with home-based operations.

The legal issues raised by standards for performance evaluations depend on whose standards are used, where? Does the foreign operation apply its own standards, those of the home company, or a global operations standard? And to whom are they applicable – home country versus foreign nationals, management versus workers? (Shenkar, 1995). The main factors to be used, from a legal point of view, are those of fairness and defensibility.

Compensation: The interest of personnel are most easily attracted by money. Although the uses of salaries and fringe benefits to attract and retain required employees are well known, in the global context, the legal ramifications are more complex (Shenkar, 1995).

With respect to the foreign-based work force, compensation-related opportunities and benefits, including training, travel, vacations, bonuses, housing and other fringes, can create equal employment opportunity issues and questions whether there has been compliance with local legal requirements regarding social insurance, job security, severance, and layoff funds or procedures, housing subsidies, worker injuries, redundancy, and so forth (Shenkar, 1995). According to Shenkar (1995) questions recur about who is the “employer” with the obligation – the local joint venture, the respective subsidiaries who have joined, or their parent companies – and who are the “employees” who are entitled to such benefits? Global employers often deal with these issues when first going into a foreign location, but changing and ongoing relationships with local suppliers, contractors, or partners often requires constant monitoring.

5.4. International Management Development

The existence of an adequate supply of internationally experienced managers is very important for the effective implementation of global strategies (Adler and Bartholomew, 1992). The shortages of international managers are regarded as an increasingly important problem for multinational organizations. Thus, developing effective international management programmes, and succession planning and international career planning are seen as vital areas for the corporate human resource function in the international organizations.

6. Conclusions

In today's turbulent and dynamic organizational environments, in an effort to increase their competitiveness globally, organizations create a major transformation in size, structure, and design. The traditional bureaucratic structure, with its multi-layered, pyramidal design, is being replaced by flatter, horizontal structures. Apart from changes in size, structure and design, organizations have realized that in order to going competitive advantages they need to accept human resources as their most important assets and treat them accordingly.

Only recently organizations have accepted HRM as a main source of going sustained competitive advantage. In today's turbulent environment there has been a dramatic increase in the interest in the management of human resources in an international context, such as in multinational organizations. For many years, HRM researchers and practitioners grappled with the convergence/divergence dichotomy. Many argued that the key to IHRM was to apply those concepts developed and successful in a country to an international context. This was superseded by the divergence approach that recognised the effect of myriad cultural variables in the management of human resources in an international context and the need to develop different perspectives for different cultures.

In broad terms IHRM involves the same functions as domestic HRM, however the main point of differentiation between domestic HRM and IHRM is the complexities of operating in different countries and the necessity of employing different national categories of employees. Many organizations do not recognize and therefore underestimate the complexities involved in international operations. As some evidence indicates that there is relationship between business failures in an international arena and poor management of human resources, organizations must realize the essential differences in managing human resources in foreign environments. Therefore, opposed to domestic HRM research, IHRM researchers and practitioners must be wary of:

- the interaction of different cultural-based norms and social values,
- the adaptability of management issues from one culture to another,
- the legal and economic differences that exist, and
- the different learning styles and response styles due to socio-cultural differences.

Organizations must also realize that they can be successful with their certain management policies in the domestic environment but they can not achieve the same success by applying the same policies in a foreign environment.

Comparing with their domestic HRM, organizations may come across the following factors when they go global: They may...

- be responsible for more functions and activities.
- require broader perspective.
- require more involvement in their employees' lives.
- have to change their emphasis as their employee mix of parent- and host-country national varies.
- experience greater exposure to problems and difficulties.

- cope with more external influences.
- have to consider greater overall complexities in decision making.

In addition to the complexity involved in operating in different countries and employing different national categories of employees, there are five other variables that moderate differences between domestic and international HRM. These variables are the followings:

- The cultural environment.
- The importance of cultural awareness.
- Management processes.
- Organizational problems and/or industry type.
- Attitudes of senior management to international operations.

So, international HRM is becoming increasingly important and organizations must be careful when making decisions in international HRM covering all the areas of recruitment and selection, performance evaluation, training and development, and compensation.

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