

An Exploration into the Challenges Facing Practitioners of International Human Resource Management: A Literature Review

Michael S. Chambers

Doctoral Student

Northcentral University

School of Business and Technology Management

10000 University Drive

Prescott Valley

Arizona 86314, USA.

Abstract

A corporation's growth strategy influences its decisions regarding both mergers and decisions to enter into foreign markets and compete for international market share. However, entering into culturally diverse countries is the first hurdle these organizations must overcome. Past research and practice have demonstrated that it is unwise to export U.S. human resource (HR) practices to another country. It is preferable to strike a balance between HR practices tailored to the host country's laws, society, and culture. This study explored the issues encountered by international organizations and global HR management practitioners within the existing literature. Globalization becomes a business strategy as organizations compete for consumers across borders. Thus, globalization becomes a deliverable for HR practitioners to add value by transforming and integrating HR throughout the organization as a core business process. Recommendations for business leaders are discussed to address practical implications, and further research recommendations are discussed.

Keywords: international human resource management, replication, knowledge management, cultural diversity, growth strategy, multinational, strategic partner, global talent management

1. Introduction

In the global business community, there is a pressing concern regarding how to develop geographically dispersed global human resource (HR) leaders in a manner that provides global HR practices that are tailored to local business practices, host country laws, and cross-cultural diversity (Friedman, 2007; Morris et al., 2009). More pressing to the HR management (HRM) field is how to transform HR into a core business process that can achieve the financial outcomes that positively affect bottom-line results and stakeholder satisfaction. A review of the current literature does not reveal an abundance of advances or proven practices that work best for international HRM (IHRM) because further studies and research are necessary to bridge theory and practice. The researcher selected IHRM as a topic to further broaden his perspective with the addition of new information, case studies, global issues, and further implications for HR practitioners. The researcher discovered that IHRM is ever-changing; it is in a constant state of transformation and refinement to accommodate the host country's rules and business practices. Indeed, it is due to the nature of IHRM (global implications, cultural diversity, and local practices) that the topic and practice warrants increased focus and attention by society, HR, and management scholar-practitioners. The U.S. and its global neighbors are in an economic crisis, and the future appears uncertain. As organizations compete for consumers, they are discovering that they must take the fight to their competitor's homeland. Thus, HR leaders' catalyst for this approach becomes a growth strategy in which global HR practices are implemented across borders. It then becomes vital for HR practitioners to transform HR into global core business processes that change with the practices, laws, and values held by that host country's potential employees and customers.

2. Issues in International Human Resource Management

“Global firms often struggle to replicate practices among their culturally and geographically dispersed subsidiaries. Part of the reason for this is that certain practices, including human resource management (HRM) practices, are complex and context specific” (Morris et al., 2009, p. 293). The aforementioned quotation highlights a critical point that is connected to several issues surrounding IHRM. IHRM issues include successful replication of IHRM practices across geographically dispersed global countries (Morris et al., 2009), global talent management (Geigle & Malhotra, 2009; Gordon, 2010; Silzer & Dowell, 2010), and cultural diversity (Scroggins & Benson, 2010). In addition, other HRM practices affected by business growth strategies include rewards, compensation, and the union (Friedman, 2007).

2.1. Replication of IHRM Practices across Global Boundaries

As previously mentioned, multinational companies (MNCs) are experiencing difficulties in their attempts to replicate IHRM practices across global boundaries (Morris et al., 2009). The researcher believes that the reason behind these replication issues lies in the lack of foresight and planning capabilities of MNCs regarding the complex yet valuable human element (human resources). If one was to reflect on the previous research studies and case studies, it could be concluded that once the global HR leader is on the ground within the host country, the next required steps include an analysis of strengths, weaknesses, opportunities, and threats (SWOT analysis), as well as planning that integrates local practices and customs (Friedman, 2007) into IHRM strategy. Morris et al. (2009) define replication as imitating a best practice in a different country. Studies also demonstrate that HR practice replication is a catalyst for and critical to organizational goals.

Furthermore, MNCs that are capable of replicating practices on a global level with precision and consistency achieve a competitive advantage (Friedman, 2007). For example, Deutsche Bank AG pursued a growth strategy and included HR in its strategic planning as the bank expanded across 68 countries. The bank transformed its HR function, identified and incorporated limited use of new HR competencies from the US, utilized metrics, globally transformed the function of HR, and initiated a global information system (Friedman, 2007). The aforementioned example illustrates how MNCs must approach the replication of IHRM practices through careful planning, learning, and execution. It is also apparent that MNCs that are based in the US could benefit from the growth strategy employed by Deutsche Bank AG.

Equally interesting are the past arguments put forth by the knowledge replication literature and the transformation of knowledge replication into relevant HR issues (Morris et al., 2009). Lee and Wu (2010) acknowledged that the rapid pace of global competition can be leveraged with skillful execution of knowledge management. International firms are networks that generate information and then transfer this knowledge to several integrated areas within and between MNCs. The steps involved in the knowledge transfer (KT) between MNCs are a critical point of knowledge management. However, KT increases in difficulty with an increase in geographical and cultural distances. As a result, education partnerships are viewed as a means to enhance sustainability. When knowledge management upgrades HR staff competency, the HR staff then enhances its ability to provide strategic direction as business partners.

However, many MNCs are unable to adopt new tools and management opportunities due to inertia or an absence of absorptive capacity. It also appears that learning before executing is not fully embraced, and MNCs occasionally fail to properly invest in developing absorptive capacity. Absorptive capacity prepares a MNC to skillfully acquire and execute external and internal knowledge, which in turn impacts its ability to adjust to a changing environment (thus increasing its competitive position). Knowledge is codified as explicit and tacit. Explicit knowledge is defined as “the accumulated practical skill or expertise that allows one to do something smoothly and efficiently; and information which accommodates more explicit dimensions of knowledge” (Lee & Wu, 2010, p. 120). In contrast, tacit knowledge is grounded in experience, behavior, passion, dedication, and work ethic (Lee & Wu, 2010). Factors that impact KT in MNCs are technology, procedures, and systems. Technology can enhance KT by increasing an individual’s reach beyond formal communication (i.e., Internet, email, and video conferencing). Systems and procedures enhance KT only if they are appropriate, accurate, and accessible. Successful KT also requires systems, methods, and procedures. Finally, culture forms assumptions about which knowledge is worth exchanging, defines relationships between individual and organizational knowledge, and determines who is expected to control specific knowledge as well as who must share it (Lee & Wu, 2010).

Lee and Wu (2010) stressed that KT are exchanges of knowledge between the source and a recipient. The aforementioned transfer has no value if the recipient does not utilize the new knowledge. However, the KT has the potential to transform the recipient's behavior. Communication between MNCs also facilitates the flow of knowledge within MNCs. These knowledge flows can be identified as either objective or experiential (explicit or tacit knowledge). In addition, objective or explicit knowledge can be explained either verbally or in writing and can be transmitted in formal, systematic language. In contrast, experiential or tacit knowledge is implicit, non-verbal, and difficult to transfer to others because it is embedded in individual experiences and involves beliefs, perspectives, and values. The aforementioned two forms of knowledge require different vehicles of transfer. Experiential or tacit knowledge can be best exploited through the global transfer of managers and global teams. In contrast, explicit or objective knowledge is transferred via written or electronic methods.

These methods are capable of transferring large amounts of information that would otherwise not be possible through face-to-face interaction. For example, comprehensive training for business and cross-cultural training in a specific host country before and after the overseas assignment exploits explicit or objective knowledge (Geigle & Malhotra, 2009). In addition, MNCs vary in their ability to process and replicate new knowledge gained from external sources. The aforementioned knowledge is labeled as "absorptive capacity" and is defined as the ability to see value in new external information and to apply it to business strategy (Lee & Wu, 2010).

2.2. Global Talent Management

As companies around the world develop strategies for expansion in a time of uncertain economic recovery, there are growing concerns regarding talent recruitment within emerging markets (China Business Newsweekly, 2010). The researcher agrees with these concerns because the U.S. economy went into a downward spiral that led to the Great Recession after the terrorist attacks of September 11, 2001. In the aftermath, many companies encountered a changing playing field with new and stronger competitors on the other side of the world. Historically, American businesses were able to exercise their option to buy talent in India and China primarily because of the low cost of labor. However, the economies in India and China have changed from low- to high-skilled business processes, and this shift can be attributed to both countries training and graduating large numbers of technicians each year (Gordon, 2010).

However, approximately 10-20% of these graduates meet international prerequisites; neither of these countries has high-quality global or regional education accreditation (Gordon, 2010; Kapoor, 2011). Both countries have also executed strategies to attract talented individuals back to their homeland to fill talent gaps. As a result, global organizations that link their growth strategy to global talent management will also have to work on their global recruitment strategy to attract, hire, and retain the local talent in their respective host countries. Organizations that engage in growth strategies across global borders must orient their talent management initiatives toward supporting global expansion. The reality of India and China engaging in a global talent management strategy is no surprise; similarly developing countries follow a similar trend of improving upon this strategy (Gordon, 2010). The domestic and global talent supplies are dwindling (Kapoor, 2011), and competition for talent is on the rise. Thus, corporations must build organizational capabilities for successful global expansion strategy execution (Silzer & Dowell, 2010). The researcher believes that the following specific talent management initiatives would strengthen a global expansion strategy: 1) develop high potential and build global talent leadership bench strength; 2) build a global database of talent profiles; and 3) equip potential expatriates with tools to increase their chances of global success.

Developing and building the global talent leadership bench strength of successors supports the strategy for global expansion and must be linked to the talent management function. In addition, building bench strength for critical global leadership positions in support of a growth strategy also creates opportunities for talent development and enhances the capabilities of high-potential individuals (Silzer & Dowell, 2010). One example of aligning strategy with the talent management function can be observed in Proctor & Gamble. Proctor & Gamble aligned its talent function management to its strategy for growth; as a result, the company acquired the talent that was required to lead its joint venture. The organization's actions had a transforming effect because developing the capacity for global expansion resulted in the identification of qualified candidates in less than one day (Ready & Conger, 2007). Furthermore, the researcher believes that bench strength of at least three and no more than five high-potential successors must be identified and stored in a global database of talent profiles for future use.

2.3. Equipping Potential Expatriates with Tools to Increase Chances of Global Success

With the shift towards more responsibility for employee development, there are several tools that HR professionals can use to help turn employees into successful global talent. The first tool is an evaluation of psychological issues, such as emotional maturity, adaptive and flexible thinking, expatriate experience, languages, openness to various cultures, the ability to learn new customs and traditions, and family support (Geigle & Malhotra, 2009).

A second item that HR professionals can provide is comprehensive training for business and cross-cultural training for a specific host country before and after overseas assignments (Geigle & Malhotra, 2009). Such training also assists the organization in executing knowledge management through integration. Integration occurs when a task is transformed into a core business process (Silzer & Dowell, 2010). The Society for Human Resource Management (SHRM) adds credibility to Geigle and Malhotra's research on training that educates and supports global talent when adapting to different cultures. HR professionals can also provide increased support for the spouse and family of the expatriate in the form of language training, education assistance, and elder care (SHRM, 2010).

2.4. Cultural Diversity

“The ability to implement best practices in a way that is acceptable in local situations and create alignment across different cultural and business environments is, in part, the domain of HRM” (Friedman, 2007, p. 164). Cultural differences across international borders create execution problems for global HR managers (Kapoor, 2011) and require the alignment of HR practices with leadership support. These cultural differences also call on HR to step forward as a strategic partner. One method that global HR leaders can use to address and overcome potential execution problems is through a deeper understanding of culture, individual cultural competency, and cross-cultural competence. Barrera (2010) placed a strong emphasis on the role of cultural differences and misunderstandings as reasons behind the high failure rates of mergers and acquisitions. The handling of intercultural issues by a MNC is correlated with the performance of the merger in the post-integration stage and long-term success or failure. Culture is defined as the result of human interactions in which people meet, communicate, and interact. Another avenue to define culture is to say that it is comprised of expected ways of thinking, feeling, and reacting, which are acquired and transmitted using symbols that are the unique accomplishments of groups of people.

Furthermore, at its center, culture is made up of tradition, ideas, and attached values. Essentially, people are not aware of how their cultures influence their behaviors, habits, and customs. Personality, self-expression, thoughts, movements, problem solving, and planning can be linked to a person's culture (Barrera, 2010). Individual cultural competency refers to the dispositions of people that are influenced by early social and cultural experiences, as well as group communication. Culture molds individual goals, business goals, inter- and intra-cultural interactions, conflict management, behaviors, and communication. There have been several instances in which universal applications of management theory resulted in disaster for seasoned MNCs because the leaders did not address the unclear nature of the preconceived policy guidelines. Interestingly, American analytic thinking and rationality has experienced global successes within the technology field. However, this success may be attributed to the universal rules that are being widely applied as technologies work according to the same rules everywhere. However, universal rules become outdated and require adjustments when applied to interactions between different cultures (Barrera, 2010).

In addition, social interactions utilize common ways of processing information among people who interact with each other and influence how these people conduct business and manage affairs across cultural boundaries. Achieving cross-cultural competence requires that people lower their defenses, tolerate new ideas and beliefs, and practice behaviors that may feel unfamiliar. Cross-cultural competence also requires an open mind and the ability to accept alternate perspectives. In addition, cross-cultural competence may require changing what people think and say and how people behave (Barrera, 2010). There are three vital elements that are necessary to develop cross-cultural competence: self-awareness, knowledge of each culture, and skills that enable the individual to engage in successful interactions. However, complete cultural competence is only achieved when people who have been privileged recognize that their privileged status is based on systems that disadvantage others (and such people work against those systems).

The researcher believes that developing and implementing cross-cultural competence is a sound investment in human capital that supports business strategy (Silzer & Dowell, 2010). However, cross-cultural competence involves more than recruiting diverse leadership, language training, or diversity training. Cross-cultural competence involves the creation of an atmosphere of inclusiveness that distinguishes organizations that have reached the level of cross-cultural competency. In addition, the researcher believes that MNCs could more accurately identify global training needs by conducting assessments of cultural competency within and between their organizations (Barrera, 2010).

2.5. Global Compensation, Global Benefits, and Global Labor Relations

Cultural differences and international countries vary in distance, local customs, politics, and laws (Barrera, 2010; Friedman, 2007; Kapoor, 2011), and HR practices must be tailored to country-specific requirements. For example, in India, computer programmers earn \$10 per hour compared with \$60 per hour made by computer programmers in the US. The amount of severance pay differs widely across countries and ranges from one week for each year worked in the US (Friedman, 2007) to 28 weeks for workers with 10 years of tenure in Spain (The World Bank Group, 2013). In addition, global benefit surcharges vary greatly and range from an average of 37% in the US to 70% in France, and allowances for vacation time vary from two weeks in the US to five weeks in several European countries. The other areas of HRM that are impacted by globalization include compensation, benefits, and labor relations (Friedman, 2007).

It can be expected that expatriate compensation and benefits (hazard/travel pay and cost of living) are provided in detail and are higher than what is offered in the employee's home country. Areas of compensation that motivate and retain employees in different countries change because of cultural differences and local situations. In addition, strategically aligning compensation in global organizations is challenging because of variations in employee pay expectations and perceptions of pay fairness. A global compensation strategy combined with local responsiveness is strongly suggested because of the differences in countries and cultural aspects of the global environment. Labor union participation and power differ across countries and range from 0% in China to 12.5% in the US to 53% in Italy. Furthermore, the nature of unionism varies greatly across borders. In the US, unions collectively bargain over wages, benefits, and terms of employment. In contrast, European unions and work councils focus on political causes, holidays, and family leave (Friedman, 2007).

3. Growth Strategy and the Role of Human Resource Management

"The increasing prevalence of globalization is driven by a number of features, including shortage of talent in developed countries, availability of low cost labor and growing consumers in developing countries, and technological progress" (Kapoor, 2011, p. 2). US-based organizations are attempting to remain profitable in light of the pressures of globalization. New entrants into the global competition arena and the war for talent have transferred global pressures onto global HR practitioners. These HR practitioners must take on increased ambassador and change agent roles to successfully align their organization's goals with the HR practices of the local area and those across the globe (Friedman, 2007). Thus, HR leaders must deploy across borders as their organizations grow. In addition, HR leaders must take on four roles: strategic partner, change agent, administrative expert, and employee champion (Friedman, 2007; Ulrich, Allen, Brockbank, Younger, & Nyman, 2009). Because HRM practices do not translate across different cultures, laws, and countries, HR roles are influenced in their execution, and there are global and cultural implications for each HR role (Friedman, 2007).

3.1. Strategic Partner, Change Agent, Administrative Expert, and Employee Champion

The strategic partner role requires HR leaders to align HR practices with strategic business goals. The deliverable for this role is an executed strategy that creates value as seen by major stakeholders, investors, line managers, and workers. The global challenges for this role include assisting leaders with global mergers and acquisitions, balancing the need to transfer best practices from the home country with the need to adopt local practices, increasing IHRM planning sophistication, helping leaders build worldwide organizational capabilities, and creating alignment across borders, cultures, and languages. The second role, change agent, delivers a renewed organization that is more competitive. To achieve and sustain a competitive advantage, corporations must adapt to inevitable changes in the competitive landscape, government regulations, and global economy.

The global challenges for this role include helping leaders create a global organization vision, mission, and objectives; creating a sense of urgency, a need for change, and alignment among diverse populations; communicating effectively across cultures and languages; and facilitating change that considers cultural differences and local customs (Friedman, 2007). The third role, administrative expert, delivers efficient processes (e.g., compensation, benefits, talent management, and training) that exploit new technologies and improved methods. A sound knowledge of the HRM field coupled with technical knowledge enables HR leaders to identify opportunities that add value. The global challenges for this role include reengineering the value creation process to maximize efficiency; managing off-shoring processes; recruiting and selecting employees globally in a timely and cost-efficient manner; managing the high cost of expatriation; providing efficient training programs; and globally managing processes, such as compensation and benefits.

The fourth role, employee champion, maximizes worker contribution and commitment in two ways. First, HR leaders listen and respond to worker needs with available resources. Concerns of employees vary daily (e.g., issues with coworkers, career development, discipline, and alleged discrimination). Second, HRM practices increase workers' knowledge, skill, and ability to contribute to company goals. The global challenges for this role include assessing global training needs, establishing an international HR, succession, and career development system, increasing sensitivity to cultural differences, increasing knowledge of local employment laws and practices, ensuring expatriate safety, and meeting global employee information needs (Friedman, 2007).

4. Recommendations

The Human Resource Certification Institute (HRCI) revealed their top 10 picks for nations outside of the US with global HR professional (GPHR) certifications as follows: India (82), Canada (60), Nigeria (51), China (49), South Korea (26), Russia (22), United Arab Emirates (21), Indonesia (15), Switzerland (13), and the United Kingdom (13). Within the US, there are approximately 70 HR practitioners with the GPHR certification credential (HRCI, 2011a). As US-based organizations deploy overseas and across borders to implement growth strategies, the researcher recommends that more employers require GPHR certifications not only for their HR leaders (HRCI, 2011b) but also their management team.

As the pressures of globalization continue to increase, so will the need for capable leaders who can deploy across borders to implement IHRM practices that are flexible toward local host country practices, laws, customs, and values (Friedman, 2007). Second, the researcher also recommends further empirical research into actual situations at locations within local host countries to build upon past research and create new information to assist in bridging theory and practice. Third, the researcher also recommends a more robust and integrated approach to the practice of IHRM to properly address the global implications that are attached to each global business partner role that HR must play to achieve its organizational goals.

5. Conclusion

In summary, the researcher reflects on the thesis of his research; it then becomes vital for HR practitioners to transform HR into global core business processes that shape themselves around the local host country practices and laws and further shapes it to accommodate the values held by that host country's potential employees and customers. As previously mentioned, the key to beginning the transformation process is sensitivity to diverse cultural differences, as well as flexible global HR practices that add value to organizational goals. With the development of IHRM, further studies and research are warranted to bridge the gap between theory and practice. In addition, increased efforts are required if global HRM is to include global management.

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