

Developing International Human Resources Firms

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Abstract

The rapid growth of the trend of globalization, developing an international human resource firm to assist a multinational corporation expands global business. This study proposes a structure and discusses advantages of establishing an international human resource firm. It includes a complete analysis of the business strategies addressing the human resource needs of the global companies. This paper attempts to understand how human resource management strategies are being effectively adopted by global firms. An international human resources firm could improve selection, training, management, and evaluation employees.

Keyword: International business, human resource management

Introduction

With increasing globalization, companies are entering an active world of international business. The challenges of complex in human resource management has resulted in establishing an international human resources firm, which will provide initiated adoption of innovative human resource management practices. When developing an international human resources firm, there needs to be discussion which practice should be designed centrally by an international firm, and which ones need to be adapted locally. This paper first identifies an international human resources firm and its business opportunity. Then it will present which organization structures is suitable for international human resource firms. Second the paper investigates various approaches to the management and recruitment of employees in subsidiaries that the company has established in different countries. Then it explains the reasons for international human resources management failure. And then, it turns to the basic strategies of international human resources management, including the selection and training of employees, performance evaluation, motivation, allowance, labor relations, empowerment, and career development. Finally, this paper describes the challenges occurring in the management of expatriates and the impact of culture on human resources management.

Defining an International Human Resources Firm

An international human resource firm takes input from the environment, such as human resources, and ideas, transforms them, and then returns output to the environment in the form of services or knowledge (Thomas, 2002). A major challenge facing an international human resources firm is how to internationalize HRM policies and function. First, it requires an understanding of human resources management. Second, it needs a complete understanding of the cross-cultural management which prevails in local subsidiaries. Third, all staff have to be ready and willing to accept that they may have something to learn from their foreign subsidiaries and partners (Schneider & Barsoux, 2003). An international human resources firm is involved in management, consulting, and employment services. It should offer many job opportunities as businesses increases hire human resources specialists in order to deal with the increasing cost and complexity of training and development programs.

Opportunity of an International Human Resources Firm

Most companies demand human resources, training, and labor relations management, even though specialists are governed by the staffing needs of the firms for which they work. A rapidly expanding business is likely to hire additional human resources specialists either as permanent employees or consultants. As human resources management becomes increasingly important to the success of an organization, some small and medium-size companies that do not have a human resources department may need outside assistance. Some firms' growth could be limited by the use of computerized human resources information systems that make a human resources firm's business expandable.

Set up International Organization Structures

An international human resources firm must be coordinated through a differentiation of roles to achieve goals. It also needs to coordinate its operation across multiple environments. In these situations employees need to work together in teams to achieve their project goals.

A project may cover all of the organizational areas. In the Matrix Structure, each employee reports to more than one manager or group for the purpose of international operation with functional areas (Thomas, 2002). It is suited to complex decisions and frequent changes in an unstable environment. It achieves coordination necessary to meet the demands from customers (Daft, 2003). Hence, an international human resources firm should choose to adopt the Matrix structure even though the Matrix structure requires a great deal of interpersonal skills from the staff (Aldrich, 1998).

Approaches to Managing and Staffing Subsidiaries

Global companies have different types of selection of employees depending on whether candidates are from the home country, the host country, or a third country (Ball, 2004).

1. Home country. Company sent home country employees abroad. Usually, headquarters from the home country makes decisions, employees from the home country hold important jobs, and the subsidiaries follow home country resources management practice.
2. Host country national. The employee's nationality is the same as the location of the subsidiary. A company that applies this approach is under the assumption is that each country is different from all the others and that the subsidiaries in each country should develop locally appropriate practices. To impart knowledge of business techniques, the company may set up in-house training programs in the host country subsidiary, or send host country employees to home country business schools' training programs (Ball, 2003).
3. Third country national. Hiring employees who are citizens of neither the home country nor the host country is often advantageous. Organizations try to combine the best from headquarters and the subsidiaries to develop consistent worldwide practices (Treven, 2006).

The advantages of using local employees to staff international subsidiaries are local employees' familiarity with the socioeconomic, political and legal environment and with business practices in the host country. This also demonstrates trust in the local citizenry. In addition, using local employees' increases acceptance of the company by the local community, leads to recognition of the company as a legitimate participant in the local economy, and effectively represents local considerations and constraints in the decision-making process. The disadvantages are difficulties in exercising effective control over the subsidiary's operation; it leads to postponement of difficult local decisions, difficulty in recruiting qualified employees, and communications difficulties in dealing with the home company personnel. The advantages of using expatriate employees to staff international subsidiaries include familiarity with the home company's goals, objectives and policies; technical and managerial competence, and cultural similarity with home company. The ensuing transfer of business practice permits closer control and coordination of international subsidiaries and gives employees a multinational orientation through experience with the home company. The disadvantages include difficulties in adapting to the foreign language and the socioeconomic, political, cultural and legal environment (Briscoe, 2004). Also it involves high transference and salary costs result in personal and family problems. And then, it has a disincentive effect on local management morale and motivation.

The Reasons of International Human Resources Management Failure

One of the barriers preventing the HR function from fulfilling its role is its own lack of international experience. HR managers have very few transfer opportunities outside their home country and do not get the international exposure they need. HR jobs are thought of as fundamentally local, so HR positions are filled from outside only when a local solution is unavailable. Companies seem to make little effort to leverage the knowledge gained from operating in a different cultural environment. HR departments also miss the opportunity to learn from the experiences of retuning expatriate. In fact, they pay little attention to these resources rich in cultural knowledge and do little to integrate this knowledge. Thus the company loses the very seeds needed for developing the international competence of the firm as whole. It is time to face the need for greater international experience overall, and the reality of the increasing international interaction in doing international business (Schneider, 2003).

Major Strategies of International Human Resource Firm

How an international human resource firm finds, pays, trains, and promote employees varies with culture. The major functional areas are selection and training, performance evaluation, motivation, remuneration, allowance, labor relations, empowerment, and career development.

1. Selection and Training: In an international company, the selection and training approach strongly affects the type of employee the company prefers. It has to attempt to treat employees equitably, but in a culturally appropriate manner. The company must select the best employees for work in foreign countries, and at the same time be aware of the needs of the employees' family who will accompany the employee to the new cultural environment.

Companies have to encourage them to study the language and cultures. Many employees taking on international assignments are unsuccessful because their families can not adjust to their new surroundings. Hence, it is necessary to organize training for the employee and his family before departure to help them adapt to the new environment. To choose the best employee for the job, management should emphasize cultural sensitivity; require previous international experience, and screen candidates' spouses and families (Treven, 2006). The company must consider both headquarters practices and those prevalent in the countries of its subsidiaries. When making a hiring decision, people in an achievement oriented country consider skills, knowledge, and talents. When selecting employees, the company should consider their culture, age, gender, and family background. Employees should be selected whose personal characteristics fit the job. An international human resource firm has to choose among training employees located in subsidiaries, training to prepare expatriates for assignments abroad, and development of a special group of globally minded managers. Hence, the expatriate can do his job competently, learn to live comfortably in a new culture, and ensure that his family adapt as well.

International human resource firms develop training programs which may be carried out in two ways: centralized and decentralized. With a centralized approach, training originates at headquarters and corporate trainers travel to subsidiaries, often adapting to local situations. This fits the home country model. Trainers could be sent from various positions to any other location in the company. In a decentralized approach, training is on a local basis, following a host country model. When training is decentralized, the cultural backgrounds of the trainers and trainees are usually similar. Local people develop training materials and techniques for use in their own area. To maximize training effectiveness, it is important to consider how trainees learn most effectively. Global companies must have a group of managers with a global perspective. Companies must identify managers with global potential and provide them various training and development opportunities. As global managers have international assignments, working on cross-national teams and projects, and learning other languages and cultures contribute to making a manager more globally minded. In addition, global companies should include not only home country nationals but also host country nationals and third country nationals in this group (Treven, 2006).

The most important aspect of expatriate training is cross cultural training. Such training prepares an expatriate to live and work in a different culture because coping with a new environment is much more challenging than dealing with a new job.

2. Performance Evaluation: An international organization has to allow valued employees to participate in decision making. Encouragement may be provided through ample opportunities to grow, develop, and sustain long-term employment. Employee performance may be evaluated by looking primarily at how well the staff have grown and developed and contributed to the competitive advantage of the entire organization. Also, it has to evaluate employees from different countries working in different subsidiaries. They have to consider the cultural background of employees to make the evaluation meaningful. Developing a global system is the most challenging. A company with a home country model uses the same performance evaluation process used at headquarters for its subsidiaries. A company with a host country model develops local procedures within each country. Finally, a company with a third country model uses the same performance evaluation system worldwide, but it has universal applicability.

3. Motivation: An international firm should allow valued employees to participate in decision making. Compensation may be based on skill level. Implementation of a mentor program for professional staff can provide additional opportunities for career development.

4. Remuneration: An international organization has to consider the salaries of employees who may transfer from other locations. An organization has to strive to minimize all expenses including payroll. To reduce expenses, if there are few applicants available for positions, the compensation for those positions increases. It has to offer salaries and benefits representing a specific market level. A global firm has to offer top salaries in the country where it does research and development but pay average wages in the country where it manufactures (Treven, 2006).

5. Allowances: Allowances are employee compensation payments added to base salaries to counter higher expenses encountered when living abroad. A firm has to provide housing allowances and cost-of-living allowances to permit employees to live as well as they are accustomed to at home. Expatriates pay tax differentials when host country taxes are higher than the taxes that expatriates would pay on the same compensation and consumption at home. The objective is to ensure that expatriates will not have less after-tax take home pay in the host country than they would at home. In addition, expatriates are concerned that their children receive educations at least equal to those they would get in their home countries, and some want their children taught in their native language. Therefore, a firm must provide education allowances (Ball, 2004).

5. Labor Relations: The labor relations function defines the roles of management and workers in the workplace. An international organization has to be polycentric. Even though labor relations are local level issues, it is good corporate strategy to coordinate labor relations policy across subsidiaries (Arthur, 2000).

6. Empowerment: Relations between home country and foreign nations are no longer those of managers and subordinates. A global human resource company can no longer assume that their most important customers and market are home-based. Increases in economic power, wider access to business education, and the decentralization of organizations have put these relationships on a much more equal footing. Hence, it has to know that the foreigner is their boss. Managers therefore have to engage in dialogue with subsidiary managers, and listen. They have to search for new ideas around the world (Bagby, 2003). Managers need cross-cultural skills on a daily basis throughout their careers, not just during foreign assignments, but also on regular multi-country business trips and in daily interaction with customers or colleagues world-wide (Prempeh, 2004).

7. Career Development: National culture has an impact on career development. These different patterns of career development are found in different countries. These different career systems can cause problems for multinational companies in implementing their plans for management development. An international firm has to ensure that the perception of what it takes to reach the top, and the patterns of career development (Montana, 2000). An international firm has to take advantages of these differences in promoting and developing managers to be effective in different times and areas.

Management of expatriates

It is important to understand the reasons behind expatriates' failure so that preventive measures can be taken. These are career blockage, culture shock, lack of cross cultural training, and overemphasis on technical qualifications. An international firm has to provide proper training and select a proper expatriate. Expatriates and their families need time to become familiar with their new environment and to become comfortable living there. An international firm has to help expatriates deal with culture shock. After an expatriate completes his assignment and returns home, he must adjust in the same way as when going abroad. The work, people, and general environment are no longer familiar. A global organization has to help expatriates to deal with this situation, and examine the company's expatriation policy and procedures to make sure that all expatriates are treated equally. Potential candidates must be identified and their suitability for the assignment checked by matching them with the skills required for the task to determine whether they have the right degree of open-mindedness, patience and flexibility. It is essential that helping them build a complete picture of what it is like to work and live abroad, and give them adequate support. New expatriates should be put in touch with other previous expatriate managers who have worked in the destination country, and provide them with the contact details of staff currently posted there so they can learn about conditions straight away. Employees should do their own research into the culture of the destination country, and familiarize themselves with the organization's structure, procedures and business strategy abroad.

Culture and human resource management

An international company hoping to implement a global strategy must choose the human resources policies and practices that will best support that strategy (Inglehart, 2000). However; the same policies will not produce the same effects in different cultural areas. Hence, an international human resource firm has to learn how to manage cultural difference which they will be confronting more and more on a daily basis, at home as well as abroad (Schneider, 2003).

Conclusion

A major challenge facing an international human resources firm is the management of human resources on a global basis. It requires an understanding of human resources management, cross cultural management, and willingness to learn from abroad. Because an international human resources firm must be coordinated through a differentiation of roles to achieve goals, matrix organizational structure is suitable to international human resource firm. The major strategies of an international human resources firm are selection and training, performance evaluation, motivation, remuneration, allowance, labor relations, empowerment, and career development. However, the same strategies will not produce the same effects in different countries. Therefore, it needs to understand how to manage culture differences in difference areas.

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