

Department of Management Studies
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Managing Human Resources in an International Business

Role of Human Resource Managers in Internationalization of Business

Managing human resources effectively in companies that do business globally requires cultural awareness and the ability to respond quickly in dynamic environments. Human resource professionals typically handle the recruiting, interviewing, hiring, training and developing of employees that businesses need to achieve their business goals. They also establish the policies and procedures designed to ensure a fair, safe and productive work facility. Managing individuals in international settings requires motivating and inspiring employees to work collaboratively, even when they don't reside in the same location.

➤ Providing Training

Human resource professionals maintain a productive environment by ensuring that employees have the skills and knowledge to accomplish job tasks. They make arrangements for training courses that enable employees to get the proper credentials for performing their function. This also ensures that companies adhere to all government regulations. For example, all companies must be certain that employees follow the standards for that assure a safe and healthy workplace setting. In Europe, work councils composed of both employers and employees might mandate training not covered by other trade union agreements.

➤ Fostering Global Collaboration

As companies become more international, human resource professionals have become more generalist. They tend to know less about day-to-day, internal operations and focus more on ensuring personnel work effectively together as teams. They care about competitive advantage, profitability and economic survival during tough financial times. Their role may have been restricted to hiring employees, managing

benefits and handling disciplinary action in the past, but human resource professionals now deal with controlling health care costs, reducing employee attrition and participating in the community, as well.

➤ **Working with Managers**

Years ago, human resource professionals in traditional small business settings focused on completing administrative tasks, such as recruiting and hiring personnel, often without input from department managers. As companies become more global, human resource professionals act as business partners to interview and orient new employees to the workplace. A complex business operation typically requires specialized personnel, so human resource professionals must work cooperatively with managers on the production lines.

➤ **Building Teams**

Human resource professionals who support international business operations typically must to ensure that diverse teams work well together. By conducting team-building workshops, promoting acceptance of cultural diversity and motivating employees to achieve strategic goals, they help their company build strong teams. By recognizing that in some countries individual recognition plays a larger role than others, human resource professionals can create awareness about how teams can function effectively across borders to maintain company profitability.

FIVE MAIN FUNCTIONS OF GLOBAL HUMAN RESOURCE MANAGEMENT

▪ **Recruitment Process**

Attracting, hiring and retaining a skilled workforce is perhaps the most basic of the human resources functions. There are several elements to this task including developing a job description, interviewing candidates, making offers and negotiating salaries and benefits. Companies that recognize the value of their people place a significant amount of stock in the recruitment function of HR. There is good reason for this -- having a solid team of employees can raise the company's profile, help it to achieve profitability and keep it running effectively and efficiently.

▪ **On-the-Job Training**

Even when an organization hires skilled employees, there is normally some level of on-the-job training that the human resources department is responsible for providing. This is because every organization

performs tasks in a slightly different way. One company might use computer software differently from another, or it may have a different timekeeping method. Whatever the specific processes of the organization, human resources has a main function in providing this training to the staff. The training function is amplified when the organization is running global operations in a number of different locations. Having streamlined processes across those locations makes communication and the sharing of resources a much more manageable task.

- **Professional Development**

Closely related to training is HR's function in professional development. But whereas training needs are centered on the organization's processes and procedures, professional development is about providing employees with opportunities for growth and education on an individual basis. Many human resource departments offer professional development opportunities to their employees by sponsoring them to visit conferences, external skills training days or trade shows. The result is a win-win: it helps the employee feel like she is a vital and cared-for part of the team and the organization benefits from the employee's added skill set and motivation.

- **Benefits and Compensation**

While the management of benefits and compensation is a given for human resources, the globalization of companies in the twenty-first century has meant that HR must now adapt to new ways of providing benefits to an organization's employees. Non-traditional benefits such as flexible working hours, paternity leave, extended vacation time and telecommuting are ways to motivate existing employees and to attract and retain new skilled employees. Balancing compensation and benefits for the organization's workforce is an important HR function because it requires a sensitivity to the wants and needs of a diverse group of people.

- **Ensuring Legal Compliance**

The final function of human resource management is perhaps the least glamorous but arguably of utmost importance. Ensuring legal compliance with labor and tax law is a vital part of ensuring the organization's continued existence. The federal government as well as the state and local government where the business operates impose mandates on companies regarding the working hours of employees, tax allowances, required break times and working hours, minimum wage amounts and policies on

discrimination. Being aware of these laws and policies and working to keep the organization completely legal at all times is an essential role of human resources.

CHECKLIST FOR GLOBAL HR

○ **Recruitment and Retention**

Many organizations are realizing the benefit of hiring employees who come from diverse backgrounds. It allows a company to connect with more consumers in more markets, and it brings a fresh set of ideas and values to the workplace. In order to attract well-educated, diverse and culturally savvy employees, business owners and managers must be willing to open up their recruitment to a wider audience by advertising in more places and by demonstrating a desire to attract multicultural people. Likewise, once the employees come on board, the business must work to retain them. ○ **Work-Life Balance**

Another important facet of global HR is helping employees maintain a good work-life balance. This is closely related to ensuring fair benefits and compensation but takes it a step further by embracing compensation programs not found traditionally in U.S.-based businesses. Offering extended vacation time for good performance and extending health care benefits to same-sex partners of employees are ways to go the extra mile in fostering a work-life balance for employees. Such progressive policies are mainstays in the international marketplace, including in Europe, where flexible working time, extended holidays and equal rights are part and parcel of labor law. ○ **Training and Professional Development**

Providing specialized training and professional development programs for employees is a vital HR role, particularly in a global business. Investing in employees yields a positive return for the company: Employees can improve their skills and hone their interests, while the business benefits from this added knowledge in the employees' day-to-day job performance. Training and development programs should be tailored to the workforce's specific needs. If the company has a large number of customers in China, for instance, HR might set up a basic course in Asian cultural competency. The business owner or manager also might single out star employees for off-site networking events, international conferences or social media webinars that focus on growing the company's international presence. ○ **Motivated Workforce**

Workforce motivation is a key factor in long-term business success. Employees are more likely to contribute positively to the business' bottom line and to its productivity if they are motivated to improve their skills, to move up the ranks or to increase their knowledge. Creating a performance assessment is a key HR function that relates to this. This allows the business owner or manager to evaluate each employee's performance, to recommend suggestions for improvement and also to reward a job well done by offering increased financial incentives or work-life balance benefits.

GLOBAL HR CHALLENGES

- **Deployment.** Getting the right skills to where they are needed in the organization regardless of geographical location.
- **Knowledge and innovation dissemination.** Spreading state-of-the art knowledge and practices throughout the organization regardless of where they originate.
- **Identifying and developing talent on a global basis.** Identifying who has the ability to function effectively in a global organization and developing these abilities.

HANDLING GLOBAL HR CHALLENGES

1. Candidate identification, assessment, and selection.

In addition to the required technical and business skills, key traits to consider for global assignments include, for instance: cultural sensitivity, interpersonal skills, and flexibility.

2. Cost projections.

The average cost of sending an employee and family on an overseas assignment is reportedly between three and five times the employee's pre-departure salary; as a result, quantifying total costs for a global assignment and deciding whether to use an expatriate or a local employee are essential in the budgeting process.

3. Assignment letters.

The assignee's specific job requirements and associated pay will have to be documented and formally communicated in an assignment letter.

4. Compensation, benefits, and tax programs.

There are many ways in which to compensate employees who are transferred abroad, given the vast differences in living expenses around the world.

5. *Relocation assistance.*

The assignee will probably have to be assisted with such matters as maintenance of the person's home and automobiles, shipment and storage of household goods, and so forth.

6. *Family support.*

Cultural orientation, educational assistance, and emergency provisions are just some of the matters to be addressed before the family is sent abroad.

INTERNATIONAL STAFFING: SOURCES OF MANAGERS

There are several ways in which to classify international managers. *Locals* are citizens of the countries where they are working.

Expatriates are non-citizens of the countries in which they are working. *Home-country nationals* are the citizens of the country in which the multinational company's headquarters is based.

Third-country nationals are citizens of a country other than the parent or the host country—for example, a British executive working in a Tokyo subsidiary of a Canadian multinational bank.

Expatriates represent a minority of managers. Thus, “most managerial positions are filled by locals rather than expatriates in both headquarters and foreign subsidiary operations.”

There are several reasons to rely on local, host-country management talent for filling the foreign subsidiary's management ranks. Many people simply prefer not to work in a foreign country, and in general the cost of using expatriates is far greater than the cost of using local management talent. The multinational corporation may be viewed locally as a “better citizen” if it uses local management talent, and indeed some governments actually press for the “nativization” of local management.

There may also be a fear that expatriates, knowing that they are posted to the foreign subsidiary for only a few years, may overemphasize short-term projects rather than focus on perhaps more necessary long-term tasks.

There are also several reasons for using expatriates—either home-country or third-country nationals—for staffing subsidiaries. The major reason is reportedly technical competence: in other words, employers cannot find local candidates with the required technical qualifications.

Multinationals also increasingly view a successful stint abroad as a required step in developing top managers. Control is another important reason. Multinationals sometimes assign home-country nationals from their headquarters staff abroad on the assumption that these managers are more steeped in the firm's policies and culture and more likely to unquestioningly implement headquarters' instructions.

ETHICAL ISSUES IN HRM IN MULTINATIONAL CORPORATIONS

✓ Lack of Cultural Awareness

Multinational managers inevitably deal with miscommunication and lack of cultural awareness. They must prepare their employees for appropriate conduct before sending them to their overseas destination. Training and cultural classes help to enlighten employees about different customs and practices overseas. A lack of cultural awareness could be shown by a lack of respect for the conservative or liberal nature of other cultures. HR managers should assume responsibility for providing employees the right knowledge to successfully navigate cultural issues in foreign countries.

✓ Bribery

The Foreign Corrupt Practices Act prohibits bribery. However, this law cannot possibly cover all of the range of payments that international businesses encounter. Things like facilitation payments may be required to operate in a foreign country, and the U.S. government has ruled differently on multiple situations surrounding these types of payments, which provides the company with a true ethical dilemma, particularly a human resources manager who must aid an employee facing bribery attempts overseas.

✓ Privacy

Privacy is a pervasive issue for many companies. In addition, privacy laws vary in different locations. The European Union has much stricter privacy laws than the U.S. When the two sets of laws conflict, human resources managers must make a decision which to follow. For example, a European Union company that operates in the United States will have the choice to follow the EU's more restrictive policies or the more lax policies in the U.S.

✓ Compensation

Another important issue to consider is the relative compensation levels for each country. Multinationals often have offices in both developed and developing countries where the salaries are quite different. For example, an American transferred to China might make 2 to 3 times their Chinese counterpart doing the same job. It is a bit unseemly to have people working side by side earning so differently for jobs requiring the exact same skill set. In this case, human resources management may face the ethical issue of whether to narrow the gap in compensation.