



## WORKBOOK 11

# International HR management

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### 11.1 LEARNING OUTCOMES



Read through the outcomes before you continue. This will give you an overall picture of what we will discuss in this workbook.

After studying this workbook, you should be able to:

- discuss the different types of cultures found internationally
- explain how domestic and international HRM differ
- discuss the staffing process for individuals working internationally
- discuss issues relating to induction of international employees
- identify the unique training needs for international assignees
- identify and discuss the two factors in international HRM that assist in retaining competent personnel
- discuss the key issues in industrial relations of multinationals

## 11.2 KEY CONCEPTS



A number of key concepts are listed at the end of chapter 17 of your prescribed book. Please read through them before you continue. Then you will be familiar with the different concepts that we will refer to in this workbook.

Some of the important key concepts in this workbook are:

- Ethnocentric approach
- Polycentric approach
- Regiocentric approach
- Balance sheet approach
- Geocentric approach
- International human resource management

## 11.3 INTRODUCTION

Companies expand internationally for many reasons. The decision to go multinational has a great impact on the human resources of a company and therefore on the HR management activities. For employees, it may create new career move options and even change of careers. For HR management, internationalisation creates problems that require different strategies, policies and practices which often include a new dimension of responsibilities not usually found in domestic organisations.



**Read** chapter 17 and more specifically the introductory part of chapter 17 in the prescribed book.



### Activity 11.1

Think back on the past five years. How many companies do you know of that have expanded internationally, either by purchasing other businesses abroad or by opening offices in other countries?



### Feedback

A few examples are listed in the introductory section, chapter 17 of the prescribed book. For example, MTN opened offices in Nigeria and Woolworths is set to take over an Australian department store chain (Moorad 2014).

## 11.4 WHY DO COMPANIES DECIDE TO DO BUSINESS ABROAD?



**Study** section 17.1 in chapter 17 of the prescribed book.



### Activity 11.2

Explain why companies decide to expand their operations internationally.



### Feedback

Section 17.1 provides some reasons why companies expand operations internationally. These include

- reducing costs as companies are closer to their markets
- fewer government regulations
- access to growth opportunities
- to take advantage of labour force availability

## 11.5 TYPES OF ORGANISATIONAL FIRMS USED INTERNATIONALLY



**Study** section 17.2 in chapter 17 of the prescribed book.



### Activity 11.3

What are the primary differences between multinational, global and transnational companies?

Use this table to indicate the differences between these three types of companies.

Multinational	Global	Transnational
<ul style="list-style-type: none"> <li>• A collection of decentralised and fairly autonomous operating units directed towards their own national markets</li> <li>• -</li> </ul>	<ul style="list-style-type: none"> <li>• -</li> <li>• -</li> </ul>	<ul style="list-style-type: none"> <li>• -</li> <li>• -</li> </ul>



### Feedback

You should have referred to section 17.2 in chapter 17 of the prescribed book. Multinational companies have a considerable degree of autonomy. Global companies have a high degree of integration managed from their headquarters. Transnational companies include management from headquarters and integrated networks of interactive units.

## 11.6 WHAT TYPES OF CULTURES ARE FOUND IN THE WORLD OF WORK?

Culture refers to behaviour and belief traits of a particular social and/or ethnic group. In other words, it is the “shaping of the mind” that defines the differences between members of different groups. Therefore, culture is what influences the way in which things are thought and done in organisations specific to a particular country.



**Study** section 17.3 in chapter 17 of the prescribed book.



### Activity 11.4

- Explain how a culture of the country where an organisation decides to open new offices will influence the way it does business and the kinds of people who will be effective in those offices.
- Briefly explain how these cultural differences influence the training provided to employees.



### Feedback

In chapter 17 of the prescribed book you will see that culture is what defines the differences between members of different groups. It distinguishes one group of people from another. It also defines people, relationships and leadership, and thus has a profound influence on every aspect of business. A shared culture simplifies human interaction, because individuals can easily predict other people's reactions. Misunderstandings occur less frequently when people share a culture than when cultures differ. (See "Cultures in the global world of work" in the prescribed book.)

Hofstede has identified four dimensions of culture that can be used to identify and distinguish between the different values and attitudes of employees in different cultures. The influence of these dimensions on business is that organisational structures, management styles, organisational cultures and change programmes must be adapted to the current culture of the country in which the office is situated. This also means that HR management functions and activities will be different, depending on the country and culture. (See "What impact does going abroad have on the activities of HR professionals?" in the prescribed book.)

## 11.7 WHAT IMPACT DOES GOING ABROAD HAVE ON THE ACTIVITIES OF HR PROFESSIONALS?



**Study** section 17.4 in chapter 17 of the prescribed book.

Now that you are aware that culture plays a largely significant role in organisational activities and the people working in these environments, it's time to look at the different activities of an HR professional when working in their local organisations compared to international organisations.



### Activity 11.5

Complete the following table by identifying the differences between domestic and international HRM.

#	Difference between domestic and international HRM	How it differs
1.	HR functions	International operations have more functions performed by HR professionals, e.g. international relocation and orientation
2.		
3.		
4.		
5.		



### Feedback

Employees who move to foreign countries for work-related purposes need to be assisted, by their organisations and the HR professional, in terms of training (e.g. diversity training). This will help them to better understand the country they are relocating to, how the organisation functions within this country, what the cultural norms are, etc. In addition, the organisation and its HR professionals have more complex HR functions since they need to help the employee to transfer, relatively easily, all their personal belongings, and help the employee's family to find alternative work, schools for their children, homes, etc. Refer to figure 17.1 to learn more about environmental forces that influence the design and implementation of HRM systems on the expatriation or transportation of employees and their families internationally. Now that you understand the difference between domestic and international HRM, let's focus a little more on important international HR activities.

## 11.8 INTERNATIONAL HR MANAGEMENT ACTIVITIES



**Study** sections 17.5, 17.6, 17.7, 17.8 and 17.9 in chapter 17 of the prescribed book.

Multinational companies need to develop strategies that promote success and maintain a competitive edge in the global market. One such important aspect is to focus on human resources, especially global human resources, which are important for the success of multinational companies. Employees should therefore be carefully recruited, selected, managed and retained. For example, the HR professional faces the challenge of recruiting from parent country nationals versus host country nationals. Furthermore, training and development initiatives focus on developing job-related skills and knowledge that enable them to perform jobs in international organisations.



### Activity 11.6

- Discuss how your job as HR manager may be influenced by a decision to open offices internationally.
- Briefly explain who will do the performance appraisals of these employees and if they will be appraised using the same system currently used by the organisation.
- Suggest how compensation and benefits differ from those of employees who do not go on international assignments.



### Feedback

When a company opens offices internationally, it has to decide whether existing employees will be transferred, or whether new employees will be recruited. Will new recruits be sourced in the parent country or the host country? Organisations can use parent country nationals, host country or third country nationals' recruitment. HR has to consider the advantages and disadvantages of each option as indicated in table 17.1. Posting employees internationally can be very costly; therefore, organisations can consider alternative assignments instead of posting employees internationally for extended periods. The selection process is more complex for international assignments because candidates need to have unique skills to ensure success (refer to section 17.6 in chapter 17 of the prescribed book). Orienting and preparing employees for international assignments involves different approaches and activities (refer to section 17.7 in chapter 17 of the prescribed book) which should not be neglected. T&D as a core function takes on a new and more complex dimension which includes training before, during and after foreign assignments, especially cultural assimilation, sensitivity and language preparation.

Performance appraisals of staff on international assignments are complicated by cultural and policy/structural issues (e.g. who will do the evaluation?). This is further influenced by long distances and the amount of contact with the expatriate (refer to section 17.9 in chapter 17 of the prescribed book). However, performance appraisal should not be neglected for expatriates, because it has a profound influence on the person's career progression.

Knowledge of the laws, customs, the environment and employment practices of host countries is important when compiling compensation packages for international employees.

## 11.9 RETENTION OF PERSONNEL



**Study** section 17.10 in chapter 17 of the prescribed book.



### Activity 11.7

What are the typical components of a global employee compensation package?



### Feedback

You could have referred to figure 17.4 in chapter 17 of the prescribed book to discuss the components of global employee compensation packages. Retention of expatriate employees is also influenced by an effective compensation policy that meets the objectives covered in section 17.10.1 in chapter 17 of the prescribed book.

## 11.10 KEY ISSUES IN INDUSTRIAL RELATIONS OF MULTINATIONALS

A country's own history and the influences from other countries help shape a country's labour systems and employment legislation. When an organisation starts functioning internationally, relationships between management and employees take a different approach. This can be related to diversity approaches taken by different countries regarding their labour relations legislation.



**Read** sections 17.11 to 17.15 in chapter 17 of the prescribed book.



### Activity 11.8

How should HR departments within multinational organisations deal with labour relations issues?



### Feedback

International HR management is hugely influenced by labour legislation and roles that unions play in the various countries and organisations. HR departments within multinational enterprises must therefore decide which approach to follow when dealing with labour relations issues. You could have referred to sections 17.11 in chapter 17 of the prescribed book to learn about the approaches international organisations can take when dealing with labour relations issues such as discipline, dismissals, transfers, layoffs and retirements.

## 11.11 SELF-ASSESSMENT



The self-assessment questions consist of multiple-choice and written questions. To access the multiple-choice questions, visit the self-assessment workbook 11 tab on [myUnisa](#) and begin your assessment.

### **Question 1**

Explain why managers should be aware of cultural differences when they are sent on international assignments.

### **Question 2**

Explain how HRM activities and functions differ in a multinational organisation.

### **Question 3**

Compensation plays a huge part in the retention of expatriate staff. Explain the complexities of compensation for expatriate employees.

### **Question 4**

You are the T&D manager for an international brewery. You are responsible for preparing expatriates for overseas assignments. Write brief notes on the five different T&D techniques that you can use for this purpose.



### **Question 1**

The answer to this question is in "Cultures in the global world of work" in chapter 17 in the prescribed book.

Begin by explaining what culture is and how this impacts on management. Explain Hofstede's dimensions of culture and the fact that providing a unified managerial approach for managing in different cultures was found to be impractical. The best approach to follow would be to adapt organisational structures, management styles, organisational cultures and change management programmes to the dominant culture of the host country.

### **Question 2**

This is an easy question to answer. You will find the answer in "What impact does going abroad have on the activities of HR professionals?" in chapter 17 of the prescribed book. You could have discussed the differences between domestic and international operations as indicated in this section.

### **Question 3**

Find the answer to this question in "Compensation" in chapter 17 in the prescribed book.

Compensation for expatriate employees concerns three broad categories of activities: how base pay is determined, how taxes are managed and which benefits are offered.

The six approaches to base salary are

- negotiation
- balance sheet
- localisation
- lump sum
- cafeteria
- regional systems



Where taxes are concerned, the company can decide on one of the following strategies:

- laissez-faire
- tax equalisation
- tax protection
- ad hoc

Companies are often compelled to include compulsory benefits, such as healthcare benefits, social security or the equivalent thereof in the host country, leave provision, etc.

Discuss these components by explaining each one and mentioning the advantages and disadvantages of the different approaches mentioned.

#### **Question 4**

The answer to this question is in "Training and development" in chapter 17 of the prescribed book where the five T&D techniques to prepare expatriates for overseas trips are discussed.



#### **REFLECTION ACTIVITY**

Reflect on your learning while working through this unit. Complete the following self-assessment checklist to determine your understanding of this unit and whether you have mastered the learning outcomes:

Learning outcomes	Yes	No
Can I discuss the different types of cultures found internationally?		
Am I able to explain how domestic and international HRM differ?		
Can I discuss the staffing process for individuals working internationally?		
Can I discuss issues relating to induction of international employees?		
Am I able to identify the unique training needs for international assignees?		
Am I able to identify and discuss the two factors in international HRM that assist in retaining competent personnel?		
Can I discuss the key issues in industrial relations of multinationals?		
Can I discuss the different types of cultures found internationally?		
Am I able to explain how domestic and international HRM differ?		
Can I discuss the staffing process for individuals working internationally?		
Am I able to discuss issues relating to induction of international employees?		

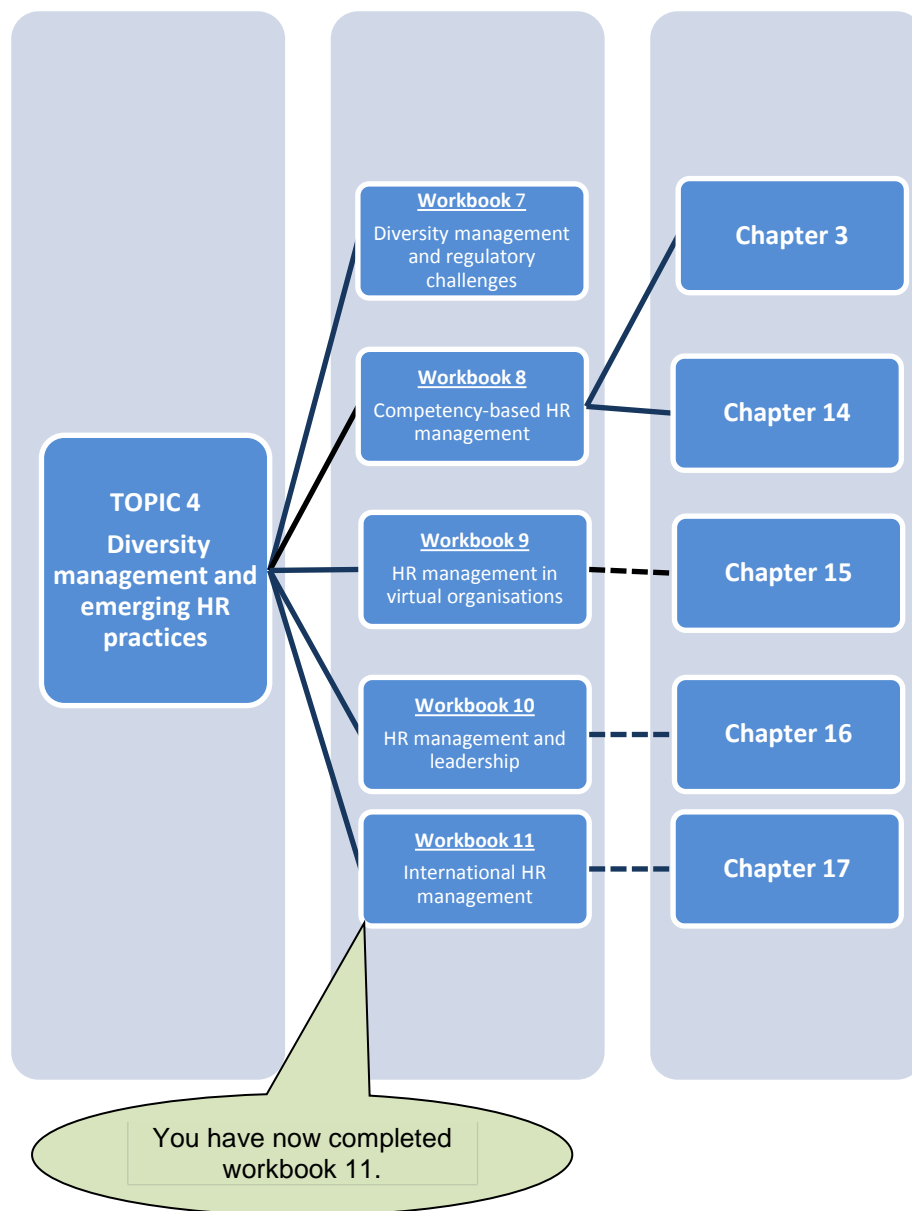


## Feedback

### GUIDELINES FOR COMPLETING THE REFLECTION ACTIVITY

- If you answered yes to all of the questions in the checklist, you are now ready to move on to the next workbook.
- If you answered no to any of the questions in the checklist, work through the specific sections again.

It is very important that you achieve all the learning outcomes of this module as they guide your learning process in this module.



This also means that you have completed the four topics for this module.

### SUMMARY OF TOPIC 4

Employees are a company's most valuable resource, but the ability to use this resource effectively is

limited by the company's HR policies and practices. HR must be flexible enough to embrace the challenges facing the new business environment if it does not want to be a constraining factor that undermines the organisation's competitiveness. It's becoming increasingly important for HR managers to align HR efforts with strategic objectives, to integrate the different HR activities to support employee performance and to recognise individual differences. The competency approach to HR management is a way to ensure HR flexibility. Competencies are characteristics that employees possess and use in appropriate and consistent ways to achieve desired performance. A competency model is the written description of all the competencies needed to ensure organisational success. This approach will lead to a change in HR practices, such as recruitment and selection, T&D, performance appraisal and compensation.

Virtual office, virtual teams and virtual organisations are the new buzzwords in HR. They have come about due to advances in technology, and social and economic changes, which have led to significant changes in the world of work. Examples are changed organisational structures, different work arrangements and changes in the way people are managed. The new approach to working has had such an impact on HR management that a new field of HR management, called e-HRM, has been created.

The globalisation of businesses continues to grow. Multinational organisations have opened offices in South Africa, and local businesses have entered into agreements with businesses abroad. South African businesses are thus exporting products and services and entering into joint ventures with overseas businesses, and have in this way entered the international arena. Multinational organisations impact on HR management activities with the complex legal, political, economic and culture factors in staffing global jobs, selection, orientation, T&D, performance appraisal, retention of expatriates and labour relations issues when doing business internationally.

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