

Chapter 9

International Human Resource Management: How Should Employees Be Managed in an International Context?

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ABSTRACT

Nowadays, internationalization is key for the survival of firms. Internationalization of a firm involves an internationalization of all the functional areas of the firm, of which international human resource management (IHRM) is one of the most relevant. In an international context, managers should make decisions about what human resource practices are best suited to the firm's international operations. Being aware of the differences between domestic and international human resource management will help readers and managers to establish operational mechanisms to deal with country differences in terms of industrial labor, culture, and firm practices. Therefore, after reading this chapter, readers should be able to deal with aspects like adaptation or standardization of HR practices, international staffing, and relevant issues around expatriation and repatriation.

INTRODUCTION

International Human Resource Management (IHRM) has for many years been established as an important area in management studies, and one which is critical for organizations. Currently, firms take part in a process of globalization or internationalization that obliges them to be competitive in a world market. To maintain competitiveness, firms must innovate and develop a greater capacity for reaction than that of their competitors. In this sense, appropriate people management can endow firms with the indispensable capacities needed to achieve survival and differentiate themselves from their competitors.

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A company's internationalization means having to adopt an international orientation in all the functional activities of the company, such as finance, marketing, production or human resource practices. As an example, in the Human Resource (HR) department, HR managers will have to ask themselves questions such as:

- If the company goes international, what type of employees do they need to hire? Employees from the home country (expatriates), or local employees? How will we choose whether to send expatriates or use local employees?
- How can we know how HR practices are conducted in other countries? Is the recruitment and selection process the same in the country or countries the company wants to operate in?
- How do we manage knowledge across geographical and cultural distances? etc.

Knowing how to manage and deal in an effective way with all the issues involved in IHRM is critical to the success of the company. This chapter will cover key issues in IHRM, and after reading this chapter, the reader should know about differences between domestic and international HRM, the impact of culture in IHRM, alternatives for international staffing, and issues related to expatriation and repatriation. The treatment of "international" in the management of employees in an organization gives it a certain degree of complexity which makes studying it very relevant.

BACKGROUND

IHRM is a complex area which has usually been approached in the literature from three different perspectives (Adler, 1997; Brewster & Hegewisch, 1994):

1. **Cross-Cultural Management:** This focuses on the differences between nations in values and attitudes. Each nation has a set of values and beliefs which makes them unique, and that are reflected in the way in which societies operate, in the manner in which the economy operates, and in how employees are managed. According to this premise, when HR is managed, it must be considered that HR practices such as recruiting, reward, or performance appraisal are usually affected by values in host-countries. For example, when a culture or society is characterized by high levels of masculinity (i.e. material possession and assertiveness are emphasized), HR practices like compensation or rewards are affected by those values, and need to be high in order to motivate employees, or for the recruitment of new employees. In this sense, it is important for managers to understand such cultural differences, so that it is possible to understand the differences in human behavior within organizations in an international context.
2. **Comparative Human Resource Management:** This explores the extent to which HRM differs between countries. It specifically comes from the study of the comparison between industrial relations in different countries. It is not about cultural differences, but differences in terms of labor markets (size, composition, ages or training), educational systems, or different employment laws and trade unions. In the main, this perspective on IHRM sustains that industrial relations are different between countries and that, therefore, employees must also be treated differently.
3. **International Human Resource Management (IHRM):** This perspective studies the way in which MNCs manage and deal with their employees in different international contexts. It consists of the

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