**International human resource management overview**

International Human Resource Management (IHRM) can be defined as a set of activities targeting human resource management at the international level. It strives to meet organizational objectives and achieve competitive advantage over competitors at national and international level.

IHRM comprises of typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at the international level and additional exercises such as global skills management, expatriate management and so on.

In short, IHRM is concerned with handling the human resources at Multinational Companies (MNCs) and it includes managing three types of employees −

Home country employees: Employees residing in the home country of the company where the corporate head quarter is situated, for example, an Indian working in India for some company whose headquarters are in India itself.

Host country employees: Employees residing in the nation in which the subsidiary is located, for example, an Indian working as an NRI in some foreign country.

Third country employees: These are the employees who are not from home country or host country but are employed at the additional or corporate headquarters.

For example, an Indian MNC, which has its corporate office in America, may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.

**IHRM vs. HRM**

There are many similarities between HRM at the national as well as international level. However, let us have a look at the differences between them with the help of points given below −

Domestic HRM takes place at the national level, that is, within a country and IHRM takes place at the international level, that is, in between two or more than two countries.

Domestic HRM is bothered about managing employees belonging to one nation and IHRM is bothered about managing employees belonging the home country and host country as well as third country employees.

Domestic HRM is concerned with managing limited number of HRM activities at the national level and IHRM is concerned with managing additional activities such as expatriate management.

Domestic HRM is less complicated due to less imprint from the external environment. IHRM is comparatively more complicated, as it is deeply affected by the external factors such as cultural distance and institutional factors.

We can conclude that both IHRM and HRM share some grounds of similarities as well as dissimilarities, but both have their own importance. Further, they contribute to the development of a country in a combined manner.

Major functions of International Human Resource Management

In International human resource management, there are five functional areas that include recruitment and selection, development and training, performance evaluation, remuneration and labor relations. In the first function of IHRM, Recruitment and selection, company employs new qualified candidates for international operations.

The Selection requires choosing from this pool the candidate whose qualifications most closely match the job requirements. Staffing is a complex function of international human resource management.

In the global firms, the managing and staffing approach strongly affects the type of employee the company prefers. In a company with an ethnocentric approach, parent country nationals usually staff important positions at headquarters and subsidiaries. In recruitment and selection methods, firms consider both headquarters’ practices and those widespread in the countries of its subsidiaries. Local culture also have great impact on recruitment and selection practices, and in some countries, local laws require a specific approach. In choosing the suitable candidate, it is needed to make balance between internal corporate consistency and sensitivity to local labor practices.

Remuneration and benefits is other functional approach of IHRM. Remuneration of employees plays an important role in hiring new employees because pay is the major source of people to live in the world. To develop an international system of compensation and benefits, firms have two primary concerns.

The first is comparability. A good compensation system disperses salaries to employees that are internally equivalent and competitive within the marketplace. The international organization must also consider the salaries of people who may transfer from other locations. The second major concern is cost. Organizations struggle to reduce all expenses, and payroll is one of the largest.

Another significant function of IHRM is Development and training which is aimed to offer sufficient training to personnel in a company and enable them to fulfil their goals, as well as show better performance and growth with their work. At global level, human resource development experts must have responsibility for training and development of employees located in subsidiaries around the world, specialized training to prepare expatriates for assignments abroad, and lastly development of a special group of worldwide minded managers.

International HR development programs may be done in two ways such as centralized and decentralized. In a centralized approach, training originates at the headquarters and corporate trainers travel to subsidiaries, often adapting to local situations. This fits the ethnocentric model. A geocentric approach is also centralized, and trainers could be sent from various positions in either the headquarters or subsidiaries to any other location in the company. In a decentralized approach, training is given locally, following a polycentric 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. It is important that trainer must be qualified.

Performance evaluation is the effective function of international human resource management. In companies, the performance evaluation is regularly performed for administration or development intentions. Usually, administration conduct evaluation when there is doubt of performance of candidate and there is a need of performance evaluation on work conditions of employees, promotions, rewards and/or layoffs. In multinational companies, performance appraisals are usually done annually and use a standardized evaluation form. Performance evaluation is complex task for International HR managers because the organization must evaluate employees from different countries working in different subsidiaries. Performance evaluation depends on the organization’s overall human resource management strategy.

**HRM in Globally Competitive Environment**

HR professionals are faced with addressing global issues on an ever-increasing basis. This is true even for organizations that historically only operated in a domestic environment. Issues include global competition for products and services, global talent management, risk and privacy, understanding global diversity and cultural issues, flexible reward systems, leadership challenges, and managing international assignments. While many of the HR competencies apply to domestic HR practitioners, new and heightened global skills are required for HR practitioners to deal with international issues.

This article will provide an overview of several key issues and competencies required for global HR practitioners.

Global Talent Environment

Challenges include working with an ever-increasing mobile workforce with trade and visa restrictions generally making it easier for employees to move from country to country. HR professionals must understand the various forms and methods of visas and the employer responsibilities to effectively promote and manage talent across borders, including employee taxation issues.

Technology advances have also increased the ability of remote access, telecommunications, managing employees on a 24/7 basis and project transfer to “follow the sun” as operations move from one geographic region to another during the workday in other regions.

Different generations in the workplace, combined with country and cultural differences impact all aspects of talent management including recruitment, selection, onboarding, coaching, training, performance management, compensation, and retirement issues. A “one size fits all” approach is not effective so a balancing act between globalization and localization is critical. Among the talent issues to be addressed:

Dealing with 24/7 global operations

Millennial / generational differences regarding values and workplace expectations

Intellectual capital and knowledge transfer

Mobility issues

Market skill shortages and competition for talent

Phased and early retirement issues

Technology and Privacy Issues

Global technology, data collection, and privacy regulations must be understood and followed. Identify theft, hacking, privacy notification, and data security factors must be taken into consideration. HRMS tools must be configured to determined appropriate system design accounting for tracking personal data, currency conversion, language, pay rates and frequency methods combined with data encryption.

Global Economy

New competitors, changing labor markets, labor force availability, currency and inflation factors, tariffs, customs and import laws, grease payments and corporate social responsibility within global markets must be considered including:

New and emerging labor markets

Inflation and corporate/employee taxation

New skills sets

Unemployment levels

Understanding Cultural Diversity

A key trait of effective human resource management is to understand and reconcile cultural differences within the organization and harmonize these relationships. Different cultural norms and nuances, color and numerology issues, gestures, societal norms, power/distance relationships, recruiting efforts and performance management must be clearly understood on a country by country basis.

Agility with Reward Systems

On a country by country basis, total reward systems (base compensation, variable pay and benefits) must be effectively applied. A total reward philosophy statement may provide guidance to assist in developing global systems based on what is provided by the home country, normative practices, taxation levels and employee expectations. For example, in some countries the government provides comprehensive health care, life insurance, disability and retirement plans. In other countries, minimum health care may be provided by the government with a common practice to have the employer provide supplemental health insurance.

Managing Global Leadership

Effective global leaders have several key characteristics, many of which are similar to any leadership role such as integrity, trust, interpersonal communication skills, people development, vision, problem solving and strategic planning. Some of the key differences are greater flexibility and agility to adapt, appreciation for subtle and not so subtle cultural nuances, diversity and inclusion awareness, influencing skills, international business experience along with the ability to travel internationally.

Managing International Assignments

Most organizations do not handle expatriation and repatriation well. In general, there is a lack of assignee assessment and preparation including family interviews, broader cultural and language training, ongoing feedback and discussion, visa requirements, knowledge of local customs and laws, tax reconciliation and identification of the repatriation process. International assignments typically cost three times the individuals base salary and roughly 60% repatriations result in the assignee leaving within six months after return. Awareness of culture shock and reverse culture shock will assist in managing assignments. Having additional resources to assist with managing travel, emergency evacuations, language and cultural training along with balance sheet evaluation of appropriate compensation and living expenses, tax equalization and lodging assistance are invaluable.

Communication Skills

Proficiency in multiple language skills are a huge plus. French, Spanish, German and Flemish are preferred in addition to English. But beyond language skills, understanding cultural nuances and avoiding US based idioms or phrases may create difficulties and relationship challenges. Executives with experiences in living in multiple countries will provide greater understanding of the issues.

**International HRM: Role and Distinguishing Activities**

Global human resources managers are responsible for recruitment of new employees, training, professional development, benefits and legal compliance just like any other HR team, but they do so on a global scale.

**Recruitment and Onboarding 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. Although a complex task for any business, it is made more complex in the international arena due to differences in educational systems from one country to the next and, of course, difference in languages.

Companies that recognize the value of their people place a significant amount of stock in the recruitment function of HR, no matter where in the world hiring takes place. 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. Multiple sessions in numerous international locations may be called for, although online webinars and training tools can sometimes effectively reach anywhere on the globe. Having streamlined processes across all locations makes communication and the sharing of resources a much more manageable task.

**Continuing Professional Development**

Closely related to training is HR’s function in professional development. But whereas training needs are centered around the organization’s processes and procedures, professional development is about providing employees with opportunities for growth and education on an individual basis. Development often entails moving an employee between departments so that he or she gains skills in multiple areas. For an international operation, this may also mean moving employees across boundaries.

Many human resource departments also 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.

This task becomes very much more complex when different laws in different countries need to be taken into account as well. 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.

Activities

1. Staffing:

Staffing refers to the process of determining the organization’s current and future human resource requirements to meet the organizational goals and taking appropriate steps so as to fulfil those requirements. The process involves identifying the human resource requirement of an organization, and recruitment, selection, and placement of human resources.

Human resource planning refers to the process of forecasting supply and demand for the organization and the action plan to meet its human resource requirements. It is the decision-making process as to what positions a firm has to fill and how to fill them and places optimally the human resource systems in the organization.

2. Recruitment and Selection:

‘Recruitment’ refers to the process by which an organization attracts the most competent people to apply for its job openings whereas ‘selection’ refers to the process by which organizations fill their vacant positions.

The process of recruitment and selection varies widely among countries. For instance, extensive formal testing and screening techniques are often employed in Asian countries where people are highly test-oriented and comfortable with formal tests.

Testing is often discouraged in the US due to its negative impact on equal employment opportunities and affirmative action efforts. Europeans test considerably more than Americans but not as much as Asians. Rigorous staffing practices such as formal testing are used even less in Canada where equal employment and human rights legislation is even more restrictive compared to the US.

3. Managing Expatriates:

People working out of their home countries, also known as expatriates, form an integral part of a firm’s international staffing strategy, especially for higher management positions. Beside identifying and recruiting the right personnel with desired skills for international assignments, it is also extremely important to provide them with a conducive environment to get their optimum output.

Expatriates also contribute significantly to international remittances. Worldwide remittances are estimated to have exceeded US$318 billion in 2007, of which developing countries received US$240 million.

4. Training and Development:

‘Training’ refers to the process by which employees acquire skills, knowledge, and abilities to perform both their current and future assignments in the organization. Training aims at altering behaviour, attitude, knowledge, and skills of personnel so as to increase the performance of employees.

The need for imparting pre-departure training to spouse and children, besides the employee, is increasingly recognized by MNEs. Pre-departure training is aimed at smooth transition of expatriates and their families to a foreign location.

5. Performance Management:

‘Performance management’ is a comprehensive term that refers to the process that enables a firm to evaluate the performance of its personnel against pre-defined parameters for their consistent improvements so as to achieve organizational goals. The system used to formally assess and measure employees’ work performance is termed as performance appraisal.

Evaluation of an employee’s performance is required for assessing employee’s contribution to achieve organizational goals, facilitate administrative decisions related to compensation, promotion or transfer, etc.

Determination of the evaluation criteria, the choice of the evaluators, and the delivery of timely and culturally sensitive feedback constitute the principal challenges related to the performance evaluation of expatriates.

In the international context, performance appraisal becomes more complex due to possible conflict between the objectives of an MNE’s headquarters and subsidiaries, non-comparability of information between the subsidiaries, the volatility of international markets, and differences in levels of market maturity.

Therefore, international HR managers need to reconcile the differences between the need for universal appraisal standards and the specific objectives of the local subsidiaries, and to recognize that more time may be needed to achieve results in markets, which enjoy little supporting infrastructure from the parent company.

MNEs need to evolve systematic processes for evaluation of employees from different countries who work in different environments. Developing consistent performance evaluation methods often conflicts with the diverse cultural factors of the host countries.

For instance, it may be appropriate in a country with low-context culture like the US to precisely point out an employee’s shortcomings directly whereas public criticism in high-context cultures, such as China, Japan, and to some extent, India may prove counterproductive; in such cultures the opportunity to save one’s face is extremely important.

6. Compensation:

Compensation refers to the financial remuneration that employees receive in exchange of their services rendered to the organization. It includes wages, salaries, pay rise, and other monetary issues.

A good compensation system should be designed within the regulatory framework of the country of operation of an MNE and should be able to attract and retain the best available talent. Besides, it should be equitable among employees and motivate them to achieve high levels of performance.

**Organizational structure and HRM**

Defining and communicating the human resource terms and definitions used by a company ensures all personnel use the same terminology.

HR professionals help company leaders and their subordinates define an effective, cohesive organizational structure that supports the company in achieving its business goals.

Industry associations, such as the Society for Human Resource Management, publish tips, tools and techniques from which a company can create its own glossary. This helps company leaders communicate with the rest of the company as well.

***FEATURES:***

1. The organizational structure should be set as the result of the HR Management Goals and the defined HR Model.

2. The HR Organization defines clear boundaries around HR Processes. The Compensation and Benefits unit should be clearly about the compensation of employees and building different compensation strategies.

3. Each organizational structure restricts the free flow of information. The clear communication channels should be designed as all HR employees know information significant for their job. Many HR Functions do suffer from the insufficient information.

4. The HR Organizational Structure should be as flat as possible. The decision making responsibility should be given to the lowest levels of the HR Organization.

5. The organizational structure has to be flexible. The priorities of the organization should change quickly and the reaction is needed.

**TYPES**

Horizontal Organization:

In a horizontal organization, only a few layers exist. Instead of a complex hierarchy, most employees report to the same boss. In these types of organizations, work typically gets done by functional project teams. This structure works well for small companies but tends to become unwieldy as the company becomes larger, more diverse and located in more than one location.

Matrix Organization:

Employees who work in a matrix organization report to more than one manager.

This allows valuable, highly trained resources to support different departments.

Employees who work in this type of structure tend to rely on professional organizations or informal group meetings with people performing similar roles for their own development.

**IHRM**

For example, an HR professional may report to both an HR department manager and the finance department manager. They may work exclusively with finance professionals and attend only the finance team meetings, relying on informal communication from his HR peers about industry trends and best practices.

3. Divisional Organisation:

In this case, the organisation is divided into divisions which could be based on the product, Markets or Geographic area. Each division has its own set of functions like finance, marketing etc., like small micro organisations within one large organisation.

4 .Vertical Organization:

In a traditional company structure, each function has its own manager, who reports to the company’s executive leadership. In large companies, this results in multiple layers of managers. Top-level executives makes decisions for the subordinates. Departments tend to function independently and not share resources, tools or techniques. Employees in each department tend to require specialized skills, experience and competency levels.

**Global Human Resource Planning**

With the advent of globalization, organizations – big or small have ceased to be local, they have become global! This has increased the workforce diversity and cultural sensitivities have emerged like never before. All this led to the development of Global Human Resource Management.

Even those organizations who consider themselves immune to transactions across geographical boundaries are connected to the wider network globally. They are in one way or the other dependent upon organizations that may even not have heard about. There is interdependence between organizations in various areas and functions.

The preliminary function of global Human Resource Management is that the organization carries a local appeal in the host country despite maintaining an international feel. To exemplify, any multinational / international company would not like to be called as local, however the same wants a domestic touch in the host country and there lies the challenge.

We may therefore, enumerate the objectives of global HRM as follows:

Create a local appeal without compromising upon the global identity.

Generating awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries.

Training upon cultures and sensitivities of the host country.

The strategic role of Human resources Management in such a scenario is to ensure that HRM policies are in tandem with and in support of the firm’s strategy, structure and controls. Specifically, when we talk of structures and controls the following become worth mentioning in the context of Global HRM.

Decision Making: There is a certain degree of centralization of operating decision making. Compare this to the International strategy, the core competencies are centralized and the rest are decentralized.

Co-ordination: A high degree of coordination is required in wake of the cross cultural sensitivities. There is in addition also a high need for cultural control.

Integrating Mechanisms: Many integrating mechanisms operate simultaneously.

Global HRM and the Staffing Policy

Here also the role is no different i.e. hiring individuals with requisite skills to do a particular job. The challenge here is developing tools to promote a corporate culture that is almost the same everywhere except that the local sensitivities are taken care of.

Also, the deciding upon the top management or key positions gets very tricky. Whether to choose a local from the host country for a key position or deploy one from the headquarters assumes importance; and finally whether or not to have a uniform hiring policy globally remains a big challenge.

Nevertheless an organization can choose to hire according to any of the staffing policies mentioned below:

Ethnocentric: Here the Key management positions are filled by the parent country individuals.

Polycentric: In polycentric staffing policy the host country nationals manage subsidiaries whereas the headquarter positions are held by the parent company nationals.

Geocentric: In this staffing policy the best and the most competent individuals hold key positions irrespective of the nationalities.

Geocentric staffing policy it seems is the best when it comes to Global HRM. The human resources are deployed productively and it also helps build a strong cultural and informal management network. The flip side is that human resources become a bit expensive when hired on a geocentric basis. Besides the national immigration policies may limit implementation.

Global HRM therefore is a very challenging front in HRM. If one is able to strike the right chord in designing structures and controls, the job is half done. Subsidiaries are held together by global HRM, different subsidiaries can function operate coherently only when it is enabled by efficient structures and controls.