

International Human Resource Management

IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level. IHRM includes typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at international level and additional activities such as global skills management, expatriate management and so on.

In simple terms, IHRM is concerned about managing human resources at Multinational Companies (MNC) and it involves managing 03 types of employees namely,

- **Home country employees:** Employees belonging to home country of the firm where the corporate head quarter is situated.
- **Host country employees:** Employees belonging to the nation in which the subsidiary is situated.
- **Third country employees:** These are the employees who are not from home country/host country but are employed at subsidiary or corporate head quarters. As an example a American MNC which has a subsidiary at India may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.
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Basic Principles Governing International Human Resource Management/ Role of Culture In IHRM

1. Cultural Factors

Culture means shared beliefs, values, norms, and moral by the people. Organisational culture means a pervasive underlying set of beliefs, assumptions, values, shared feelings and perceptions, which influence the behaviour of people in the organization. The same distinguishes one organization from another.

Similarly, at macro level too, wide ranging cultural differences exist across the nations/countries. For example, the eastern culture widely varies from the western one. Just to quote, the incentive plans in Asia (Japan) tend to focus on the work group, while in the west the more usual prescription is still to focus on individual worker incentives’.

The research work of Geert Hofstede’ undertaken into IBM using the responses of managers from 66 different countries produced some interesting evidences on cultural differences. In his study Hofstede found that societies differ on four primary dimensions which he called: power distance (PDI), uncertainty avoidance (UAI), individuality (INV) and masculinity (MASC).

A brief discussion of these follows

(I) Power Distance (PDI)

By power distance Hofstede means the extent to which members of a society accept that power in institutions and organizations is and should be distributed equally. Accordingly, the distance between the government and the governed is narrower in democratic societies like India than in dictatorial ones like Philippines. This means, Hofstede concludes, the workers in India will have far more chances of influencing decisions of the government than would the workers in Philippines. According to him, the same applies to organizations also.

(II) Uncertainty Avoidance (UAI)

In simple terms, uncertainty avoidance means the creation of set of rules and structures to eliminate ambiguity in organizations and support those beliefs that are promising for certainty and conformity. Differences abound among countries from this point of view also. For example, while at work place, the Indians, Germans and the French feel a much greater need for rules and regulations than do the Swedes and the British. The attitude of uncertainty avoidance is much frowned on in high PDI countries like Philippines and Germany.

(III) Individualism (INV)

In simple terms, individualism means the degree of preference of individuals expected to look after themselves and their immediate families. Just reverse is collectivist. From this stand point, USA and Britain score high on the individual index and Indonesia and Pakistan score low. What these mean is the preference for living and working in individual and collectivist ways respectively.

(IV) Masculinity (MASC)

By masculinity, Hofstede means the extent to which the society values assertiveness (masculinity) and caring (femininity). In simple terms, masculinity pertains to those societies in which social gender roles are clearly distinct, that is, men are supposed to be assertive tough and focused on material success. Femininity pertains to societies in which women are supposed to be more modest, tender and caring for the quality of life.

As per this index, Japan and Australia ranked high in masculinity, while Denmark and Sweden ranked low. It is also important to note that in Japan, the most masculine country, women seem to retain their feminine values. However, in Sweden, the least masculine country as per the index, feminine values applies also to men.

2. Economic Conditions

Like cultural differences, there abound economic differences among nations/countries. Differences in economic conditions or systems cause inter-country differences in HR practices. For example, in case of a country with free enterprise systems, the need for efficiency tends to favour HR practices and policies that encourage productivity, efficient workers, etc. On the other side, when one moves along the scale toward more socialist systems, HR practices tend to shift

toward different direction like preventing unemployment. It may do so even at the expense of sacrificing efficiency.

3. Labour Cost Factors

HR practices are also influenced by differences in labour costs existed in different countries. If the labour cost is high, it can require more focus on labour efficiency which, in turn, can influence HR practice to shift toward improving labour performance. Labour may get remuneration as per performance i.e., pay-for-performance.

Evidences are available to mention the inter-country differences in labour costs. Labour cost is quite more in U.K. than in India, for example. Wide gaps in hours worked also exist among the countries which also need to be considered while studying HR practices in a particular country.

Intra-country differences in hours worked exist across organizations. For example, in India, there is 5 days week (work) in the central government departments, while its 6 days week in the state government departments. This affects HR practices such as vacations between the two types of organizations in the same country.

4. Labour Relations Factors

Labour relations or industrial relations i.e., relationship between employees, employers and the government that vary from country to country and have an enormous bearing on affecting HR practices. For instance, in Germany, codetermination is the rule. Here, the employees enjoy legal right to have their voice in the matters of their company.

On the other hand, in India and many countries, the State has its role to play in the relations between employees and employers. In India, for instance! HR policies on most matters such as compensation (wages/salary) and retirement benefits are set by the government. The government does so by enactment of the various Acts such as the Minimum

Wages Act, 1948, The Payment of Gratuity Act, 1972, the Payment of Bonus Act, 1965, etc. The HR policies are determined accordingly. As seen above, wide inter-country differences in culture, economic systems, labour costs, and industrial relations systems affect HR practices. Hence, HR managers need to consider these impacts and evolve HR practices for business operations conducted globally.