



# Introduction: a multilevel approach to international human resource management

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## INTERNATIONAL HUMAN RESOURCE MANAGEMENT

International human resource management (IHRM) is a set of management interventions and activities crafted for the effective practice of recruitment, retention, deployment, development and use of human resources in an international context. The study of IHRM requires attention to the relationships that shape the dynamics of inputs, processes and outputs of human resource management (HRM) among a set of actors at international, national, sectoral, organisational, team and individual levels. The multiplicity of key actors and complexity of relationships often complicate our understanding of how IHRM policy and practice develop. To overcome this complexity, we offer a multilevel and multidimensional approach to the study of IHRM.

## ■ Towards a multilevel approach to IHRM

In this book, we present a novel multilevel approach to the study of IHRM, incorporating in each chapter the macro-, meso- and micro-levels at which IHRM policy is shaped, negotiated, refined and practised.

### ■ *Macro-level concerns*

At the macro-level, we explore four central concerns. First, we examine the context of global and international relations for IHRM, guided by the stage of a company's internationalisation and the type of business concern it represents. We incorporate definitions and explanations of the simple import–export relationship, joint ventures, mergers and acquisitions as well as expansion into foreign markets such as offshoring and outsourcing, in exploring how macro-level drivers are operationalised in meso-level organisational policy and practice. We also examine globalisation and provide an in-depth assessment of what the increased mobility of financial capital, goods, services and people means for IHRM in practice. Second, we outline the relations between foreign markets and governments as well as between key stakeholders in multiple business entities. Third, we assess the workings of international labour standards, laws, policies and processes in play between host, home and third countries. Fourth, we present a substantive debate on ethical issues and dilemmas, guided by debates on localisation versus standardisation and global convergence or divergence.

### ■ *Meso-level concerns*

At the meso-level, chapters focus on implications and concerns of organisational infrastructure, primarily examining them across two dimensions: first, we study organisational resources (financial, human, social and cultural) by examining short, medium and long-term agendas and strategic versus reactive approaches. Second, we scrutinise IHRM processes, including recruitment and selection, from the perspective of the host-country national (HCN), the parent-country national (PCN) and the third-country national (TCN) as well as the high-skilled migrant. We take into account workforce planning; training and development; cross-cultural training; cross-cultural

awareness; diversity management; performance management; remuneration; repatriation, international labour relations (ILR), corporate social responsibility, corporate reputation and international laws and standards.

### ■ *Micro-level concerns*

Our micro-level assessment of IHRM concerns focuses on the international assignee from three dimensions. First, we examine different types of expatriate (also known as PCNs), HCNs, TCNs, business travellers and self-identified migrants. Second, we account for increased demand for skills internationally (global ‘war for talent’). Third, we identify the demographic ‘faultlines’ that international managers must consider in the recruitment and selection process; the management of international talent; and the expectations both of management and international assignees themselves.

### ■ *Interplay between levels*

Our novel multilevel and multidimensional approach enables a focus on the interplay between the three levels of macro, meso and micro concerns. Recognising this, we explore a number of demographic shifts, including changes in generational patterns, gender dynamics, work–life arrangements and migration repertoires, as well as social, economic and political transformations around demographic change. We illustrate how organisational policies interpret such macro-level demographic changes and change them for individual employees.

The multilevel approach to IHRM is useful in bringing together three levels of consideration, previously treated separately in the literature: first, international links between the home and host country; second, the organisational expectations and requirements of the home and host countries; and third, the individual expectations, requirements and characteristics of the international assignees.

Our multilevel framework offers a comprehensive understanding of the role of human resource (HR) managers in the international context. In providing this understanding, we bridge the gap between two IHRM literatures that have been polarised between a bird’s-eye view of IHRM drivers in the global context and a more limited view of IHRM as merely a set of issues for expatriate management. We do so by exploring the interplay between organisational, team and individual-level considerations, in the context of international and national drivers, rules and regulatory pressures.

## ■ **How is this book innovative?**

This book seeks to innovate in several ways. First, we extend the literature beyond the traditional focus on understanding HRM processes in the international context. Second, we examine the role of HCNs and TCNs as well as changing immigration policies, which enable the international mobility of skilled migrants (SMs), such as

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‘self-initiated expatriates’ (SIEs), who have been little-scrutinised to date. Here, we also provide insights into the definition of expatriates by disaggregating them along multiple identity lines. Third, we transcend the limited focus of cross-cultural management by considering the importance of diversity management techniques and strategies, in the context of IHRM responsibilities within and between different spatial contexts. Fourth, we depict regional trends, including details on labour mobility, activity in multinational companies (MNCs) and IHRM processes in practice in multiple geographic contexts. Fifth, we provide students with a useful source book, linking them to the latest data and information from a variety of sources. Finally, we engage students with the business media, as we link chapters to current public events reported in the high-quality business media as a way of encouraging students to interact critically with contemporary debates in the press.

## ■ Accessibility

While this text is pitched at undergraduate students, it is also intended to be accessible to postgraduates, practitioners and scholars new to the field. Key concepts from the IHRM literature are clearly defined, helping readers to grasp core ideas and practices from the field. We have drawn our contributor team from a wide range of countries across four continents, illustrating our commitment to making the book truly international. The authors are also a diverse group of people, whether in terms of gender, ethnicity, age, discipline or other categories. International authorship and examples ensure that the text is highly accessible to readers from a range of backgrounds.

## ■ Structure of the book

The text comprises 12 chapters, planned to suit a standard one-semester course. Each chapter is packed with pedagogical and interactive features that engage readers and encourage directed and independent study, including concise introductions and summaries; quick ‘take-home messages’; current, real-world case studies; questions for discussion; and extensive recommendations for further reading. Each of the chapters is summarised here.

Chapter 1: Global trends in international human resource management (Rofcanin, Imer and Zingoni). The chapter discusses shifts in the global context in terms of demographic changes, institutional arrangements and individual values and attitudes.

Chapter 2: Cross-cultural and diversity management intersections: lessons for attracting and retaining international assignees (Groutsis, Ng and Ozturk). The authors bring a fresh perspective to the cross-cultural management field by exploring how organisations need to transcend a monolithic understanding of cultures and to move beyond prescriptive approaches towards locally tailored solutions.

Chapter 3: Key players in international human resource management (Hollinshead, Forson, Rocha-Lawton and Calvey). This chapter shows that international players in

the IHRM domain are changing, rendering the old world order defunct. The authors explain how IHRM policy and practice should capture the dynamism in shifts of power, resistance and contestation among new and old actors in the field.

Chapter 4: Recruitment and selection in the international context (Potočník, Latorre, Dereli and Tacer). This chapter explains how recruitment and selection practices can be improved with better job analyses. The authors present a range of considerations and activities for international organisations to improve their recruitment and selection processes.

Chapter 5: Cross-cultural training and development for overseas assignments (Berber, Rofcanin and Fried). The authors explore shifts in the career strategies of workers as well as career management approaches of organisations in the international context.

Chapter 6: International reward (Jenkins). This chapter provides a review of the changing context, approaches and repertoires of reward in the international context.

Chapter 7: Employee retention (Balta). Balta reviews strategies for planning, choosing and implementing effective retention strategies in international organisations.

Chapter 8: International labour relations (Özbilgin). Özbilgin reviews ILR and international labour standards (ILS), exploring a number of different approaches and contemporary changes.

Chapter 9: Reputation in the international context (Harvey). Harvey focuses on how individual, group and organisational reputation is viewed, assessed and managed in the international context.

Chapter 10: Expatriation and repatriation in the Asia–Pacific region (Caven, Kirk and Wang-Cowham). The authors introduce the drivers for international mobility of talent and focus in the case of the Asia–Pacific region.

Chapter 11: Balancing inflows and outflows in the European context (Vassilopoulou, Samaluk and Seierstad). This chapter reviews inflows and outflows of labour and highlights relevant practice for IHRM through a focus on the European context.

Chapter 12: Self-initiated expatriation: case study lessons from Africa and the United States (Tatli, Berry, Ipek and April). The authors discuss how, why and under what circumstances individuals manage their own migration, with reference to North American and African cases.

Finally, in a conclusion by the book's editors (Özbilgin, Groutsis and Harvey), we summarise the book and highlight the major contributions of each chapter.

## 1

# Global trends in international human resource management

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## ■ Learning objectives

- To identify global trends in international human resource management (IHRM).
- To offer a critical perspective on IHRM practices and trends.
- To integrate conceptual arguments with practical implications.

## ■ Learning outcomes

After reading this chapter, students will be able to:

- understand the strategic role of human resource practices in a dynamic and complex global business environment
- acknowledge issues that arise in human resource management when firms internationalise
- understand how firms develop and adapt their HRM strategies and policies in response to internationalised business operations
- appreciate the multinational and cross-cultural context of HRM
- understand the rising importance of human capital in an international work environment.

## ■ Introduction

Human resource management (HRM) is a management function that covers the processes of selecting, training, appraising and compensating employees, with respect to regulations in areas including health and safety, labour relations and equal employment opportunity (Zheng, 2013). When companies globalise their operations, they go through certain phases (Mathews, 2006), moving from domestic to **international**, **multinational** and global stages (Farndale & Paauwe, 2007).

Most companies that become global begin their operations (such as production, marketing and distribution) in a domestic context. International companies are able to expand their presence and extend sales and marketing strategies while retaining ethnocentric structures. At the multinational stage, companies adapt various elements of the marketing mix (e.g. price, place, product and promotion) in overseas markets. Here, firms start to decentralise production and related decisions to their host-country subsidiaries, and combine, coordinate and adapt their overall global operations. The risks and returns increase as companies move closer to globalised activities. Finally, the **globalisation** stage is characterised by the realisation of similarities and differences between countries around the world, and here companies benefit from economies of scale to achieve worldwide presence.

A globalising company faces diverse challenges in managing its overseas activities (Espinoza, Ukleja & Rusch, 2010). The company has to employ management systems appropriate to managerial control systems, banking relationships and HRM systems all over the world. Thus, IHRM involves combining and coordinating **strategic HRM** practices – including selection, recruitment, training, development and performance management – in response to the challenges of internationalising in **home country**, **host country** and **third countries**. It is also important to coordinate and manage corporate strategy (e.g. De Cieri, Cox & Fenwick, 2007).

There are noteworthy differences between domestic and international HRM when it comes to their policies and practices (Edwards, 2004; De Cieri, Cox & Fenwick, 2007). One such difference, in terms of sourcing, development, rewarding, performance management and HR planning, is that domestic HRM is only involved with domestic employees, while IHRM takes a broader perspective and deals with parent, host and third countries. In the IHRM process, three aspects are especially important:

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**international company** An importer and/or exporter that does not have investments outside its home country.

**multinational company** A company that is registered in more than one country or that has operations in more than one country.

**globalisation** A process of worldwide business integration, designed to enable a company to reach new overseas markets.  
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**home country** The country of origin of self-initiated expatriates, also known as the parent country.

**host country** The receiving country of self-initiated expatriates.

**third country** The destination country of self-initiated expatriates, which is neither the expatriate's home nor host country.

**strategic human resource management** The integration of key HRM processes with business strategy and the corporate culture, driven by long-term vision.  
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- human capital: how it is procured, allocated and utilised
- employee types: **parent-country nationals** (PCNs), **host-country nationals** (HCNs) and **third-country nationals** (TCNs)
- country types: home (or parent), host and third countries.

**parent-country nationals** Employees who are citizens of the country where the headquarters is located.

**host-country nationals** Employees who are citizens of the country where the MNC's subsidiary is located.

**third-country nationals** Employees who are citizens of any country other than the parent and host countries.

**focal firm** A firm that initiates an international transaction with the aim of producing goods or services for end customers.

**ethnocentrism** A strategic assumption in the MNC that tried-and-tested approaches to management can be extended from the country of origin to operating sites in other countries. Underlying this is a wish to retain power in the country of origin.

**polycentrism** A strategic assumption in MNCs that local managers and employees are best placed to formulate policies that reflect local needs, with a preference for decentralisation and autonomy at operating sites.

**regiocentrism** Customisation of human resource practices to the needs of specific regions such as European Union, North American Free Trade Agreement and the Association of South East Asian Nations.

**geocentrism** The idealised status of the truly global concern, combining local and international strengths. Managers are able to take a global view of the organisation, both responding flexibly to local needs and transcending them, in the pursuit of corporate goals and values at international level.

Context, firm, local unit specificities and IHRM practices shape the IHRM process (Cascio & Aguinis, 2005). The defining characteristics of the context are: cultural and institutional context; availability of staff; and the type of industry in which the company operates. The structure and strategy of a multinational company (MNC), its corporate governance and organisational culture and the **focal firm's** level of international experience, define company specificities. The specificities of the local unit include the method by which the subsidiary has been established in the host country; the strategic role and importance of the subsidiary; the need for local control; and the degree of autonomy in local decision-making.

Selection, training and development, compensation and career management related to HR practices shape the IHRM process; importantly, so does the company's **ethnocentric, polycentric, regiocentric** or **geocentric** orientation. This chapter sets out a general framework for recent issues in IHRM processes, and emphasises some of the key trends that influence IHRM.

## ■ Trends in economic and financial environments

The interdependence of economies around the world and the increased globalisation of today's business environment provide opportunities for domestic companies to extend their sales, manufacturing and other operations into new markets (Farndale & Paauwe, 2007). Companies expand their operations and go global for several reasons, including a drive to access new markets and to reduce labour and other operational costs (Edwards, 2004). The number of cross-border intercompany arrangements – in the form of **licensing, franchising, joint ventures, manufacturing, marketing, research and development** and **subcontracting** – has increased dramatically in recent decades (Ivancevic, 2010).



Global financial storms have become an integral part of today's work settings and affect almost all types of company across the globe (Veeran, 2009). The two major financial crises of the past 20 years, in 2001 and 2008, have had an immediate effect on international HR practices, mostly in the areas of compensation and international assignee decisions (Hudson Survey Report, 2009). When a host country experiences a crisis, employers of expatriates may seek to reduce their commitment to covering cost-of-living differentials (the difference between an employee's living costs in their home and host countries) through modified benefits and remuneration (Veeran, 2009). International companies may also opt to squeeze budgets allocated to employee training and development during financial hard times. Cost cutbacks, salary freezes and layoffs are common practice in many companies during global market crises (Schen & D'Netto, 2011).

## ■ The growth of internationalised companies

Recent decades have witnessed the growth not only of MNCs but also of **global companies**, **transnational companies** (TNCs) and **dragon companies** (Mathews, 2006; Alon & McIntyre, 2008; Zheng, 2013). MNCs make investments in countries outside their home country and yet do not have coordinated product offerings in those countries. Global companies make investments in more than one country and market their products through coordinated elements of the marketing mix. TNCs also operate in more than one country, but they are different from multinational and global companies because they decentralise to local subsidiaries their decision-making, research and development and other relevant operations (Mathews, 2006). Dragon companies are firms that have successfully internationalised out of home countries in the Asia-Pacific region; they have become prominent in certain industries, including (but not limited to) the production of building materials and contract manufacturing.

The emergence and predominance of different types of international company are closely associated with **foreign direct investment** (FDI) flows (Mathews, 2006; Johanson & Vahlne, 1977). FDI represents a company or person's investment in production or business conducted in enterprises operating outside the investor's own country (Levitt, 1983). Emerging multinational companies (EMNCs) lead the global FDI flows and help strengthen the global economy and

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**licensing** A form of international arrangement that includes franchising and subcontracting within a certain time period in exchange for a royalty fee.

**franchising** The practice of utilising another firm's business model within a certain time period in exchange for a royalty fee.

**joint venture** A form of equity-based strategic partnership that firms utilise when they internationalise their operations.

**subcontracting** The practice of assigning some tasks and responsibilities to another party under a contract.  
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**global company** A company that is present in more than one country. Unlike multinational and transnational companies, global companies market their products and/or services through coordinated branding across all markets.

**transnational company** A company that does business in more than one country. Transnational companies do not have a national home in any single country.

**dragon company** An MNC that has emerged from a home country in the Asia-Pacific region and successfully extended its operations internationally.  
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**foreign direct investment** Investment in a company or entity by a company or entity based in another country.

**emerging multinational company** A global company that emerges outside traditional developed markets (e.g. Europe, United States and the Far East).  
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businesses (UNCTAD, 2010). Despite the rapid growth of EMNCs and their presence in the global arena, few studies have investigated how these enterprises manage their global workforce (Warner & Zhu, 2010). As a result, knowledge about the opportunities and challenges of the global workforce is limited, although it is clear that various types of international company do not make sufficient effort to utilise their global human capital to the full. The strategic IHRM framework usually applied in MNCs needs to be adapted for use in EMNCs, in response to the context of company operations.

## ■ Staffing the international organisation

In today's dynamic, complex and changeable business environment, global companies face recruitment and staffing challenges. Most employ a combination of locals (citizens of the country in which they work), expatriates (non-citizens of the country in which they work), PCNs (citizens of the country in which the company is headquartered) and TCNs (citizens of neither home nor host country) depending on the management's mindset, which may be **ethnocentric**, **polycentric**, **regiocentric** or **geocentric** (Wind, Douglas & Perlmutter, 1973), in line with the company's corporate strategy. Ethnocentric companies focus on a centralised decision-making process at their headquarters; expatriates from the home country coordinate an ethnocentric company's subsidiaries most of the time. Companies with a polycentric approach treat their subsidiaries as distinct and unique decision-making entities; here, locals usually manage subsidiaries. Regiocentric companies emphasise the geographical strategy and structure of the related MNCs; employees might be assigned to specific tasks only within their regions. Geocentric companies see the world as an integrated market in which the workforce's competencies are more significant than its nationality.

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**ethnocentric staffing** A company policy to fill key positions with PCNs.

**polycentric staffing** A company policy to staff the home office with home-country nationals and foreign subsidiaries with HCNs.

**regiocentric staffing** A company policy to permit the best personnel for key management positions to move within a specific geographic region, enjoying regional autonomy.

**geocentric staffing** A company policy to select the best people for key management jobs, regardless of their country of origin.  
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**ethnocentric**, **polycentric**, **regiocentric** or **geocentric** (Wind, Douglas & Perlmutter, 1973), in line with the company's corporate strategy. Ethnocentric companies focus on a centralised decision-making process at their headquarters; expatriates from the home country coordinate an ethnocentric company's subsidiaries most of the time. Companies with a polycentric approach treat their subsidiaries as distinct and unique decision-making entities; here, locals usually manage subsidiaries. Regiocentric companies emphasise the geographical strategy and structure of the related MNCs; employees might be

assigned to specific tasks only within their regions. Geocentric companies see the world as an integrated market in which the workforce's competencies are more significant than its nationality.

Competition for scarce international talent has increased as the number of companies and locations has grown, resulting in more **expatriation**. According to a report published by Mercer (2013), the number of international positions offered to expatriates has increased by 55 per cent between 2012 and 2013. Employing expatriates poses several challenges for MNCs, including the need for the employees to culturally adapt and for the employer to provide country-specific training; language barriers; housing provision; and spousal and family support. Other options for expatriate employment include self-initiated expatriation, short-term assignments and