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A Conceptual Analysis of Global Human Resource Practices: Challenges and Prospects

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Abstract: With the advent of globalisation, all firms, large or small have become global, they ceased to be local. Even those organisations who consider themselves immune to transactions across geographical boundaries are connected to the wider network globally and this has encouraged many multinational companies to extend their operations to other countries by establishing subsidiary companies in other countries. For these companies to do well, sound human capital management practices must be embraced. This paper therefore examines the trends in global human resource management practices, as well as the functions and challenges. As a conceptual paper, it is based on review of scholarly articles with a focus on creating a local appeal without compromising the global identity; generating awareness of cross-cultural sensitivities among managers globally and hiring of staff across geographical boundaries; and upon cultural sensitivities, training and development for the host communities. It concludes that success lies in a firm's ability to build a unique competitive advantage against others. This competitive advantage will last longer if it is within the human capital of the organization rather than just a technology that others can buy. To become and remain competitive globally, it is recommended that a multinational enterprise acquaint itself with the various environmental settings that are likely to inhibit its success and design ways to beat them in advance.

Keywords: HRM, staffing policy, labour relations, inter-country differences, Global HR System

1.0 Introduction

Nigeria, with a population of over one hundred and seventy million people, is no doubt the giant of Africa. Despite this figure, the country appears to have been flooded with expatriates working in nearly all sectors of the economy ranging from oil and gas to telecommunication, construction and recently distribution with the entrance of the South African super mall, Shoprite, among others. Sagagi (2014) attributed this trend to lack of, or the poorly developed capacity of the indigenous companies as a result of so many factors which make the local products inferior in quality to those of their multinational's counterpart. A lot of multinational organizations do business successfully in Nigeria, some examples of such organisations include Chevron Nigeria and Mobil Producing Nigeria, both in the oil and gas sector; MTN Nigeria in the telecommunication sector and Julius Berger in the construction sector to mention a few.

When a multinational organization sends its employees to some other countries, it considers issues of human resource management seriously, as this may make or mar its success in the foreign country. For example, the functions of staffing, training and development as well as crucial cultural sensitivity and financial decisions are especially emphasized. They do not deal merely with the selection of the best employees for work in foreign countries but also have to be aware of the needs of the whole family that will accompany the employee to the new cultural environment. A lot of individuals taking on international assignments are unsuccessful since their spouses or families cannot adjust to their new surroundings. Hence, it is necessary to organize training in the foreign language

for the employee and his family some months before departure. Everything necessary for the journey, including visas, has to be provided for on time. It is also necessary to prepare their residence in the new surroundings, as well as to assure health services and enrolment into schools for the children of the employees.

In view of the above, this paper therefore attempts to examine the conceptual analysis of managing global human resources. The different strategies for managing and staffing multinational subsidiaries as well as the prospects and challenges of international human resource management were also discussed.

2.0 Global Human Resources Management

Dessler (2013) sees Human Resource Management (HRM) as the process of acquiring, training, appraising and compensating employees and of attending to their labour relations, health and safety, and fairness concerns. Hill (2005) defines HRM as the activities an organization carries out to use its human resources effectively. He expatiated by saying that the activities include determining the firm's human resource strategy, staffing policy, performance evaluation, management development, compensation and labour relation. The human resource functions ensure that the organization has the right mix of skilled people to perform its value creation. It also ensures that people are adequately train, motivate and compensate to perform their value creation jobs.

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is to develop dedicated and flexible workers, working with their head (high mental powers) as well as their hand (high muscular power). Without the right kind of people in place, organizational structure is just a hollow shell. Hill (2005) and Amit (2010) argues that formal and informal structures and controls must be congruent with a firm's strategy for the firm to succeed. The strategy and staffing policy must also be in agreement. These strategies range from the multi-domestic which emphasize local responsiveness, the international which premise on transferring core competencies overseas, the global firm which emphasizes realizing experience curve and location economies and the trans-national strategy which employs all the above three strategies simultaneously. For any chosen strategy to succeed there must be an effective development of staffing policy and corporate culture that are in accord with that strategy.

Wise authors such as Armstrong, (2009); DeCenzo & Robbins, (2010) however define International Human Resource Management (IHRM) as the set of distinct activities, functions and processes that are directed at attracting, developing and maintaining a multinational corporation's (MNCs) human resources. It is the aggregate of the various HRM systems used to manage people in the multinational corporation, both at home and abroad. Accordingly, IHRM research is often about studying various HR activities in MNCs, and how the relationship between the parent company and its subsidiaries affects each other and how HR policies and practices are managed

across countries (Almond, Clark & Tregaskis, 2004). The organisation that manages people in different institutional, legal, and cultural circumstances has to be aware of not only what is allowed and what is not allowed in different nations/regions of the world, but also what makes cost-effective management practices, i.e. hiring individuals with requisite skills to do the particular job.

2.1 Approaches to Managing and Staffing Multinational Subsidiaries

Employers today, focus increasingly on managing human resource activities locally. Their main concern is on selecting, training, appraising and managing the in-country employees where they do business. However, deciding whether to fill local positions with local versus expatriate employees has been a major concern (Goodridge, 2001). Dessler (2013) notes that various factors like technical competence determined whether firms use locals or expatriates abroad, i.e. companies can apply one of the three (3) different approaches to managing and staffing their subsidiaries.

1. **Ethnocentrism:** The home country practice prevails with this approach. Headquarters from the home country makes key decisions, employees from the home country hold important jobs, and the subsidiaries follows home-country resource management practice. Reasons given for ethnocentrism staffing policies include lack of qualified host-country senior management talent, a desire to maintain a unified corporate culture and tighter control and the

desire to transfer the parent company's core competencies.

2. **Polycentrism:** Each subsidiary manages on a local basis. A local employee heads a subsidiary because headquarters' managers are not considered to have adequate local knowledge. Subsidiaries usually develop human resource management practices locally. Such policies may reduce the local cultural misunderstandings that might occur if it used expatriate managers.
3. **Geocentrism:** The company that applies the global integrated business strategy manages and staff/employees on a global basis. A geocentrism staffing policy seeks the best people for key jobs throughout the organization, regardless of nationality. This can let the global firm use its human resources more fully by transferring the best person to the open job wherever they are.

In the ethnocentric approach, the cultural values and business practices of the home country are predominant. Headquarters develops a managing and staffing approach and consistently applies it throughout the world. Companies following the ethnocentric approach assume the home country approach is best and that employees from other parts of the world can and should follow it. Managers from headquarters develop practices and hold key positions in the subsidiaries to ensure consistency.

2.2 Major Functions of International Human Resource Management revolves

Authors such as Gary, (2004); Kaur, (2011); Kulik, (2004); Mathis & Jackson, (2010) reviewed several literatures on global human resources, available data shows that, international human resource management revolves around the following functional areas: conducting job analysis; planning labour needs and recruiting job candidates; selecting the job candidates; managing wages and salaries (compensating employees); providing incentives and benefits; appraising performance; communicating; Onboarding, training & developing of new employees; & labour relations

2.2.1 Conducting Job Analysis for Employees Abroad

The job analysis may be conducted by Human Resources department. This analysis may be in conjunction with the job incumbent. There are many ways in which multinational companies perform their job analysis, but all require the cooperation of the employees holding the position. Various MNCs have their different steps for conducting analysis of a particular job. Among the steps is involving employees by asking them complete job analysis forms, asking them specific questions about their job duties and responsibilities, compare the job in the host country to other subsidiaries.

2.2.2 Planning labour needs and recruiting job candidates

It is necessary for MNCs to systematically identify and analyse what is needed in terms of size, type, experience, knowledge, skills and

quality of workforce to achieve its objectives. This is the process used to generate business intelligence to inform the organization of the current, transition and future impact of the external and internal environment on the organization enabling it to be resilient to current structural and cultural changes to better position itself for the future (Beardwell & Claydon, 2010).

In the light of this, there is the need to plan and make sure they have the right number of employees with the right skills to meet the anticipated plans of the organisation. According to Seth (2008), Derek, Laura and Stephen (2008), MNCs need to know the following things whilst planning their human resources; the labour market in the host country and subsidiaries and the type of workforce the company will need in order for them to reach their overall corporate objectives.

2.2.3 Recruitment and selection

Recruitment and selection are the processes through which an organization takes in new members. Recruitment involves attracting a pool of qualified applicants for the positions available. Selection requires choosing from this pool the candidate whose qualifications most closely match the job requirements (Fajana, Owoyemi, Elegbede & Gbajumo, 2011). In companies that function in a global environment, we have to distinguish different types of employees. Traditionally, they are classified as one of the three types (Bloom & Reenen, 2010; Sagagi, 2014):

1. Parent country national: The employee's nationality is the same as the organizations. For example, a United States citizen working for a United State company in Nigeria.

2. Host country national: The employee's nationality is the same as the location of the subsidiary. For example, a Nigerian citizen working for a United States company in Nigeria.

3. Third country national: The employee's nationality is neither that of the organization nor that of the location of the subsidiary. For example, a Ghanaian working for a United States company in Nigeria.

Bratton and Gold (2007), emphasize that since staffing as the function of international human resource management becomes increasingly more complex, these classifications do not cover all employees. For example, within the European Union, citizens of member countries can work in other member countries without a work permit. He reported that in an international organization, 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. With a polycentric approach, host country nationals generally work in foreign subsidiaries while parent country nationals manage headquarters positions. An organization with a geocentric approach chooses the most suitable person for a position, regardless of type.

In its approach to recruitment and selection, an organization considers both headquarters' practices and those prevalent in the countries of its subsidiaries. Local culture always influences recruitment and selection

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practices, and in some countries, local laws require a specific approach. For example, in international manufacturing and processing facilities in Mexico, companies recruit with a sign announcing job openings outside the facility or by employees introducing family members who are looking for jobs. Also in Hungary, where government attempts to combat unemployment have led to the requirement that an organization must get permission from the Ministry of Labour before hiring an expatriate.

In choosing the right candidate, different cultures emphasize different attributes in the selection process depending on whether they use achievement or ascribable criteria. When making a hiring decision, people in an achievement-oriented country consider skills, knowledge, and talents. In an ascribable, culture, age, gender, and family background are important, an organization selects someone whose personal characteristics fit the job.

2.2.6 Providing Incentives and Benefits (Compensating Employees)

Employers use various incentives in international compensation. Employers pay various incentives to encourage the employee to take the job abroad. While benefits cover better health care, the possibility of spending holidays in the company's holiday facilities at a favourable price are also other advantages. For example, Foreign Service Premiums are financial payments over and above regular based-pay. These typically range from 10% to 30% of based-pay, and appear as weekly or monthly salary supplements. Hardship allowances compensate

expatriates for hard living and working conditions at certain foreign locations. For instance, United States diplomats posted to Iraq receive about a 70% boost in based-salary, among other incentives (Noe, Hollenbeck, Gerhart & Wright, 2012).

Balancing global consistency in compensation with local considerations starts with establishing a rewards program that makes sense in terms of the employers overall strategic needs. Then the employer can turn to more micro issues, such as, how we paying our employees abroad competitively? Are we basing our overseas pay decisions on credible and defensible market data?

2.2.5 Managing Wages and Salaries Abroad

Pay is the basic source of living of the employees. The decisions about remuneration may also enhance the ability of the employer to compete for employees on the labour market. The rewards warrants make the standing personnel want either to keep or quit their jobs (Kulik, 2004). There is logic in maintaining company-wide pay scales and policies so that, for example, the salary of a senior manager is usually higher than that of a supervisor, and each position should receive an amount within the local market range. The international organization must also consider the salaries of people who may transfer from other locations.

The availability of qualified local people to fill positions, prevailing wage rates, the use of expatriates, and local laws interact to influence the level of remuneration. For example, if there are few applicants available for positions,

the remuneration for those positions generally increases. To reduce expenses, the international human resources manager might then consider bringing in an expatriate (Daniel, Joseph & Hoose, 2008).

A company usually develops a policy, which could apply globally, to offer salaries and wages representing a specific market level. For example, a large successful multinational company that emphasizes the quality of its products and employees could have a global policy to pay the highest wages everywhere it operates. Another company could offer top salaries in the country where it does research and development, yet pay average wages in the country where it manufactures.

2.2.7 Appraising Performance Abroad

No single best practice global appraisal standard seems to exist given the diversity of country environments and firm specific differences involved (Armstrong, 2009; Dessler, 2013). However, in companies, the performance evaluation is most frequently carried out for administration or development intentions (Shapiro, 2002). Seth (2008) for management purposes, performance evaluation is called for when the decisions on work conditions of employees, promotions, rewards and/or layoffs are in enquiry.

According to Dessler (2013), in Western multinational companies, performance appraisals are usually done yearly and use a standardized evaluation form. Sometimes, the organization also requires supervisions to discuss the results of the appraisals with each employee. At the international level, the

complexity is greater because the organization must evaluate employees from different countries working in different subsidiaries. The need for consistency across subsidiaries for performance comparisons conflicts with the need to consider the cultural background of employees to make the evaluation meaningful. For example, in Mexico, an individual's public image is important, and public criticism of an employee might be justification for leaving a company. Consequently, the delivery of a balanced performance review, including both strengths and weaknesses, requires tact and delicacy.

Thus, a company with an ethnocentric approach is likely to use the same performance evaluation process used at the headquarters for its subsidiaries. Some companies translate evaluation forms into local languages, whereas others use the original language everywhere. A company with a polycentric approach develops local procedures within each country. Finally, a company with a geocentric approach uses the same performance evaluation system worldwide, but it has universal applicability.

2.2.8 Communication

Good communication is always important and is a key driver for employee engagement (Treven, Mednarodno & Ljubljana, 2001). Certain practices can help as opined by Seth (2008) saying without the right climate of openness and transparency underpinning communication, sustained engagement cannot be achieved. Because communication is about behaviour and is not an output, it will only build trust if it is consistent. But

fundamentally, communication is about managing relationships and needs to be built into the fabric of organisational life.

Multinational Corporations (MNCs) use communications as a channel to discussing the guidelines, policies, notices and procedures of the organization. Communication between employers and employees base is important to sustain employee satisfaction and morale (Mayhew & Demand, 2015). When little or no communication between employers and the workforce exists, there is likely going to be a decline in productivity and performance because employees feel they are unappreciated and undervalued.

2.2.9 Training and Development

The overall aim of the development function is to provide that adequately trained personnel in a company are capable to fulfil their goals, as well as to contribute to better performance and growth with their work (Armstrong, 2009). According to Amit (2010), the development of employee scan is treated as a special field of human resource management that includes planned individual learning, education, organization development, career development and training.

At the international level, human resource development professionals are responsible for

1. training and development of employees located in subsidiaries around the world,
2. specialized training to prepare expatriates for assignments abroad, and
3. Development of a special group of globally minded managers.

Creation and transfer of international human resource development programs may be carried out in two ways: centralized and decentralized. With 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, but the training develops through input from both headquarters and subsidiaries staff. 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 on a local basis, 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.

Cited from Shapiro (2002), in North America, where power distance is small, relationship between the trainer and trainees tends toward equality. The trainer and trainees use first names, and the trainees feel free to challenge or question what the trainer says. In Malaysia, where power distance is large, a trainer receives greater respect students' use his surname and title.

2.2.10 Labour Relations Abroad

The concept of labour relations varies greatly in different parts of the world. In the United States, for instance, labour relations are often a formal relationship, sometimes antagonistic, between labour and management defined by a union contract. In Japan, the relationship between management and unions is cooperative, and management often

appoints union leaders (Noe, et al, 2012). However, union membership is now dropping in the United States, it is still relatively high in some other countries like Nigeria and unions abroad thus tend to be more influential.

In many countries, the government regulates labour relations practices. Consequently, in this function, an organization may have to be polycentric. However, even though labour relations are local level issues, it is good corporate strategy to coordinate a labour relations policy across subsidiaries.

2.3 Management of Expatriates

According to Cascio (2006), one of the most challenging tasks for any company operating internationally is to manage its expatriates. The statistics showing their efficiency on that matter are not encouraging. For example, the failure of United States expatriates (the percentage who return prematurely, without completing their assignment) is to be in the 20 – 40% range. In Japan, the failure rate is less than 5% for their expatriates. One of the reasons for the difference is that Japanese expatriates receive far more orientation and language instruction than U.S. expatriates do (CIPD, 2012).

2.3.1 The Reasons for Expatriate Failure

In international companies, it is important to understand the reasons behind expatriates' high failure rates so that preventive measures can be taken. Six factors account for most failures, although their relative importance varies by firm (Boxall & Purcell, 2003). These are: career blockage, culture shock, lack of cross-cultural training, an overemphasis on technical

qualifications, a tendency to use international assignments as a way to get rid of problem employees, and family problems.

2.3.2 Cross-cultural Adjustment

Garry (2004) opined that expatriates and their families need time to become familiar with their new environment and to become comfortable living there. When they arrive, the newness of the experience is exciting. A few months later, when they have had more experience with the culture, expatriates might begin to feel frustrated or confused as they try to make sense of their new living situation. This feeling is "culture shock." As expatriates get comfortable and understand more about the culture, usually three to six months after arrival, the culture shock will wear off, and they will experience a more normal feeling.

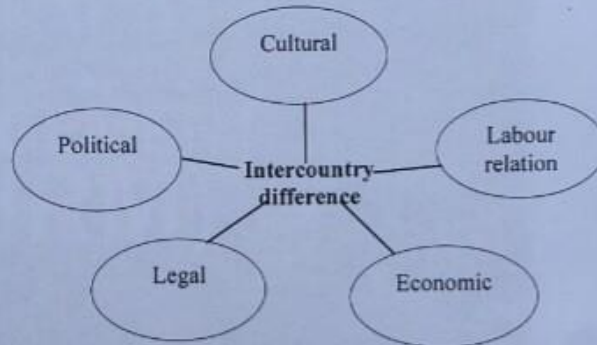
2.4 Challenges in Managing Inter-country Differences

Managing human resources internationally creates challenges. Differences in cultures, economic and legal systems influence employer HR practices from country to country. For example, how should we appraise and pay our local employees? How should we deal with the unions in our offices abroad? How do we identify and get the right talent and skills to where we need them?. The biggest issue is coping with the cultural, political, legal and economic differences among countries (Dessler, 2013). In China for instance, government backed unions are relatively high unlike Nigeria, and in Europe, firing and employee could take a year or more. The bottom line is that it's impossible to effectively manage human

resource activities abroad without understanding how countries differ culturally, economically, and legally (Dessler, 2013; Armstrong, 2009). For instance, minimum legally mandated holidays range from none in the United Kingdom to 5 weeks per year in Luxembourg. In Nigeria, every worker is entitled to at least six working days

holidays after twelve months continuous service with full pay and while Italy has no formal requirements for employee, they are usually required in Denmark (Wiki, 2015).

Figure 1: Critical Inter-country Differences that influence International HR Practice



Source: Dessler, G. (2013). Human Resource Management. (12th edition). Singapore: Pearson Limited

Cultural differences manifest themselves in differences on how people from different countries think, act, and expect others to act. For example, the likewise in Nigeria, South-African, U.S. managers tended to be most concerned with getting the job done. Chinese managers were most concerned with maintaining a harmonious environment and Hong Kong managers fell between these extremes. Different in economic systems of countries and in how hands off the government want to tend to translate into difference in human resource management policies. For instance, Eurozone countries tend to put more restrictions on things such as

dismissing employees and allowable work hours per week. Nigeria workers average about 48.2 hours of work per week, Ghana workers average is about 47.8 hours/week, Russia 45 hours/week, Kuwait workers average 44.8 hours/week and German workers average 1,648 hours/annum (Wikipedia, 2015).

Employers going abroad must be familiar with the labour law systems in the countries they are entering. For example, in India, companies with more than 100 workers must get government permission to fire anyone. In Brazil, Spain, some labour laws stem from the labour code of pre-World War II Italy,