UNIT 14: INTERNATIONAL HUMAN RESOURCE MANAGEMENT AND e-HRM

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14.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- explain domestic and International HRM
- describe HR Challenges in International Business
- discuss the implications on HRM because of Intercountry Difference
- explain the global HR System
- discuss the concept of e-HRM,
- explain the e-recruitment, e-selection e-learning

14.2 INTRODUCTION

Human Resource Management is becoming more and more important for employers because people are the main resources for any business. Without people no business can run. But managing HR internationally is a difficult task. At the same time it has been acknowledged that HRM constitutes a major constraint when MNCs try to implement global strategies, mainly

because of the different cultural and institutional framework of each country where the MNC operate. We all know that different strata of society behave differently, so it becomes often difficult for a person brought up in a different place whom he has need to work in some other country. The national context affects the way people are managed in different countries and MNCs are facing pressures to adapt HRM practices accordingly.

In this unit we are going to discuss in detail about international HRM and how it influences our society. Also we will discuss on the concept of e-HRM which has been adopted, by many companies now-a-days.

14.3 MEANING OF DOMESTIC H.R.M. AND INTERNATIONAL H.R.M.

Human resource management (HRM) is a management function which involves hiring, motivation and maintaining people in an organisation.

HRM practices in any organisation involves five basic tasks

- Hiring
- Training
- Appraisal
- Compensation
- Relations

An organisation must have set policies, procedures and well defined principles relating to its personnel. This will contribute to the effectiveness, continuity and stability of the organisation.

Domestic HRM deals with managing people within the country and International HRM (IHRM) deals with managing the people working abroad. Several factors differentiate International HRM from domestic HRM. The main characteristics of IHRM are

- More HR activities
- Need for a broader perspective
- More involvement in employee's personal lives
- Changes in emphasis as the workforce mix between the expatriates

and the locals varies.

- Risk exposure, and
- More external influences.

14.4 H.R.CHALLENGES OF INTERNATIONAL BUSINESS

Reasons for International HRM

Organizations adopt International Business because of the growing demand of the global market. Again other reasons for IHRM are as follows:

1. Deployment: easily getting the right skills where we need them, regardless of geographic location.
2. Knowledge and innovation dissemination: Spreading knowledge and innovation more easily throughout the organisation regardless of where they originate.
3. Identifying and developing talent on a global basis: Identifying who can function effectively in a global organisation and developing his or her abilities.

Types of International Business:

There are various types of international business, which are discussed as follows:

- **Exporting:** The impact on the firm's HR management is usually minimal since few of its employees are expected to be posted overseas.
- **Licensing**: Here the parent company gives license to the overseas country to sale their goods and services.
- **Franchising:** In case of franchising, stricter guidelines are adapted than licensing.
- **Foreign Direct Investment**: It refers to operations in one country that are controlled by entities in a foreign country. Strictly speaking, a foreign direct investment means acquiring control by owning more than 50% of the operation.

- **Joint ventures:** Participation of two or more companies jointly in an enterprise in which each party contributes assets, owns the entity to some degree and shares the risk.
- **MNC:** The Multinational Corporations which operate manufacturing and marketing facilities in several countries. These operations are coordinated by a parent firm whose owners are mostly based in the firm's home country.
- **Global Corporation:** An international corporation that operates as if the entire world were a single entity.

14.5 IMPLICATIONS OF INTER- COUNTRY DIFFERENCES ON H.R.M.

There are several factors which differentiate each country's HRM from that of the other. Some of them are discussed below:

- **Cultural Factors:** Intercountry cultural differences have several HR implications. First, they suggest the need for adapting HR practices such as testing and pay plans to local cultural norms. They also suggest that HR staff in a foreign subsidiary is the best drawn from among the citizens of the host country. A high degree of sensitivity and empathy for the cultural and attitudinal demands of the coworkers is always important while selecting employees to staff the overseas operations.
- **Economic Factors:** In the free enterprise system, the need for efficiency tends to favour the HR policies that value productivity, efficiency of the workers and staff cutting where market forces dictate. The HR practices tend to shift towards preventing unemployment, even at the expense of sacrificing efficiency.
- **Labour Cost Factors:** High labour costs, for example, can require a focus on efficiency and on HR practices aimed at improving employee performance.

THE REASONS FOR FAILURE OF INTERNATIONAL HRM:

It is found that almost 20-25 percent of all overseas assignments fail. It

happens because of the following reasons:

- Inability of the spouse and other family members to adjust in a new country.
- Inability of the managers to adjust with the new environment and managing overseas responsibility.
- Lack of technical competence from managerial side.
- Inability of the manager to understand and manage diversified workforce.

14.6 A GLOBAL HR SYSTEM

International Staffing:

There are several ways to classify international managers. They are:

- Locals: Locals are citizens of the country where they are working.
- Expatriate: They are non citizens of the country where they are working.

In general the cost of using expatriate is more than the cost of using local manager. But if technical competence is required which may not be available in local managers then expatriates are unavoidable.

International Staffing Policy:

The executives of the MNCs top are often classified as ethnocentric, polycentric or geocentric.

In an **Ethnocentric Corporation** the prevailing attitude is that the home country attitudes, management style, knowledge, evaluation criteria and the managers are superior to anything the guest country may offer.

In **Polycentric Corporation**, there is a conscious belief that only the host country managers can ever really understand the culture and behaviour of the host country market; therefore the perception is that the foreign subsidiary should be managed by the local people.

Geocentrism, rarely seen assumes that the search for management candidates must be on a global basis on the assumption that the best manager for any specific position anywhere because of the globe may found in any of the countries in which the firm operates.



CHECK YOUR PROGRESS

Q 1: State true or false for the following statements:

(i) HRM practices in any organisation involve five basic tasks. True / False

(ii) In case of exporting, the parent company gives license to the overseas country to sell their goods and services. True / False

(iii) International HRM deals with managing the people coming from other country or abroad. True / False

(iv) International staffing can be done through locals or expatriate. True / False

(v) Almost 80% of overseas assignments were successful. True / False

Q 2: What are the reasons for the failure of International assignments?

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14.7 CONCEPT OF e-HRM

When HR department of a company uses internet-based technology and other related technology to do their activities, then the process is known as e-HRM. e-HRM refers to the use of internet and web based technology in relation to all HR activities .Now a days technology plays a very important role. e- HR is a concept that a HR manager should adopt for the benefit of his or her business.

e-HRM (e stands for electronic) is an integration of all HR system. e-HRM provides the data gathering tools, analysis capabilities, support resources for HR professionals to pay , promote ,terminate, appraise, hire, reward the employees.

There are many implications of e-HRM. Employees working in different geographical area can work together. The use of internet has made the work easier and less time-consuming.

IMPLICATIONS OF E-HRM

HRM PRACTICES	Implications of e-HRM
Analysis and design of work	Employees in geographically dispersed locations can work together in virtual teams using videos, e-mail and the internet.
Recruiting	Post job openings online, candidates can apply for jobs online
Selection	Online simulation, including tests, videos and e-mail, can measure candidates abilities to deal with real life business challenges
Training	Online learning can bring training to employees anywhere, anytime
Compensation and benefits	Employees can review salary and bonus details and seek information about and enroll in benefit plans

Source: Raymond Noe, *et al.,op.cit.,p. 52*

14.8 e-HR Activities

e-Recruitment:

Now a days many companies prefer e-recruitment. e-Recruitment is also known as online recruitment. For e.g. Cisco Systems recruits employees only through e-recruiting.

e-Recruitment has many benefits such that the candidate can apply online, reduce cost for traveling distances, administrative workload decreases etc. But along with these benefits e-recruitments have also some disadvantages. The candidates who don't have access to computer and internet can not get the opportunity to apply. Misuse of confidential information by the company is possible.

e-Selection:

After e- Recruitment, the next step is e-Selection. e –Selection includes web based testing, face to face interviewing and job offerings.

The objectives of e-selection are:

1. **Cost reduction**: It is the main objective of e-selection .Many organizations switch over from the conventional system of selection to e-selection because it reduces the cost. The administrative cost involved in the selection process is reduced; the cost of sourcing candidates in the job becomes less.
2. **Maximum utilization of human resource:** The next objective of e-selection is the maximum utilization of human resource. This can result in high retention rates of employees, improved productivity after new hires etc
3. **Sustainability:** Sustainability refers to the maintenance of the e-enabled system and evolves the system to satisfy changing requirements.

e-Performance Management:

The use of technology in performance management increases the efficiency of the employees, motivates the employees and enhances the competitiveness among the employees which leads to productivity.

The above can be possible in two ways:

i. employees activities and individual performance can be monitored by e-performance management i.e. through computer monitoring activities
ii. e-performance helps in giving the reviews and generating performance feedback to the employees.

e- Learning:

E-learning is the training through internet or it is the training on-line. Many companies use the e-learning technology because of the large number

of employees sitting at different geographical locations. For example, many big companies like Wipro,out of its total employees, ¼ are on site and the rest are at its different centers.

The following are some of the advantages of e-learning:

i. Trainees can proceed and start his/her session on their own time.

ii. It is interactive

iii. It allows consistency

iv. It enables assessment and appropriate feedback

v. It is helpful for the trainer to update the new contents very quickly



CHECK YOUR PROGRESS

Q 3: What do you mean by e- HRM?

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Q 4: Name the different e- HR activities.

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14.9 LET US SUM UP

In this unit we have discussed the following areas:

- Domestic HRM deals with managing people within the country and International HRM (IHRM) deals with managing people from outside the country.
- There are factors which differentiate each country's HRM from the other.
  a. Cultural Factors
  b. Economic Factors
  c. Labour Cost Factors
- There are two ways to classify international managers:
  Locals and Expatriate

- MNC"s top executives are often classified as ethnocentric, polycentric or geocentric.
- e-HRM refers to the use of internet and web-based technology in relation to all HR activities
- The different e-HR activities that we have learned in this unit are: e- Learning, e-Selection, e-Performance Management and e-Recruitment



14.10 FURTHER READINGS

1) Khanka, S.S. (2009). Human Resource Management, S. Chand & Company, New Delhi.
2) Chabra, T. N. (2010). Human Resource Management, Dhanpat Rai & Sons, New Delhi.
3) Pathak, R.K. (2013). Human Resource Management, Ashok Book Stall, Panbazar, Guwahati.
4) Michael, V.P. (1995). Human Resource Management and Human Relations, Himalaya Publishing House, New Delhi.



14.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: (i) True, (ii) False, (iii) True, (iv) True, (v) True.

Ans to Q No 2: IHRM fails because of inability of the spouse and other family members to adjust in new country, Inability of the managers to adjust with new environment and managing overseas responsibility, Lack of technical competence from managerial side and diversified nature of workforce.

Ans to Q No 3: e-HRM (e stands for electronic) is an integration of all HR

system. e-HRM provide the data gathering tools, analysis capabilities, support resources for HR professionals to pay , promote ,terminate, appraise, hire, reward employees.

Ans to Q No 4: (i) e- Recruitment, (ii) e- Selection, (iii) e- performance management, (iv) e- learning



14.12 MODEL QUESTIONS

Q 1: Explain the meaning of domestic HRM and International HRM.

Q 2: What are the reasons for adopting international HRM?

Q 3: Explain the factors that differentiate each country's HRM from the other.

Q 4: Explain the concept of Global HR system.

Q 5: What do you mean by e-HRM and describe the implications of e-HRM.

Q 6: What are the different e- HR activities?

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