

Importance of HRM

Great people are a major resource in successful MNEs

Need to get right person in right job at right time for right \$\$\$

Types of expatriates

Home country nationals

Third-country nationals

Geocentric benefits

Managers may move between countries and cultures without losing their personal effectiveness

Difficult to develop and maintain

How MNE HRM

Expatriate selection Screening execs re: desire and potential for foreign assignment. Screen for tech exp, ability to adapt (self-monitoring, social skills, sensitivity) leadership.

Expatriate failure Manager goes home due to bad results, rate of failure is dropping, higher in emerging econs (India / China). Cost can be high

Expatriate failure reasons Often failure of spouse / family to adapt

Preventing failure Prep programs for general country understanding, cultural sensitivity, practical skills

How MNE HRM (cont)

Comp packages should Motivate, maintain standard of living, reflect responsibilities, ensure after tax \$\$\$ won't fall, maintain \$\$ equity among peers, compete with industry packages, be easy to admin

Repatriation reintegrating the expatriate into the home country. Can pose work, \$\$, social problems. Find right job for returning manager.

Types of compensation plans

Balance sheet approach Equals \$\$\$ so expats have same purchasing power / living standard

Typical package includes Base salary, foreign service allowance, fringe benefits, tax differentials

Define HRM

Activities to staff a company

Difficult in international companies because of environmental, strategic and org challenges

Trends in expatriate assignments

Time < 1 year

Age Trend to younger and older workers

Gender Mostly male but female is rising

Polycentric: Key Benefits

Economical Local hire usually requires less \$\$\$ than an expat

Nationalism Host countries prefer local managers

Management development Giving top jobs to locals attracts and motivates local workers

Employee Morale Local workers like to work for local managers for many social and cultural reasons

Expatriate failure Expatriate failure can be \$\$\$ and negative exp. Ceteris paribus locals less likely to fail

Local innovation Locals understand local markets so a sense of innovation ops

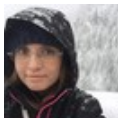
Polycentric

Assumptions adapts to differences between home & host, HQ strategy DM, local adapts to local market

Advantages Acknowledges unique merits of country, least \$\$ staffing, makes host govt and staff happy

Drawbacks Complicates controlling and coordinating, isolates ops, reduces incentive for global perspective

Appropriate if Multidomestic



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HRM strategy

Great HR = high productivity, comp advantage, value creation

Company strategy and HRM should be integrated

3 types of staff policy

Ethnocentric Fill key positions with home country nationals

Polycentric Host country nationals

Geocentric Best people for key jobs regardless of nationality

Ethnocentric: Key Benefits

Command & control Expatriates are familiar with home country so can be counted upon to transfer processes

Local talent gaps If shortage locally

Social integration Symbolically and operationally integrates policies, fortifies culture

Local implementation Expats offset breakdown of policies in transfer

High turnover locals Expats have lower likelihood of defecting to a local company, Reduces IP loss.

Management development Expat hard earned exp boosts knowledge and promotes exec leadership

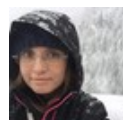
Ethnocentric

Assumptions Presumes ideals, values and practices superior, HQ are DM locals follow orders

Advantages Leverages core competence, develops MGMT team

Drawbacks Superiority complex, arrogance, cultural illiteracy, may overlook local innovation ops

Appropriate if International



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