International Human Resource Management

Seventh edition

**Instructor’s Manual**

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# Table of Contents

[Table of Contents 1](#_30j0zll)

[Purpose and Topics covered in the Textbook 2](#_1fob9te)

[Available Digital Support Resources 3](#_3znysh7)

[*Part I:*](#_2et92p0) *Chapter Notes* 4

[Chapter 1:](#_tyjcwt) INTRODUCTION 5

[Chapter](#_3dy6vkm) 2: THE CULTURAL CONTEXT OF IHRM 10

[Chapter](#_1t3h5sf) 3: THE ORGANIZATIONAL CONTEXT 16

[Chapter](#_4d34og8) 4: IHRM IN CROSS-BORDER MERGERS AND ACQUISITIONS,  
 INTERNATIONAL ALLIANCES, AND SMEs 20

[Chapter](#_2s8eyo1) 5: SOURCING HUMAN RESOURCES FOR GLOBAL MARKETS—  
 STAFFING, RECRUITMENT, AND SELECTION 25

[Chapter](#_17dp8vu) 6: INTERNATIONAL PERFORMANCE MANAGEMENT 29

[Chapter](#_26in1rg) 7: INTERNATIONAL TRAINING, DEVELOPMENT AND CAREERS 32

[Chapter](#_35nkun2) 8: INTERNATIONAL COMPENSATION 38

[Chapter](#_44sinio) 9: INTERNATIONAL INDUSTRIAL RELATIONS  
 AND THE GLOBAL INSTITUTIONAL CONTEXT 42

[Chapter 10:](#_2jxsxqh) IHRM TRENDS AND FUTURE CHALLENGES 46

[*Part II:*](#_z337ya) *Case Notes* 49

[Case](#_3j2qqm3) 1: Spanning the GLOBE 50

[Case](#_1y810tw) 2: Quality Compliance at the Hawthorn Arms 53

[Case](#_4i7ojhp) 3: Wolfgang’s Balancing Act:  
 Rewarding Healthcare Executive in a Dispersed yet Integrated Firm 56

[Case](#_2xcytpi) 4: Strategic Forecast and Staffing Formulation:  
 Executive and Managerial Planning for Bosch-Kazakhstan 60

[Case](#_1ci93xb) 5: Local and International? Managing Complex Employment Expectations 65

[Case](#_3whwml4) 6: Expatriate Compensation at Robert Bosch GmbH:  
 Coping with Modern Mobility Challenges 71

[Case](#_2bn6wsx) 7: Balancing Values - An Indian Perspective on Corporate Values from Scandinavia 75

[Case](#_qsh70q) 8: Just another move to China?  
 The impact of international assignments on expatriate families 81

Case 9: Finding the Right View: Developing Local Talent in Local Markets 83

# Purpose and Topics Covered in the Textbook[[1]](#footnote-1)

The major objective of this textbook is to provide an overview of international human resource management; however, this is a complex field. International HRM has been characterized by three broad approaches. The first emphasizes cross-cultural management: examining human behavior within organizations from an international perspective. The second approach developed from comparative industrial relations and HRM literature and seeks to describe, compare, and analyze HRM systems in various countries. A third approach seeks to focus on aspects of HRM in multinational firms. In this book, we take the third approach. Our objective is to explore the implications that the process of internationalization has for HRM activities and policies. In particular, we are interested in how HRM is practiced in multinational enterprises (MNEs).

Typically, HRM refers to those activities undertaken by an organization to utilize its human resources effectively. These activities include, but are not limited to, the following:

* Human resource planning
* Staffing (recruitment, selection, and placement)
* Performance management
* Training and development
* Compensation (remuneration) and benefits
* Industrial relations

This volume discusses these topics in an international context by explicitly considering the context of the multinational enterprise. Therefore, we also include a chapter on the cultural context of IHRM and the organizational context, as well as cross-border mergers and acquisitions, international alliances, and small and medium-sized enterprises (SMEs). An introduction and a conclusion complete the volume. The structure of the book is indicated by the ten chapter names, which are as follows:

1. INTRODUCTION
2. THE CULTURAL CONTEXT OF IHRM
3. THE ORGANIZATIONAL CONTEXT
4. IHRM IN CROSS-BORDER MERGERS & ACQUISITIONS, INTERNATIONAL ALLIANCES, AND SMEs
5. SOURCING HR FOR GLOBAL MARKETS—STAFFING, RECRUITMENT, AND SELECTION
6. INTERNATIONAL PERFORMANCE MANAGEMENT
7. INTERNATIONAL TRAINING, DEVELOPMENT, AND CAREERS
8. INTERNATIONAL COMPENSATION
9. INTERNATIONAL INDUSTRIAL RELATIONS AND THE GLOBAL INSTITUTIONAL CONTEXT
10. IHRM TRENDS AND FUTURE CHALLENGES

The seventh edition of this book has been designed as a standalone text for an advanced undergraduate or graduate level overview course on international HRM. Alternately, the text can be used in support of a broader international management text to emphasize the critical nature of people issues for multinational enterprises.

The chapter objectives, chapter summaries, and additional readings provide a focused set of learning objectives and heuristic support for students and instructors alike. The in-chapter cases and the in-depth case studies at the end of the text provide students with the opportunity to apply and contextualize the definitions, theories, models, and concepts in the text. The in-depth case studies at the end of the text have been specifically designed to provide instructors with a series of platforms to explore one or more of the functional areas of IHRM as well as investigate some of the cross-cultural and unique issues MNEs face in the deployment of people around the world. In this sense, several of the cases have been written so they can be used to delineate the topics presented in more than one chapter of the text.

The additional readings and extensively updated endnotes provide graduate instructors and graduate students with an integrated set of references for further exploration and review. At the same time, the text does not assume the reader has an advanced understanding of HRM or international management.

Part I of this instructor’s manual offers notes on the book chapters. Part II offers notes on the cases.

# Available Digital Support Resources

Book-Level Assets

* Glossary
* Useful International HRM Web-based Resources
* Online Case Studies

Chapter-Level Assets

* eBook
* Games (Beat the Clock and Crosswords)
* Student Handout PowerPoint
* Flashcards
* Test Your Knowledge
* Revision Questions
* Essay Questions
* Chapter Web Links

# *Part I: Chapter Notes*

# Chapter 1: INTRODUCTION

#### Learning Objectives

* Define key terms in international human resource management (IHRM) and consider several definitions of IHRM.
* Introduce the historically significant issue of expatriate assignment management and review the evolution of these assignments to reflect increasing diversity with regard to what constitutes international work and the type and length of international assignments.
* Outline the differences between domestic and international human resource management and detail a model that summarizes the variables that moderate these differences.
* Understand the complexity of IHRM and the increasing challenges to existing IHRM practices and current models, developing an increased awareness of the wide number of choices within IHRM practices due to increased transparency and the faster and more detailed diffusion of these practices across organizational units and firms.

#### Chapter Summary[[2]](#footnote-2)

The purpose of this chapter is to provide an overview of the emerging field of international HRM by:

* Defining key terms in IHRM and considering several definitions of IHRM.
* Introducing the historically significant issue of expatriate assignment management and reviewing the evolution of these assignments to reflect increasing diversity regarding what constitutes international work and the type and length of international assignments.
* Outlining the differences between domestic and IHRM by looking at six factors:

1. more HR activities
2. the need for a broader perspective
3. more involvement in employees’ personal lives
4. changes in emphasis based on variances in the workforce mix of expatriates and locals
5. risk exposure
6. more external influences

and detailing a model which summarizes the variables that moderate these differences.

* Presenting the complexity of IHRM, the increasing potential for challenges to existing IHRM practices and current models, and developing an increasing awareness of the wide number of choices within IHRM practices due to increased transparency and the faster and more detailed diffusion of these practices across organizational units and firms.

We conclude that the complexity from operating in different countries and employing different national categories of employees is a key variable in differentiating between domestic and IHRM, rather than any major differences between the HR activities performed. We also discuss four other variables that moderate differences between domestic and international HRM:

1. the cultural environment
2. the industry (or industries) with which the multinational is primarily involved
3. the extent to which a multinational relies on its home country’s domestic market
4. the attitudes of senior management. These five variables are shown in Figure 1.3. Finally, we discuss a strategic HRM model applied in multinational enterprises (Figure 1.4), which draws together several external and organizational factors that impact on IHRM strategy and practice and in turn on MNE goals.

#### Links to Other Chapters

This introductory chapter provides the basis for all the other chapters. The definitions and understanding of the differences between HRM and international HRM described herein are key to understanding the other chapters of the book.

#### Discussion Questions

## **What are the main similarities and differences between domestic and IHRM?**

This question is addressed in ‘Defining international HRM’ (pp. 2-3) and ‘Differences between domestic and international HRM’ (pp. 4-8):  
*Similarities:*

* HRM = ‘[...] those activities undertaken by an organization to utilize its human resources effectively’(p. 2), including at least: human resource planning, staffing (recruitment, selection, placement), performance management, training and development, compensation (remuneration) and benefits, and industrial relations (→similarities between domestic and international HRM).

*Differences:*

* Domestic HRM involves employees working within only one national boundary*.*
* IHRM also includes aspects pertaining to the national or country categories involved in international HRM activities (the host country where a subsidiary may be located, the parent country where the firm is headquartered, and ‘other’ countries that may be the source of labor, finance, and other inputs), as well as the three categories of employees of an international firm (host country nationals, parent country nationals, and third country nationals).
* In IHRM, staff are moved across national boundaries into various roles within the international firm’s foreign operations (expatriates/international assignees).
* In IHRM, the complexity of operating in different countries and employing different national categories of workers is a key variable that distinguishes domestic and international firms. This complexity is due to six factors: more HR activities, the need for a broader perspective, more involvement in employees’ personal lives, changes in emphasis because of variances in the workforce mix of expatriates and locals, risk exposure, and broader external influences.

## **Define these terms: ‘International HRM’, ‘PCN’, ‘HCN’, and ‘TCN’.**

This question is addressed in ‘Defining international HRM’ (pp. 2-4).

**International HRM** can be seen as(Figure 1.1 on p. 2 summarizes these three approaches):

1. Cross-cultural managent (p. 2)
2. The ‘[…] interplay between the three dimensions of human resource activities, types of employees, and countries of operation’ (Morgan).

‘We define the field of IHRM broadly to cover all issues related to the management of people in an international context. Hence, our definition of IHRM covers a wide range of human resource issues facing MNCs in different parts of their organizations. Additionally, we include comparative analyses of HRM in different countries’ (Stahl and Björkman, 2010); *→* This is the definition used in this book on p. 4.

These are the three categories of employees in an international firm:

* + **PCN** – parent country national
  + **HCN** – host country national
  + **TCN** – third country national

For example, the US multinational IBM employs British citizens in its British operations (HCNs), often sends US citizens (PCNs) to Asia-Pacific countries on assignment, and may send some of its Singaporean employees on assignments to its Chinese operations (as TCNs). The nationality of the employee is a major factor in determining the person’s ‘category', which in turn is frequently a major driver of the employee’s employment contract and compensation.

## **Discuss two HR activities in which a multinational firm must engage, which would not be required in a domestic environment.** The question refers to material found on p. 5 under ‘More HR activities’.

To operate in an international environment, a HR department must engage in several activities that would not be necessary in a domestic environment. Examples of required international activities are: international taxation, international relocation and orientation, administrative services for expatriates, host-government relations, and language translation services.

* Expatriates are subject to international taxation, and often they have both domestic (i.e. home country) and host country tax liabilities. Therefore, tax equalization policies must be designed to ensure that there is no tax incentive or disincentive associated with any particular international assignment. The administration of tax equalization policies is complicated by the wide variations in tax laws across host countries and by the possible time lag between the completion of an expatriate assignment and the settlement of domestic and international tax liabilities. In recognition of these difficulties, many MNEs retain the services of a major accounting firm for international taxation advice.
* Host government relations represent an important activity for the HR department in an MNE, particularly in developing countries where work permits and other important certificates are often more easily obtained when a personal relationship exists between the relevant government officials and multinational managers. Maintaining such relationships helps resolve potential problems that can be caused by ambiguous eligibility and/or compliance criteria for documentation such as work permits. US-based multinationals, however, must be careful in how they deal with relevant government officials, as payment or payment-in-kind, such as dinners and gifts, may violate the US Foreign Corrupt Practices Act (FCPA).

Further discussion on other activities can be found on pp. 5-8.

## **Why is a greater degree of involvement in employees’ personal lives inevitable in many international HRM activities?**

See ‘More involvement in employees’ personal lives’ on p. 6.

* More involvement in employees’ personal lives is necessary to select, train, and effectively manage both PCN and TCN employees. The HR department or HR professional needs to ensure that the expatriate employee understands housing arrangements, health care, and all aspects of the compensation package provided for the assignment such as cost-of-living allowances, premiums, and taxes.
* In the international setting, the HR department must be much more involved in order to provide the level of support required. Consequently, it will need to know more about the employee’s personal life. For example, some national governments require the presentation of a marriage certificate before granting a visa for an accompanying spouse. Thus, marital status could become an aspect of the selection process, regardless of the best intentions of the MNE to avoid using a potentially discriminatory selection criterion.

## **Discuss at least two of the variables that moderate differences between domestic and international HR practices.**

See ‘Variables that moderate differences between domestic and international HRM’ on pp. 8-9 and Figure 1.3.

The text names five variables that act as “moderators”; i.e, that diminish or accentuate the differences between domestic and international HRM: complexity, the cultural environment, industry type, extent of reliance of the multinational on its home country domestic market, and the attitudes of senior management to international operations.

**Complexity:**

* Many firms from advanced economies, with limited experience in international business, underestimate the complexities involved in successful international operations—particularly in emerging economies. There is considerable evidence to suggest that business failures in the international arena are often linked to the poor management of human resources.

**Cultural environment:**

* Possibility of employee culture shock.
* Recognition and appreciation of cultural differences is essential, because international business involves the interaction and movement of people across national boundaries.
* In research, issues are: little agreement on either an exact definition of culture or on the operationalization of this concept, as well as the emic-etic distinction (emic refers to culture-specific aspects of concepts or behavior, and etic refers to culture-common aspects, i.e. universality →divergence-convergence debate).
* Cultural awareness is essential for the HR manager at corporate headquarters as well as in the host location. Coping with cultural differences, and recognizing how and when these differences are relevant, is a constant challenge for international firms.

**Industry type:**

* This is of considerable importance because patterns of international competition vary widely from one industry to another: *multi-domestic* versus *global industry*.
* Multi-domestic industry (competition in each country is essentially independent of competition in other countries, e.g. retail, distribution, and insurance). The HR department’s role will most likely be more domestic in structure and orientation. At times, there may be considerable demand for international services from the HRM function.
* Global industry (a firm’s competitive position in one country is significantly influenced by its position in other countries, e.g. commercial aircraft, semiconductors, and copiers).

**Role of the HR department:**

* an explicit recognition by the parent organization that its own peculiar ways of managing human resources reflect some assumptions and values of its home culture;
* an explicit recognition by the parent organization that its peculiar ways are neither universally better nor worse than others, but are different and likely to exhibit strengths and weaknesses, particularly abroad;
* an explicit recognition by the parent organization that its foreign subsidiaries may have other preferred ways of managing people that are neither intrinsically better nor worse, but could possibly be more effective locally;
* a willingness from headquarters to not only acknowledge cultural differences, but also to take active steps in order to make them discussable and therefore usable;
* and building a genuine belief by all parties involved that more creative and effective ways of managing people could be developed as a result of cross-cultural learning.
* → Changes that are required to internationalize the HR function have more to do with mindsets than with behaviors.

Pages 8-14 consider these five aspects in detail.

#### References

*Recent overviews on research in International Human Resource Management can be found in:*

* Stahl, G., Björkman, I., and Morris, S. (Eds.) (2012). Handbook of Research in International Human Resource Management. 2nd Ed. Cheltenham, UK: Edward Elgar Publishing.
* Brewster, C. & Mayrhofer, W. (Eds.) (2012). Handbook of Research in Comparative Human Resource Management. Cheltenham, UK: Edward Elgar Publishing.

*On convergence and divergence see:*

* Festing, M. (2012). Strategic Human Resource Management in Germany: Evidence of Convergence to the U.S. Model, the European Model, or a Distinctive National Model? In: Academy of Management Perspectives, Vol 26, (2), 37-54.

# *Part II: Case Notes*

# Case 1: Spanning the GLOBE

Allen D. Engle, Sr.

#### Overview

This case presents at least three interdependent issues: 1) role expectations in career planning,  
2) predeparture and in-country training curriculum and 3) the issue of repatriation.

1. *Role expectations in career planning:*

Tex-Mark has grown to the point that many employees should reasonably expect one or more international assignments during their career. Assigned employees need to accept a larger, more ongoing, and proactive role in developing their global capabilities. Management (particularly the HR staff) needs to accept the role of communicating these long-term, global career development expectations to employees and codifying the firm’s expectations as well as creating more complete models of careers. Employees in different locales need to accept more completely the role of mentor to these international assignees. Extending the time horizon for global career training and development and coordinating and sharing the development process among assigned employees, management and the HR staff, and employees in other countries acting as local mentors are necessary steps if Tex-Mark is to continue to grow and meet cost requirements.

1. *Predeparture and in-country training curriculum:*

The predeparture and in-country training curriculum is what one might expect from a firm in the growth stage. Predeparture activities do not now include preliminary visits and the language courses are elective and not mandatory. Outsourcing country briefings is typical, but Eric needs to ensure the quality of these activities. Reading assignments can be useful if the firm has a cultural norm of keeping up with outside readings, but such activities can easily slip away in the face of day-to-day responsibilities. The in-country training and development seems inadequate to Tex-Mark’s growing needs. Local mentors need to be developed and assigned and these mentors need to be seen as an integral part of that long term, global career development team described in the paragraph above. These local mentors have a key role to play in changing Tex-Mark’s existing start and stop, ignore and then intensely train system. By extending the window of training and integrating the “soft” cultural and practical training into the “hard” technical training Tex-Mark can average their costs out over a more extended period of time, focus on strategically relevant training, and diffuse the economic and person-hour costs across units and geographic locations.

1. *The issue of repatriation:*

The issue of repatriation is critical at Tex-Mark. Comments in the case suggest that debriefing and career counseling before and after assignments were a major problem. More timely and coordinated communication between the returning employee, the HR staff, and the now more significant local mentors is necessary if the firm is to capture the additional skills acquired and search for ways to reduce international assignment costs.

1. *A potential fourth issue is the issue of costs:*

We have attempted above to step back and recommend a more long-term integrated career model so that career development costs are spread out over longer time periods and so that the employee and the local operations that enjoy the benefits of these employees share their costs. Another way to look at this longer-term with a wider net of global career development is to create the expectation that international assignments involve three parties. The expatriate is required to work closely with a local mentor, but the expatriate is, in turn, immediately expected to mentor a HCN or TCN in those aspects of the assignment (technical expertise, control and supervision, linking local operations to regional or global concerns, troubleshooting or problem solving) that required the expatriate’s presence on site. In this way ‘double loop’ mentoring and training occurs and Tex-Mark gives two employees career development at one cost. This early utilization of the expatriate to develop a local replacement will be critical given the size and scale of the Chinese operations. Over longer time frames these requisite mentoring relationships may stimulate the development of “cadres” of international teams. Combining shorter assignments with ‘virtual team’ activities, as presented in Chapter 5 in the text, may also reduce costs.

#### Possible Answers to the Questions

In the role of Eric: **Summarize your thoughts on the problems at hand, alternative solutions, and your strategy on how to proceed at the forthcoming meeting.**

As stated in the overview, the problem has four sections: The expectations of expatriates, predeparture and in-country training, repatriation and the costs and use of expatriates vs. HCNs or TCNs. Alternatives range from ‘tactical’ (expand and formalize the predeparture training, making language training mandatory) to more ‘strategic’ (revising roles to require mandatory mentoring by the local host and the expatriate, longer term, more complete and planned out career dynamics). The strategic solution is riskier, yet Tex-mark’s move into China will require more strategic changes in how employees view their role in international assignments if we are to avoid the problems characterized by Fred’s experience. Eric should present the tactical and strategic options and argue for the more strategic option.

1. **How will your proposal solve the problems you have defined?**

Assignment expectations will be more realistic, given role clarification; predeparture training will no longer bear the brunt of responsibility, but be balanced with in-country mentoring and practical assistance; repatriation will be considered as part of longer, more diffused, and planned out global career processes; and training costs will not only be used to train expatriates, but also to provide mentoring for local employees, thereby providing for faster, more effective assignment takeover by locals and reduce costs.

1. **How can you defend your solution from budgetary concerns? In what way is your approach both a solution to the problems of expatriates at Tex-Mark and a good economic investment?**

We are attempting to spread the costs and risks of international training and development. This is done by redefining costs, from assignment costs (borne by Tex-Mark over a limited time) to career costs (borne by the firm, the employee, the local mentor, and local trainee/protégé over longer time periods) and by spreading the risks by asking employees to take a more proactive role in their own career development as well as the careers of other Tex-Mark employees.

Stepping back out of role:

1. **Does Eric’s personal background assist in his assessment of the problems he faces?**

Eric’s experiences and comfort with moving across cultures is contrasted in the case to Fred’s lack of experience and obvious discomfort with cross-cultural work teams. Many people in international HR have a combination of personal histories, natural capabilities, and career experiences that combine to make it difficult for them to appreciate how difficult cross-cultural assignments are for ‘normal’ employees. Eric’s personal background assists him as long as he does not begin to assume that everyone at Tex-Mark is or should be as culturally fluent as he seems to be.

1. **Would you have approached this situation differently? If so, what benefits would your different approach provide for Tex-Mark?**  
     
   Here we are giving the instructors and the students a chance to step back from the case and discuss some of the more basic, fundamental issues from the text. Are expatriates as relevant to the firm as they have been in the past? Perhaps a strategy pursuing HCNs or TCN for these jobs might be more useful in the long term. Should the firm follow a strategy of recruitment and selection that only hires those employees that already have far more of the functional, cultural, and product experiences required for the Tex-Mark strategy? In this way, the tasks of training and development may be less daunting.

#### Further Reading

* M. Dickmann and Y. Baruch *Global Careers* (New York: Routledge, 2011).
* P. Caligiuri and I. Tarique ‘*International Assignee Selection and Cross-cultural Training and Development’* in G. Stahl, I. Björkman, and S. Morris (eds), *Handbook of Research in International Human Resource Management*, 2nd ed. (Cheltenham: Edward Elgar, 2012), pp. 321-342.
* M. Festing State of the Art: International Human Resource Management and Cultural Learning: 59-76. In: Gertsen, M. C., Söderberg, A.-M. & Zölner, M. (Eds.). *Global Collaboration: Intercultural Experiences and Learning*. Palgrave Macmillan.

1. The authors would like to thank David St. George, whose work on an earlier version of the instructor’s manual was partly adopted for the sixth edition, Julia Spieß, who prepared most of the sixth edition’s Part I in close cooperation with the authors, and Ron Yoder who updated the manual for the seventh edition. [↑](#footnote-ref-1)
2. Bullet points in the chapter summaries include important parts taken from the lecture, which are covered by the PowerPoint materials provided to instructors. [↑](#footnote-ref-2)