The Changing Role of Human Resource Managers for International Assignments

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Managing human resources in overseas locations poses different problems and challenges for HR managers, than if employees were based in the home base. The growth of global trade has driven the trend for internationalisation and the proliferation of expatriate assignments. There is a need to effectively manage this for the benefit of both the company and the individuals. This paper examines issues of adjustment, culture, remuneration, contracts and agreements in the deployment and return of nationals in multinational organisations. The authors propose a transition model from domestic to international HR management, and discuss implications and recommendations for HR managers, which involve cultural research, the integration of HR systems, and the functions of selection, training, performance management and remuneration.


1. Introduction

In these times of internationalisation and globalisation, international human resource management is becoming an important concept for human resource practitioners to be aware of and to practise. This is vital for human resource managers in multinational corporations and international joint ventures, and also for domestic based human resource managers who import staff from overseas. In order to keep up with the pace, human resource managers will have to have a global vision of how to manage their people effectively both at home and abroad. Managing international human resources enables a business to compete more successfully in the world market place, and is an excellent developmental tool for its employees.

Yet, as Gomez-Mejia, Balkin and Cardy (2004: 329) point out, examples abound of failures in both expatriation (the process of sending a home country national to work in a foreign country) and repatriation (the process of acclimatising an expatriate back into his or her home organisation and country).

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This article examines the growth of international human resource management (IHRM), and key issues faced by human resource managers, and offer suggestions for an effective role for managers in implementing IHRM.

2. Problem Statement

The authors identified that human resource managers and practitioners normally experience problems, for various reasons, in sending employees on international assignments sometimes with catastrophic results. One such a reason could be that human resource managers send employees on international assignments without the necessary training or allowing time for the "transitional" stage. During this period the human resource managers have to set the structures, develop the necessary leadership skills for employees (depending on their level of authority in the host country) and get the human resource's as well as the organisation's international policies and procedures in place. This is also applicable for human resource managers when they are sent on international assignments. A model has been developed by the authors to be used in the above mentioned cases to assist organisations to be more successful in future; this model is discussed later in this article.

3. Research Objective and Aim

The research objective is to identify, in terms of the relevant literature, whether employees sent on international assignments with specific reference to human resource managers and practitioners are well enough equipped with the necessary skills to be successful on international assignments. By identifying and reviewing various core themes in literature, it is hoped to take a snapshot of the current state of leadership skills of human resource managers and practitioners for international assignments.

The specific aim of this research is to review the current literature and some research by very reputable researchers to identify a best practise for human resource managers and practitioners as well as for employees going on international assignments. This could be achieved by identifying the problems and issues where human resource practitioners lack the experience or the skills to equip themselves and employees for international assignments. This would provide a basis to reach some conclusions and to develop a model for use in international organisations by human resource managers and practitioners.

4. Research Method

The review of the theoretical global relevant literature would provide a snapshot of the state of the current affairs regarding employees and human resource managers preparing for and going on international assignments. Research engines such as Google, Emerald, published works by top level theorists and
gurus in this field would be used. It would also identify possible research topics to provide more clarity in future over a longitudinal research period to identify new trends and themes.

5. Literature Review

The growth of international human resource management

An appreciation of how to manage staff in an international context is critically important for businesses today. Shen (2005:83) explains international human resource management in terms of a system: “a set of distinct activities, functions and processes that are directed at attracting, developing and maintaining the human resources of a multi-national corporation.” The domestic based term of human resource management covers “all the concepts, strategies, policies and practices which organisations use to manage and develop the people who work for them” (Rudman, 2002: 3). The only major difference between international human resource management and human resource management is the fact that one relates to multinational corporations and the other to domestic based firms.

Historically, the last two decades have seen a gradual transition in style and substance from personnel management to human resource management, and recently to international human resource management. Almost two decades ago Lundy (1994: 688) already believes that the personnel management role lacked strategic relevance because it was mainly an administrative-type role, whereas the modern concept of human resource management is much more strategic in scope. He states that human resource management came about due to a “change in the functions, boundaries, substance and objectives” of the original personnel management function (p. 693). Just as effective management of human resources plays a major role in the success of a domestic business, Scullion & Starkey (2000: 1063) suggest that effective management of human resources in a multinational corporation is a major determinant of success or failure in international business.

Globalisation is the trend that is widely regarded as a prime catalyst for international human resource management (Härtel, Fujimoto, Strybosch and Fitzpatrick, 2007: 235). This removal of geographical borders when conducting business, and the subsequent erosion of cultural and distance barriers, has stimulated international business, and caused human resource practitioners to develop new concepts and skills to manage people outside their traditional boundaries. According to Yip (1995: 79), there are four major drivers of globalisation: the global market with its consumer needs, wants and expectations; production and labour costs in different countries; government rules and regulations regarding taxes, tariffs, quality control and import/export restrictions; and competitors’ actions. All these require a particular understanding and response from human resource managers, which will enable them to see just
how different international human resource management is from domestic-based human resource management in their home country.

Adjustment

A central theme in the literature reflects “a strong socio-psychological and welfare concern which echoes the notion of ‘adjustment’ ” (Kamoche, 1997:213). “Effective international managers were said to be those who were adaptable, flexible, open-minded, speaking in foreign languages, and making friends with those of many nationalities” (Smith, 1992:46). Thus when a company’s business representative is going overseas to explore a new region it is a challenge for that person to adjust to a new lifestyle, language, conditions of employment or different ways of operating human resource activities. Failure to adjust is often unacceptably high. Gomez-Mejia et al (2004: 329) report comparatively high failure rates (as evidenced by a premature return) among US expatriates of 20-40 %, which is roughly three to four times higher than those experienced by European and Asian companies. This is attributed to two generations of US economic dominance and a ‘colonial mentality,’ but specific causes of failure appear to be career blockages, culture shock, lack of pre-departure cross-cultural training, overemphasis on technical qualifications, getting rid of a troublesome employee and family problems.

When a business intends to expand to an overseas market, human resource managers need to utilise human capital in order to conduct the business more efficiently and effectively. Human resource managers could consult local representatives of an overseas business regarding: local culture, employment aspects, safety, customs and traditions in order to operate in harmony with a local company’s procedures. For example, women may have a different status in business in other countries compared to the home country (New Zealand, in this case). In Dubai, as in all Islamic countries, foreign women are not allowed to be employed. Therefore, this will affect human resource’s international recruitment strategy, not only for the employees, but also for wives of its expatriates. Different ethical and business standards can also lead to negative experiences. In New Zealand, employees are required to adhere strictly to legal and ethical requirements, but in some overseas countries corruption or bribery are considered to be the norm and are acceptable. An inability to be forearmed against this could create inner conflicts and impair the expatriate’s performance.

A further problem is that employees might not be willing to adapt to or accept local rituals or practices in the host country. There is a difference between condoning corruption, and participating in harmless rituals. Since human resource management has a responsibility to promote its employees’ development and to encourage “learning and knowledge management…..on which we can realise a whole range of strategic options” (Paauwe, 2004, cited in Paauwe & Boselie, 2005:79), the business becomes a learning organisation,
as well as an exchange of business knowledge and enhancement of new skills. However, no matter how efficient or effective human resource’s practices are in promoting learning organisations globally, there are failures which could arise. “Reasons for these failures range from the complexity of the business climate, to the failure of spouse or family to adjust to an unfamiliar environment, including cultural incompatibility” (Kamoche, 1997: 217). In some countries employees are slow to re-adapt to a new way of life or new way of running a business. Conversely, repatriation is also a critical phase that is often neglected by human resources, and the returning employee may experience a ‘reverse culture shock’ (Howard, 1974, cited in Kamoche, 1997: 213).

Remuneration

Remuneration packages for expatriates are not easy to compile. International human resource management’s practice in designing remuneration packages could be different from ‘domestic-based’ human resource management because of various changes in socio-economic and legal-political requirements from country to country. “As a result of varying legal, economic and socio-cultural value systems for employees around the world, merit pay policies may be inconsistently implemented from country to country” (Gully, Phillips & Tarique, 2003: 1369). This would be expressed in terms of inappropriate payment schemes when employees go to foreign countries and they could be paid insufficiently depending on the remuneration systems.

Chinese business policies have been cited by Warner (2004: 632) as an example of this: “The low-wage and low-consumption model adopted by the state under the ‘iron rice bowl’ policy for decades restricted the growth of the economy." It follows that standardised pay could not be applied because it could contradict local practices. It is human resource’s role in the home company to establish an equitable pay rate for overseas service prior to sending employees. This would potentially reduce the frustration of expatriate employees, because although they might have been paid appropriately in their home market, in overseas terms it could be less when converting to domestic dollar values. “The inconsistent application of merit pay policies resulting from cultural and individual differences can lead to sub-optimal attainment of the merit pay programme’s motivational objectives and could create problems with equity and justice perceptions among employees” (Gully et al, 2003: 1369). Human resource managers can reduce the risks of failure by preparing thoroughly in advance before going global.

Culture

Hofstede described national culture as the ‘collective mental programming’ which distinguishes one nation from another, a “construct which is not directly observable, but is inferable from verbal statements and other behaviours” (Black, 1999: 594). The issue is how much influence cultural differences would bring to the workplace. Different approaches towards collectivism and
individualistic cultures, according to Hofstede’s classic study, will create a degree of multiple negotiations for human resource managers to consider (Gomez-Mejia, Balkin and Cardy, 2004: 330). Some cultures are collectivist, where working together as a team is valued, whereas others are more individualist. This could create multiple pay schemes for businesses in terms of percentage rates. “National differences in collectivism and orientation towards providing for and protecting employees suggests that Asian merit pay allocators in both Indonesia and Singapore may give larger merit raises than merit pay allocators in the US” (Gully et al, 2003: 1371).

Stone (2008) and Du Plessis, Venter and Prabhudev (2007) are of the opinion that the work of international human resource management has aspects that are legally and culturally determined by the country they are entering, but ultimately human resource management is still responsible for the strategy and implementation plan. For each country that the multi-national company is in, international human resource managers must consider what strategies will or will not work there. For instance, in Hong Kong, after a company had a high turnover of staff of 24%, human resource managers decided to offer a ‘use it or lose it’ policy of $1000 a year towards dental work. As a result, the company’s turnover dropped to only 4% within a short time (Medland, 2004: 70). This specific tactic may not work as a retention tool in other countries, but it does demonstrate that human resource managers need to be aware of what their employees want in different countries, and why pay and conditions of work should not be standardised in multi-national companies. Research should be conducted amongst employees to determine the efficacy of strategies similar to the dental work scheme in Hong Kong.

International human resource managers have found that employee relations vary significantly from country to country and that the strategies used to motivate workers in one country are sometimes useless in another country (Katz & Elsea, 1997: 18). One study found that Chinese employees expected lifelong employment and also welfare provisions such as paid sick leave, meals, healthcare and schools. Although this view has been changing since the late 70’s, many people have entrenched ideas of what a typical employment relationship should involve (King & Bu, 2005: 49). Traditional expectations will often surface when it comes to the employment relationship; it is debateable whether the international human resource manager should try to change these views or not. Barthelemy believes the following: “The intangible cultural fit between western organisations and their off shore outsourcing opportunities in areas such as employment work ethics, expectations for long-term relationship development and job-specific commitment is equally significant to organisations in order for them to bring such practice to long term success” (2003: 88).
Contracts and agreements

Westerners may tend to think of a contract in purely legal, clinical terms, and that once it is signed all parties will simply abide by its terms. But not all countries think like Westerners do. For example, the Chinese prefer to build a relationship with their manager after the contract is signed, after the handshake and after they get to know them (Bland, 2006: 37). Little details such as this are vital for international human resource managers to be aware of. Until international human resource management develops a general theory of cultures, Bigelow, (1994: 7) states that management should think in terms of receptivity, creativity and adaptability – not simply learning before the multi-national company enters a country what differences exist between cultures. There is more to international human resource management than that. Treven (2006: 123) encapsulates the argument by asserting, “as global competition increases, it is increasingly important for successful companies to have a group of managers with a global perspective.”

Du Plessis et al (2007) claim that in joint ventures between foreign countries or in multi-national companies, social comparison across different groups of national employees is going to be likely, especially when it comes to pay and remuneration. This is because locals and expatriates work side by side, but are usually under different terms of employment – a good example of equity theory. However, it is argued that Chinese companies, being aware of the difference in economic status of China and more developed nations, would not use expatriate employees as their referent group to assess whether their remuneration policies were fair or not (Leung et al, 1996, as cited in Leung, Wang & Smith, 2001: 929). It was also argued that the Chinese would not think of expatriates’ incomes as unfairly inflated compared to their own. If this were actually the case, it could be questioned if human resource management plays a role in determining why the Chinese think like this, or whether it is simply in their culture not to question aspects of employment such as remuneration. Keeping approaches for expatriates and third world nationals fair and consistent on a global scale is an extremely complicated and challenging task, according to Worldlink (2006). This is particularly because the ‘one size fits all’ approach no longer satisfies employees, as they have different expectations in the employment relationship.

6. Implications for the Human Resource Management

Research the local culture

Culture influences and shapes the business structure and human resource management practices when the business is going international. Doing business overseas is a critical and important step because of the possible incompatibility of perceptions or standards in the company’s human resource’s policies and practices (Hofstede, 1993, table 16.3, cited in Storey, 2001: 251). According to Smith (1992: 41), the largest multinational corporations in the
world now have more employees outside their home country base than within it. This means that human resource managers must be scrupulously correct in their approach to staffing and ensure they consider everyone from different cultures and backgrounds when working with them. This may not seem like a simple task, but if the expatriate staff work with the international human resource manager to help them understand each other it could facilitate this exercise. In both cases of permanent / long term and short term overseas secondment, human resource professionals could be called upon to help the employees better understand other cultures and increase their cultural competence (Short & Callahan, 2005: 125). Again, this will help make the overseas assignment go more smoothly for the employee. For example, Bonache & Fernandez (1997: 462) suggest that the system used for compensation and pay must be externally linked to the organisation’s strategic goals, and consequently to the reason for assignment overseas. Also, the system must be integrated with all of the expatriation policies such as selection, training and professional development. Most multi-national companies are imprinted with their home country’s culture and traditions, especially in the area of human resource management.

Integrate human resource management systems

Following on from this is the issue of integrating human resource management systems, policies and procedures from different international and even national contexts (Aguilera, 2004: 1359). It can be difficult enough to manage various human resource management practices in individual companies let alone on a multi-national basis, as many problems could potentially stem from this if integration is not done sufficiently. While globalisation imposes a considerable movement in the direction of standardisation of certain elements of management systems in multinational corporations, including some elements of human resource management, the influence of local culture, institutional arrangements and labour market practices continue to add pressure for divergence (McGraw & Harley, 2003: 8). How to approach this process can be problematical.

While there are different ways of doing this, the human resource manager first needs to look at the existing culture, rules and laws of the country concerned. Even if the parent company has highly developed human resource practices at home, it is wrong to assume that transferring those policies overseas can be free of resource constraints, imposed by specific conditions in the host country (Yang, 1998, cited in Farley, Hoenig & Yang, 2004: 700). Shen (2005: 90) suggests that a multi-national company’s international human resource management policies and practices should be a mix of the ‘home’ human resource management system plus host country factors and company specific factors.

Figure 1 below is an explanation of the transitional stage from domestic to international HR management. The figure also explains that this is applicable to any function in the organisation, and is an essential component in the
internationalisation process. For example, for a ‘domestic’ HR manager to become full conversant with international requirements, domestic policies and procedures should be reviewed and adapted for the international arena.

Figure 1: An IHRM and Domestic HRM model.

Source: Developed by A J du Plessis.

This would mean that in each ‘host’ country the policies could be slightly different. This opinion differs from that of Florkowski & Raghu (1993: 315), who believe multi-national companies are generally expected to change their human resource management policies and programmes to achieve compliance through the whole organisation. If implemented properly, this should help ensure a minimum of contradictions within the multi-national company. However, setting this up to make sure as many cultures are accommodated as possible would be very costly in terms of time and money. Carr (2006: 42) suggests that international human resource managers should be willing to make compromises with staff. Ultimately, business processes for multi-national companies cannot be completely standardised, because of the natural differences in operations in each country. But, as a rule of thumb, the international human resource manager should conclude that business processes will need to be 80% standardised (Carr, 2006: 42).
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Selection

Selecting the expatriate is crucial, since although appropriate systems may be in place, the wrong people may still be sent out. There should be sound reasons for choosing a particular person for the assignment, and not just haphazardly filling a vacancy or offering ‘tokens’ (Osland, 2002: 1), and valid and appropriate selection processes should be followed. Human resource management should identify all the desired skills and search for the best candidate, even though it may be ultimately impossible to find the ideal person who is both able and willing to go overseas. For example, the selection of female expatriates should be based on demonstrated technical competence and desired personality characteristics, such as openness and flexibility (Caliguiri and Cascio, 2002: 128).

Training

According to a 2002 study, expatriates wanted their human resource departments to above all eliminate unnecessary uncertainty and ambiguity (Gomez-Mejia, Balkin and Cardy, 2004: 321). Training before embarking on the overseas assignment is one of the most effective ways to accomplish this. Figure 2 below reflects training at desirable stages; what training at what stage is necessary for employees before going on international assignments. Pre-departure training should include aspects of local culture, values and attitudes (towards expatriates as well). In-country training could be supplemented by local mentoring, and there could be additional cross-cultural training for spouses and other family members. Conversely, there could also be orientation and training for host nationals before the expatriate arrives (Caliguiri and Cascio, 2002: 128). Training the expatriate for repatriation is another valuable human resource exercise which is often neglected, because it is considered obvious that the returning employee will assimilate back into their own culture and society.

Employees are ‘human souls’ that management is dealing with, that is people who bear knowledge and skills that cannot be taken away. In order to retain these people, it is important to encourage them to constantly upgrade their skills and keep themselves current, while sending them overseas or on special seminars. Multi-national companies “increasingly value international experience in their human capital” (Carpenter, Sanders & Gregersen, 2001, cited in Toh & DeNisi, 2003: 607). An employee’s knowledge would be very valuable, especially if it was received from overseas, because he or she would acquire skills, expertise which might not be easy to obtain in a home country. For example, if a medical products company hired an expatriate employee, who conducted his or her own research or developed new medical procedures while overseas, this would add considerable value to the business, because of this special expertise. This would also have a flow-on effect on remuneration for the employee.
Figure 2: Training employees on International assignments

![Figure 2: Training employees on International assignments](image)

Source: Developed by A J du Plessis

**Performance management**

In order to manage employees in overseas situations it is important to receive up-to-date feedback and to measure their performance appropriately. This would reduce the risk of future costly mistakes, such as paying for failed employees' recruiting and training costs. “The main requirement in achieving the measurement of training and development payback is for human resource professionals to ensure that line managers view training and development as a
means of improving their operation and helping them to achieve their objectives and solve problems” (Kelly, 1993: 3). The standards of evaluation and measurement would vary, compared to ‘domestic-based’ human resource management. When companies go global and set up their business in overseas markets, it is the human resources department’s responsibility to manage their human capital.

Remuneration

Because employees in multi-national companies come from very different backgrounds and experiences, managing them is more complex than if they were all in the same country or even city. If pay and conditions of employment are standardised around the world in multi-national companies, it is highly likely that problems would arise amongst staff members doing similar work in different countries. Giammalvo (2005: 20) states, “Regardless of how well intentioned management may be, unless there is a formula in place that is easily understood, readily verified and perceived to be fair and equitable, it is bound to create conflict and hard feeling among team members.” This suggests that human resource managers need to ensure there are clearly stated terms and conditions of differences in remuneration amongst similar positions in different countries. The employees must be made aware of reasons for their salary structure, so that there is less likelihood of problems occurring in the future amongst staff members. However, Schmitt & Sadowski (2003: 409) argue against this theory, saying that, amongst other problems, if the international human resource manager is not standardising pay, then the costs of differentiation will be higher.

According to surveys from a study conducted by Suutari & Tornikoski (2001: 392), the most common issues that expatriate managers have with their compensation is the low level of total salary. The study also found that availability of information about the local cost of living was minimal. The total salary is an issue that is probably most likely to emerge once the expatriates have started working in the new country and realised that the remuneration was not as enticing as it had sounded before they left their home country. If the managers are looking at moving to another country then ultimately it is up to them to seek out the information about living costs that they require. However, if the employees are being seconded by the multinational corporation to operations in another country then human resource management should be providing as much information to the employee as possible. Several authors have suggested that international compensation is the most time consuming and strategically important human resource activity in multi-national companies (Bonache & Fernandez, 1997; Reynolds, 1997, as cited in Lowe, Milliman, DeCieri & Dowling, 2002: 48). If it is implemented properly, this would help in making the assignment for the global managers function as smoothly as possible. It could be a very costly exercise to move a manager overseas then either move them back again or replace the person all together.
Until recently, very little recognition has been given to the needs of those who travel for brief periods or assignments overseas, yet their impact on the success of operations in other countries may be just as great as longer term expatriates (Mayerhofer, Hartmann, Michelitsch-Riedl & Kollinger, 2004: 1375). Human resource management must also consider these employees and ensure that they are being fairly compensated for the sacrifices they are making. Even if they are only seconded overseas for short periods of time, the employee may still be leaving family behind and using much of their personal time to travel for the organisation.

7. Conclusion and Recommendation

There are many aspects of managing human resources internationally that differ from domestic human resource management. International human resource management is much more complex than domestic based human resource management because there are wider issues to be aware of. The international human resource manager needs to consider many aspects when working in a multi-national situation, including the culture of the people, laws of the country, expectations of pay and conditions of work from local and expatriate staff and integrating practices and procedures throughout the global company. It is important to consider all of these so as to ensure that management can have the best possible working relationship with the staff of the company, whilst getting the best results from them.

The manner in which human resources manage the global staff will have a considerable impact on how successful the company will be. What may be considered minute details to some can have a considerable bearing on these employees and are likely to be different for each country because all cultures and people have different priorities and wants. Pay and conditions of employment are too important for employees to standardise throughout multi-national companies, because there are many potential problems that could arise. Although it is not easy to manage pay packages of staff in a large multi-national company who are all earning at different rates, employees are likely to be more satisfied if they feel they are being paid what they are worth, especially those who are seconded to work overseas for a time. Since the value added by employees in overseas assignments plays such a large part in the company’s international success, human resource managers should always keep this in the forefront of their minds.
REFERENCES


