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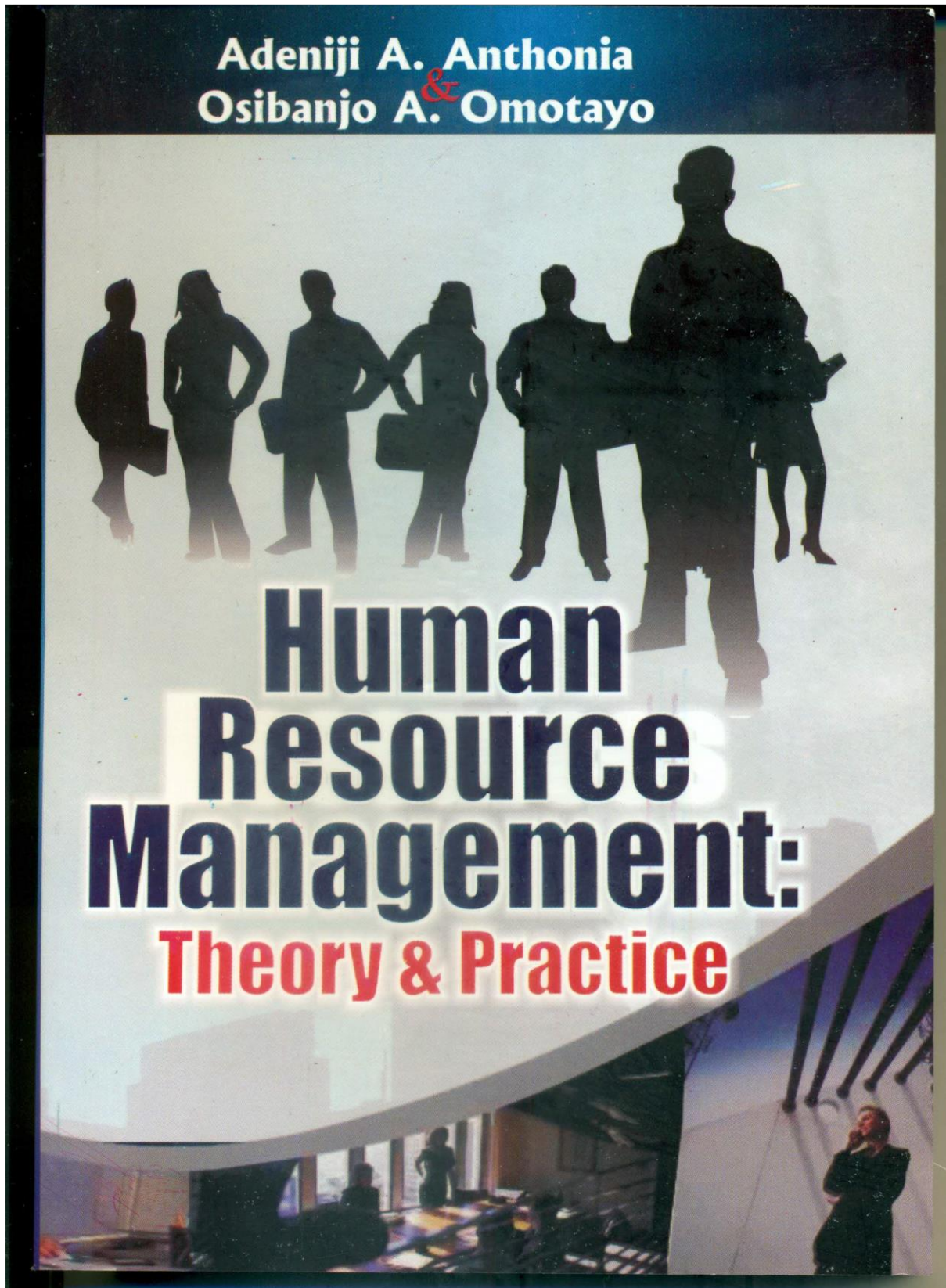
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# Human Resource Management: Theory & Practice

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# CHAPTER 1

## *Introduction*

### *Objectives:*

After studying this chapter, you will be able to:

- Define Human Resource Management.
- Explain the four (4) key dimensions to Human Resource Management.
- Explain Human Capital Management.
- Identify four (4) types of Assets in Organizations.
- Explain Human resource in Organizations.
- Discuss the relationship between Human resource and Operating Managers in organizations.
- Outline the roles and purpose of Human resource in organizations.
- Enumerate the Human resource management models (Karen Legge, Storey & Ulrich).
- Discuss the contradictions in the models.
- Enumerate the Human resource management activities.
- Explain the barriers to high performances in organizations.
- Discuss the relationships that exist between Strategy & Human resource management.
- Discuss ethics in Human resource management.
- Explain the challenges facing Human resource management in organizations.

### ***Introduction***

Much have been debated and written in the literature regarding the field of Human Resource Management (HRM); its contents, practices and applications, and; its extents and limitations. Similarly, in recent past, there have been many controversies concerning the responsibilities and duties of Human Resource Management departments in organizations. The foremost and earliest role of Personnel Managers in the 1970s was not to manage employees and the issue of welfare was not of great importance to the Management but rather they play the role of fierce and tough negotiators always prepare to be hard on unions. This, however, had created a barrier between management and their employees. The employees are compelled to look in the direction of the unions for their welfare in terms of financial and occupational concerns. Evidently, employees were left with no other choice than to follow the leadership of their union and go contrary to the management, which results to low productivity and thereby makes the organizational goals unachievable. Guest (1989) proposed four major policy goals that distinguish the new concept of Human Resource Management from the ‘personnel’ management; these are:

- Encourage the commitment of employees to increase their performance and also be loyal to the organization as a whole;
- Emphasis on the quality of employees engaged in organizations goes a long way in producing quality goods and services, which is of great benefit both to the customers and the organization;
- Ensuring flexibility plays an important part in the way employees are organized, this makes them to be adaptive and receptive to all forms of changes in all aspects of their jobs such as work hours; working methods and;
- Integrating organizational goals into strategic planning in order to make these policies cut across ranks and files of organization and ensuring that they are gladly accepted and implemented on daily routine by line managers.

The concern regarding employees’ welfare in organizations came on board in the 1990s in order to make employees increase their commitments to the organizations and also increase the level of their job satisfaction.

Human Resource Management as a field of study is presently passing through a transformational stage. Therefore, this book tends to equip students with rich and current discussions regarding the concept and activities of HRM. Contributions from the renowned scholars in the field are brought into fore for analysis and conclusions were drawn. In this chapter we provide a concise outline of the content.

### ***Human Resource Management (HRM) defined***

HRM has been argued to be a replacement of the term *personnel* management in organizations. In this light, experts like Armstrong (1987) sees HRM as ‘old wine in new bottles’; while Guest (1987) argued that human resource management is not a replacement but somehow differs from personnel management. Practically, it suggests that Human Resource (HR) tasks are majorly concern with the administrative activities such as recruitment, reward systems, promotion, and so on. However, it does not make HR administrators ‘*having a seat at the table*’ meaning that HR administrators is not regarded as a strategic business partner, therefore does not contribute to the success of the business.

Storey (1995) defines HRM as “*a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques*”; while Byars & Rue (2004) see HRM as “*activities designed to provide for and coordinate the human resources of an organization.*” In addition, Boxall & Purcell (2000)

argue that “*HRM includes anything and everything associated with the management of employment relationships in the firm.*” The words *anything* and *everything* in the definition explains the wider range of issues comprising policies such employment contract and ways in which employees may be involved and participate in areas not directly covered by the employment contract thus ensuring suitable work life. Further, it goes beyond employment relations or industrial relations, which personnel management would not have been able to render in organizations.

However, the four key dimensions to HRM as postulated by Guest (1987) include;

- **Commitment:** It is expected of employees to identify the interests and goals of the organizations, and be aligned and committed in achieving these goals.
- **Flexibility:** Employees are expected to adapt willingly to change within the organizational structure, without any strife or prejudice.
- **Quality:** High levels performance attainment of organization depends on the quality of members of staff and management of such organization.
- **Integration:** ‘It involves the matching of human resources strategies to the needs of the business strategy (Guest, 1987).

### ***Human Capital Management***

Human capital is one of the four types of assets managed in organizations; others includes (i) *physical* assets such as land, buildings, equipment etc; (ii) *financial* asset such as stocks, securities etc; (iii) *human* assets are competent individuals with capacity to render services to the organizations; and (iv) *Intangible* assets like patents, designs etc. These assets are essential and vital at varying degrees in the operations of any organization; however, human assets operate at the pivot of the operations. Human assets in organizations control, guides, and manage the use of other assets in order to achieve organizational goals.

It is important to emphasise that human capital is not basically individuals in organizations; rather it is what they have to contribute in achieving organizational goals. Robert & Elizabeth (2003) define *Human Capital* as “*the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce.*” It is also referred to as “*intellectual capital to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute*” (Mathis & Jackson, 2006).

### ***HR in Organizations***

Generally, all managers in organizations are regarded as HR managers. College Dean, Matron, Sales managers, and Supervisors are all assumed to engage in HR management, but their effectiveness and efficiency depend on how HR system is being organized and managed in organizations. Essentially, it is inappropriate to engage a Matron (Head nurse) or an Engineering manager in designing and administering HR activities such as pay system and reward; human resource planning; recruitment and selection; employment regulations etc. Therefore, medium and large organizations create HR department and equip it with HR specialists that can conveniently handle these activities. However, smaller organizations do engage in some of these activities, where the owner usually handles them. And in some other small businesses, clerical assistant is employed to handle the payroll systems, record keeping and other clerical work. Supervisors and Managers (irrespective of their departments) are involved in recruiting, selecting and training prospective employees, as a result these activities tend to shift their attention away from their primary assignments and reduce the time they spend on their core and other business areas.

### ***HR and Operating Managers***

Conflict is inevitable; however, there is need to facilitate good and healthy relationship between HR staff and operating managers, especially those in sales and manufacturing, in order to achieve the goals of HR department. HR department designs systems that the operating managers assist in implementation; though, it varies from one organization to another. For example, division of “training” responsibility between HR and Operating managers in organizations is depicted in figure 1.1.

***Figure 1.1: Division of Training Responsibility***

#### **HR Department**

- Prepare skill-training materials
- Coordinates training efforts
- Conducts or arranges for off-the-job training
- Coordinates career plans and employee development efforts
- Provides input and expertise for organizational development

#### **Operating Managers**

- Provides technical information
- Monitor training needs
- Conduct and monitor continuing on-the-job training
- Continually discuss employee' growth and future potential
- Participate in organizational change

*Source: Adapted from Mathis & Jackson, 2006*

### ***Role and Purpose of Human Resource (HR) in Organization***

Much has been discussed on what role HR departments play in organizations. However, HR units can perform several roles, which depend on the nature and terms of reference provided by the decision makers on one hand; and competencies earlier demonstrated in the line of their duties. Torrington (1992) identified four roles of HR practitioners as illustrated in figure 1.2.

***Figure 1.2: Roles of HR Practitioners***

***Human Bureaucrat:*** Setting up formal systems of recruitment, selection, appraisal, discipline and grievance handling.

***Consensus Negotiator:*** Bargaining with unions, creating systems of involvement and participation.

***Manpower Analyst:*** Providing a longer-term plan for employment numbers, together with programmes for skills, competence and career development.

***Organization Man:*** Working strategically with top management to create organization structures and management development systems.

*Source: Adapted from Torrington et al., 2002*

However, these roles are summarized into three (3) types by Mathis & Jackson (2006):

- Administrative role
- Operational and Employee Advocate role
- Strategic role

### ***Administrative role of HR***



Administrative role of HR is majorly concerned with the clerical works such as record keeping, which has remained prominent task of HR. If the role of HR is restricted to administrative role, HR practitioners would be only seen as clerical administrative, task that could be handled by non-HR practitioners. The recent use of technology and outsourcing has transformed the administrative role of HR.

- **Use of Technology:** Technology has transformed the administrative role of HR practitioners; thus making them more effective and efficient toward employees and managers. Further, tasks such as posting of vacancies, e-recruitment, e-learning, etc., performed by HR practitioners are now available electronically, thereby reducing the amount of time and members of staff.
- **Outsourcing of HR:** Outsourcing many of the tasks perform by HR department is becoming a fashion in some organizations to save employers labour costs and be able to focus more on the strategic roles of HR practitioners; thereby reducing the number of staff in HR departments. Organizations outsource some HR activities such as recruitment and selection, training and development to some private independent HR practitioners/consultants.

However, there is rapid change in this regard, fewer HR practitioners are concerned with clerical work, while they concentrate and devote more time to strategic roles of HR management.

### ***Operational & Employee Advocate role of HR***

Large private and commercial organizations usually have HR Director or Manager, who sees to the smooth running of every aspect of employees in the organization from recruitment to dismissal or retirement. In such organizations HR department is at the pivot of decision making reporting directly to the CEO/Managing Director and also involve in policy making. However, the potential, business nature, culture and resource of organization will determine if HR Manager/administrator would be involved in performing such role. Some organizations would only require regulatory HR task, which is referred to as *operational* HR management, where HR sees that employees are well resourced and functional. In performing operational role, HR specialists are expected to identify and implement required policies in collaboration with operating managers. HR practitioners are seen as '*welfare officers & advocate*', who see to the betterment of the employees in organizations, who do not care about business realities and neither contribute to the attainment of the organizational goals. It is important noting that HR practitioners spend quality time in managing 'organization crisis' regarding employees both work and non-work related challenges, without which could have resulted to lawsuits and complaints. Welfare/advocate role is important to make organizations better place to work and employees receive fair and equitable treatment irrespective of their circumstances.

### ***Strategic role of HR***

For HR practitioners to perform their strategic role in organizations; they must be ready to contribute their quota to the development and growth of their organizations. In other words, they should be ready to add tangible value to organization' effectiveness and efficiency. There is a clarion call advocating for HR Managers to become strategic contributors to the organization' success, by managing human resources in a business-like approach. As depicted in table 1, the transformational operational roles to strategic roles of HR. HR practitioners would require being proactive in dealing with organizational policies and being futuristic regarding human resource planning, compensation strategies, and add value to the management of their organizations.

**Table 1.1**  
**Operational to Strategic Transformation of HR**

<i>Operational</i> (Employee focus)	↔	<i>Strategic</i> (Organizational focus)
• Reactive	↔	• Proactive
• Collecting HR data	↔	• Measuring HR with metrics
• Responding to goals and objectives set by executives	↔	• Setting strategic HR goals and objectives
• Complying with laws, policies, and procedures	↔	• Developing and revising policies and procedure
• Administering employee benefits programs	↔	• Evaluating benefits strategies
• Designing training programs	↔	• Identifying organizational training needs
• Staffing job by recruiting and selecting employees	↔	• HR planning and linking with external staffing resources
• Administering base compensation plans	↔	• Developing compensation plans focusing on employee performance and retention.

Source: Adapted from Mathis & Jackson, 2006

**Human Resource Management (HRM) Operations and Practices**

The practices and operations of HRM systems have basically replaced fundamental personnel management in organizations. Organizations with either few or large numbers of employees are said to have replaced the title ‘personnel’ department with ‘Human Resource’ department though, they have not actually enforce the practice. For better understanding, we proceed to analyse various models regarding roles and operations of HR departments and the practitioners.

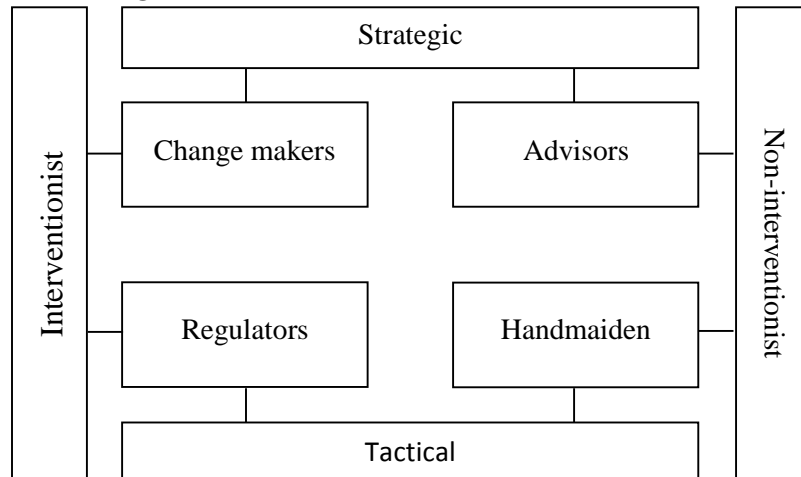
**Karen Legge (1978) Model**

In this model, Karen classified Human Resource Practitioners into three; (i) **Conformist Innovator**, HR practitioner who identifies with the organizational objectives through which he comes up with strategies such as cost reduction, conflict reduction and increase in productivity towards achieving organizational objectives; (ii) **Deviant Innovator**, is an HR practitioners who tend to shift away from the organizational objectives and adopt independent professional stance. The recommendations make tend to be unusual to the organizational status-quo and their acceptance is seen as the function of their individual position and status. Essentially, some of the subject matters in which HR practitioners who are Deviant innovators tend to involve in amongst other include: employee development, and work-life balance. However, their ideas may result into competitive advantages, though they might have been faced with opposition; and (iii) **Problem-solver**, HR practitioner that provides daily assistance to the Management is regarded as Problem-solver. It is also seen as a conventional role play by the HR practitioner.

**Storey (1992) Model**

Storey’s model is made up of a grid. In one axis, he shows whether the work undertaken is strategic or tactical and, on the other axis, the extents to which HR managers intervene in the management process. This is illustrated in figure 1.3 below.

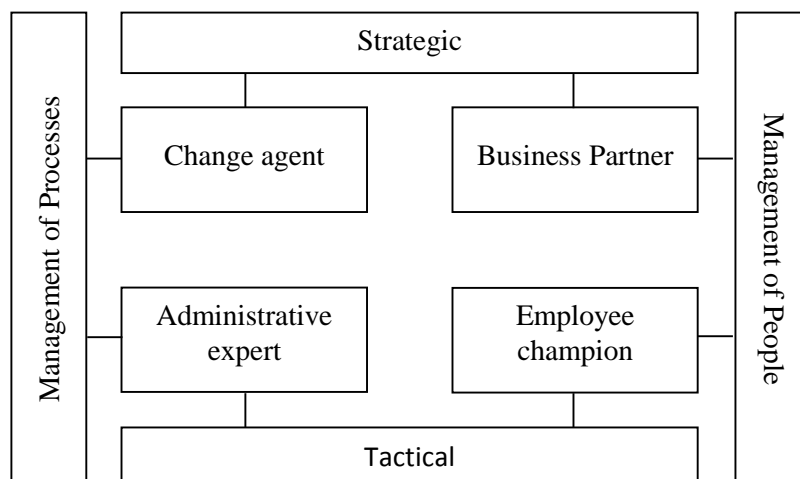
**Figure 1.3: Human Resource Interventions**



Source: Adapted from Storey, 1992

Analyzing the grid, Storey regarded HR practitioners who are in the *advisor* category as those who concentrate on issues that are strategic; however, they do not implement the activities recommended. Below advisor in the grid is *Handmaidens*, these are HR practitioners who contribute little to the implementing policy but operate at a tactical level, regarding administration, recruitment, provision of welfare, training and development. Similarly, HR practitioners that are referred to as *Regulators* are, involved in tactical issues but they are more interventionary in practice, ensuring that HR policies are properly implemented in agreement with line managers. The last in the grid is the referred to as *change makers*, these are HR practitioners that are both strategic and interventionary, who are less concerned with administrative policies and more concerned with the management of people in their organisations. Change makers assess organisation’s needs, come up with strategies, reach conclusions and drive required changes to completion. Change making is regarded as the major and essential role for efficient and effective HR practitioners.

**Figure 1.4: Role of Human Resource**



Source: Adapted from Ulrich, 1998

**Ulrich (1998) Model**

Ulrich model grid is similar to Storey model regarding the roles of HR practitioners with a slight difference. In Ulrich model, the left side of the grid measures the extent to which HR

specialists manage organization process on one hand, and people on the other hand; which is depicted in figure 1.4.

HR practitioners that are referred to as *change agents* work from strategic viewpoint in order to ensure that employees are in conformity with organization changes, ensuring that organization goals, objectives, vision, values and policies are duly implemented. On the other side of the grid, which is the *business partner*, HR specialists that play the role of business partner are expected to work with the management ensuring that the strategy developed are put into practice, identifying areas where necessary plans should be executed and establishing areas where remedial measures are required. The role of business partner in HR practice has been adopted by organizations thereby helping solve essential problems delivering real value to organizations. HR practitioners that are seen as *administrative experts* see to daily management processes, ensuring that organizational policies on grievances, discipline, equal opportunities and compensation arrangements are effectively implemented. Essentially, the administrative role of HR specialists is seen as fundamental and essential in running organizations without any hitch or barrier to the growth of companies. HR practitioners that are seen as *employee champions* act tactically on daily basis as employees' voice, ensuring implementation of good working conditions, they also see to the improvement in their position, contribution and engagement with organisations.

### ***Contradiction in the models***

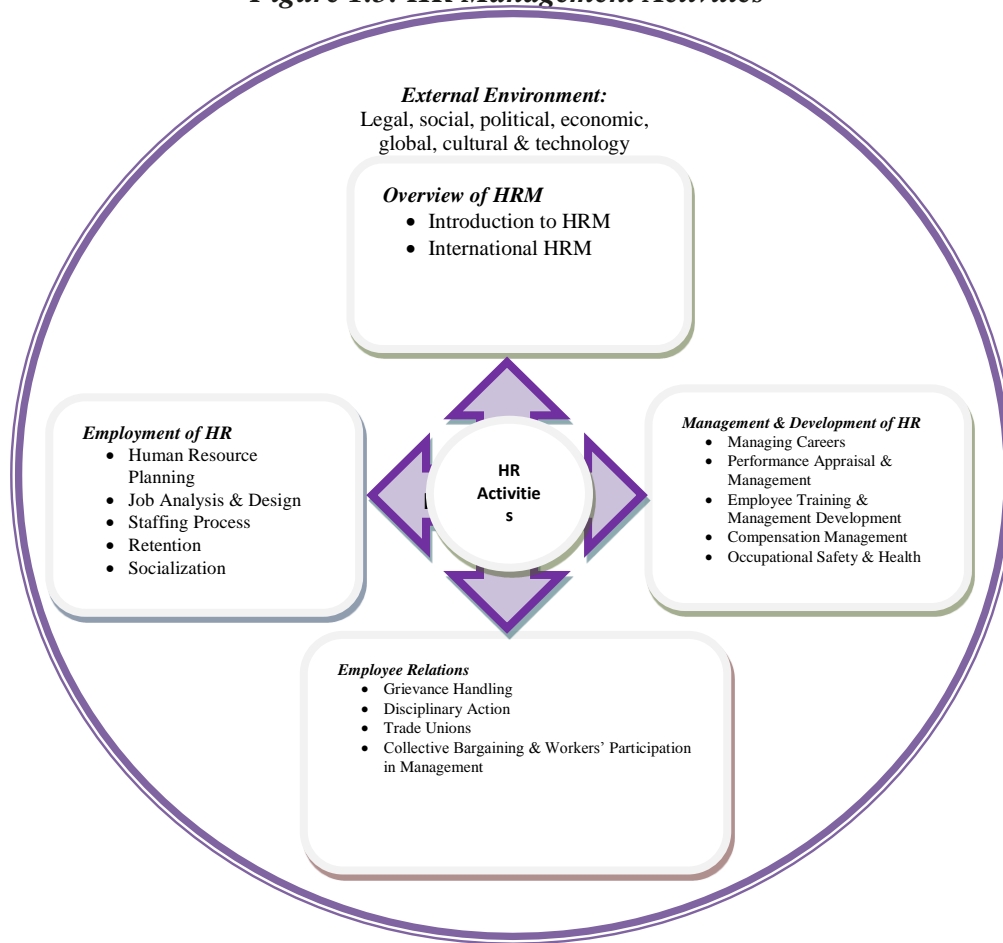
Essentially, it is worth noting that models regarding roles and operations of HR departments and the practitioners are widely recognized but do not present a perfect picture of an ideal practice of HR. There are some contradictions that require some clarifications. For instance, team work or group is emphasized in most HR models, the influence of technology and the need for co-operation and commitment has made effective team work an essential component of high organizational performance. Similarly, in the HR models, there is emphasis on pay related performance that is carried out on individual basis. Where team work is being encouraged and performance is rewarded individually, employees tend to be ineffective and inefficient in a group work. It is rather hard to reconcile emphasis of individual development, which is usually done via study leave with or without pay. However, the clarion call on unitary approach has birthed the need for individual developments, which tends to lead to a variety of opinions, ideals, and objectives. Similarly, the role of the HR practitioners has some element of ambiguity. In the HR models, practitioners are regarded as advisers who see to the daily personnel activities in organizations, which include; counselling, discipline, recruitment & selection, induction & training, etc., it is therefore worth noting that it will be difficult developing their skills in these areas in order to give right and adequate advice. HR practitioners have also found it difficult to maintain the organization's values and ethical leadership when great emphasis is placed on simplifying standardization and moving away from compliance in area such as grievance procedures, compensation, employment equal opportunity, promotion and such like.

### ***Human Resource Management Activities***

HR activities are modelled in various dimensions; Purcell and Ahlstrand (1994) model came up with nine (9) core activities that HRM departments should engage in. They argued that these activities should be applicable to most medium and large organizations depending on the nature of their operations. Mathis & Jackson (2006) model regarding the role of HR department is composed of seven (7) activities, with respect to external forces such as legal, economic, cultural, political, technological, global, environmental, and social; and how they interact with

HR activities. The HR activities model for this book is grouped into four (4) as depicted in figure 1.5.

**Figure 1.5: HR Management Activities**



Source: Adapted from Mathis & Jackson, 2006

**Employment of Human Resources**

Human Resource Planning (HRP) plays a vital role in securing organization competitive advantage. By ensuring right people with necessary and adequate skills are rightly placed at the right time. Retaining employees through strategic policies such as career path planning, pay and benefits; also engaging in operational strategies, like re-training, re-deployment or re-location in order to make sure employees move in the right perspective by putting in place standards, good reward systems and employee-employer relationships. By studying the functions of employees, job analysis tends to gather information on each job and subsequently organize and compile in a job description, which would be used during recruiting qualified job candidates from which selection can be made to occupy the vacancies. HRP activities are discussed in Chapters 8, 9, 10, 11, & 12.

**Management and Development of Human Resources**

Management and Development of HR include varieties of training, such as induction/orientation of new employees and development of all categories of employees without exemption in order to prepare for organization future challenges. Managing career helps employees in pursuing their career path as they grow with the organization. Performance Appraisal; as employees develop, there is need to assess how they perform on their jobs. Compensation management is developed in order to reward employees for rendering services to the organizations and this could be in form of wages & salaries, incentives & benefits. Therefore, employers need to design definite and reasonable pay systems; in addition, incentive

programmes should be included in order to reward performance handsomely. Occupational Safety, Security and Health is important to organizations, therefore, there is need to provide safe and secured work environment in order to reduce accidents and injuries, also employers should ensure that work is planned in a manner employees' health will not be at stake. HR activities embedded within Management and Development of HR are discussed in Chapters 3, 4, 5, 6, & 7.

### ***Employee Relations***

Employee Relations entails the relationship between employees and management, which stem directly or indirectly from union-employer relationship. However, there is need to manage this relationship effectively in order to achieve organizational goals and employees' goals. Employees should not be denied of their rights, it is therefore essential to develop strategies and communicate with both the managers and employees terms of reference. HR Activities associated with employee relations in this book are: Grievance Handling; Disciplinary Action; Trade Unions; Industrial Relations; Collective Bargaining and Workers' Participation in Management; Quality of Work Life and Quality Circles are discussed in Chapters 13, 14, 15 & 16.

### ***Organizational Performance & HRM***

The primary objective of HRM in organizations is to fast track the achievement of organizational performance. However, the HR practitioners look for evidence to prove that people are the most important asset in organizations; in addition, good HR practice will surely deliver this evidence. Effective people management is seen as more critical and essential than other policies such as quality, technology, competitive strategy, etc. in terms of influence on the organizational performance (Patterson *et al*, 1998). Byars & Rue (2004) point out that organizational performance can be enhanced by increasing productivity. Peter Drucker defines productivity as “*that balance between all factors of production that will give the greatest output for the smallest effort*”. Eatwell and Newman (1991) define *productivity as a ratio of some measure of output to some index of input use*. Put differently, productivity is nothing more than the arithmetic ratio between the amount produced and the amount of resources used in the course of production. This concept of productivity goes to imply that it can indeed be perceived as the output per unit input or the efficiency with which all factors of production such as capital, materials & energy are utilized (Samuelson and Nordhaus, 1995). Essentially, HR practitioners have limited impact on resources such as capital & materials; but have greater impact on the labour component. They can influence the employees' commitment, raise their morale and motivate them. Emphasis has been placed on pay or reward systems in order to achieve high level performance outcomes. Organizations therefore, engage in some practices such as bonus schemes for employees in the production unit, performance related pay for managers and administrative staff, incentive systems for sales and service employees, etc. Further, employees' commitment is therefore encouraged by aligning reward system with organisational performance, which could be in form of profit sharing employee stock options, payment of 13<sup>th</sup> month pay or gain sharing. It is therefore important to state that HR managers have unique opportunity to increase productivity, which has direct link with organizational performance.

### ***Barriers to High Performance***

Kim and Mauborgne (2003) in their study point out that there are four distinct barriers restraining HR managers from achieving their primary goal which is high performance, this is depicted in table 1.2 below and they provided possible solutions.

**Table 1.2: Barriers to High Performance**

<i>Barrier</i>	<i>How to overcome barrier</i>
<i>Cognitive hurdle</i> – managers cannot see that radical change is required.	Pointing out the number is insufficient. Managers need to be put face to face with the problems – with dissatisfied employees or customers.
<i>Resource hurdle</i> – insufficient resources available to implement the practice successfully.	Reduce HR resources that are not adding value (cold spots) and transfer resource to those practices which have a high potential performance gain (hot spots).
<i>Motivational hurdle</i> – that discourages and demoralises staff.	Work on the major influences, the champions of change. Bring problems out into the open and ensure everybody follows the improving story line.
<i>Political hurdle</i> – that brings internal and external resistance to change.	Identify and silence internal opponents by building alliances with natural allies. Isolate external opponents.

Source: Adapted from Kim & Mauborgne (2003)

### **Strategy & HRM**

The primary goal of every organization is to remain and relevant in business. To achieve this goal, organizations should be effective and efficient in their operations within the limitations of their resources. Therefore, management think of strategy, which is referred to as a set of coordinated and monitored choices and actions within the framework of the organizations. A strategy is regarded to be more than decisions, also is putting choices into practice. However, regarding HR management in organizations, there are two basic types of strategy. (i) competitive business strategy, which involves choice making and how to serve their customers better; and (ii) human resource strategy that involve choice making regarding the management of people within the organization. Further, there is need to harmonize the two strategies in order to ensure high organizational performance as significant attention has been given to HR becoming a strategic partner. This concept has led to the formation of Strategic Human Resource Management (SHRM), which is an integration of the strategic management and human resource management. SHRM points to the contribution of HRM to the performance of organizations, evidently, organizations adopting a particular strategy require HR practices that may differ from those required by organizations adopting alternative strategies (Delery and Doty, 1996), meaning that there is an important link between organizational strategy and HR practices that are implemented in that organization.

### **Ethics & HRM**

The term ethics is hard *nut* to break, and people’ opinions differ, while some liken it to their feelings, some equate it to religion and some identify it with laws. Following one’ feelings may deviate from doing what is right; similarly, ethics cannot be identified with religion, because ethics apply to both religious and non-religious people. Further, ethics cannot be identified with laws, because it can also shift away from what is ethical, so also ethics should not be liken to doing what is acceptable in the society, because entire society can deviate from ethics. However, it is worth noting that writers on business ethics argue that the basic determinant of ethical behaviour is organizational culture, which is the framework that contains basic assumptions and values that disseminated to new employees as the way to perceive, think, feel, behave, and expect others to behave in the organization (Schein, 1999), which becomes the common practice. Ethics can then be said to be standards of right and wrong that prescribe what humans ought to do such as obligations, fairness, honesty, compassion and loyalty, which are said to be supported by consistent and strong reasons.

HR practitioners play major role in keeping, disseminating and enforcing organizational ethics. Some areas of ethical misconduct involving HR activities are depicted in Table 1.3; essentially,

these ethical issues generate fundamental questions about fairness, justice, and truthfulness, therefore making the study of ethics wide and complex.

**Table 1.3: Examples of Ethical Misconduct in HR Activities**

<i>Types of Misconduct</i>	<i>Examples of Employee, Supervisor, and Managerial Behavior</i>
<i>Compensation:</i>	<ul style="list-style-type: none"> <li>▪ Falsifying expense reports</li> <li>▪ Inappropriate overtime classifications</li> <li>▪ Misrepresenting hours and time worked</li> <li>▪ Personal bias in performance appraisals and pay increases</li> </ul>
<i>Employee Relations:</i>	<ul style="list-style-type: none"> <li>▪ Personal gains/gifts from vendors</li> <li>▪ Intentionally violating safety/health regulations</li> <li>▪ Misusing/stealing organizational assets and supplies</li> <li>▪ Employees lying to supervisors</li> <li>▪ Executive/managers providing false information to public, customers and vendors</li> </ul>
<i>Staffing &amp; Equal Employment:</i>	<ul style="list-style-type: none"> <li>▪ Sexual harassment</li> <li>▪ Sex, race, and age discrimination in hiring, discipline, and termination</li> <li>▪ Favouritism in hiring and promotion</li> </ul>

*Source: Adapted from Mathis & Jackson (2006)*

### **HRM & Challenges**

HR activities in organizations are facing some challenges in practice, such as occupational shifts; quality of available workforce; growth in casual workers; technological shifts; gender diversity; racial/ethnic diversity; age limit; globalization and organizational restructuring. However, challenges facing HRM are seen from two perspectives; internal and external and could be classified into three: (i) *organizational challenges* these are internal in nature and often results from environmental forces that are external by nature. Some of the issues emanating from the organizations include organizational restructuring, organizational culture, outsourcing, downsizing and decentralization; (ii) *environmental challenges* they are issues emanating from the external context where the company operates, which has great influence on performances of organizations. These include; legislation, globalization, labour demand and supply, and work diversity; and (iii) *individual challenges* are the issues regarding employees, how they are being treated, matching individuals with organizations, employee development, insecurity, and reward systems, which affects organizational performance.

### **Review Questions**

1. What is human resource management?
2. List the four (4) key dimensions to Human Resource Management.
3. What is Human Capital Management?
4. Identify four (4) types of Assets in Organizations.
5. Explain Human resource in Organizations.
6. Is there any relationship between Human resource and Operating Managers in organizations?
7. List the roles and purpose of Human resource in organizations.



8. Enumerate the Human resource management models (Karen Legge, Storey & Ulrich).
9. What are the contradictions in the models?
10. Enumerate Human resource management activities in organizations.
11. List the barriers that may hinder high performances in organizations.
12. Discuss the relationships that exist between Strategy & Human resource management.
13. What are the ethics HR practitioners should enforce in discharging their duties in organizations?
14. List challenges facing Human resource management in organizations.

## CHAPTER 2

# *International HRM*

### ***Objectives:***

The Objectives of this Chapter are to:

- Explain the Concept of International Human Resource Management
- Define International Organization
- Define International HRM
- Define Expatriate & Inpatriate
- Identify Approaches to Global Staffing
- State Staff Categories in Multinational Companies
- Explain Managing Human Resources in Foreign Subsidiaries
- Design Cross-cultural Training Programme
- Enumerate the Performance Management of Expatriate

## **International Human Resource Management**

### **Introduction**

The management of Human resources in organizations plays vital role in organizations (national or international), this section shall be looking into the subject of International Human Resource Management (IHRM) regarding how HR practitioners manage expatriates in Multinational Corporations (MNCs). Managing employees in organization having subsidiaries in other countries other than parent country is said to be complex and attracts challenges. The chapter begins with the concept of IHRM; approaches to IHRM; features of IHRM. Finally, we conclude by classifying international raters and draw out the international compensation and benefits.

### **Concept of International Human Resource Management**

The concept of IHRM is said to be in practice since 1900BC and originated from entrepreneurs who have Subsidiary Business Units (SBUs) across nations and the need to relocate managers/directors to manage these subsidiaries in other countries other than the parent country was of great importance to the employers. It is therefore essential noting that employees engaged at local level were limited to lower level jobs; while nationals employed from the parent country of the business were saddled with responsibilities of running foreign operations, and they are referred to as expatriates; and were given better and superior working conditions (Moore and Lewis, 1999; Collings and Wood, 2009). However, expatriates are transferred from their headquarters to the company' SBUs, for a certain period as stipulated in the company' policy and practice. Essentially, there is need to manage expatriates, and it has been argued that managing international human resources is more complex and demanding when compared with domestic HRM. Further, Lazarova (2006) argued that International HRM is distinguished from domestic HRM by the additional responsibility required of the HR practitioners in managing employees from different backgrounds, and these employees are classified into three groups; home, host, and third country nationals. Obviously, amongst other, it is required of the HR practitioners or administrators to have good knowledge of the cultural backgrounds, the organization headquarters' policies and the subsidiary business units' policies in order to properly and adequately manage diversities within the organization both at home and abroad.

### ***International Organization Defined***

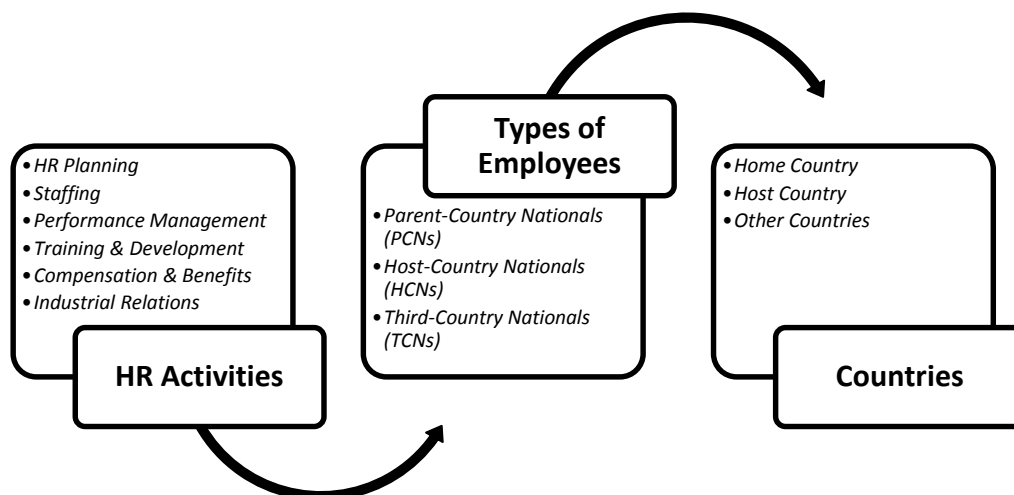
International organization is defined as a company that operates in other countries through its subsidiaries; and depends on the parent company (corporate headquarters) for its technical know-how. However, subsidiary business units independently carry out activities such as manufacturing, distribution, and service delivery.

### ***International HRM Defined***

Lazarova (2006) argued that IHRM is the process of managing the workforce with additional responsibility to what are obtainable at the domestic level. Further, International HRM can be defined as the process of managing people worldwide; through staffing, training, developing, and compensating employees in international organizations both local and expatriates. However, Dowling, Festing and Engle (2008), perceived International HRM from three dimensions, which are depicted in figure 1.

- (a) **Human Resource Activities:** HR activities involved HR planning, staffing, performance management, training and development, compensation and benefits, and industrial relations.
- (b) **National Categories in International HRM activities:** the nation or country involved in international organization is categorised into three:
  - Home-country where the company’s headquarter is established.
  - Host-country where a subsidiary business unit is located.
  - Other-countries which provide the source of inputs such as workforce, and finance, etc.
- (c) **Categories of Employees of an international company.** the nationality of workers in international organization is categorised into three:
  - Parent-country nationals (PCNs)
  - Host-country nationals (HCNs)
  - Third-country nationals (TCNs)

**Figure 2.1: A Model of International HRM**



Source: Adapted from Morgan, P. V. (1986) as cited in Dowling, Festing, & Engle (2008)

As depicted in figure 2.1, Morgan defined International HRM as the interplay that exist among the three dimensions; that is HR activities, types of employees, and countries. Therefore, international HRM uses the same HR activities such as HR planning, recruitment & selection, performance management, training & development, compensation management, and industrial relations as obtained in domestic HRM. While domestic HRM deals with employees within one country, IHRM deals with multicultural employees from different nations across the globe, which makes it complex compared to domestic HRM.

***An Expatriate & Inpatriate Defined***

An *expatriate* who is also refers to as ‘*international assignee*’ is defined to be an employee who is working and temporarily residing in a foreign country. An *Inpatriate* is an employee transferred from subsidiary business unit of an organization to the headquarters (parent country). However, it is important to note that the use of these terms differs from one company to another, while some organizations prefer to use the term ‘*expatriate*’ to describe their workers transferred from their respective home countries to any of their SBUs or the

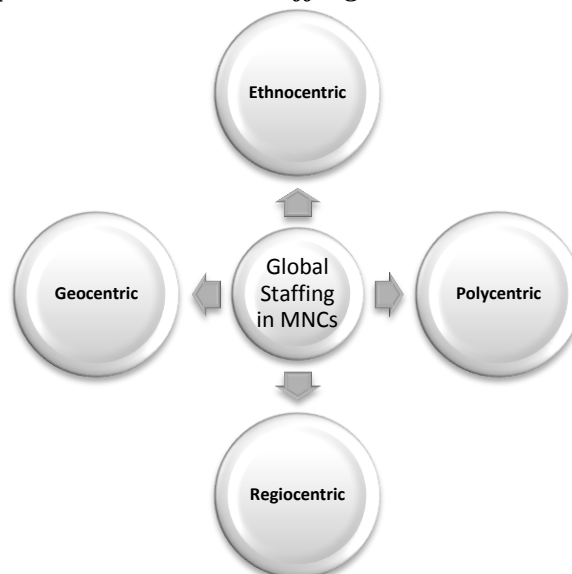
headquarters, some use the term ‘*expatriate*’ only for workers transferred from the headquarters i.e. the parent country to any of their SBUs, and ‘*inpatriate*’ for workers transferred from any of the company’ SBUs to the headquarters (Dowling, Festing, & Engle, 2008).

### ***Approaches to Global Staffing***

Multinationals Companies (MNCs) have various orientations regarding the operations of their subsidiary business units in foreign countries. Perlmutter, (1969) and Heenan & Perlmutter, (1979) identified four approaches that could be engaged in global staffing of MNCs, which is depicted in figure 2.2.

- (i) **Ethnocentric Approach:** is an approach taken by multinational companies by transferring personnel/employees from the parent country to occupy key or management positions in their subsidiaries. This staffing approach is oriented from the home country; whereby parent country nationals (PCNs), home country policies and practices are regarded to be superior, which makes it impossible for the host country nationals (HCNs) to be given the privilege to assume key or management positions. However, as obtained in the literature, ethnocentric was argued to be a common practice when subsidiaries are newly established, in opposite direction, Collings, Morley, & Gunnigle (2008) argue that organizations that are going global tend to have limited managerial staff, and therefore may not have the opportunity to transfer parent country nationals to their subsidiaries. Ethnocentric approach is similar to transfer of company policy from the headquarters to the subsidiaries with little or no regard for the differences obtainable in the host countries, which is known as *exportive* approach (Taylor, Beechler, & Napier, 1996).

***Figure 2.2: Approaches to Global Staffing in Multinationals Companies***



*Adapted from Perlmutter, (1969) and Heenan & Perlmutter, (1979)*

There are significant business advantages for MNCs using ethnocentric staffing approach among which includes:

- It maintains good communication with the headquarters;
- PCNs ensure that subsidiary complies with the company policies and practices;
- The capacity of the PCNs is known before being transferred to the subsidiary;
- There is a degree of trust that the PCNs will ‘do the right thing’;

- It is perceived that there is a lack of qualified HCNs.

However, on the other, there are disadvantages attributed to ethnocentric approach such as:

- Limitation of advancement opportunities of HCNs, such as promotion;
- Expatriates often take time to adapt to the host country's culture, weather, etc.;
- Organizations pay more and higher compensation to the expatriates (PCNs) than HCNs;
- Organization tends to expend more on transfer of parent country nationals to the subsidiary;
- Transfer of PCNs to the subsidiary means new height/level, which tends to come with more income and benefits;
- It tends to lead to personal and family problems;
- PCNs may be subject to local government restrictions.

(ii) **Polycentric Approach:** This approach is said to be the opposite of ethnocentric, approach, because it is orientated from the host country. With this approach, each subsidiary is regarded as an autonomy, whereby some decisions are made by host country nationals with minimal interference from the parent country; and parent country nationals are seldom transferred to subsidiaries. This policy is evident in companies where their products and services are expected to meet required national tastes. However, this policy tends to possess some advantages, which include the following:

- It eliminates language barriers;
- It is less expensive when compared with ethnocentric policy;
- It does not require cultural awareness programmes;
- It allows continuity in the management of the subsidiaries; thereby reduces the rate of turnover;
- It shows some level of trust in host country nationals;
- It avoids adjustment.

Some of the disadvantages of polycentric policy are highlighted below:

- It limits the opportunities of gaining outside experience; since the policy does not encourage transfer of employees across nation boundaries.
- It makes it difficult to recruit qualified workers;
- It tends to reduce the amount of control exercised by the corporate headquarters;
- Striking balance between local demands and global priorities tends to be difficult.

(iii) **Geocentric Approach:** With this policy, multinationals companies are less concerned with nationality of their prospective employees and this is observed when occupying various positions both at the headquarters and subsidiaries. The management is majorly concerned with the 'best person' for the job irrespective of nationality. Essentially, the primary objective is to eliminate the issue of culture that is being emphasized in both ethnocentric and polycentric policies; and integrate organizational culture (Edstrom & Galbraith, 1997), which tends to cut across the organization both at the corporate headquarters and subsidiaries. Geocentric

approach is line with organization *integrative orientation* concept identified by Taylor, Beechler, and Napier (1996); when organizations tend to use ‘*best practice*’ irrespective of where it comes from in the company. In addition, MNCs that practice this policy are consistent with transnational model of organization identified by Barlett and Ghoshal’s (1998) that react to new developments within the business context. Some of the advantages of this policy are highlighted as follows:

- It encourages cooperation, knowledge and resource sharing within the organization;
- It encourages MNCs to develop international executive team, which tends to assist the companies in having a pool of workforce that could be transferred across globe;

However, some of the disadvantages of geocentric policy are listed as follows:

- It is expensive to implement due to training and relocation costs;
- Quite a number of employees irrespective of their nationality need to be transferred abroad so as to build the international team, which tends to lead to loss of autonomy or power in the subsidiaries;
- Host countries’ governments may demand for a high number of their nationals to be employed at the local level, which tends to negate the idea of the policy;
- Unavailability of adequate and qualified personnel could be a barrier to the implementation of this policy;

(iv) **Regiocentric Approach:** The concept of regiocentric policy became popular amongst MNCs in the recent past, when the need to hire/transfer employees within a particular region became necessary, and the operations of MCNs are segmented into regions. However, Regiocentric organizations focus on regional values and tend to attract experts who are prospective employees within a specific geographical zone, such as Europe, Africa, etc. though, it allows employees to be transferred outside their countries within a specific geographical zone as stipulated in the MNCs policies. The regional headquarters (HQ) coordinates and communicates corporate policies to all the subsidiaries within its region. Based on these features of regiocentric policy, Collings, Morley, & Gunnigle (2008) argue that regiocentric is synonymous to ethnocentric policy; and because of it may fail to recruit experts outside its home region, thereby limiting the performance of their companies, and also hinder the employees from gaining more knowledge outside its region. However, Regiocentric organizations have some advantages, amongst which include the following:

- Allows interaction within the geographical zone, there are interactions between the regional headquarters and the subsidiaries, which permits transfer of workers within the region.
- It encourages MNCs to move from ethnocentric or polycentric to geocentric organizations where *best practice* is promoted.

Some of the disadvantages of regiocentric policy are outlined below:

- It limits the advancement of the employees within the region;
- It tends to hinder the company from attaining global status;

The choice of policy tends to depend on the attitude of top management and the company policy regarding the approach to be engaged in selecting their international staff members. However, multinationals are therefore at liberty to choose one of the four approaches discussed above in order to achieve their corporate objectives. Essentially, there is need to emphasise here that if the host government insist that on the employment of their nationals at the subsidiaries, this will definitely negate the idea of ethnocentric policy, which suggests that host government policy plays vital role in the choice of MNCs on international staffing approach policy.

### ***Staff Categories in Multinational Companies***

Multinational companies are said to be confronted with issues regarding the recruitment of employees to fill management positions at their corporate headquarters and their foreign subsidiaries (Scullion and Collings, 2006). International staff members of MNCs are classified into three; which are depicted in figure 2.3.

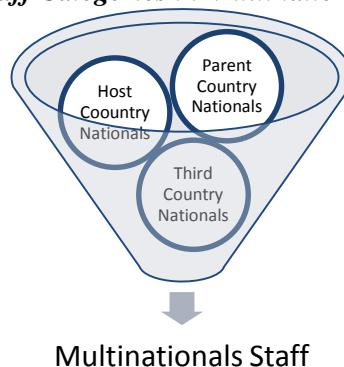
- (i) *Parent-country nationals (PCNs):* Are employees of the multinational companies from the same nationality with the organization where the headquarters is located. Some of the advantages of engaging parent-country nationals are highlighted as follows:

- *It gives opportunity for career advancement and international exposure;*
- *Familiarity with the corporate headquarters' goals, objectives, & policies;*
- *Assurance of compliance with company policies and objectives;*
- *Maintenance of organizational control and coordination;*

While some of the disadvantages include:

- *Adaptation to host country' culture, language, climate, legal, etc. might take time;*
- *Its costly to relocate and maintain PCNs abroad;*
- *Parent-country national tends to impose headquarters' style, even when it is not appropriate and convenient;*
- *Family adjustment problems.*

***Figure 2.3: Staff Categories in Multinational Companies***



- (ii) *Host-country nationals* – are citizens are employed in the host country where the subsidiaries are located. Some of the advantages of employing host-country nationals include:

- *Elimination of barriers such as language, culture, etc;*
- *Reduction in employment cost;*
- *Work permit not required;*
- *Government policy often dictates hiring of host-country nationals;*



- *It tends to improve host-country nationals' morale.*

While some of the disadvantages are highlighted as follows:

- *It limits the career opportunity outside the subsidiary;*
- *It hinders parent-country nationals from gaining foreign experience;*
- *It hinders control and coordination from the headquarters;*
- *It does not promote globalization.*

(iii) *Third-country nationals* – are employees of different nationality from the parent and host countries that is engaged to work in the subsidiaries. Some of the advantages of engaging third-country nationals are:

- Third-country nationals often time require lower salary and benefits than parent-country nationals;
- They are better informed than parent-country nationals about the host-country environment;
- They are usually career international business managers.

Some of the disadvantages include:

- *Third-country nationals may wish to return to their countries after the completion of their assignment or tenure;*
- *Host government policy may hinder hiring of third-country nationals.*

### ***Managing Human Resources in Foreign Subsidiaries***

Multinational companies employ millions of workers; therefore they are essential key players in both national and international economies. However, HR practitioners are expected to have acquired adequate skills and knowledge in carrying out their duties regarding recruitment & selection; training & development; performance management; compensation & benefits; and employee relations.

*Recruitment & Selection:* As obtained in the literature, Tung (1981) identified factors to be considered by HR experts in order to adequately recruit and select expatriate for foreign assignments, among which includes:

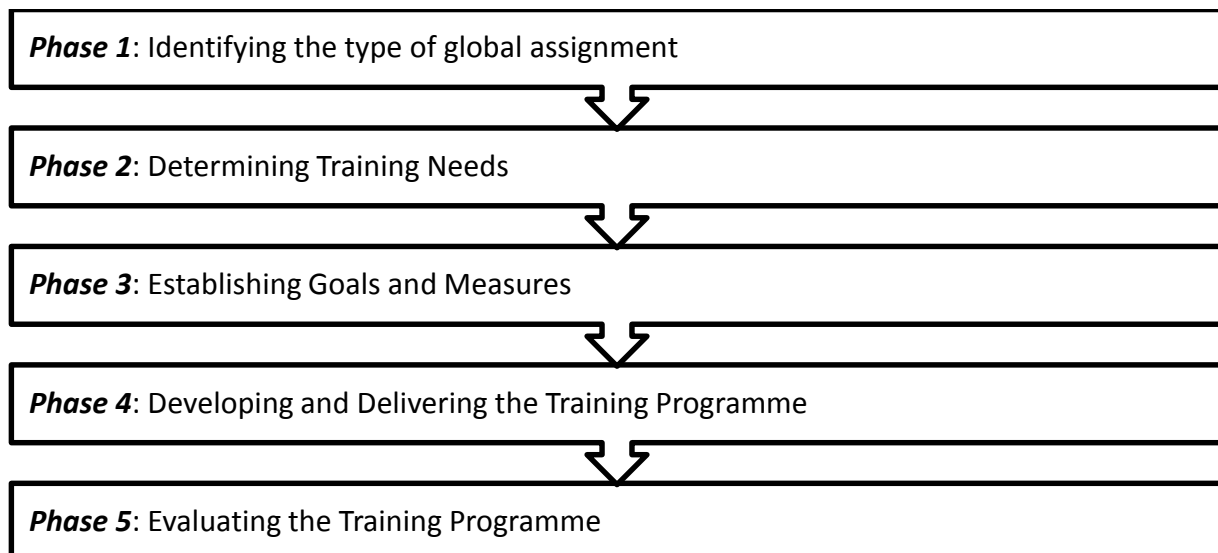
- (i) **Technical competence on the job:** in selection process, this factor is required at both domestic and international levels, however, emphasise should be laid on expertise of the parent country national on international assignment, because he is being transferred or relocated to the subsidiary and as such will not be under the direct supervision from the headquarters. Subsidiary in host country will not survive or thrive under incompetent expatriates.
- (ii) **Personality traits:** refers to the sum total of ways individuals react and interact with colleagues, subordinates, and superiors within the organization. Therefore, it is essential for HR experts to watch out for this variable in persons to be selected for international assignment, because it tends to influence the performance of both the person on assignment and the subsidiary.
- (iii) **Nuclear Family:** one thing is for the expatriate to be able to cope in a foreign country, another is for the expatriate' family members to be able to adjust and reside in a foreign and new environment. Further, partners often have to give up their jobs/careers in order to relocate with their spouses, which is always a challenge and difficult situation to handle. Thus leads to separation in most cases.

- (iv) **Environmental Variables:** because of differences that exist among nations regarding environmental variables such as unions, government policies, and customers, it is expected of expatriate to be able to cope with these variables in order to perform effectively in the host country. However, expatriates are to operate within the confine of the variables that exist in the host country.
- (v) **Adaptability:** expatriates with the ability to adapt to new and foreign culture or way of life of the host country should only be selected for foreign assignment. Because parent country nationals that are religious, race, political or government fanatic or biased will tend to be distracted and not be able to achieve the subsidiary business unit' objectives.

*Training & Development:* Training and development is one of the activities HR practitioners engage in managing human resources in organizations. Also, this activity is extended to the management of international employees, having selected the expatriates to be posted to the host country; it is therefore essential providing training programmes that will assist in developing their skills so as to increase job performance. Often expatriates are engaged in various capacities either on short-term or long-term; amongst which include acquisition of knowledge, managing subsidiary, intermediary between subsidiary and the headquarters, transferring knowledge, etc. Black and Mendenhall (1990) identified that for expatriates to be successful in their assignments, there is need to provide adequate Cross-Cultural Training (CCT). Similarly, Sanchez, Spector, and Cooper (2000) argued that since expatriates are relocated from their parental cultural environment to a new and unfamiliar culture, it tends to pose challenges regarding the need to learn the host country language, cope with new culture, understand host country government policies, and learn how to interact with host country nationals. As obtained in the literature, workers (expatriates), the subsidiary, and the headquarters will face some challenges if the expatriates are unable to cope with this cultural shock; which tilt towards poor performance and inadequacies. For instance, expatriate tends to loss his confident and prestige among his colleagues, while the subsidiary' image is being damaged, and the headquarters company tends to lose business opportunities (Caligiuri, 1997; Aycan, 1997; Mendenhall and Oddou, 1985).

However, in order to make expatriates perform when relocated to host country, cross-cultural training interventions are appropriate. In the words of Kealey and Protheroe, (1996), Cross-cultural training is defined as “*any planned intervention designed to increase the knowledge and skills of expatriates to live and work effectively and achieve general life satisfaction in an unfamiliar host culture.*” Harzing & Ruysseveldt (2004) identified five-phase process for designing cross-cultural training programmes, which is depicted in figure 2.4.

***Figure 2.4: Five Phases of Designing Cross-cultural Training Programme***



*Source: Adapted from Harzing & Ruysseveldt (2004)*

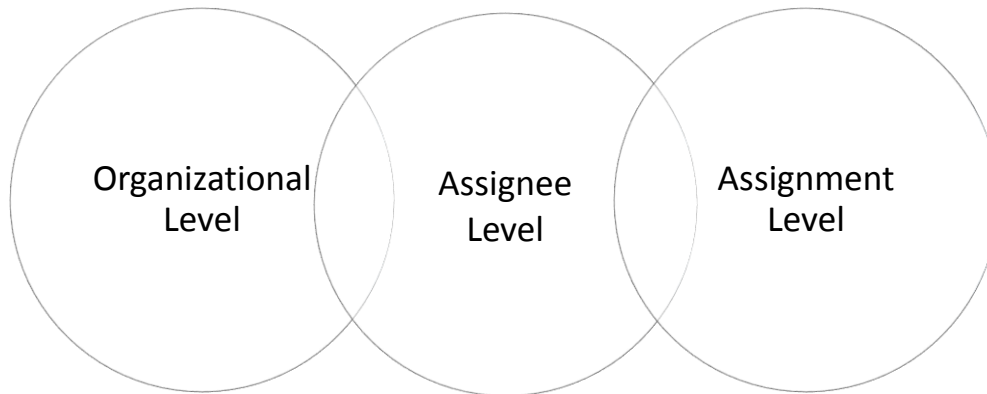
**Phase 1: Identify the type of global assignment** – As obtained in the literature, it has been argued that the type of global assignment depends on the type of cross-cultural training that expatriates will be involved in (Caligiuri and Lazarova, 2001). Caligiuri (2001) identified four classes of global assignments:

- (i) *Technical Assignment*: When assignees are relocated to subsidiary in order to render similar technical skills as he does at the corporate headquarters. Technical assignees are being posited to the subsidiary that requires their expertise, and they do not necessarily have to interact with the host country nationals working in the subsidiary. Further, assignees are expected to go proffer solutions to technical challenges or requirement, which tends to determine the extent and result of the assignment. Often, assignees are posted to the geographical where their skills are needed; examples include technicians in the oil refinery who are posted on the rig for some weeks in order to carry out some analyses, thereafter, return to their base or the corporate headquarters.
- (ii) *Functional Assignment*: Assignees are posted to occupy managerial gaps in subsidiary in the host country. However, they are expected to interact with host country nationals in order to record great success, which makes it different from technical assignment. It is therefore essential for assignees to possess or be trained on cross-cultural skills, so as to achieve outstanding success. It is argued that functional assignment is the most common international assignment among the multinationals companies.
- (iii) *Developmental Assignment*: The purpose of developmental assignment is to enable assignees experience a personal development in the subsidiary. Often, expatriates are posted to the foreign country in order to utilize or put into practice the managerial skills acquired at the headquarters. Also, it tends to expand their view, and make them diversified in their thinking and interactions with others (both host country nationals and third country nationals).
- (iv) *Executive Assignment*: Assignees on executive assignment are generally top executives of the organizations, such as General Manager (GM). However, it is important to note that executive assignment could be seen from the point of view of developmental and strategic. It is developmental, in the sense that assignees get to be developed and acquire

more experience; also it is strategic, because assignees may be given an assignment of developing new market or product.

**Phase 2: Determining Training Needs** – in determining training needs of assignees, Harzing & Ruysseveldt (2004) argued that analysis should be carried out at three levels, which is shown in figure 2.5.

**Figure 2.5: Three Levels at which analysis should be done**



*Source: Adapted from Harzing & Ruysseveldt (2004)*

**Organizational Level:** Analysis conducted at this level tends to consider the type of cross-cultural training that assignees should be engaged in respect to the policies, culture, structure, etc. of the corporate headquarters and the subsidiaries. Further, there is need to identify the importance of cross-cultural training to both parent company (headquarters) and subsidiaries, and it supports the organizational policy and strategy. However, HR experts are expected to include the variables such as the availability of resource persons; training costs & benefits; equipment, in their analysis. In addition, it is worth noting that the class of global assignment attracts high cost of training, for example, strategic or executive assignment requires higher training budgets when compared with assignees on technical assignment.

**Assignee Level:** at this level analysis is carried on the individual assignee that is entitled to the cross-cultural training. The analysis includes the previous experience of the assignee on the previous foreign assignment, the present knowledge and skill of the proposed training (CCT); the perception of the assignee about the training (which could be either positive or negative); assignee interpersonal relationship; their views about other people' culture. And above all, analysis should also be extended to the needs of the assignee' family members (spouse, partner, children, dependants). However, Caligiuri et al (1998) argued that expatriates often do not succeed on their assignments based on the maladjusted family members, especially their spouses.

**Assignment Level:** analysis at this stage tends to examine the assignment in the light of the task ahead of the assignee, also identify the type of training and skills required of the assignee. This analysis is directly linked with phase 1 (identifying the type of global assignment), because the type of training to be offered depends on the type of the assignment of the expatriates.

**Phase 3: Establishing Goals and Measures**

At this stage, there is need to establish goals on both short-term and long-term. Short-term goals includes what the assignee is able to acquire in terms of skills and the ability to apply them having completed the training; while the long-term goals shows how assignee is able to adjust to the host country' culture, policies, environment, language, etc., and achieve

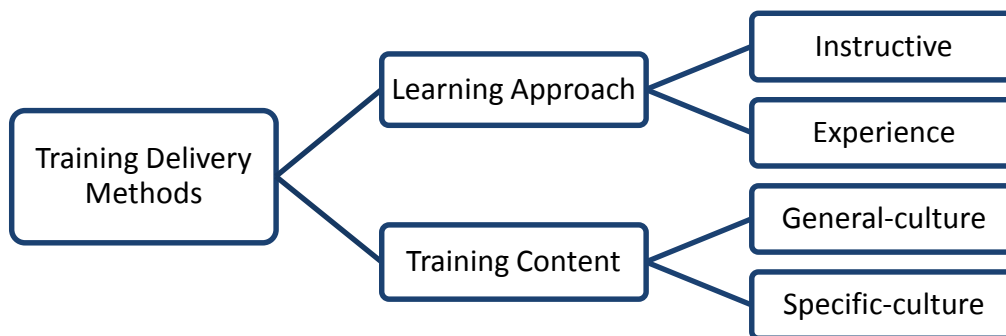
outstanding performance (Kealey and Protheroe, 1996). However, as obtained in the literature, training goals are expected to be detailed, and should tilt towards leading to changes such as cognitive (e.g. *understanding the importance of culture*), effective (*having confidence to interact with colleagues from other culture*), and behavioral (*developing intercultural skills, building relationships, etc*) of the assignees (Gudykunst et al., 1996).

**Phase 4: Developing and Delivering the Training Programme**

Having established training goals for the assignees, the next phase is to develop and identify the contents and delivery mode of the training regarding the achievement of the highlighted goals. However, as identified by Harris and Moran, (1991), the training content includes both general and specific cultural orientation. Generally, it enables assignees to have adequate information, and understand the importance of cross-cultural interactions. Also, specifically, assignees will learn the host country’s history, customs, diversity, and language in order to enhance their performances in the host country.

Classification of the delivery methods of cross-cultural training as identified by Gudykunst et al. (1996) is depicted in figure 2.6.

**Figure 2.6: Classification of Delivery Methods of Cross-cultural Training**



Source: Adapted from Gudykunst et al., (1996)

Learning approach is classified into two: *instructive*, whereby assignees are expected to go through a formal training session, understand and acquire knowledge in order to appreciate culture; and *experience*, this approach allows assignees to learn through their interactions with the host country nationals and the third country nationals. However, training content is either general or specific; and often the combination of the two helps the assignees to adapt very quickly. The training approach could be done through cultural coaching, role-playing, language study, sightseeing, induction/orientation, etc.

**Phase 5: Evaluating the Training Programme**

After the completion of the training, there is need to evaluate whether the set goals (both short-term and long-term) have been achieved or not, which suggests to the organization to continue in the trend or make amendments. In other words, evaluating the training programme tends to measure the effectiveness and the efficiency regarding the expected change that must have occurred during the training on the part of the expatriates. Evaluating the short-term goals of the training programme measures the amount of skills such as language skill and intercultural skills acquired by the expatriates, which could be done by observing the trainee’s interactions with host country nationals. However, evaluating the long-term goals tends to measure the extent to which expatriates have been able to adjust, which reflects on their job performances

and achievement in the host country. Further, experts and scholars have argued that evaluating expatriates' adjustment can be carried out through the use of questionnaires, phone interviews, and electronic surveys (Harzing & Ruysseveldt (2004).

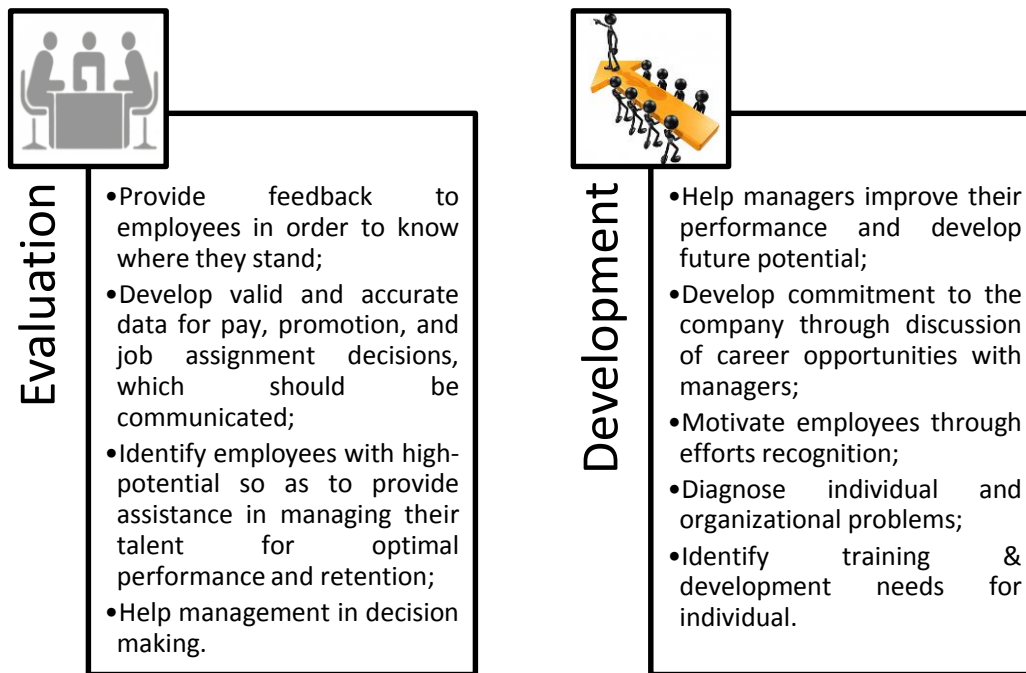
### ***Performance Management of Expatriate***

Performance management has been identified as “*a process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organization's objectives*”. Performance Management comprises of three basic techniques: Goal setting, performance appraisal, and compensation, which have been fully, discussed in chapters 4 and 6.

Further, performance management provides an avenue in setting targets for employees, provide constant and up-to-date feedback on progress towards achieving organizational set goals, and connects results with compensation. Therefore, there is need to discuss performance management regarding expatriates. Harzing & Ruysseveldt (2004) argued that managing the performance of international staff in multinational companies is more complex than managing domestic staff, because it cuts across cultural boundaries. The first technique of performance management that is goal setting requires the inputs of both employees and the employers. However, it is essential noting that distance exists between multinational companies and their subsidiaries, which stands as a barrier in achieving organizational goals, because it can lead to ineffective observation and supervision (Harvey, 1989). HR experts need to bridge the gap of distance that exists between achieving set goals and assignees in order to make performance management timely, relevant, and effective.

As discussed in chapter 4 workers are appraised based on the set goals, and set to receive the appraisal feedback, which tends to motivate assignee to improve his performance. However, parent country nationals on international assignment are expected to play dual roles, in the sense that they have to be loyal both to the headquarters and subsidiaries (Black et al., 1992), which might pose a challenge to the raters. It is therefore important to note that appraising expatriates is a complex exercise that comes with errors of omission and commission; such as rating the assignee based on the international assignment only without considering the aspect of domestic commitment or goals. However, performance appraisal at the international level is established for *evaluation* and *development* (Beer, 1981), which is also practiced at the domestic operations, but the implementation is complex at the international level. Briscoe, *et al.*, (2009) identified the purposes of performance appraisal and classified them as illustrated in figure 2.7.

**Figure 2.7: The Basic Purposes of International Performance Appraisal**



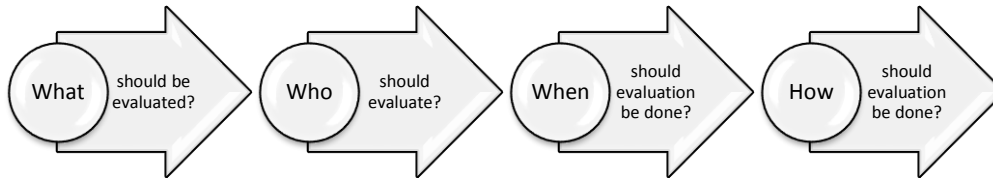
Source: Adapted from Briscoe, et al., (2009)

The performance management of assignees on international assignment either short-term or long-term remains complex; and it is essential to identify that their performances are paramount in the success of multinational companies. Though it has been argued that many assignees are not successful as a result of sudden repatriation, incomplete of assignment, and often assignees are relieved of their jobs upon the completion of their international assignment. In addition, as cited in Briscoe, et al., (2009), many multinationals “do not use performance management to measure the success of their international assignees; while many do not use any type of measurement at all.” This could be attributed to the challenges associated with appraising performances of assignees on international assignment; such as types of skills acquired for the international assignment are different from the types of skills required for domestic assignment. Also, in situation where evaluators are from the corporate headquarters, they may not understand the challenges facing the international assignees, and therefore may not take them into consideration during appraisal process. However, Briscoe, et al (2009) identified some reasons why performance appraisal fails for international assignees, some of which are highlighted below:

- *Choice of evaluator (Host or parent country);*
- *Lack of communication between parent country rater and subsidiary rater;*
- *Long-distance between corporate headquarters and subsidiary;*
- *Differences in perceptions of host and parent country management;*
- *Lack of understanding of the foreign environment and culture;*
- *Inadequate establishment of performance objectives;*
- *Inappropriate methods of recording individual and organizational performance;*
- *Indifference to the foreign experience of the expatriate.*

However, for multinationals to overcome these challenges and manage international assignees performance properly and adequately, there is need to proffer answers to the following questions depicted in figure 2.8.

**Figure 2.8: Questions to be answered for effective Performance Management of Expatriates**



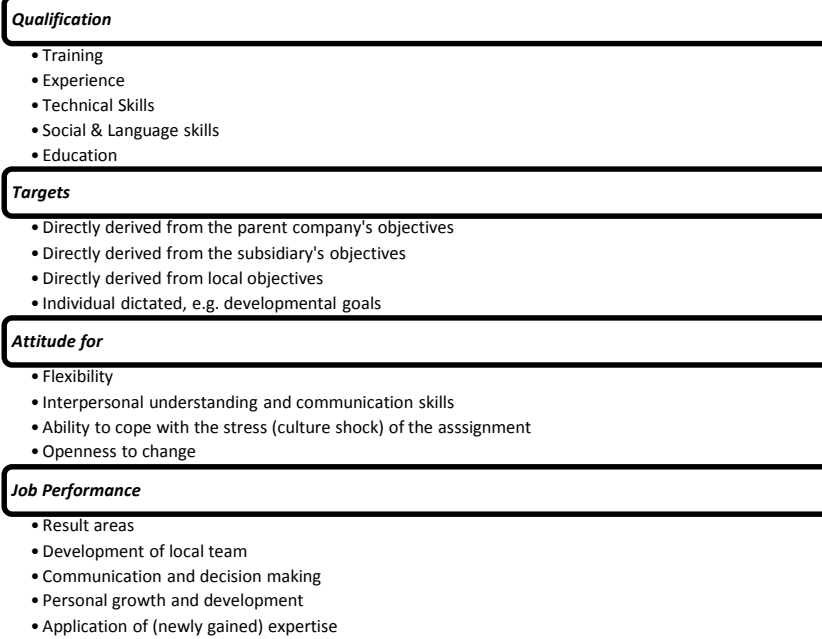
*Source: Adapted from Briscoe, et al., (2009)*

In managing international assignees performance, it is essential providing answers to the questions highlighted in figure 2.8.

- (a) The first question is *what should be evaluated*, in other words, what factors should be considered in evaluating international assignees' performance. Though the question is complex in nature, it should meet the corporate headquarters standards, which must be carried out within the platforms of both international and local cultural. In other words, both international and local standards should be taken into consideration when evaluating international assignees. However, it is important noting that parent/home country often sets the standards to be performed in the host country by the international assignees. Evidently, there is bound to be differences in the norms, values and culture obtained in both home and host countries, and this could lead to conflict, when assignees behave in accordance to the host country' expectation, which might be contrary to the home country set standards, such international assignees could be rated as ineffective. It has been argued that this conflict arises when home country imposes its structure, and therefore leads to lack of autonomy on the part of international assignees (Birdseye & Hill, 1995; Feldman & Thompson, 1993). In order to answer the question (what should be evaluated), Briscoe, et al., (2009) identified the basic criteria that should be included in evaluating international assignees, which are shown in figure 2.9.



**Figure 2.9: Basic Criteria for Evaluating International Assignees**

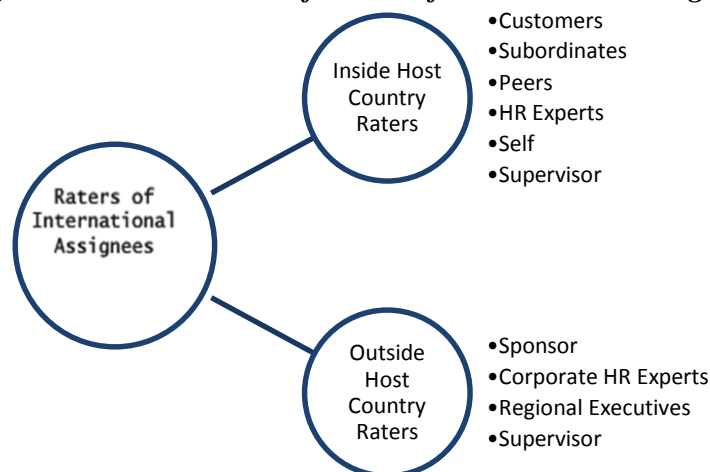


*Source: Adapted from Briscoe, et al., (2009)*

The criteria are segmented into four; (i) *qualification* – which comprises of education, experience, and acquired skills (technical, language, and social) of the assignees, and this criterion, is fundamental in selecting workers for international assignment; (ii) *targets* – are generated from the organizational goals and objectives both at the corporate headquarters (international) and the subsidiary (local); (iii) *attitude* – attitudinal behaviour of assignees on international assignment such as ability to adapt to change, interpersonal relationship and so on, should also be evaluated; and (iv) *job performance* – which is the last segment of the criteria tends to evaluate international assignees based on their job performances in the light of perceived results both at the local and international levels, and individual development.

(b) *Who should perform the evaluation?* Just as the first question (*what should be evaluated?*) is complex in nature, so also the next question. This question also poses a challenge to the multinationals regarding the raters of assignees on international assignment. As obtained in the literature, most of the organizations engage the services of multi-raters (Evans, et al., 2002). Though, some of the raters may not be conversant with the job details, while some may, long distance that exist between the corporate headquarters and the subsidiary may also be a challenge to the raters residing in the parent country. International assignment raters are shown in figure 2.10.

**Figure 2.10: Raters Classification of International Assignment**



Source: Adapted from Briscoe, et al., (2009)

The extent at which raters (either from the host-country or home-country) appraise international assignees depends on the percentage allocated to each of the raters involved in the process, which should be in the multinational companies' operational policy. However, there are advantages and disadvantages of using either host-country or home country raters, and the use of either or both depend on the organizational decision.

- (c) *When should evaluation be done?* – the frequency of performance appraisal varies from one organization to another; and from one rater to another. Since the major purpose of appraisal is to provide feedback to the persons being appraised (ratees) so as to know their performances, and to know the extent of their development. Therefore, it has been argued that assignees on international assignment should be appraised immediately after the completion of the assigned task or project, which tends to restricts the raters to remain within the context of evaluation criteria. However, performance appraisal could either be done semi-annual, annual, or biannual.
- (d) *How should evaluation be done?* – involves the process of appraising assignees on international assignment, which includes the use of *standard form*, *frequency*, and *feedback*. It is expected of organization be it national or international to have developed standard forms in carrying out their appraisal processes. However, such form needs some modifications when it is being used for international assignees, because there could be some differences between the host country and the parent-country norms and cultural contexts, which could pose some challenges if the same form is being used in the host-country. Frequency has been discussed above in (c), while providing appraisal feedback for international assignees could be a challenge, because of the long-distance between the raters and the rates; and also getting feedback from the multiple raters could also be a challenge.

### **International Compensation & Benefits**

The third technique of performance management is rewards, which comes in form of compensation either monetary or non-monetary rewards. Administering of compensation to the international assignee is said to be complex, because assignees are seemly playing multiple roles and often multinational companies make sure that international assignees are well remunerated (compensated) in order not to feel cheated for accepting the assignment, though, this does not conform to the process of rewarding performance.

Rewarding expatriates is also known as international compensation in which HRM activity is highly involved (Reynolds, 1997). It has been identified that international compensation is complex and associated with a degree of risk arising from the complexities for operating in multiple economic and culture; also from inappropriate expenditure on international assignees

(Cahill, 2002). Therefore, HR experts need to pay more attention to this phenomenon before it goes out of control and subsequently leads to dissatisfaction on the part of workers (Dwyer, 1999). In addition, Briscoe et al (2009) argued that if multinational companies are able to achieve their objectives regarding global compensation and benefits; amongst which include:

- Attraction and retention of the best qualified talent to staff the Multinational companies;
- Attraction and retention of employees who are qualified for international assignments;
- Establishment and maintenance of a consistent and reasonable relationship between the compensation of employees both at corporate headquarters and subsidiary; and
- Maintenance of compensation that is reasonable in relation to the practices of competitors (Briscoe, et al (2009);

Then multinationals will be able to attract and retain talents.

For Multinational companies to design global compensation and benefits there is need to factor in the variation that exists from one nation to another. Some of which include (a) *working hours* – there is variation in the number of hours worked per annual from one nation to another; (b) *pension plans* – this also varies among nations, while it is contributory in some countries, it is fixed in other countries; (c) *vacation/public holiday* – variation also exists among nations regarding vacation/public holidays such national and religious holidays (which is complex in nations with multiple religious sects), Nigeria as a nation for example observes both Christian and Islamic holidays; (d) *leave* (annual, maternity/paternity, sabbatical, etc) with or without pay also varies among nations. Maternity leave duration for example varies among nations, in Nigeria is four months, while in some countries it ranges between six months and above, and it is important to state that paternity is yet to be adopted in the Nigeria context but it is being practiced in the developed countries.

#### Review Questions

- (1) With the aid of a simple explain the concept of International HRM.
- (2) What are the approaches to global staffing?
- (3) Discuss advantages and disadvantages of Multinational Companies using Ethnocentric Staffing approach.
- (4) Explain categories of staff in multinational companies.
- (5) Enumerate the advantages and disadvantages of engaging parent country nationals in company' subsidiaries.
- (6) What are the factors to be considered by HR experts in recruiting and selecting expatriates for foreign assignments?
- (7) With the aid of simple diagram, what are the phases of designing cross-cultural training programme?
- (8) What are the purposes of international performance appraisal?
- (9) Identify some reasons why performance appraisal fails for international assignees.
- (10) What are the questions to be answered for effective performance management of expatriates?
- (11) What are the basic criteria for evaluating international assignees?