CHAPTER

1

Introduction

Chapter Objectives

In this introductory chapter, we establish the scope of the book. We:

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

Scope of the book

The field of international HRM has been characterized by three broad approaches.[1] The first[2] emphasizes cross-cultural management: examining human behavior within organizations from an international perspective. A second approach developed from the comparative industrial relations and HRM literature[3] and seeks to describe, compare and analyze HRM systems in various countries. A third approach seeks to focus on aspects of HRM in multinational firms.[4] These approaches are depicted in Figure 1-1. In this book, we take the third approach. Our objective is to

Figure 1-1 Inter-relationships between approaches to the field

explore the implications that the process of internationalization has for the activities and policies of HRM. In particular, we are interested in how HRM is practiced in multinationals – hence the subtitle of this book 'Managing People in a Multinational Context'.

As Figure 1-1 demonstrates, there is an inevitable overlap between the three approaches when one is attempting to provide an accurate view of the global realities of operating in the international business environment. Obviously, cross-cultural management issues are important when dealing with the cultural aspects of foreign operations. Some of these aspects will be taken up in Chapter 9 where we deal with HRM in the host country context – indicated by (a) in Figure 1-1. Chapter 10 deals with industrial relations issues and draws on literature from the comparative IR field – (b) in the above figure. While the focus of much of this book is on the established multinational enterprise (MNE) – a firm which owns or controls business activities in more than one foreign country – we recognize that small, internationalizing firms which are yet to reach multinational firm status, and family-owned firms, also face international HRM issues.[5]

Defining international HRM

Before we can offer a definition of international HRM, we should first define the general field of HRM. Typically, HRM refers to those activities undertaken by an organization to effectively utilize its human resources. These activities would include at least the following:

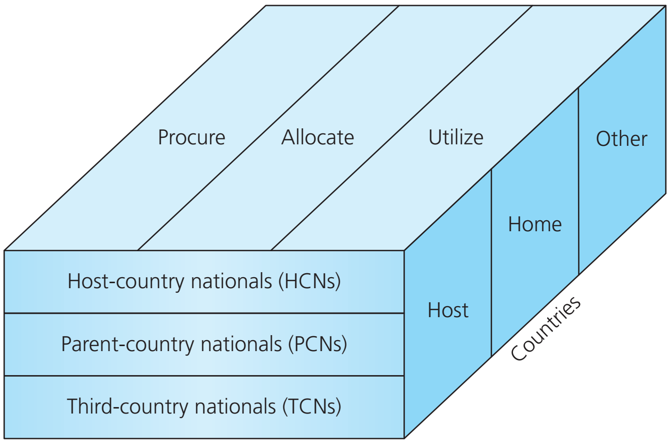
1. Human resource planning
2. Staffing (recruitment, selection, placement)
3. Performance management
4. Training and development
5. Compensation (remuneration) and benefits
6. Industrial relations

The question is of course which activities change when HRM goes international. A model (shown in Figure 1-2) developed by Morgan[6] is helpful. He presents IHRM on three dimensions:

1. The broad human resource activities of procurement, allocation and utilization. (These three broad activities can be easily expanded into the six HR activities listed above.)

A model of IHRM

Figure 1-2



Source: Adapted from P.V. Morgan, 'International Human Resource Management: Fact or Fiction', *Personnel Administrator,* Vol. 31, No. 9 (1986), p. 44.

2 The national or country categories involved in international HRM activities:
- the host-country where a subsidiary may be located;
- the home-country where the firm is headquartered; and
- 'other' countries that may be the source of labor, finance and other inputs.

3 The three categories of employees of an international firm:
- host-country nationals (HCNs);
- parent-country nationals (PCNs); and
- third-country nationals (TCNs).

Thus, for example, the US multinational IBM employs Australian citizens in its Australian operations (HCNs), often sends US citizens (PCNs) to Asia-Pacific countries on assignment, and may send some of its Singaporean employees on an assignment to its Japanese operations (as TCNs). The nationality of the employee is a major factor in determining the person's 'category', which in turn is frequently a major driver of the employee's compensation.

Morgan defines international HRM as the interplay among these three dimensions in Figure 1-2 – human resource activities, type of employees and countries of operation. We can see that in broad terms IHRM involves the same activities as domestic HRM (e.g. procurement refers to HR planning and staffing). However, domestic HRM is involved with employees *within only one national boundary*. Increasingly, domestic HRM is taking on some of the flavour of IHRM as it deals more and more with a multicultural workforce. Thus, some of the current focus of domestic HRM on issues of managing workforce diversity may prove to be beneficial to the practice of IHRM. However, it must be remembered that the way in which diversity is managed within a single national context may not necessarily transfer to a multinational context without some modification.

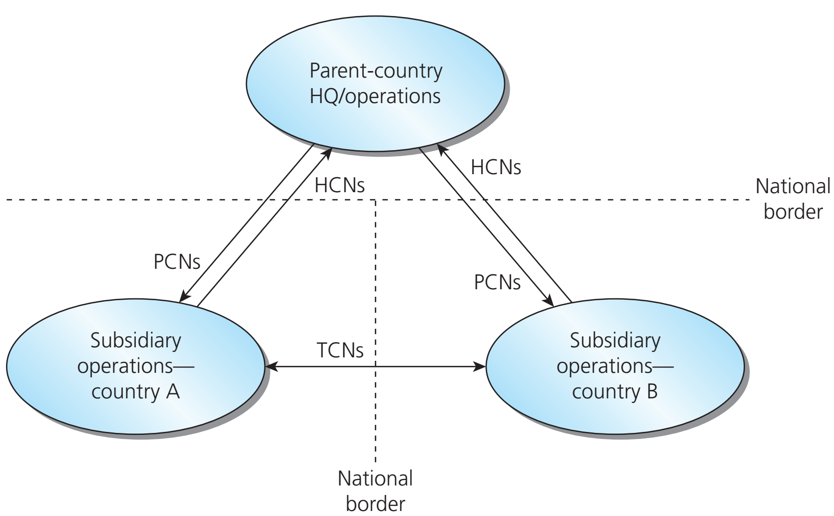
What is an expatriate?

One obvious difference between domestic and international HRM is that staff are moved across national boundaries into various roles within the international firm's foreign operations – these employees have traditionally been called 'expatriates'. An expatriate is an employee who is working and temporarily residing in a foreign country. Some firms prefer to call such employees 'international assignees'. While it is clear in the literature that PCNs are always expatriates, it is often overlooked that TCNs are expatriates, as are HCNs who are transferred into parent country operations outside their home country.[7] Figure 1-3 illustrates how all three categories may become expatriates.

Lately, the term *inpatriate* has come into vogue to signify the transfer of subsidiary staff into the parent country (headquarters) operations.[8] Its use has added a level of confusion surrounding the definition of an expatriate. For example, the *International Human Resource Management Reference Guide,* published by the Institute for International Human Resources (a division of the US Society for Human Resource Management) defines an inpatriate as a 'foreign manager in the U.S.'. A 'foreign manager in the U.S.' is then defined as 'an expatriate in the U.S. where the U.S. is the host-country and the manager's home-country is outside of the U.S.'.[9] In other words, an inpatriate is also defined as an expatriate. A further indication of the confusion created by the use of the term 'inpatriate' is that some writers in international management define a HCN as an inpatriate. HCNs only become 'inpatriates' when they are transferred into the parent-country operations as expatriates, as illustrated in Figure 1-3.

Given the substantial amount of jargon in IHRM, it is questionable as to whether the term 'inpatriate' adds enough value to justify its use. However, companies now use the term. For example, the Finnish multinational Nokia uses 'expatriate' to signify staff who are transferred out of, and 'inpatriate' to signify staff transferred into, a particular country. These terms are regarded as a constant reminder to all managers that there are movements of staff that need to be managed, and not all are PCNs. For clarity, we will use the term *expatriate* throughout this text to refer to employees who are transferred out of their home base into some other area of the firm's international operations, unless we are directly quoting from another source. In doing so, we recognize that there is increasing diversity with regard to what constitutes international work and the type and length of international

Figure 1-3 International assignments create expatriates



assignments and the increasingly strategic role of the HR function in many organizations, which in turn influences the nature of some expatriate roles.

Stahl and Björkman have recognized this expansion in the scope of the field of IHRM in their *Handbook of Research in International Human Resource Management* where they define the field of IHRM in the following way:

> We define the field of IHRM broadly to cover all issues related to the management of people in an international context. Hence our definition of IHRM covers a wide range of human resource issues facings MNCs in different parts of their organizations. Additionally, we include comparative analyzes of HRM in different countries.[10]

We will be examining the expanding scope of the IHRM field in this book and will return to the question of a definition of the field in the final chapter.

Differences between domestic and international HRM

In our view, the *complexity* of operating in different countries and employing different national categories of workers is a key variable that differentiates domestic and international HRM, rather than any major differences between the HRM activities performed. Dowling[11] argues that the complexity of international HR can be attributed to six factors:

1. More HR activities.
2. The need for a broader perspective.
3. More involvement in employees' personal lives.
4. Changes in emphasis as the workforce mix of expatriates and locals varies.
5. Risk exposure.
6. Broader external influences.

Each of these factors is now discussed in detail to illustrate its characteristics.

More HR activities

To operate in an international environment, a human resources department must engage in a number of activities that would not be necessary in a domestic environment: international taxation; international relocation and orientation; administrative services for expatriates; host-government relations; and language translation services.

Expatriates are subject to international taxation, and often have both domestic (i.e. home-country) and host-country tax liabilities. Therefore, tax equalization policies must be designed to ensure that there is no tax incentive or disincentive associated with any particular international assignment.[12] The administration of tax equalization policies is complicated by the wide variations in tax laws across host countries and by the possible time-lag between the completion of an expatriate assignment and the settlement of domestic and international tax liabilities. In recognition of these difficulties, many multinational firms retain the services of a major accounting firm for international taxation advice.

International relocation and orientation involves: arranging for predeparture training; providing immigration and travel details; providing housing, shopping, medical care, recreation and schooling information; and finalizing compensation details such as delivery of salary overseas, determination of various overseas allowances and taxation treatment. (The issue of expatriates returning to their home-country (repatriation) is covered in detail in Chapter 8.) Many of these factors may be a source of anxiety for the expatriate and require considerable time and attention to successfully resolve potential problems – certainly much more time than would be involved in a domestic transfer/relocation such as London to Glasgow, Frankfurt to Munich, New York to Dallas, Sydney to Melbourne, or Beijing to Shanghai.

An MNE also needs to provide administrative services for expatriates in the host countries in which it operates. Providing these can often be a time-consuming and complex activity because policies and procedures are not always clear-cut and may conflict with local conditions. Ethical questions can arise when a practice that is legal and accepted in the host country may be at best unethical and at worst illegal in the home country. For example, a situation may arise in which a host country requires an AIDS test for a work permit for an employee whose parent firm is headquartered in the USA, where employment-related AIDS testing remains a controversial issue. How does the corporate HR manager deal with the potential expatriate employee who refuses to meet this requirement for an AIDS test and the overseas affiliate which needs the services of a specialist expatriate from headquarters? These issues add to the complexity of providing administrative services to expatriates.

Host-government relations represent an important activity for a HR department, particularly in developing countries where work permits and other important certificates are often more easily obtained when a personal relationship exists between the relevant government officials and multinational managers. Maintaining such relationships helps resolve potential problems that can be caused by ambiguous eligibility and/or compliance criteria for documentation such as work permits. US-based multinationals, however, must be careful in how they deal with relevant government officials, as payment or payment-in-kind, such as dinners and gifts, may violate the US Foreign Corrupt Practices Act (FCPA).[13] Provision of language translation services for internal and external correspondence is an additional international activity for the HR department. Morgan[14] notes that if the HR department is the major user of language translation services, the role of this translation group is often expanded to provide translation services to all foreign operation departments within the multinational.

The need for a broader perspective

HR managers working in a domestic environment generally administer programs for a single national group of employees who are covered by a uniform compensation policy and taxed by one national government. Because HR managers working in an international environment face the problem of designing and administering programs for more than one national group of employees (e.g. PCN, HCN and TCN employees who may work together in Zurich at the European regional headquarters of a US-based multinational), they need to take a broader view of issues. For example, a broader, more international perspective on expatriate benefits would endorse the view that all expatriate employees, regardless of nationality, should receive a foreign service or expatriate premium when working in a foreign location. Yet some MNEs which routinely pay such premiums to their PCN employees on overseas assignment (even if the assignments are to desirable locations) are reluctant to pay premiums to foreign nationals assigned to the home country of the firm. Such a policy confirms the traditional perception of many HCN and TCN employees that PCN employees (particularly US and European PCNs) are given preferential treatment.[15] Complex equity issues arise when employees of various nationalities work together, and the resolution of these issues remains one of the major challenges in the IHRM field. (Equity issues with regard to compensation are discussed in Chapter 7.)

More involvement in employees' personal lives

A greater degree of involvement in employees' personal lives is necessary for the selection, training and effective management of both PCN and TCN employees. The HR department or HR professional needs to ensure that the expatriate employee understands housing arrangements, health care, and all aspects of the compensation package provided for the assignment (cost-of-living allowances, premiums, taxes and so on). Many multinationals have an 'International HR Services' section that coordinates administration of the above programs and provides services for PCNs and TCNs, such as handling their banking, investments, home rental while on assignment, coordinating home visits and final repatriation.

In the domestic setting, the HR department's involvement with an employee's family is limited. The firm may, for example, provide employee health insurance programs. Or, if a domestic transfer is involved, the HR department may provide some assistance in relocating the employee and family. In the international setting, however, the HR department must be much more involved in order to provide the level of support required and will need to know more about the employee's personal life. For example, some governments require the presentation of a marriage certificate before granting a visa to an accompanying spouse. Thus, marital status could become an aspect of the selection process, regardless of the best intentions of the firm to avoid using a potentially discriminatory selection criterion. In such a situation, the HR department should advise all candidates being considered for the position of the host country's visa requirements with regard to marital status and allow candidates to decide whether they wish to remain in the selection process. Apart from providing suitable housing and schooling in the assignment location, the HR department may also need to assist children left behind at boarding schools in the home country.[16] In more remote or less hospitable assignment locations, the HR department may be required to develop, and even run, recreational programs. For a domestic assignment, most of these matters either would not arise or would be primarily the responsibility of the employee rather than the HR department.

Changes in emphasis as the workforce mix of PCNs and HCNs varies

As foreign operations mature, the emphases put on various human resource activities change. For example, as the need for PCNs and TCNs declines and more trained locals become available, resources previously allocated to areas such as expatriate taxation, relocation and orientation are transferred to activities such as local staff selection, training and management development. The latter activity may require the establishment of a program to bring high-potential local staff to corporate headquarters for developmental assignments. The need to change emphasis in HR operations as a foreign subsidiary matures is clearly a factor that would broaden the responsibilities of local HR activities such as human resource planning, staffing, training and development and compensation.

Risk exposure

Frequently, the human and financial consequences of failure in the international arena are more severe than in domestic business. For example, while we discuss the topic in more detail in Chapter 5, expatriate failure (the premature return of an expatriate from an international assignment) and under-performance while on international assignment is a potentially high-cost problem for MNEs. The direct costs (salary, training costs and travel and relocation expenses) of failure to the parent firm may be as high as three times the domestic salary plus relocation expenses, depending on currency exchange rates and location of assignments. Indirect costs such as loss of foreign market share and damage to key host-country relationships may be considerable.

Another aspect of risk exposure that is relevant to IHRM is terrorism, particularly in the current political climate since the tragic 9/11 attack in New York in 2001. Most major multinationals must now consider political risk and terrorism when planning international meetings and assignments and spending on protection against terrorism is increasing. Terrorism has also clearly had an effect on the way in which employees assess potential international assignment locations.[17] The HR department may also need to devise emergency evacuation procedures for highly volatile assignment locations subject to political or terrorist violence, or major epidemic or pandemic crises such as severe acute respiratory syndrome (SARS) and avian influenza.[18] For a comprehensive analysis of the impact of SARS on human resource management in the Hong Kong service sector, see Lee and Warner.[19]

Broader external influences

The major external factors that influence IHRM are the type of government, the state of the economy and the generally accepted practices of doing business in each of the various host countries in which the multinational operates. A host government can, for example, dictate hiring procedures, as has been the case until recently in Malaysia. The Malaysian government during the 1970s introduced a requirement that foreign firms comply with an extensive set of affirmative action rules designed to provide additional employment opportunities for the indigenous Malays who constitute the majority of the population but tend to be under-represented in business and professional employment groups relative to Chinese Malays and Indian Malays. Various statistics showing employment levels of indigenous Malays throughout the firm were required to be forwarded to the relevant government department. Many foreign investors regarded these requirements as a major reason for complaints about bureaucracy and inflexibility in Malaysia and these complaints are one significant reason for the revision of these requirements.

In developed countries, labor is more expensive and better organized than in less-developed countries, and governments require compliance with guidelines on issues such as labor relations, taxation and health and safety. These factors shape the activities of the subsidiary HR manager to a considerable extent. In less-developed countries, labor tends to be cheaper and less organized, and government regulation is less pervasive, so these factors take less time. The subsidiary HR manager must spend more time, however, learning and interpreting the local ways of doing business and the general code of conduct regarding activities such as gift giving. It is also likely that the subsidiary HR manager will become more involved in administering benefits either provided or financed by the multinational, such as housing, education and other facilities not readily available in the local economy.

Variables that moderate differences between domestic and international HRM

Earlier in this chapter it was argued that the complexity involved in operating in different countries and employing different national categories of employees is a key variable that differentiates domestic and international HRM, rather than any major differences between the HRM activities performed. Many firms underestimate the complexities involved in international operations, and there has been consistent evidence to suggest that business failures in the international arena are often linked to poor management of human resources. In addition to complexity, there are four other variables that moderate (that is, either diminish or accentuate) differences between domestic and international HRM. These four additional moderators are:

- The cultural environment.
- The industry (or industries) with which the multinational is primarily involved.
- The extent of reliance of the multinational on its home-country domestic market.
- The attitudes of senior management.

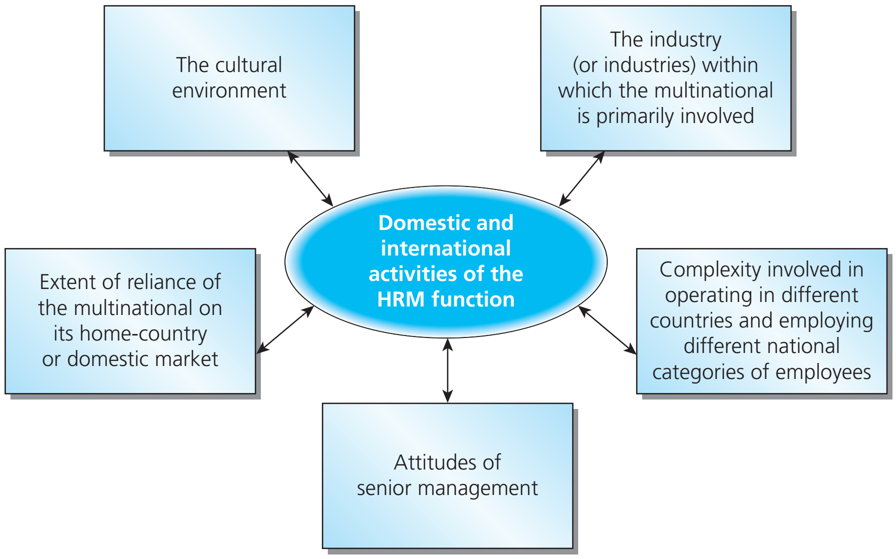
Together with the complexity involved in operating in different countries, these five variables constitute a model that explains the differences between domestic and international HRM (see Figure 1-4).

The cultural environment

There are many definitions of *culture,* but the term is usually used to describe a shaping process over time. This process generates relative stability, reflecting a

A model of the variables that moderate differences between domestic and international HRM

Figure 1-4



Source: P. J. Dowling, 'Completing the Puzzle: Issues in the Development of the Field of International Human Resource Management', *Management International Review,* Special Issue No. 3 (1999), p. 31.

shared knowledge structure that attenuates (i.e. reduces) variability in values, behavioral norms and patterns of behavior.[20] An important characteristic of culture is that it is so subtle a process that one is not always conscious of its effect on values, attitudes and behaviors. One usually has to be confronted with a different culture in order to fully appreciate this effect. Anyone traveling abroad, either as a tourist or on business, experiences situations that demonstrate cultural differences in language, food, dress, hygiene and attitude to time. While the traveler can perceive these differences as novel, even enjoyable, for people required to live and work in a new country, such differences can prove difficult. They may experience *culture shock* – a phenomenon experienced by people who move across cultures. The new environment requires many adjustments in a relatively short period of time, challenging people's frames of reference to such an extent that their sense of self, especially in terms of nationality, comes into question. People, in effect, experience a shock reaction to new cultural experiences that cause psychological disorientation because they misunderstand or do not recognize important cues. Culture shock can lead to negative feelings about the host country and its people and a longing to return home.[21]

Because international business involves the interaction and movement of people across national boundaries, an appreciation of cultural differences and when these differences are important is essential. Research into these aspects has assisted in furthering our understanding of the cultural environment as an important variable that moderates differences between domestic and international HRM. However, while cross-cultural and comparative research attempts to explore and explain similarities and differences, there are problems associated with such research. A major problem is that there is little agreement on either an exact definition of culture or on the operationalization of this concept. For many researchers, culture has become an omnibus variable, representing a range of social, historic, economic and political factors that are invoked *post hoc* to explain similarity or dissimilarity in the results of a study. As Bhagat and McQuaid[22] have noted, '*Culture* has often served simply as a synonym for *nation* without any further conceptual grounding. In effect, national differences found in the characteristics of organizations or their members have been interpreted as cultural differences.' To reduce these difficulties, culture needs to be defined a priori rather than *post hoc* and it should not be assumed that national differences necessarily represent cultural differences.

Another issue in cross-cultural research concerns the *emic-etic* distinction.[23] *Emic* refers to culture-specific aspects of concepts or behavior, and *etic* refers to culture-common aspects. These terms have been borrowed from linguistics: a phon*emic* system documents meaningful sounds specific to a given language, and a phon*etic* system organizes all sounds that have meaning in any language.[24] Both the emic and etic approaches are legitimate research orientations. A major problem may arise, however, if a researcher imposes an etic approach (that is, assumes universality across cultures) when there is little or no evidence for doing so. A well-known example of an imposed etic approach is the convergence hypothesis that dominated much of US and European management research in the 1950s and 1960s. This approach was based on two key assumptions.[25] The first assumption was that there were principles of sound management that held regardless of national environments. Thus, the existence of local or national practices that deviated from these principles simply indicated a need to change these local practices. The second assumption was that the universality of sound management practices would lead to societies becoming more and more alike in the future. Given that the USA was the leading industrial economy at that time, the point of convergence was the US model.

To use Kuhn's[26] terminology, the convergence hypothesis became an established paradigm that many researchers found difficult to give up, despite a growing body of evidence supporting a divergence hypothesis. In an important early paper which reviewed the convergence/divergence debate, Child[27] made the point that there is evidence for both convergence and divergence. The majority of the convergence studies, however, focus on macrolevel variables (for example, organizational structure and technology used by firms across cultures), and the majority of the divergence studies focus on microlevel variables (for example, the behavior of people within firms). His conclusion was that although firms in different countries are becoming more alike (an etic or convergence approach), the behavior of individuals within these firms is maintaining its cultural specificity (an emic or divergence approach). As noted above, both emic and etic approaches are legitimate research orientations, but methodological difficulties may arise if the distinction between these two approaches is ignored or if unwarranted universality assumptions are made.[28] The debate on assumptions of universality is not limited to the literature in international management as this issue has also become a topic of debate in the field of international relations and strategic studies where international management research is cited.[29] For a recent review of the convergence/divergence question, see Brewster.[30]

The importance of cultural awareness

Despite the methodological concerns about cross-cultural research, it is now generally recognized that culturally insensitive attitudes and behaviors stemming from ignorance or from misguided beliefs ('my way is best', or 'what works at home will work here') not only are inappropriate but often cause international business failure. Therefore, an awareness of cultural differences is essential for the HR manager at corporate headquarters as well as in the host location.[31] Activities such as hiring, promoting, rewarding and dismissal will be determined by the practices of the host country and often are based on a value system peculiar to that country's culture. A firm may decide to head up a new overseas operation with an expatriate general manager but appoint as the HR department manager a local, a person who is familiar with the host country's HR practices. This practice can assist in avoiding problems but can still lead to dilemmas for senior managers. For example, in a number of developing countries (Indonesia is one such example) local employees feel an obligation to employ their extended family if they are in a position to do so. This may lead to a situation where staff are hired who do not possess the required technical competence. While this could be seen as a successful example of adapting to local expectations and customs, from a Western perspective this practice would be seen as nepotism, a negative practice which is not in the best interests of the enterprise because the best people have not been hired for the job.

Wyatt[32] recounts a good example of the fallacy of assuming 'what works at home will work here' when dealing with work situations in another culture. HR department staff of a large firm in Papua New Guinea were concerned over a number of accidents involving operators of very large, expensive, earth-moving vehicles. The expatriate managers investigating the accidents found that local drivers involved in the accidents were chewing betel nut, a common habit for most of the coastal peoples of Papua New Guinea and other Pacific islands. Associating the betel nut with depressants such as alcohol, the expatriate managers banned the chewing of betel nut during work hours. In another move to reduce the number of accidents, free coffee was provided at loading points, and drivers were required to alight from their vehicles at these locations. What the managers did not realize was that betel nut, like their culturally acceptable coffee, is, in fact, a stimulant, though some of the drivers were chewing it to cover up the fact that they drank beer before commencing work. As Wyatt points out, many indigenous workers used betel nut as a pick-me-up in much the same way as the expatriates used coffee.

Coping with cultural differences, and recognizing how and when these differences are relevant, is a constant challenge for international firms. Helping to prepare staff and their families for working and living in a new cultural environment has become a key activity for HR departments in those multinationals that appreciate (or have been forced, through experience, to appreciate) the impact that the cultural environment can have on staff performance and well-being. We shall address key issues relating to cultural differences and staff preparation and adjustment in later chapters of this text.

Hofstede's framework of national culture

Before leaving the issue of culture and cultural differences, it is appropriate to acknowledge the important contribution to the international management literature of the cultural typologies proposed over 25 years ago by Hofstede in his classic book *Culture's Consequences: International Differences in Work-Related Values* which proposed that national culture can be set out as a measurable set of constructs.[33] While a more detailed discussion is beyond the scope of this chapter, a very considerable literature has been generated since the initial publication of Hofstede's book, much of it examining the methodological limitations of the cultural dimensions proposed by Hofstede (individualism/collectivism; power distance; masculinity/femininity; and uncertainty avoidance).[34] Part of this literature includes conceptual critiques of Hofstede's work with a relatively recent paper by McSweeney generating a considerable amount of debate.[35] For a broader review of the contribution of Hofstede's work to the field of international management, see Hoppe,[36] Gerhart and Fang[37] and Leung *et al*.[38]

Industry type

Porter[39] suggests that the industry (or industries if the firm is a conglomerate) in which a multinational firm is involved is of considerable importance because patterns of international competition vary widely from one industry to another. At one end of the continuum of international competition is the *multidomestic industry,* one in which competition in each country is essentially independent of competition in other countries. Traditional examples include retailing, distribution and insurance. At the other end of the continuum is the *global industry,* one in which a firm's competitive position in one country is significantly influenced by its position in other countries. Examples include commercial aircraft, semiconductors and copiers. The key distinction between a multidomestic industry and a global industry is described by Porter as follows:

> The global industry is not merely a collection of domestic industries but a series of linked domestic industries in which the rivals compete against each other on a truly worldwide basis. . . . In a multidomestic industry, then, international strategy collapses to a series of domestic strategies. The issues that are uniquely international revolve around how to do business abroad,

> how to select good countries in which to compete (or assess country risk), and mechanisms to achieve the one-time transfer of know-how. These are questions that are relatively well developed in the literature. In a global industry, however, managing international activities like a portfolio will undermine the possibility of achieving competitive advantage. In a global industry, a firm must in some way integrate its activities on a worldwide basis to capture the linkages among countries.

The role of the HRM function in multidomestic and global industries can be analyzed using Porter's value-chain model.[40] In Porter's model, HRM is seen as one of four support activities for the five primary activities of the firm. Since human resources are involved in each of the primary and support activities, the HRM function is seen as cutting across the entire value chain of a firm. If the firm is in a multidomestic industry, the role of the HR department will most likely be more domestic in structure and orientation. At times there may be considerable demand for international services from the HRM function (for example, when a new plant or office is established in a foreign location and the need for expatriate employees arises), but these activities would not be pivotal – indeed, many of these services may be provided via consultants and/or temporary employees. The main role for the HRM function would be to support the primary activities of the firm in each domestic market to achieve a competitive advantage through either cost/efficiency or product/service differentiation. If the multinational is in a global industry, however, the 'imperative for coordination' described by Porter would require a HRM function structured to deliver the international support required by the primary activities of the multinational.

The need to develop coordination raises complex problems for any multinational. As Laurent[41] has noted:

> In order to build, maintain, and develop their corporate identity, multinational organizations need to strive for consistency in their ways of managing people on a worldwide basis. Yet, and in order to be effective locally, they also need to adapt those ways to the specific cultural requirements of different societies. While the global nature of the business may call for increased consistency, the variety of cultural environments may be calling for differentiation.

Laurent proposes that a truly international conception of human resource management would require the following steps:

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

In offering this proposal, Laurent acknowledges that these are difficult steps that few firms have taken: 'They have more to do with states of mind and mindsets than with behaviors. As such, these processes can only be facilitated and this may represent a primary mission for executives in charge of international human resource management.'[42]

Implicit in Laurent's analysis is the idea that by taking the steps he describes, a multinational attempting to implement a global strategy via coordination of activities would be better able to work through the difficulties and complex trade-offs inherent in such a strategy. Increasingly, multinationals are taking a more strategic approach to the role of HRM and are using staff transfers and training programs to assist in coordination of activities. We discuss these issues in more detail in subsequent chapters of the book.

Reliance of the multinational on its home-country domestic market

A pervasive but often ignored factor which influences the behavior of multinationals and resultant HR practices is the extent of reliance of the multinational on its home-country domestic market. When for example, we look through lists of very large firms (such as those that appear in *Fortune* and other business magazines), it is frequently assumed that a global market perspective would be dominant in the firm's culture and thinking. However, size is not the only key variable when looking at a multinational – the extent of reliance of the multinational on its home-country domestic market is also very important. In fact, for many firms, a small home market is one of the key drivers for seeking new international markets.

The United Nations Conference on Trade and Development (UNCTAD) in its annual survey of foreign direct investment calculates what it refers to as an 'index of transnationality', which is an average of ratios of foreign assets to total assets; foreign sales to total sales; and foreign employment to total employment.[43] The 'top ten' multinationals are shown in Table 1-1. Based on this index of transnationality, the most foreign-oriented multinational is Thomson Corporation (Canada), with an average of 97 per cent of the three ratios (foreign assets to total assets, foreign sales to total sales and foreign employment to total employment) located outside of Canada.

The only US firm in the 30 multinationals ranked by the transnational index is the AES Corporation (electricity, gas and water) ranked 22nd. McDonald's Corporation is ranked 35th. The reason for this lower ranking of US firms in terms of the transnational index is as obvious as it is important – *the size of the domestic market* for US firms. A very large domestic market (for US firms this is in effect the North American Free Trade Agreement [NAFTA] market) influences all aspects of how a multinational organizes its activities. For example, it will be more likely to use an international division as the way it organizes its international activities (see Chapter 2) and even if it uses a global product structure, the importance of the domestic market will be pervasive. A large domestic market will also influence the attitudes of senior managers towards their international activities and will generate a large number of managers with an experience base of predominantly or even exclusively domestic market experience. Thus, multinationals from small advanced economies like Switzerland (population 7.5 million), Ireland (4 million), World top ten non-financial transnational corporations, ranked by transnational index

Table 1-1

Transnational index	*Ranking by foreign assets*	*Company name*	*Home economy*	*Industry*
1	70	Thomson Corporation	Canada	Media
2	88	CRH Plc	Ireland	Lumber and other building material dealers
3	19	Nestlé SA	Switzerland	Food and beverages
4	2	Vodafone Group Plc	United Kingdom	Telecommunications
5	56	Alcan Inc	Canada	Metal and metal products
6	57	Koninklijke Ahold	USA/Netherlands	Retail
7	47	Philips Electronics	Netherlands	Electrical and electronic equipment
8	99	Nortel Networks	Canada	Telecommunications
9	38	Unilever	United Kingdom/ Netherlands	Diversified retail
10	5	British Petroleum Company Plc	United Kingdom	Petroleum

Source: The data in this table is based on the World Investment Report, 2006; *FDI from Developing and Transition Economies: Implications for Development*, United Nations Conference on Trade and Development (UNCTAD), 2006.

Australia (20 million) and The Netherlands (16.5 million) and medium-size advanced economies like Canada (33 million), the United Kingdom (60 million) and France (61 million) are in a quite different position compared to multinationals based in the USA which is the largest advanced economy in the world with a population of 300 million. US multinationals also enjoy the advantage of a dominant position in the NAFTA market (the USA, Canada and Mexico) which has a total market population of 439 million.

If the UNCTAD data is rank ordered only on the ratio of foreign assets to total assets the listing shown in Table 1-2 shows a number of changes, with four US firms listed and only two firms from the transnational index (the British companies Vodafone Group and British Petroleum) remaining. The removal of the other two ratios (foreign sales to total sales; foreign employment to total employment) from the transnational index significantly reinterprets the data which is presented in Table 1-1. It is worth keeping in mind that the frequent criticism of US companies, US senior managers and US business schools as inward-looking and ethnocentric may perhaps be true to some extent, *but it is equally true* that a focus on domestic US sales and revenue is also an entirely rational response to the overwhelming importance of the North American market for many of these businesses.

The demands of a large domestic market present a challenge to the globalization efforts of many US firms. As Cavusgil[44] has noted in an important book on

Table 1-2 World top ten non-financial transnational corporations, ranked only by foreign assets

Ranking by foreign assets	*Transnational index*	*Company name*	*Home economy*	*Industry*
1	68	General Electric	USA	Electrical and electronic equipment
2	4	Vodafone Group Plc	United Kingdom	Telecommunications
3	67	Ford Motors	USA	Motor vehicles
4	90	General Motors	USA	Motor vehicles
5	10	British Petroleum Company Plc	United Kingdom	Petroleum
6	38	Exxon Mobil	USA	Petroleum
7	25	Royal Dutch/ Shell Group	United Kingdom/ Netherlands	Petroleum
8	62	Toyota Motor Corporation	Japan	Motor vehicles
9	20	Total	France	Petroleum
10	10	France Telecom	France	Telecommunications

Source: The data in this Table is based on the World Investment Report, 2006; *FDI from Developing and Transition Economies: Implications for Development*, United Nations Conference on Trade and Development (UNCTAD), 2006.

internationalizing business education, the task of internationalizing business education in the USA is a large one. So too is the task facing many US firms in terms of developing global managers – an issue which we shall return to in Chapter 6.

Attitudes of senior management to international operations

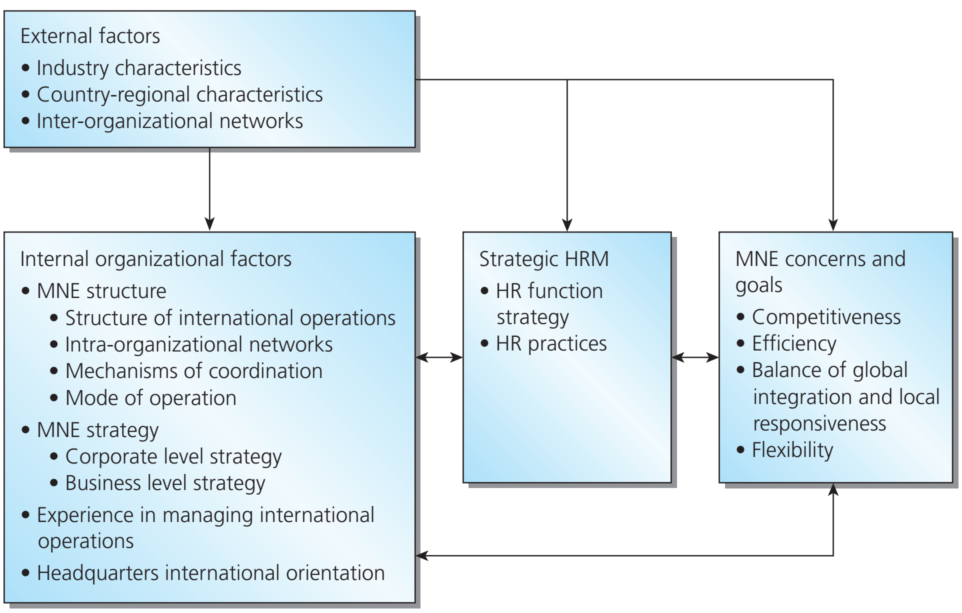
The point made by Laurent earlier in this chapter that some of the changes required to truly internationalize the HR function 'have more to do with states of mind and mindsets than with behaviors' illustrates the importance of a final variable that may moderate differences between international and domestic HRM: the attitudes of senior management to international operations. It is likely that if senior management does not have a strong international orientation, the importance of international operations may be underemphasized (or possibly even ignored) in terms of corporate goals and objectives. In such situations, managers may tend to focus on domestic issues and minimize differences between international and domestic environments.

Not surprisingly, senior managers with little international experience (and successful careers built on domestic experience) may assume that there is a great deal of transferability between domestic and international HRM practices. This failure to recognize differences in managing human resources in foreign environments – regardless of whether it is because of ethnocentrism, inadequate information, or a lack of international perspective – frequently results in major difficulties in international operations. The challenge for the corporate HR manager who wishes to contribute to the internationalization of their firm is to work with top management in fostering the desired 'global mindset'. This goal requires, of course, a HR manager who is able to think globally and to formulate and implement HR policies that facilitate the development of globally oriented staff.[45]

Applying a strategic view of IHRM

Our discussion up to this point has suggested that a broader or more strategic view of IHRM is required to better explain the complexity and challenges of managing IHRM issues. An example of a theoretical framework that has been derived from a strategic approach using a multiple methodological approach is that of De Cieri and Dowling.[46] Their framework is depicted in Figure 1-5 and assumes that multinational firms operate in the context of worldwide conditions, including the external contexts of industry, nation, region, and inter-organizational networks and alliances. An example of the latter would be the impact of the removal of internal trade barriers and

A model of strategic HRM in multinational enterprises **Figure 1-5**



Source: Adapted from H. De Cieri and P.J. Dowling, 'Strategic Human Resource Management in Multinational Enterprises: Theoretical and Empirical Developments', in P.M. Wright *et al*. (eds), *Research in Personnel and Human Resource Management: Strategic Human Resources in the 21st Century,* Supplement 4 (Stamford, CT, JAI Press 1999).

integration of national markets following the recent expansion of the membership of the European Union. These external factors exert direct influence on internal organizational factors, HRM strategy and practices, and multinational concerns and goals.

The internal organizational factors are shown in order of most 'tangible' to most 'intangible'. MNE structure refers to both the structure of international operations, intra-organizational networks and mechanisms of coordination that are discussed in more detail in Chapter 2. The life cycle stage of the firm and the industry in which it operates are important influences on HRM strategy and practices in multinationals, as are the various international modes of operation and levels of firm strategy. The most intangible organizational factors are experience in international business and headquarters international orientation. Following developments in the literature, such as that of Taylor, Beechler and Napier[47] who take an integration of resource dependence and resource-based perspective, the model suggests that there are reciprocal relationships between organizational factors, strategic HRM and multinational concerns and goals.

With regard to HR strategy and practices, reciprocal relationships between strategic issues and HRM strategy and practices have been highlighted by research taking a resource-based perspective.[48] In addition, several studies have shown that HR activities such as expatriate management are influenced by both external and internal factors.[49] A more strategic approach to HRM is expected to assist the firm in achieving its goals and objectives. This view is influenced by the emerging body of strategic HRM literature that examines the relationships between endogenous characteristics, HRM strategy and practices and firm performance or competitive advantage.[50] While some research has suggested that multinationals will gain by utilizing and integrating appropriate HRM strategy and practices, to enhance firm performance,[51] the evidence is inconclusive and important questions remain about the nature of this relationship.[52] The model offered by De Cieri and Dowling aims to assist in the cross-fertilization of ideas to further develop theory and empirical research in strategic HRM in multinational firms.

The enduring context of IHRM

As Figures 1-4 and 1-5 show, international firms compete in an increasingly complex environment where the level of challenge of doing business can be highly variable. Internationalizing firms rely on having the right people to manage and operate their businesses and good IHRM practices that are appropriate to the context in which they occur. This combination of appropriate people and HR practices has been a constant critical success factor in international business ventures. For example, the following quotation is taken from a detailed case study of a large US multinational, where the authors, Desatnick and Bennett[53] concluded:

> The primary causes of failure in multinational ventures stem from a lack of understanding of the essential differences in managing human resources, at all levels, in foreign environments. Certain management philosophies and techniques have proved successful in the domestic environment: their application in a foreign environment too often leads to frustration, failure and underachievement. These 'human' considerations are as important as the financial and marketing criteria upon which so many decisions to undertake multinational ventures depend.

This study was reported in 1978 but many international managers today would concur with the sentiments expressed in this quote. In this book we attempt to demonstrate some ways in which an appreciation of the international dimensions of HRM can assist in this process.

Summary

The purpose of this chapter has been to provide an overview of the emerging field of international HRM. We did this by:

- Defining key terms in IHRM and considering several definitions of IHRM.
- Introducing the historically significant issue of expatriate assignment management and reviewing the evolution of these assignments to reflect the increasing diversity with regard to what constitutes international work and the type and length of international assignments.
- Outlining the differences between domestic and international human resource management by looking at six factors which differentiate international and domestic HR (more HR activities; the need for a broader perspective; more involvement in employees' personal lives; changes in emphasis as the workforce mix of expatriates and locals varies; risk exposure; and more external influences) and detailing a model which summarizes the variables that moderate these differences.
- Presenting the complexity of IHRM, the increasing potential for challenges to existing IHRM practices and current models, and an increasing awareness of the wide number of choices within IHRM practices due to increased transparency and faster and more detailed diffusion of these practices across organizational units and firms.

We concluded that the complexity involved in operating in different countries and employing different national categories of employees is a key variable differentiating domestic and international HRM, rather than any major differences between the HR activities performed. We also discussed four other variables that moderate differences between domestic and international HRM: the *cultural environment;* the *industry (or industries) with which the multinational is primarily involved;* the *extent of reliance of the multinational on its home-country domestic market;* and the *attitudes of senior management*. These five variables are shown in Figure 1-4. Finally, we discussed a model of strategic HRM in multinational enterprises (Figure 1-5), which draws together a number of external environment and internal organizational factors which impact on IHRM strategy and practice and in turn on MNE goals.

In our discussion of the international dimensions of HRM in this book, we shall be drawing on the HRM literature. Subsequent chapters will examine the context for IHRM and the international dimensions of the major activities of HRM: HR planning and business operations, recruitment and selection, performance management, training and development, compensation and labor relations. We will provide comparative data on HRM practices in different countries, but our major emphasis is on the international dimensions of HRM confronting multinational firms, whether large or small, when facing the challenge of managing people in an international context.

Discussion Questions

1 What are the main similarities and differences between domestic and international HRM?

2 Define these terms: international HRM, PCN, HCN and TCN.

3 Discuss two HR activities in which a multinational firm must engage that would not be required in a domestic environment.

4 Why is a greater degree of involvement in employees' personal lives inevitable in many international HRM activities?

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

Further Reading

Gerhart, B. and Fang, M. (2005). 'National Culture and Human Resource Management: Assumptions and Evidence', *International Journal of Human Resource Management,* 16(6): 971–86.

Leung, K., Bhagat, R., Buchan, N., Erez, M. and Gibson, C. (2005). 'Culture and International Business: Recent Advances and their Implications for Future Research', *Journal of International Business Studies,* 36(4): 357–78.

Stahl, G. and Björkman, I. (eds) (2006). *Handbook of Research in International Human Resource Management,* Cheltenham, UK: Edward Elgar.

Wright, P., Snell, S. and Dyer, L. (Guest Editors) (2005). *International Journal of Human Resource Management,* 16(6). Special issue on new models of strategic HRM in a global context.

Notes and References

1 H. De Cieri and P.J. Dowling, 'Strategic Human Resource Management in Multinational Enterprises: Theoretical and Empirical Developments', in P. Wright *et al.* (eds), *Research and Theory in SHRM: An agenda for the 21st century* (Greenwich, CT: JAI Press, 1999).

2 For examples of this approach, see N. Adler, *International Dimensions of Organizational Behavior,* 3rd edn (Cincinnatti, OH: South-Western, 1997) and A. Phatak, *International Management: Concept & Cases* (Cincinnati, OH: South-Western, 1997). See also the Special Issue on Asia-Pacific HRM, *International Journal of Human Resource Management,* Vol. 11, No. 2 (2000).

3 See for example, C. Brewster and A. Hegewisch, *Policy and Practice in European Human Resource Management – The Price Waterhouse Cranfield Survey* (London: Routledge, 1994).

4 See P. Dowling and R. Schuler, *International Dimensions of Human Resource Management,* 1st edn (Boston, MA: PWS-Kent, 1990); P. Dowling, R. Schuler and D. Welch, *International Dimensions of Human Resource Management,* 2nd edn (Belmont, CA: Wadsworth, 1994); P.J. Dowling, D.E. Welch and R.S. Schuler, *International Human Resource Management: Managing People in a Multinational Context*, 3rd edn (Cincinnati, OH: South-Western, 1998).

5 T.M. Welbourne and H. De Cieri, 'How New Venture Initial Public Offerings Benefit from International Operations', *International Journal of Human Resource Management,* Vol. 12, No. 4 (2001), pp. 652–68.

6 P. Morgan, 'International Human Resource Management: Fact or Fiction', *Personnel Administrator,* Vol. 31, No. 9 (1986), pp. 43–7.

7 See H. De Cieri, S.L. McGaughey and P.J. Dowling, 'Relocation' in M. Warner (ed.), *International Encyclopaedia of Business and Management,* Vol. 5 (London: Routledge, 1996), pp. 4300–10, for further discussion of this point.

8 For an example of the way in which the term is being used, see M.G. Harvey, M.M. Novicevic and C. Speier, 'Strategic Global Human Resource Management: The Role of Inpatriate Managers', *Human Resource Management Review*, Vol. 10, No. 2 (2000), pp. 153–75.

9 Curiously, the *Reference Guide* also states that the word inpatriate 'can also be used for U.S. expatriates returning to an assignment in the U.S.'. This is a contradiction of the first part of the definition of an inpatriate being a 'Foreign manager in the U.S.' and is illogical. US expatriates returning to the US are PCNs and cannot also be classed as 'Foreign managers in the U.S.' – perhaps they are 'repatriates', but they are not inpatriates. As defined, this term is only of use in the USA.

10 G. Stahl and I. Björkman (eds), *Handbook of Research in International Human Resource Management* (Cheltenham, UK: Edward Elgar, 2006), p. 1.
11 P.J. Dowling, 'International and Domestic Personnel/Human Resource Management: Similarities and Differences', in ed. R.S. Schuler, S.A. Youngblood and V.L. Huber (eds), *Readings in Personnel and Human Resource Management,* 3rd edn (St. Paul, MN: West Publishing, 1988).
12 See D.L. Pinney, 'Structuring an Expatriate Tax Reimbursement Program', *Personnel Administrator,* Vol. 27, No. 7 (1982), pp. 19–25; and M. Gajek and M.M. Sabo, 'The Bottom Line: What HR Managers Need to Know About the New Expatriate Regulations', *Personnel Administrator,* Vol. 31, No. 2 (1986), pp. 87–92.
13 For up-to-date information on the FCPA see the US Department of Justice website: www.usdoj.gov/criminal/fraud/fcpa.html.
14 P. Morgan, 'International Human Resource Management'.
15 R.D. Robinson, *International Business Management: A Guide to Decision Making,* 2nd edn (Hinsdale, IL: Dryden, 1978).
16 Although less common in the USA, the use of private boarding schools is common in countries (particularly European countries) which have a colonial tradition where both colonial administrators and business people would often undertake long assignments overseas and expect to leave their children at a boarding school in their home country. This is especially true of Britain which also has a strong cultural tradition of the middle and upper classes sending their children to private boarding schools (curiously described by the British as 'public' schools, even though they are all private institutions which charge fees) even if the parents were working in Britain.
17 See 'Terrorism', Chapter 4 in T.M. Gladwin and I. Walter, *Multinationals Under Fire: Lessons in the Management of Conflict* (New York: John Wiley, 1980); M. Harvey, 'A Survey of Corporate Programs for Managing Terrorist Threats', *Journal of International Business Studies,* Vol. 24, No. 3 (1993), pp. 465–78. For an excellent website on terrorism see the following site at Columbia University: www.columbia.edu/cu/lweb/indiv/lehman/guides/terrorism.html. Also see Chapter 12 of this text.
18 For the latest information on epidemic and pandemic crises see the World Health Organization web site at: www.who.int/csr/en/.
19 G. Lee and M. Warner, 'Epidemics, Labor Markets and Unemployment: The Impact of SARS on Human Resource Management in the Hong Kong Service Sector', *International Journal of Human Resource Management*, Vol. 16, No. 5 (2005), pp. 752–71.
20 M. Erez and P.C. Earley, *Culture, Self-Identity and Work* (Oxford: Oxford University Press, 1993).
21 J.E. Harris and R.T. Moran, *Managing Cultural Differences* (Houston, TX: Gulf, 1979).
22 R.S. Bhagat and S.J. McQuaid, 'Role of Subjective Culture in Organizations: A Review and Directions for Future Research', *Journal of Applied Psychology,* Vol. 67 (1982), pp. 653–85.
23 See J.W. Berry, 'Introduction to Methodology', in H.C. Triandis and J.W. Berry (eds), *Handbook of Cross-Cultural Psychology, Vol. 2: Methodology* (Boston, MA: Allyn and Bacon, 1980); H. De Cieri and P.J. Dowling, 'Cross-cultural Issues in Organizational Behavior', in C.L. Cooper and D.M. Rousseau (eds), *Trends in Organizational Behavior,* Vol. 2 (Chichester: John Wiley & Sons, 1995), pp.127–45; and M.B. Teagarden and M.A. Von Glinow, 'Human Resource Management in Cross-cultural Contexts: Emic Practices Versus Etic Philosophies', *Management International Review,* 37 (1 – Special Issue) (1997), pp. 7–20.
24 See H. Triandis and R. Brislin, 'Cross-Cultural Psychology', *American Psychologist,* Vol. 39 (1984), pp. 1006–16.
25 See G. Hofstede, 'The Cultural Relativity of Organizational Practices and Theories', *Journal of International Business Studies,* Vol. 14, No. 2 (1983), pp. 75–89.
26 T.S. Kuhn, *The Structure of Scientific Revolution,* 2nd edn (Chicago, IL: University of Chicago Press, 1962).
27 J.D. Child, 'Culture, Contingency and Capitalism in the Cross-National Study of Organizations', in L.L. Cummings and B.M. Staw (eds), *Research in Organizational Behavior,* Vol. 3 (Greenwich, CT: JAI Publishers, 1981).
28 See D.A. Ricks, *Blunders in International Business* (Cambridge, MA: Blackwell, 1993) for a comprehensive collection of mistakes made by multinational firms which paid insufficient attention to their cultural environment in their international business operations. For further literature on this topic see the following: P.S. Kirkbride and S.F.Y. Tang, 'From Kyoto to Kowloon: Cultural Barriers to the Transference of Quality Circles from Japan to Hong Kong', *Asia Pacific Journal of Human Resources,* 32, No. 2 (1994), pp. 100–11; M. Tayeb, 'Organizations and National Culture: Methodology Considered', *Organization Studies,* 15, No. 3 (1994), pp. 429–46; and P. Sparrow, R.S. Schuler and S.E. Jackson, 'Convergence or Divergence: Human Resource Practices and Policies for Competitive Advantage Worldwide', *International Journal of Human Resource*

Management, 5, No. 2 (1994), pp. 267–99; M. Morishima, 'Embedding HRM in a Social Context', *British Journal of Industrial Relations,* Vol. 33, No. 4 (1995), pp. 617–43; and J.E. Delery and D.H. Doty, 'Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions', *Academy of Management Journal,* Vol. 39 (1996), pp. 802–35.

29 S.P. Huntington, 'The West: Unique, Not Universal', *Foreign Affairs,* November/December (1996), pp. 28–46.

30 C. Brewster, 'Comparing HRM Policies and Practices Across Geographical Borders', in G. Stahl and I. Björkman (eds), *Handbook of Research in International Human Resource Management* (Cheltenham, UK: Edward Elgar, 2006), pp. 68–90.

31 R.L. Tung, 'Managing Cross-national and Intra-national Diversity', *Human Resource Management,* Vol. 32, No. 4 (1993), pp. 461–77.

32 T. Wyatt, 'Understanding Unfamiliar Personnel Problems in Cross-Cultural Work Encounters', *Asia Pacific HRM,* Vol. 27, No. 4 (1989), p. 5.

33 G. Hofstede, *Culture's Consequences: International Differences in Work-Related Values* (Newbury Park, CA: Sage, 1980).

34 There is a voluminous literature on Hofstede's work. An excellent website which summarizes some of this work can be found at: geert-hofstede.international-business-center.com/index.shtml. For a recent article on Hofstede's work see: F. Chiang, 'A Critical Examination of Hofstede's Thesis and its Application to International Reward Management', *International Journal of Human Resource Management,* Vol. 16, No. 9 (2005), pp. 1545–63.

35 B. McSweeney, 'Hofstede's Model of National Cultural Differences and Their Consequences: A Triumph of Faith – A Failure of Analysis', *Human Relations,* Vol. 55, No. 1 (2002), pp. 89–118.

36 M.H. Hoppe, 'Retrospective on Culture's Consequences', *Academy of Management Executive,* Vol. 18, No. 1 (2004), pp. 73–93.

37 B. Gerhart and M. Fang, 'National Culture and Human Resource Management: Assumptions and Evidence', *International Journal of Human Resource Management,* 16, No. 6 (2005), pp. 971–86.

38 K. Leung, R.S. Bhagat, N.R. Buchan, M. Erez and C.B. Gibson, 'Culture and International Business: Recent Advances and their Implications for Future Research', *Journal of International Business Studies,* Vol. 36, No. 4 (2005), pp. 357–78.

39 M.E. Porter, 'Changing Patterns of International Competition', *California Management Review,* Vol. 28, No. 2 (1986), pp. 9–40.

40 M.E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: The Free Press, 1985).

41 A. Laurent, 'The Cross-Cultural Puzzle of International Human Resource Management', *Human Resource Management,* Vol. 25 (1986), pp. 91–102.

42 *Ibid*., p. 100.

43 This section is based on the *World Investment Report, 2006*: *FDI from Developing and Transition Economies: Implications for Development,* United Nations Conference on Trade and Development (UNCTAD) (New York and Geneva: United Nations, 2006).

44 S. Tamer Cavusgil, *Internationalising Business Education: Meeting the Challenge* (East Lansing, MI: Michigan State University Press, 1993).

45 See C. Bartlett, S. Ghoshal and P. Beamish, *Transnational Management: Text, Cases, and Readings in Cross Border Management* (Boston, MA: McGraw-Hill/Irwin, 2008); and V. Pucik, 'Human Resources in the Future: An Obstacle or a Champion of Globalization?', *Human Resource Management*, Vol. 36 (1997), pp. 163–7.

46 H. De Cieri and P.J. Dowling, 'Strategic Human Resource Management in Multinational Enterprises: Theoretical and Empirical Developments', in P.M. Wright *et al*. (eds), *Research in Personnel and Human Resource Management: Strategic Human Resources in the 21st Century,* Supplement 4 (Stamford, CT: JAI Press, 1999).

47 S. Taylor, S. Beechler and N. Napier, 'Towards an Integrative Model of Strategic International Human Resource Management', *Academy of Management Review,* Vol. 21 (1996), pp. 959–85.

48 Taylor *et al*., *ibid.;* K. Kamoche, 'Knowledge Creation and Learning in International HRM', *International Journal of Human Resource Management,* Vol. 8 (1997), pp. 213–22.

49 D. Welch, 'Determinants of International Human Resource Management Approaches and Activities: A Suggested Framework', *Journal of Management Studies,* Vol. 31, No. 2 (1994), pp. 139–64; M. Harvey, M.M. Novicevis and C. Speier, 'An Innovative Global Management Staffing System: A Competency-based Perspective, *Human Resource Management,* Vol. 39, No. 4 (2000), pp. 381–94.

50 B. Becker and B. Gerhart, 'The Impact of Human Resource Management on Organizational Performance: Progress and Prospects', *Academy of Management Journal,* Vol. 39, No. 4 (1996), pp. 779–801; L. Dyer and T. Reeves, 'Human Resource Strategies and Firm Performance: What Do we Know and Where Do we Need to Go?', *International Journal of Human Resource Management,* Vol. 6, No. 3 (1995), pp. 656–70.

51 M. Festing, 'International Human Resource Management Strategies in Multinational Corporations: Theoretical Assumptions and Empirical Evidence from German Firms', *Management International Review,* Vol. 37, Special issue No. 1 (1997), pp. 43–63; and S.J. Kobrin, 'Is There a Relationship Between a Geocentric Mind-set and Multinational Strategy?', *Journal of International Business Studies,* Vol. 25 (1994), pp. 493–511.

52 P.M. Caligiuri and L.K. Stroh, 'Multinational Corporate Management Strategies and International Human Resource Practices: Bringing IHRM to the Bottom Line', *International Journal of Human Resource Management,* Vol. 6 (1995), pp. 494–507; R.B. Peterson, J. Sargent, N.K. Napier and W.S. Shim, 'Corporate Expatriate HRM Policies, Internationalization, and Performance in the World's Largest MNCs', *Management International Review,* Vol. 36 (1996), pp. 215–30; P. Sparrow, R.S. Schuler and S.E. Jackson, 'Convergence or Divergence: Human Resource Practices and Policies for Competitive Advantage Worldwide', *International Journal of Human Resource Management,* Vol. 5 (1994), pp. 267–99.

53 R.L. Desatnick and M.L. Bennett, *Human Resource Management in the Multinational Company* (New York: Nichols, 1978).