

## ***CHAPTER 2***

# STRATEGIC INTERNATIONAL HUMAN RESOURCE MANAGEMENT

# LEARNING OBJECTIVES

- Describe the development of SIHRM and the process of international strategic management
- Describe the evolution of the MNE in terms of various stages of internationalization and the methods firms use to enter international markets
- Describe the process for developing MNE strategy and IHRM strategy and the relationship between the two
- The extent and nature of research into the practice of SIHRM

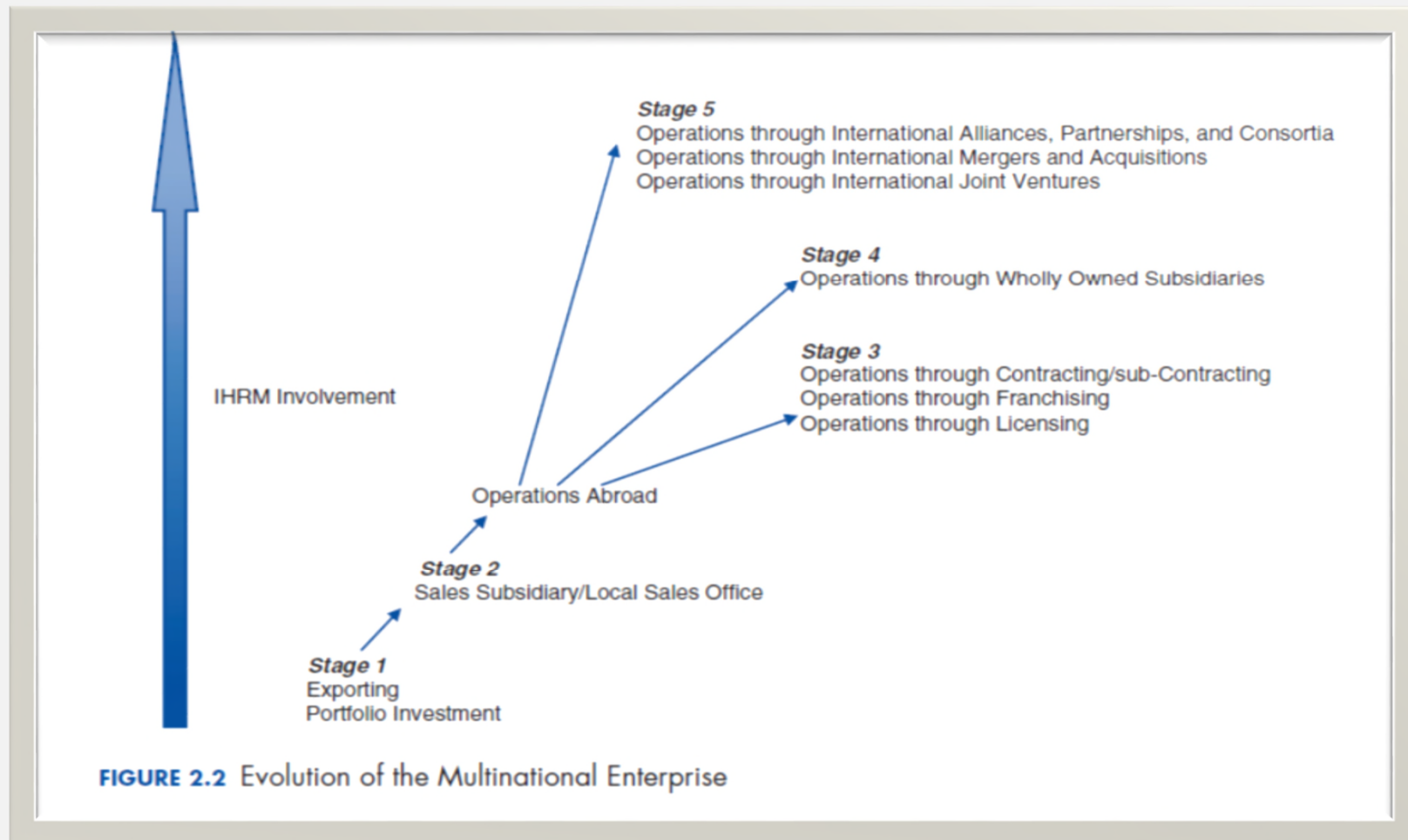
# STRATEGIC INTERNATIONAL HUMAN RESOURCE MANAGEMENT

- SIHRM focuses on creating and implementing IHRM policies and practices that help achieve an MNE's international strategy
- Involves the strategic management of the IHR function and department itself
- In an ideal world, a firm conducting international business will be actively engaged in strategic planning and strategic management process on a global basis (see Figure 2.1)
- A strategy signals an organization's commitment to specific markets, competitive approaches, and ways of operating

# EVOLUTION OF THE MULTINATIONAL ENTERPRISE

- As a firm internationalizes, it moves through *stages*
- In each stage it must make a choice of *methods for market entry*
- With each stage, the degree of international activity increases and IHRM responsibilities become increasingly complex

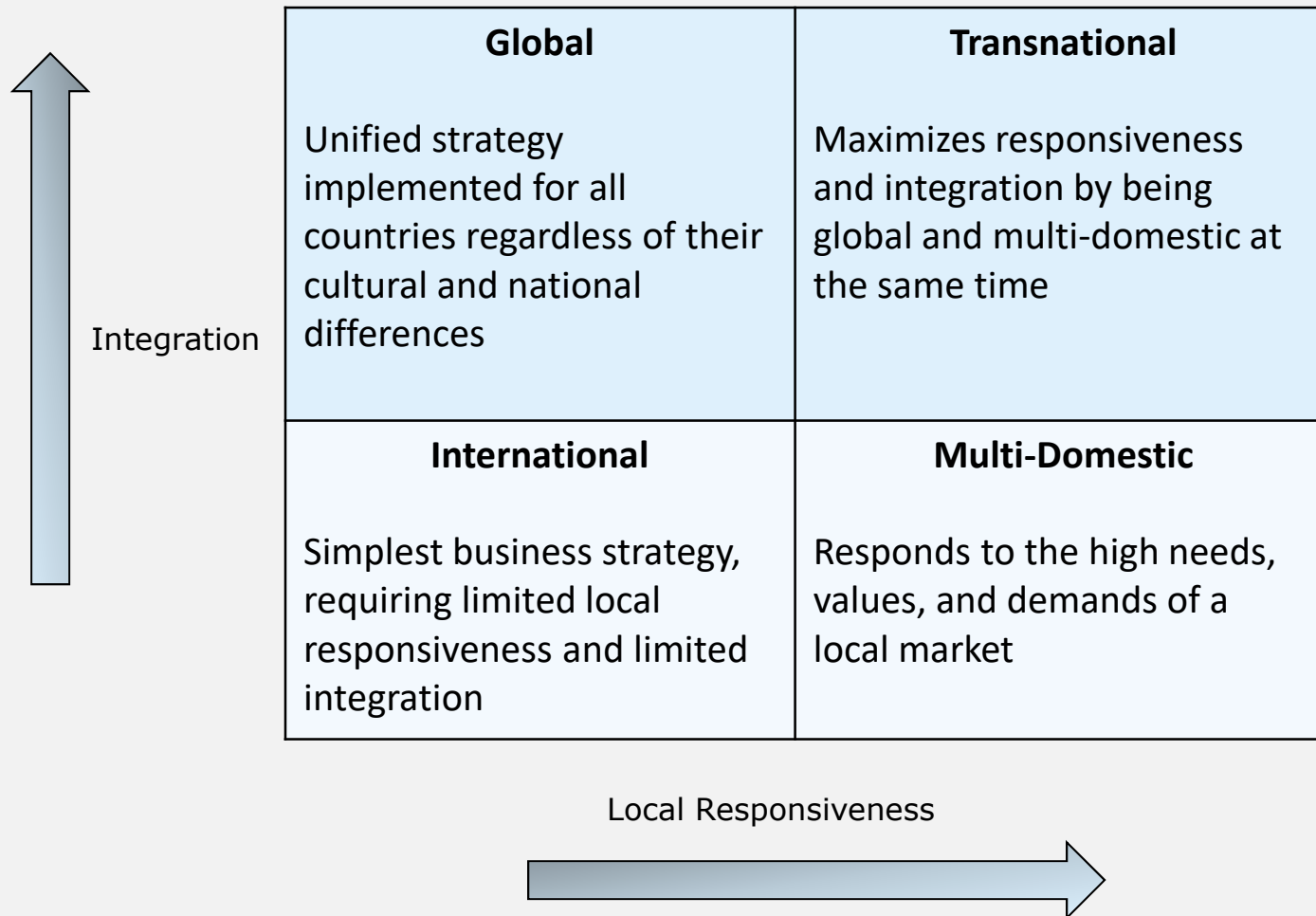
# INTERNATIONALIZATION PROCESS AND METHODS FOR MARKET ENTRY WITHIN THE FIVE STAGES



# MNE BUSINESS STRATEGY

- Provides a direction for managing various subsidiaries
  - Primarily guided by the extent of *integration* and/or *local responsiveness* required by the firm to manage its worldwide operations
- Integration
  - Defined as the extent to which the subsidiaries and the headquarters develop a unified whole
- Local responsiveness
  - Defined as the extent to which subsidiaries respond to local differences

# TYPES OF STRATEGIC BUSINESS APPROACHES



# HEADQUARTERS' INTERNATIONAL ORIENTATION AND MNE BUSINESS STRATEGY

## The Orientation of Senior Executives

Degree of domination of the MNE headquarters over subsidiary management and HR practices as compared to the degree of localization of subsidiary practices

Ethnocentrism

Poly-centrism or  
Regio-centrism

Geocentrism



# THE ORIENTATION OF SENIOR EXECUTIVES

- Ethnocentrism
  - Managers use a home-country standard as a reference in managing international activities
- Polycentrism or Regiocentrism
  - Host-country cultures and practices assume increased salience for managers
- Geocentrism
  - Managers' outlook is one of creating a global network among various elements of the global organization

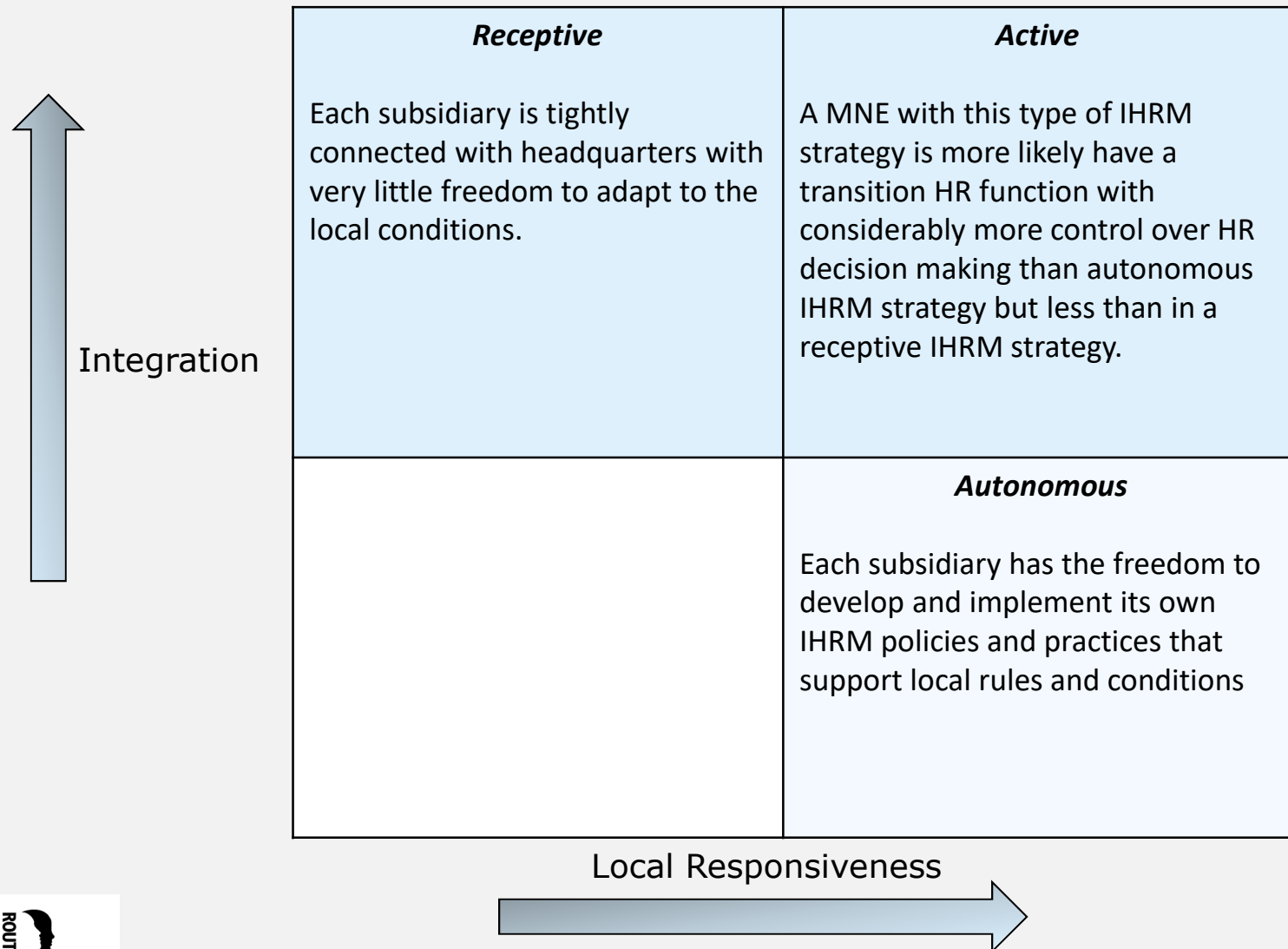
# IHRM STRATEGY

- IHRM Strategy Formulation
  - Central trade-off pits pressures for *centralization* against the need for *decentralization*
    - Centralization is very similar to the notion of integration
    - Decentralization is similar to the notion of local responsiveness
- Convergence
  - Use of parent-company policies and procedures throughout a firm's global operations
- Divergence
  - Cultural and institutional differences play a role in the matter

# IHRM Strategies and MNE Business Strategies

- The overall effectiveness of an IHRM strategy is contingent on the context in which it is used
- An IHRM strategy's effect on organizational effectiveness is always dependent on how well the IHRM strategy *fits* with, and supports, a MNE's business strategy

# IHRM Strategies and MNE Business Strategies (CONT.)



# Research on SIHRM

- Existing Research on SIHRM
  - Local culture and national managerial orientation influence the nature of HR practice
  - The degree of global mindset influences the nature of an MNE's global strategy
  - Global strategy influences the degree of global focus in the HR strategy
  - Appropriate global HR practices are associated with better organizational performance

# MODELS/FRAMEWORKS FOR UNDERSTANDING SIHRM

- In an effort to understand the role of IHRM in MNEs, scholars and researchers have suggested several SIHRM models or frameworks
- The model has five parts:
  1. Strategic MNE components
  2. Exogenous factors
  3. Endogenous factors
  4. IHRM issues, functions, and policies and practices
  5. MNE concerns and goals