

Chapter 2 Strategic International Human Resource Management

TRUE/FALSE

1. IHRM managers do not need to be involved in the global strategic management of the business in order to make an effective contribution.

ANS: F REF: 36

2. Ideally, an organization conducting international business actively engages in strategic planning and strategic management processes on a global basis.

ANS: T REF: 37

3. A strategy signals an organization's commitment to specific markets, competitive approaches, and ways of operating.

ANS: T REF: 38

4. Most organisations develop strategies pro-actively to deal with anticipated market forces and reactively as a response to what is happening in the marketplace.

ANS: T REF: 38

5. HR issues are among the most critical issues for successfully competing in the international marketplace.

ANS: T REF: 39

6. Internationalization through export and import has relatively little impact on a firm and IHRM.

ANS: T REF: 42

7. As firms progress through the stages of becoming more internationalised and increase their international activities, their IHRM responsibilities become increasingly less complex to manage.

ANS: F REF: 42

8. Licensing the rights to manufacture or market a product or service is an option for internationalisation that does not involve the setting up of directly owned subsidiaries.

ANS: T REF: 43

9. Subsidiaries can be developed in a number of ways, including involvement in greenfield or brownfield projects.

ANS: T REF: 44

10. There has been a steady decline in the use of international joint ventures (where two or more firms create a new business entity) as an internationalisation option.

ANS: F REF: 44

11. The terms off-shoring and outsourcing should not be used interchangeably.

ANS: T REF: 46

12. An MNEs business strategy is primarily guided by the extent of integration and/or local responsiveness required by the firm to manage its worldwide operations.

ANS: T REF: 49

13. Adopting a multi-domestic business strategy typically means that a firm views each national market as a specialized market for its particular subsidiaries' products and services, and as such involves being responsive to needs, values and demands of the local market.

ANS: T REF: 50

14. The tension between integration (centralisation) and differentiation (localization) is seldom a major dilemma for global firms and their HR managers.

ANS: F REF: 53

15. The creation of regional operations is based on the assumption that countries within a region share some common characteristics such as cultures or stage of economic development.

ANS: T REF: 51

16. A number of models have been developed in relation to strategic international HRM, however, research evidence to support the essential components of international HR strategy is still in the early stages of development.

ANS: T REF: 56

MULTIPLE CHOICE

1. Strategic IHRM is the part of IHRM that focuses on

a	developing budgets
.	
b	creating and implementing IHRM policies and practices to achieve international objectives
.	
c	networking with industry partners
.	
d	all of the above
.	

ANS: B REF: 37

2. The two essential needs that compel senior executives to develop specific strategies for their organisations are

a	to react to changes in the environment and respond to new legislation
.	
b	to resolve issues in emerging markets and keep customers satisfied

c	to actively shape how business will be conducted and to mold a coordinated approach across the company
d	to actively downsize the business and meet shareholder needs

ANS: C REF: 38

3. As HR issues are among the most critical issues for successfully competing in the international market-place, HR should be providing

a	help with creating a mission and goal setting
b	input to the international strategic decision making
c	design of people specific strategies
d	all of the above

ANS: D REF: 39

4. An element of the strategic management process used to develop a global business strategy is

a	environmental scanning
b	downsizing
c	outsourcing
d	all of the above

ANS: A REF: 38

5. For a long time, _____ has been the first step of internationalization for most firms while they were still relatively small.

a	importing
b	exporting
c	franchising
d	licensing

ANS: B REF: 42

6. McDonald's is an example of firm that adopted a _____ strategy to package the successful elements of their operations in their home market and offer this package to overseas investors, with perhaps training and marketing support.

a	sub-contracting
b	exporting
c	franchising

.	
d	all of the above
.	

ANS: C

REF: 43

7. The reason why some new enterprises operate almost immediately across the globe (“born global”) is

a	the nature of their products
.	
b	the global networking of the engineers and scientists involved
.	
c	marketing through the internet
.	
d	all of the above
.	

ANS: D

REF: 47

8. Off-shoring involves the relocation of one or more aspects of an organization’s business processes to a location in another country for the purpose, at least initially of

a	creating career paths
.	
b	developing networks and relationships
.	
c	lowering costs
.	
d	all of the above
.	

ANS: C

REF: 46

9. Market entry choices for an internationalizing firm are dictated by

a	the firm’s own internationalization strategy.
.	
b	options available to the firm in particular countries.
.	
c	timing of its entry in markets.
.	
d	all of the above
.	

ANS: D

REF: 41

10. Methods of entry into international business include

a	licensing and subcontracting
.	
b	outsourcing and offshoring
.	
c	mergers and acquisitions
.	
d	all of the above
.	

ANS: D

REF: 43

11. Each stage of the process of internationalisation makes _____ demands on the HR department.

a	similar
.	
b	unique
.	
c	no
.	

ANS: B

REF: 48

12. A greenfield project requires _____ development of facilities than does a brownfield project.

a	less
.	
b	more
.	
c	about the same
.	

ANS: B

REF: 45

13. Reasons for entering into IJV agreements include

a	to avoid host government requirements and insistence.
.	
b	to gain reduced economies of scale.
.	
c	to shift the risks to the IJV partners.
.	
d	none of the above
.	

ANS: D

REF: 46

14. Outsourcing success depends on all of the following factors except

a	executive-level support in the client organization for its outsourcing mission
.	
b	ample communication to affected employees
.	
c	the efforts of competing firms to manage contracts and agreements
.	
d	the firm's ability to manage its service providers
.	

ANS: C

REF: 46

15. Issues that firms should consider when relocating services offshore are

a	expertise in managing remote locations
.	
b	cost of labor
.	
c	language skills
.	

d	all of the above
.	

ANS: D REF: 46

16. The extent to which the subsidiaries and the headquarters of a firm develop a unified whole and therefore achieve a range of competitive advantages (such as economies of scale) is defined as _____ .

a	geocentric
.	
b	integration
.	
c	responsiveness
.	
d	decentralization
.	

ANS: B REF: 49

17. A MNE business strategy that enables subsidiaries to respond to local differences and encourages modification of products or services to meet local needs and increase local competition is called _____ .

a	ethnocentric
.	
b	integration
.	
c	local responsiveness
.	
d	reactionary
.	

ANS: C REF: 49

18. Adopting a global business strategy means that an MNE implements the same unified approach in all countries regardless of their differences so that there is a high degree of _____ .

a	integration
.	
b	decentralization
.	
c	proactivity
.	
d	regiocentric
.	

ANS: A REF: 51

19. A MNE strategy that attempts to maximize both responsiveness and integration so that each subsidiary is responsible for making adaptations to suit the local needs, while still being able to draw on the global expertise and resources.

a	ethnocentric
.	
b	multi-domestic
.	
c	global

.	
d	transnational
.	

ANS: D REF: 51

20. Using a home country standard as a reference in managing international activities is indicative of a(n) _____ orientation.

a	geocentric
.	
b	regiocentric
.	
c	polycentric
.	
d	ethnocentric
.	

ANS: D REF: 52

21. A firm has reached the level of a global orientation, a(n) _____ mindset will develop and be adopted.

a	ethnocentric
.	
b	geocentric
.	
c	polycentric
.	
d	regiocentric
.	

ANS: B REF: 52

22. IHRM strategy is the creation and implementation of international HR practices that help the firm to achieve its international vision and business strategy as well as _____.

a	relocating employees
.	
b	creating business opportunities for employees
.	
c	reacting to resolve HR challenges
.	
d	strategically managing the HR function
.	

ANS: D REF: 53

23. Designing a IHRM strategy that concentrates authority and decision making at the top of the firm (the headquarters) is similar to the concept of integration, is considered as a decision to _____.

a	regionalize
.	
b	centralize
.	
c	decentralize
.	

d	localize
.	

ANS: B

REF: 53

10. An IHRM strategy's effect on organizational effectiveness is _____ dependent on how well the IHRM strategy *fits* with and supports a MNE's business strategy.

a	often
.	
b	rarely
.	
c	always
.	
d	sometimes
.	

ANS: C

REF: 54

11. A firm pursuing an *active* IHRM strategy is characterized by HR at corporate headquarters and HR at the subsidiary trying to _____ the control over HR decision making.

a	avoid
.	
b	balance
.	
c	re-allocate
.	
d	decentralize
.	

ANS: B

REF: 56

12. The use of parent-company policies and procedures throughout a firm's global operations is known as

a	convergence
.	
b	divergence
.	
c	outsourcing
.	
d	restructuring
.	

ANS: A

REF: 53

13. An integrative framework for strategic international HRM in MNEs includes consideration of

a	exogenous factors
.	
b	strategic MNE components
.	
c	endogenous factors
.	
d	all of the above

.

ANS: D

REF: 57

SHORT ANSWER

1. Identify and explain the five stages of the internationalization process that most organizations experience as they begin to evolve their global operations.

ANS:

stage 1: portfolio investment, exporting

stage 2: sales subsidiary/local sales office - sending staff to the location initially

stage 3: [producing products directly in foreign countries in these next 3 stages] operations through licensing/franchising/contracting/sub-contracting

stage 4: operations through wholly owned subsidiaries

stage 5: operations through international alliances, partnerships, consortia or operations through international mergers & acquisitions, or operations through international joint ventures.

REF: 43

2. How does a greenfield project differ from a brownfield project?

ANS:

The development of a subsidiary through a greenfield project involves acquiring an open (green) "field" in order to build the subsidiary facilities from scratch. A brownfield project involves the purchase of existing facilities (buildings) and developing the subsidiary inside those facilities (sometimes referred to as a turnkey operation).

REF: 44

3. MNE business strategies can be categorized based on the extent to which they manage the forces of integration versus local responsiveness. Identify and explain the four types of business strategies in terms of their focus on integration versus local responsiveness.

ANS:

1. international: limited local responsiveness, limited integration

2. multi-domestic: high local responsiveness, low integration

3. global: high degree of integration, low local responsiveness

4. transnational: high local responsiveness and high integration

REF: 49

4. How does a transnational business strategy differ from a global business strategy?

ANS:

The transnational firm differs from the global firm in that, rather than developing global products, services, brands, and standardized processes and policies and procedures, the transnational organization works hard to localize, to be seen, not only as a global firm, but as a local firm as well, albeit one that draws upon global expertise, technology, and resources. In a transnational firm, the focus is simultaneously on global integration, local responsiveness, and knowledge sharing among the different parts of the organization.

REF: 51

5. Explain the central trade-offs involved in making a decision about whether to centralize or decentralize IHRM decisions.

ANS:

Centralization (similar to integration) concentrates authority and decision making in HQs (towards the top of the firm), whereas decentralisation (as local responsiveness) allows for dispersion of authority and decision making to operating units throughout the organization. The tension between these is a growing dilemma for IHRM and large global firms. Firms must become highly differentiated and more integrated all at the same time. Locals want to run the business and in some cases local laws require deployment of particular HR practices that are managed differently in other countries.

REF: 53

ESSAY QUESTIONS

1. Identify and explain the five stages of the internationalization process that most organizations experience as they begin to evolve their global operations.

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stage 4: operations through wholly owned subsidiaries

stage 5: operations through international alliances, partnerships, consortia or operations through international mergers & acquisitions, or operations through international joint ventures.

REF: 43

2. Based on the model presented in this chapter of the role of IHRM in MNEs, identify and describe the criteria that can be used to assess the extent that the IHRM practices and policies have enhanced the overall performance of the MNE .

ANS:

1. global competitiveness – how can the IHRM policies and practices provide competitive advantage?

2. efficiency – how much can IHRM help make the MNE more efficient?

3. local responsiveness – how much can IHRM help the MNE be locally responsive and globally competitive at the same time?

4. flexibility – how much can IHRM help the MNE be more flexible in adapting to changing conditions?

5. organizational and transfer of learning – how much can IHRM facilitate learning and transfer of this learning across geographically dispersed units?

REF: 59