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Human Resource Management in Multinational Corporations

Abstract. This study provides representative portrait of human resource management (HRM) policy and practice amongst multinational corporations (MNCs).

Currently, human resource is a critical component of production, the most valuable resource of any organization that serves as an indicator of competitiveness, economic growth and efficiency. Management of human resources directly affects the value of the company. Forming an important «internal strength» of the organization, human resource management is one of the factors providing leadership in the competition. International human resource management put forward in the number of most important competitive advantages of the organization, it is a guarantee of its success and survival in an increasingly competitive world of business.

Key words: human resource management, international markets, ethnocentric, polycentric, geocentric, subsidiary, expatriate, organizational culture.

Introduction

Currently, human resource is a critical component of production, the most valuable resource of any organization that serves as an indicator of competitiveness, economic growth and efficiency. Management of human resources directly affects the value of the company. Forming an important «internal strength» of the organization, human resource management is one of the factors providing leadership in the competition. International human resource management put forward in the number of most important competitive advantages of the organization, it is a guarantee of its success and survival in an increasingly competitive world of business.

Methods

Many researchers dedicate themselves to the international human resource management and cross-cultural management. These research areas are highly concerned, just like people paying attention to globalization. Ronen, S. (1989) has analysed clearly the distinction between comparative human resource management and international human resource management; Abramov E.G. (2010), Konina N.Ju. (2008), Griffin R., Partej M. (2006), Farndale E., Scullion H., Sparrow P.R. (2009) have proposed detailed models of how International human resource management fits into the overall globalization strategy of organizations. Volkova M.A. (2009) has analyzed the cultural complexity in an organiza-

tion, which shows that different cultures with different identities in organization members will influence much on the organization culture.

Main body

Business organizations continuously expand their international operations for sustainable growth and profitability. To improve their competitive positions globally; companies seek to work upon different sources of competitive advantage. Human resource management functions in multinational companies is extremely complicated because of the need to adapt policies and procedures related to personnel, to differences between the countries. In particular, the countries cultural differences, differences in economic development and legal systems may require an international company to adapt its hiring, firing, training and remuneration programs for each country in which it operates.

In North America and the developed countries of Europe there is a certain level of knowledge in the field of HRM on how to attract talented young people. The most acute this problem is felt in the economies of emerging markets, such as the BRIC economies of Brazil, Russia, India, China and the economies of Central and Eastern Europe and Central Asia. This localization of problems can be explained by the fact, that many multinational corporations are expanding their businesses to the

emerging markets. Consequently, they faced with a shortage of qualified personnel. In recent years, many MNCs carried out systematic research in these countries in order to identify the characteristics of talent management. A few years ago the lack of qualified personnel in the field of management was decided by sending expats to manage the business in the area. However, the practice is increasingly indicates that it is necessary to take into account cultural differences and national mentality in human recourse management. This globalization of talent management brings with it a requirement to create new HRM tools, methods and processes to provide the necessary co-ordination systems to support global integration.

A multinational corporation (MNC) is defined as an enterprise that operates in several countries but is managed from one home country or when it derives more than one quarter of its revenue outside the home country. The type of strategy pursued by an organization decides the human resource management (HRM) practices. MNCs may adopt International strategy where existing core competencies are used to exploit opportunities in foreign markets, a Multidomestic strategy where foreign subsidiaries operate as autonomous units to customize products

and services as per local needs, a Global strategy focus on tight control on global operations to maintain standardization, and Transnational strategy combines policies regarding staffing, expatriate selection, compensation, industrial relations, training, and diversity management.

Staffing policies in international HRM defines the process through which the MNC assigns the foreign job to the most appropriate candidate. There are three approaches to staffing in MNC's. Polycentric approach to international management is the policy involved in hiring and promoting employees who are citizens of the host country. The polycentric approach involves low costs of recruiting and training with lesser problems of adjustment and communication since all employees are from the same region.

Ethnocentric approach is used in MNC's having international strategic orientation while polycentric approach maintains employees from the same area, ethnocentric involves sending employees from the home or parent countries to the host country.

Geocentric staffing approach is adopted when companies implement a transnational orientation. In such an approach people are recruited based on their skills and experiences irrespective of their nationality.

Table 1 – Comparison of staffing approaches

Staffing approach	Ethnocentric	Polycentric	Geocentric
Strategic appropriateness	International	Localization	Global standardization and transnational
Advantages	Overcomes lack of qualified managers in host country Unified culture Helps transfer core competencies	Alleviates cultural myopia Inexpensive to implement	Uses human recourses efficiently Helps build strong culture and informal management networks
Disadvantages	Produces resentment in host nation Can lead to cultural myopia	Limits career mobility Isolates headquarters from foreign subsidiaries	National immigration policies may limit implementation Expensive

Having examined some of the key challenges and possible responses to managing talent on a global basis, we now move on to examine the related role of the corporate human resource function. Although little has yet been explored regarding corporate human resource roles in MNCs, there are some initial studies emerging on what these may be. Empirical research on United Kingdom MNCs has highlighted a considerable variation in the roles

of the corporate human resource function in different types of international firms. In centralized/global firms the corporate human resource function undertook a wide range of activities and the key roles were management development, succession planning, career planning, strategic staffing, top management rewards and managing the mobility of international managers. In these firms the growing need for coordination and integration of inter-

national activities required greater central control over the mobility of top managers, expatriates and high-potential staff. In highly decentralized firms, on the other hand, who tended to pursue more of a multidomestic international strategy, the corporate human resource executives focused mainly on management development and succession planning for senior executives. One common theme such studies have is that they emphasize the key role of corporate human resource in global talent management for the top talent across the company. Particularly the demand factors noted have created an emerging agenda for corporate human resource to develop core management competencies by focusing on the

talent management issues associated with senior management development, succession planning and developing a cadre of global managers.

Looking in more detail at the implementation of corporate HRM policies throughout overseas subsidiaries, corporate human resource can play a significant role in coordination and monitoring. According to Elaine Farndale, Hugh Scullion and Paul Sparrow, there are four important roles of CHR (see Fig.1):

1. Champions of processes
2. Guardians of culture
3. Network leadership and intelligence
4. Managers of internal receptivity.

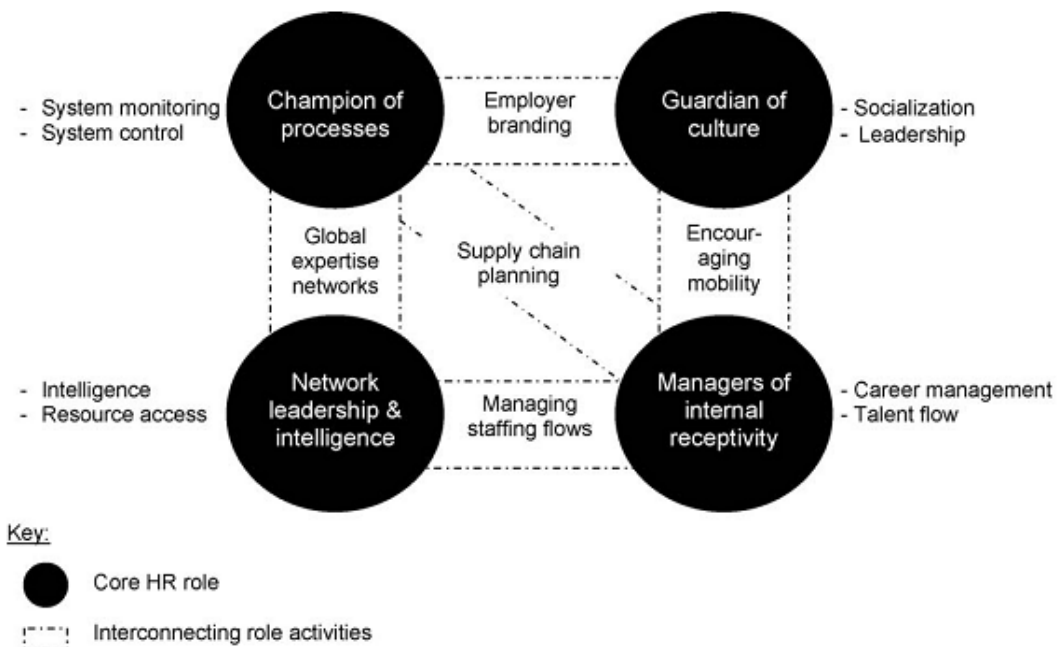


Figure 1 – CHR roles in global talent management

Each of these roles of corporate HR is important for company's development and for its' staying competitive. They are all interrelated, since all pursuing the same goal: to attract industry leaders and to manage talented and professional staff. Despite the emergence of these four core CHR roles, there is still confusion regarding the specific role that HR professionals in particular should play in GTM processes, which places question marks over the ability of CHR professionals to manage their own destiny. Corporate HR professionals work alongside

top management who has the option of outsourcing some of their activities.

Conclusion

Today, MNCs increasingly demand highly skilled, highly flexible, mobile employees who can deliver the desired results, operating sometimes in difficult circumstances. Managing human resources in international organizations can be a complex issue. MNC's continuously strive to improve their international HRM strategies. This

challenge requires an innovative response from the MNC as a whole, and in particular from the CHR function. New tools, processes and coordination capabilities are required to focus in particular on the sourcing, retention and career planning of the key talent across the corporation. Selection of the right incumbent for the foreign assignment must be based on holistic selection criteria, especially the criteria of cultural adaptability. Training before assigning the job is must to make the employee aware of the challenges ahead, managing repatria-

tion through a career progression plan for expatriate and employee counseling is another focus area of international HRM. The correct compensation strategy keeps the employee morale high and motivates others in the organization to accept foreign assignments. The MNC's must strive to maintain harmonious labor relations to avoid confrontations with labor and trade unions in host country. HRM, if given due attention, can undoubtedly be leveraged to be a source of competitive advantage for organizations expanding across countries.

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