EXPLORING SUCCESSFUL INTERNATIONAL HUMAN RESOURCE MANAGEMENT: PAST, PRESENT, AND FUTURE DIRECTIONS

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Today, approximately 60,000 MNEs employ more than 45 million people worldwide. This is about twice as many as in 1990, and this number is predicted to increase to 75 million people by 2010 (Schuler, 2003). This paper is dedicated to helping develop the understanding and competencies necessary for HR managers to succeed. Additionally, this paper aims to review the most important aspects of International Human Resource Management, (IHRM), such as the development of IHRM, IHRM vs. domestic HRM, successful localization, and talent management in IHRM. Finally this paper discusses issues that are likely to gain importance in the IHRM field in the near future.

1. Introduction

HR managers, personally and professionally as business contributors, need specific competencies to succeed in the international arena. As a business discipline and an academic field of study, International Human Resource Management (IHRM) is in its infancy; yet it is very real and firmly established (Adler & Ghadar, 1990). There is little doubt that the empirical and theoretical foundations of IHRM, alongside their application in practice, have developed significantly since the 1980s when Laurent (1986) described the field as being in its infancy. Indeed, in a recent review of the field, Lazarova optimistically argues: "as an area of research, IHRM is vibrant and diverse and has grown even more so in the past decade" (2006: 43). In a similar vein, Björkman and Stahl (2006) note that not only has the degree of research in the field increased, but so too has the scope of the studies undertaken. Though a thorough discussion of the state of the field of IHRM at the beginning of the 21st century is beyond the scope of this paper (see Schuler et al., 2002; Scullion, 2004; Björkman and Stahl, 2006; Lazarova, 2006 for a discussion in this regard), we instead provide an overview of some important issues in IHRM and focus

on the future prospects for IHRM (Scullion and et al., 2007).

In this paper, first we discuss IHRM in general, while identifying some differences between IHRM and domestic HRM. Second, we discuss emerging new issues in IHRM, such as development and the challenges of IHRM in the globalization arena, as well as advantages and disadvantages of successful localization. Third, we discuss talent management specifically and other topics related to IHRM. Finally, we explore the future of IHRM as a field of study and as an integral area of management practice.

2. International vs. Domestic HRM

In the early years of academic exploration surrounding IHRM, a number of scholars suggested that IHRM differs from its domestic counterpart in terms of a number of factors (Dowling, 1988). The following updates this perspective.

It is necessary to know that the practice of HRM in the international context is different from its domestic counterpart in a number of ways. This includes the IHR

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department in a multinational firm (1) being responsible for a greater number of activities, such as the management of international assignees, which includes such aspects as foreign taxes and work visas and detailed assistance with family relocations to foreign locales; (2) having to expand its areas of expertise to include a much broader perspective, including knowledge of foreign countries and their employment laws; (3) having to get much more closely involved – than is ever necessary in a purely domestic situation – with employees' (and their families') lives as the firm moves employees from country to country; (4) being involved with a greatly expanded and constantly changing mix of employees, adding considerable complexity to the IHR management task; (5) having to cope with more external influences, such as having to deal with issues stemming from multiple cultures and countries; and, as a result, (6) having to face much greater exposure to problems and difficulties, and thus, exposure to much greater potential liabilities for making mistakes in HR decisions (e.g. the cost of a failed international assignment can be as high as US$1 million) (Claus, 1998l; Briscoe & Schuler, 2004, p.29).

The typical domestic US HR manager does not have the contacts or networks that become necessary to learn about and handle the new international responsibilities. He or she doesn't typically have any experience with the business and social protocols needed to interact successfully with foreign colleagues or with the forms of organizational structure used to pursue international strategies (such as joint ventures or cross-border acquisitions) (Briscoe & Schuler, 2004, p.29). Additionally, the still relatively limited body of literature and publicly available seminars and training programs make it much more difficult to develop the competencies needed to manage successfully the IHRM function (Briscoe & Schuler, 2004, p.29).

3. Emerging Issues in IHRM

There are many of issues arising from the internationalization of HRM, including: (1) The Development of IHRM, (2) Global Human Resource Management Challenges, (3) Globalization and Localization Issues, (4) Successful Localization in IHRM, (5) Advantages of Successful HR Localization in IHRM, and (6) Disadvantages of Successful HR Localization in IHRM.

4. Development of IHRM

HR managers in essentially all forms of organization can and do confront aspects of international HR. The extent of this involvement will vary according to a number of factors and will invariably increase with time. But as internationalization of business increases in extent and intensity, HR managers will be called upon to contribute increasing expertise to that internationalization (Briscoe & Schuler, 2004, p.26).

One of the fundamental problems in successful HR management is to find (recruit and/or train) HR managers who, although they are raised and experienced in one culture, can effectively interact with and manage people raised in one or more different cultures, and who can develop effective HRM practices and policies in all of the various business environments in which the employer operates (as well as helping the firms executives plan for and manage effectively in these environments, as well) (Briscoe & Schuler, 2004, p.26).

As previously mentioned, IHRM, as an academic discipline and as a functional business area, is in its youth. This is at least in part due to the generally limited role of HRM within many large firms, including the large MNEs (some of which has to do with HR managers themselves) (Briscoe & Schuler, 2004). Suddenly, in the last twenty years or so, as business in general has rapidly internationalized, HR professionals have been called upon to manage a number of new activities, such as the management of international assignees, to work alongside HR professionals from other countries, and to adapt their HR practices to multicultural and cross-cultural environments (Clause, 1998).

There have been a number of reasons put forth to explain this late awakening to the importance of international business in US firms and its impact on human resources (Clause, 1998, 1999). In general, HR professionals have failed to embrace globalized economy as part of their development, and, indeed, have only recently begun to see the necessity (and business schools and professional HR societies have also been slow to add offerings in international HR to their curricula) (Briscoe & Schuler, 2004, p.27). Additionally, often HR managers are the last ones in their firms to focus on the increasingly globalized economy, the last ones to take on international assignments, and thus often the last ones on the management team to contribute as fully fledged strategic partners in the internationalization of their companies (Briscoe & Schuler, 2004, p.28).

Furthermore, reasons suggested to explain this late awakening to the importance of international business in US firms and its impact on human resources (Clause, 1998, 1999) include such issues as the lack of professionalization of IHR; the deep fragmentation into functional areas within HR practice, so that what limited international responsibilities there might be are not "seen" or evaluated as important by other HR practitioners; the lack of awareness and understanding among domestic HR practitioners of cross-cultural and international HR issues; the preoccupation with domestic legal and other practice issues; and the tremendous gap between the academic international HR body of knowledge and the international HR practitioner's expertise and concerns (Briscoe & Schuler, 2004, p.28).

Clearly there is an identifiable body of knowledge and practice that provides an important starting point for studying IHRM. A few journals focus specifically on this subject, such as the International Journal of Human Resource Management, others that are more generically devoted to HR have added either specific sections devoted to IHR or have added newsletters or more frequent articles devoted to IHR. Additionally, gradually the number of texts and readings books has increased while the number of courses and seminars at universities and provided by consulting firms and training organizations has also gradually increased (Caliguiri, 1999).

In general, there are two quite different perspectives to exploring issues in IHRM (see Briscoe & Schuler, 2004). These include:

1. Discussions of HR policies and practices and the HR function and department within the multinational enterprise, focused on the management of its employees, and also focused on the strategy and structure of its operations.

2. Discussions of HR policies and practices in various countries as well as characteristics of those countries, focused primarily on what is often referred to as "comparative" human resource management (Briscoe & Schuler, 2004, pp.26-27).

5. Global Human Resource Management Challenges

Perhaps the greatest challenge most companies face in expanding their foreign direct investment (FDI) is how to integrate host country national (HCN) managers into the management process of their overseas subsidiaries as well as that of the parent companies themselves (Keeley, 2001, p.1). In HRM Internalization, there are some problems associated with HCN integration for most companies so human resource managers should seek and clarify the extent to which HCN managers are actually integrated (Keeley, 2001). As an integral part of this process, there are a number of important related topics such as: parent country's management in general, the transferability of parent country's management practices to their foreign subsidiaries, international human resource management (IHRM) issues, as well as cross-cultural management and multinational management issues. Investigating the role of HCN managers provides insights into country's IHRM through the eyes of the HCN managers themselves and reveals how multinational corporations (MNCs) actually manage their foreign subsidiaries (Keeley, 2001).

6. The Globalization and Localization Issues

The trend among National and Multi National Companies (MNCs) in recent years is to seek to be global and local at the same time. On the one hand, MNCs should seek global efficiencies and competitive power by integrating to

the greatest degree possible its diverse activities around the globe. They must consider how to use all their resources, both material and human, in the most efficient and effective manner possible. Such a goal implies that a firm will have a global perspective on the acquisition and utilization of resources (including human resources) and ignore the national origin factor. On the other hand, MNCs should strive to be sensitive and responsive to local situations, considering the needs and desires of the local population as much as feasible in balance with a global integration strategy (see Bartlett and Ghoshal, 1989; Scullion& Collings, 2006).

Changes in the international environment during the last two decades are forcing most firms to consider globalization and localization issues more seriously. Factors such as the high value of the currency's value and trade friction have led firms of all sizes to establish or expand foreign manufacturing facilities. The large-scale expansion of overseas operations by Japanese firms during the 1980s and 1990s has brought about a shortage of qualified Japanese PCN managers to fill management positions at foreign subsidiaries (Keeley, 2001, 6). The high cost of maintaining so many PCN managers at foreign subsidiaries and complaints by HCN employees and local authorities underlines the importance of integrating HCNs into the management process (Scullion& Collings, 2006). There is a significant body of research (Yoshihara, 1994; Kopp, 1993), suggesting most Japanese and Asian MNCs have a long way to go before reaching such a stage in their organizational development. Corporations are going global in the sense that they are engaging in extensive FDI but at the same time they are not going local, as US and European companies have tended to do. Wingrove (1997, cited in Keeley, 2001) bases her conclusions on a study of well-known Japanese companies operating in Britain, including: Mitsubishi Electric, Hitachi Power Tools, Kobe Steel and Mitsui and Co. She found that Japanese expatriates fill practically all the senior managerial posts. Furthermore, Wingrove contends that even when decision-making is delegated to managers in the European markets, the Japanese practice of consensus still requires thorough consultation with head office in Japan. She asserts that the Japanese parent companies tightly control the operation of their foreign subsidiaries and that many Japanese foreign manufacturing subsidiaries have not moved beyond the screwdriver-plant stage. She also reported that Shoichiro Irimajiri, senior managing director at Honda, stated Japanese firms are 10–20 years behind in internationalization (Keeley, 2001).

7. Successful Localization in IHRM

Localization has emerged as a key issue in the management of multinational corporations in IHRM and every HR managers should consider this issue as an important and key point in their forthcoming staffing process. The concept is, however, often used in generic

terms without specific dentition. In this regard Hideo Sugiura, the former vice-chairman of Honda, distinguished between four types of localization: localization of products, profit, production and people (cited in Evans *et al*., 2002). For our purposes in this paper, we specifically discuss the localization of people (Scullion& Collings, 2006). From this perspective, localization (sometimes called labor nationa-lization, host country national development or indigeniza-tion) is defined as, "the extent to which jobs originally filled by expatriates are filled by local employees who are com-petent to perform the job" (Selmer, 2004: 1094) and it is often considered one of the crucial drivers of the employ-ment policies of many nation-states. Localization also in-fluences the state's relationships with foreign organiza-tions seeking to operate within their national boundaries. Evans et al. (2002) see localization as systematic invest-ment in the recruitment, development and retention of lo-cal employees, which is an important element in the glo-balization strategy of multinationals (Scullion& Collings, 2006, 139-140).

8. Advantages of Successful HR Localization in IHRM

A successful IHR manager should compare the advantages and disadvantages of differing expatriate and local staffing strategies in conjunction with other key management strategic decision makers in order to select the best strategy for the MNC. There are many benefits that arise from utilizing local people rather than expatriates to fill key positions within foreign operations. Often these benefits are underestimated, particularly for senior positions, for reasons which are often based on racial or national stereotypes (Banai, 1992).

There are four advantages of successful localization poli-cies. First, localization of human resources may improve relations between foreign investors and host country go-vernments. Selmer (2004) has argued that this is the case in the Chinese context as the government favors the de-velopment of local employees. Thus from the MNC's point of view, a localization strategy may help to ensure foreign operations operate with minimum levels of conflict with the host authorities, while simultaneously garnering greater buy-in and support from the host government. Second, localization of human resources may improve communication, and, ultimately business performance in the host country. This is because communication local-to-local is usually more effective than foreigner-to-local. Third, host country labor is generally a more reliable re-source than temporary workers, who even if they work in the country for a long time, have divided loyalty (Black and Gregerson 1992) and certainly see their ultimate destina-tion as a different location. Fourth, from an economic perspective, by responding to local needs, especially through investing capital and employing local labor, the organization increases the wealth of the local population and so increases its ability to buy products and services

sold by local business. Even if the market is small and poor, there can be good potential for growth and long-term profit (Prahalad, 2004; Scullion& Collings, 2006, pp.141-142).

9. Disadvantages of Successful HR Localization in IHRM

There are four main disadvantages in developing localiza-tion policies. First, understanding local markets takes time, effort, and extensive financial resources. Second, there are disadvantages related to the complexities of having to make changes in work policy and practice to meet local conditions. Third, managing without expatriates involves looser coordination from an HQ perspective and potentially greater problems in communicating with HQ from a subsidiary perspective. Fourth, a major concern of senior HQ managers with respect to localization strategy is the fear of losing intellectual property rights, particularly in the emerging markets where the perception is that every-thing can be copied (Scullion & Collings, 2006). Selmer (2004) describes this as an "agency problem" and argues that expatriate presence may help to guard against local managers pursuing their personal self-interest in ma-naging the subsidiary or making decisions which are in-congruent with the organization's global strategy (Scullion & Collings, 2006).

10. International Talent Management Issue in IHRM

In globalization era, most leading multinationals increa-singly seek to combine local recruitment strategies with a more global approach due to the need to manage the growing mobility of labor in a more coordinated manner, and this trend is only likely to increase in the coming de-cade (Scullion & Collings, 2006). Thus, the competition for talent is becoming more intense, with international firms competing with each other as well as with leading local organizations (Patel, 2002). For successful ma-nagement in new turbulent markets, human resource managers must thoroughly consider not only worker cre-dentials and relevant work experience, but also other em-ployee talents and overall potential.

11. Talent Pipeline and Employer Branding Issues in Successful IHRM

Sparrow (2004) highlighted that talent management in the international context requires international HR ma-nagers to "develop a much deeper level of understanding about the links between the business agenda and the ca-pabilities of the most talented people in the organization, and also understand the potential for mobility around these people" (p. 121). This attempted "calibration" of talent on a global basis often requires multinational em-ployers, especially HR managers, to think about talent on a more global basis and also to think about "who they are"

and "what they stand for" (Sparrow et al., 2004: 121). Also talent management on a global basis has some broader dimensions and shows that, in practice, talent markets still operate very much in the national contexts of the particular countries (Harris et al., 2003).

12. Challenges of Talent-Pipeline Linkage with Global Basis

Brewster et al. (2002) argue that the topics of employer branding and talent management are closely linked for most organizations who are very concerned with their "talent-pipeline." Additionally, Sparrow et al.(2004) identifies a number of factors to explain why organizations are coordinating their talent pipelines on a more global basis (see p.126):

- Talent has become more mobile.
- Competition with other employers has become more generic and has shifted from the country level to the regional and global levels.
- The need for more nationality and gender diversity requires a shift away from a headquarters mindset.
- Economies of scale are important and global networks can transfer best practices across countries.

Brewster et al. (2002) identify a number of common responses of IHRM to challenges that come from linking the talent-pipeline to global biases, including (see also Scullion & Collings, 2006):

- Researching into "consumer insights" with current and potential employees and agencies.
- Managing the talent pipeline—a more proactive and strategic approach to recruitment.
- Increasing awareness in universities and other companies to get the people you want.
- Developing internal talent pools around the world.
- Creating skilled assessors across the globe.
- Managing recruitment suppliers on a global basis.
- Using e-technology to communicate messages about employer brand.

13. Advantages and Disadvantages of Using Host Country Managers in MNCs

Keeley (2001) suggests that there are four underlying assumptions that substantiate the importance of effective integration of HCNs. First, globalization of human resource management policies and practices is a positive and prevailing trend among the world's MNCs and those MNCs that do not effectively globalize their operations may find themselves at a competitive disadvantage. Second, effective IHRM offers competitive advantages that are only fully exploited by employing the talents of HCN managers. Third, MNCs must learn to develop and retain talented HCN managers in order to enjoy long-term prosperity. Fourth, HCN managers should play a key role in the management of foreign subsidiaries in their country, at the parent company, or in a third country when the talents they possess warrant such arrangements.

Keeley (2001) further argues that employing HCNs in management positions offers numerous advantages for the MNC and benefits to the host country. For example, HCN managers usually have an inherent understanding of the local language(s) and culture(s). They are more likely than a parent country national (PCN), on his/her first assignment in the host country, to be familiar with the local business and regulatory environment. Additionally, the costs associated with employing HCNs are usually much lower than those associated with employing PCNs. Furthermore, employing HCN managers creates greater opportunities for HCN white-collar workers. In addition, it bestows more benefits to the host country through the transfer of management know-how and experience, as well as improving public relations in terms of the MNC being viewed as a good corporate citizen.

On the other hand, Keely (2001) suggests that failure to successfully integrate HCN managers in the management process of foreign subsidiaries may have substantial negative outcomes for the parent company. These problems include high turnover, low morale, internal strife, and poor productivity. In addition, not offering fair opportunities for qualified HCNs to assume positions of managerial responsibility and/or discrimination against HCNs may lead to problems with the host country government authorities (e.g. Japanese companies have become infamous for their transgressions in this area and have been suffering the consequences).

14. The Future of IHRM

In addition to the current strategic IHRM problems and difficulties that face MNCs, it is likely that the future will bring new strategic challenges to be overcome by MNCs and drive new directions in the field of IHRM. This is due to such dynamic issues as an increasingly migratory international workforce seeking better quality of life and higher salaries. Additionally, the corresponding geographical dispersion (as a result of migrating workers), could lead to enhanced cross-cultural issues especially for expatriate workers and staff, changing the comparative advantages for most countries. These ongoing and newly emerging challenges will force the international firms to face a necessity for competency and sensitivity that is not found in the domestic firms (Claus, 1998).

In the future the personal and professional attitudes and perspectives of the IHR manager will be greatly expanded to handle the multiple countries and cultures confronted in the international arena—both to manage their IHR responsibilities and to contribute to successful international business strategies by their firms—beyond those which the domestic HR manager must develop to be IHR managers (Briscoe & Schuler, 2004, p.29).

Additionally, in the case of HRM, internationalization will likely take many forms. For practical purposes, HR managers in most types of firms can or will confront at least

some aspects of internationalization and many globalization changes causing the emergence of small and medium enterprises, (SMEs), as globalization and technology factors will leave "no place to hide" (Briscoe & Schuler, 2004. Thus, human resource professionals can find themselves involved in—and therefore must understand—IHRM issues in any of the following possible situations (which include HRM positions in all types of firms, not just international HR positions within the types of firms usually focused on—i.e., working at the headquarters of an MNE or in the parent-country operations) (Briscoe & Schuler,

2004). In all cases, the international aspects of the situation increase the exposure and liabilities for HR managers and place on them ever-increasing demands for new internationally focused competencies (Briscoe & Schuler, 2004; see p. 21). HR managers, both of the international and domestic variety will continue to be confronted with a wide variety of national, social, cultural, educational, managerial, and governmental systems with MNEs, thus they should be educated and prepared well with the skills and competencies needed to successfully meet this growing challenge.

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