International Structure & IHRM
Strategy of MNCs

Week 4
Explore the link between concepts of strategic HRM, IHRM and Strategic IHRM

Strategic HRM in context International and Comparative HRM

Theories of IHRM Strategy
- Isomorphic pressures
- Stages of internationalization and product life cycle
- Product market and sociocultural logic theory
- Integrative SHRM theories
Organizational performance – competitiveness centered around:

- Labour productivity
- Organisational flexibility
- Social legitimacy and;
- Based on the arguments that:

“appropriate human capabilities are strategic to the success of every firm. It is only people that pose the questions, ‘What goals are appropriate for the business?’ and ‘What resources are relevant to our goals?’, and take an interest in making the answer a reality. This is desperately obvious but it has to be sold because there are dozens of books on strategic management which assume that strategy appear out of nowhere”

(Boxall and Purcell, 2003: pp. 31-32)
Strategic HRM: leveraging people to implement and achieve the intended strategies of organizations – view of HR that is based on “resource based theory” (rbt) of the firm.

International HRM: The aggregate of various HRM systems used to manage people in the MNC, both at home and in overseas subsidiaries.

Strategic IHRM: human resources issues that result from, but that also impact on, the international strategies and goals of MNC/TNCs
Strategic role: HRM policies should be aligned with the firm’s strategy and its formal and informal structure and controls.

Like SHRM, SIHRM also draws on the rbt of the firm, but also on resource dependence theory (rdt).

So, it is about right people, right place and right time, but it is also about HQ control over HRM policies and business strategies of subsidiaries.

Task complicated by profound differences between countries in labor markets, culture, legal and economic systems and HRM orientation of HQ.
Rapid rate of globalization requires more strategic role for HRM and link HRM strategic needs of business

Increasing importance of HRM to implementing international business strategies.

Because IHRM policies and practices are essential influence on whether and to what extent MNCs achieve their international goals.

The complexity of HRM in international context and its relation with international business strategy requires a strategic outlook of HRM.

Isomorphism in context of tension between local and corporate environment

Strategic IHRM as managing the “rival coercive isomorphic pressures on the subsidiary” (Ferner and Quintanilla, 1998, p. 713)

Four scenarios of isomorphic pressures

- **Local isomorphism**: subsidiary directly embedded and influenced by local environment with hardly any headquarter interference

- **Corporate isomorphism**: subsidiary embedded within a corporate structure and therefore, influence of local environment is mediated through strong corporate culture.

- **Cross national isomorphism**: strong home country influence over corporation. Country of origin effect on parent Co. further weaken host country (local) influence.

- **Global isomorphism**: suggests the tendency for geocentric model, the ‘global firm’, breaking away from influences of both home and host environment
- Phases of internationalization model (Alder and Ghadar, 1990)
- The two logic model (Evans and Lorange, 1989)
- Integrative model (Schuler et al., 1993; Decieri and Dowling, 1999)
Based on Vernon’s “product life cycle”, but with an added 4th phase.

- **Domestic phase**: attention on home and export markets
- **Internationalization phase**: foreign market penetration so some focus on local responsiveness and transfer of leaning
- **Multinational phase**: correspond with Vernon’s “maturity” stage. Focus is on global strategy, cost consciousness and price competition.
- **Global phase**: recognizes product life cycles are increasingly getting shorter; culture as crucial to global performance and therefore focus on both local responsiveness and global integration.

Source: Scullion and Paauwe in Scullion and Linehan
<table>
<thead>
<tr>
<th>HRM orientation and Practice</th>
<th>Phase 1: Domestic</th>
<th>Phase 2: International</th>
<th>Phase 3: Multinational</th>
<th>Phase 4: Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary focus</td>
<td>Product or service</td>
<td>Market</td>
<td>Price</td>
<td>Strategy</td>
</tr>
<tr>
<td>Strategy</td>
<td>Domestic</td>
<td>Multi-domestic</td>
<td>Multinational</td>
<td>Global</td>
</tr>
<tr>
<td>Worldwide strategy</td>
<td>Allows foreign clients to buy product/service</td>
<td>International market increase and tech. transfer</td>
<td>Source, produce and market internationally</td>
<td>Global strategic competitive advantage</td>
</tr>
<tr>
<td>Staffing</td>
<td>No (few) expats. Junkets</td>
<td>Many OK staff to sell, direct tech. transfer</td>
<td>Some very good performers for purpose of control</td>
<td>Many High flyers for coordination and integration</td>
</tr>
<tr>
<td>Career impact</td>
<td>Negative</td>
<td>Bad for domestic career prospects</td>
<td>Important for global career</td>
<td>Career &amp; org. development</td>
</tr>
<tr>
<td>Training</td>
<td>None</td>
<td>Limited &amp; target at expatriates</td>
<td>Longer period &amp; for expatriates</td>
<td>Continuous and for managers</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>Focus on Corp performance</td>
<td>Focus on Subsidiary</td>
<td>Corp bottom line</td>
<td>Global strategic position</td>
</tr>
<tr>
<td>Motivation assumption</td>
<td>Money</td>
<td>Money &amp; adventure</td>
<td>Challenge and opportunity</td>
<td>Challenge, opp. &amp; advancement</td>
</tr>
<tr>
<td>Career pace</td>
<td>Domestic progression</td>
<td>Domestic</td>
<td>Token international</td>
<td>Global</td>
</tr>
<tr>
<td>Necessary skills</td>
<td>Technical &amp; managerial</td>
<td>And ‘cultural’ adaptation</td>
<td>+ recognition of ‘cultural’ diversity</td>
<td>+ cross-cultural interaction and synergy</td>
</tr>
<tr>
<td>Nationality</td>
<td>Home country</td>
<td>Home country</td>
<td>PNCs, with some foreigner</td>
<td>Multinational</td>
</tr>
</tbody>
</table>

*Adapted from Adler & Ghadar, 1990; see also Scullion & Linehan 05*
Developing HRM policies for different product markets and diverse socio-cultural context.

Based on range of product market combinations and related operations in a wide range of culturally diverse contexts.

Thus, theory of “product market” and “sociocultural logic”
Base on logic that different stages of a PLC require different types of managers and management skills:

- Maturity stage requires Cost-conscious and price competitive management skills and competences
- Upstarts require entrepreneurial management skills

- So HR functions will differ according to stage of PLC

- Combination of different product markets with different product life cycle stages makes HRM in complex

- Assuming management is divided into categories, Corp. level managers should be responsible for
  - Key executive appointments and succession planning
  - Design and decisions for incentive schemes
  - Cross-fertilisation of expertise across all levels
Corporations that operate in a wide range of countries and regions will have employees of different socio-cultural backgrounds.

So in addition to different institutional arrangements and legal frameworks, there will also be diverse values and norms.

Drawing on Perlmutter’s typologies, the logic suggests:

- A geocentric approach with HRM policies and practices shaped by the corporation’s own “culture” rather than individual regional or national “cultures” in which business units operate.

- Decentralise strategy, which devolves HRM policy to subsidiaries. Thus privileging adaptation to local “culture”.
Identifies strategic components as concerns and goals of the MNE

Also endogenous (internal) factors such as Corp. structure, strategy, international entry mode

Exogenous (external) factors such as industrial sector, country and/or regional characteristics and inter-organisational relationships.

Considers HRM issues and activities as emergent from, but also having impact on strategic concerns the firm

Sources: Schuler et al., 1993; Decieri and Dowling, 1999.
Philosophy: expressions of value and treatment of human resources – employees

Policies: expressions of shared values and guidelines for HR-related business issues and HR programmes

Programmes: articulation of HR strategies for coordinating and facilitating change management of HR-related business concerns

Practices: motivating and projecting required behaviour roles for addressing HR-related business issues

Process: formulate and define how other HR-related business activities are implemented

Schuler et al. 1993; Schuler et al., 2002
Figure 1  Integrative framework of strategic international human resource management in MNEs

Schuler et al., 1993
Exogenous factors
- Industry characteristics
- Country-regional characteristics
- Inter-organisational networks

Endogenous factor
- MN Structure & Org. networks
- PLCs, International entry modes
- MNE Strategy
- International operation management experience
- HQ international orientation

Strategic HRM
- HR function strategy
- HR Practices

MNE concerns and goals
- Competitiveness
- Efficiency
- Balance of global integration and local responsiveness
- Flexibility

De Cieri and Dowling, 1999
Endogenous factors categorised in order of most ‘tangible’ and ‘intangible’

MN structure refers to both international operations and intra-organisational networks and their co-ordination.

Life-cycle stage of the firm, the industry in which it operates, international entry mode and firm-level strategy, all important influences SHRM.

Most intangible factors are international business experience and HQ international orientation.

Reciprocal relationship between endogenous factors, SHRM and MN concerns.

Draws on Schuler et al., but also other multidisciplinary theories.

*Edwards and Rees (2011) International HRM: Globalization, National systems and MNCs* (Chap. 5)


Rubery, J & Grimshaw, D (2003) *The organization of employment; an international perspective* (chap. 8)