Human Resource Management in Multinational Enterprises

Chapter 1 – Introduction

1.1. Background

The human resource management (HRM) is one of the biggest challenges facing companies of the century, especially when it comes to multinational organizations operating in different countries and markets. To be an "international player", enterprises should adjust HR applications to new ways of working. Managers of multinational companies face significant challenges in order to achieve a balance between the often conflicting pressures for global integration and local responsiveness (Paauwe and Famdale, 2006). In connection with these problems occurred a growing awareness that the management staff worldwide, through a system of global management of human resources, is an essential dimension of the international companies.

1.2. Aim of the Project

The aim of this research is to examine issues of multicultural management while focusing on human resource management in multinational enterprises.

1.3. Objectives of the Project

The research will focus on achieving the following objectives:

- To develop an understanding of the international management strategies of HR

- To Identify the problems faced by HR Managers in Multinational Corporations

- To analyse the qualities required in HR managers in MNCs

- To examine issues of multicultural management

Chapter 2 – Literature Review

This chapter aims to review the literature related to human resource management, multicultural management, and other related topics.

2.1. Human Resource Management in a Global Context: The value of Vertical Integration

The term "human resources" implies that people have capabilities that drive organizational performance (as well as other economic, technological, etc). In recent years, people have been instrumental in the creation of competitive advantages, for example, in software companies: success depends on the knowledge, skills and abilities possessed by each employee (Beardwell, Holden, and Claydon, 2004). Vertical integration of the human resources function provides an important key to achieving this shared understanding within a multinational company.

Vertical integration has two directions, i.e. upwards and downwards. Upward direction points towards the strategic integration of HR. It also refers to the involvement of human resource management in the formulation and implementation of organizational strategies and the alignment of HRM needs strategic organization. Participation of senior director of HR at the senior management team of a company is an important source for flow of information and

communication. Traditionally, "down" refers to the delegation or transfer of resources and operational practices of HR managers and human section chiefs locally, thus decentralizing the responsibility for implementing and managing human resource practices such as performance evaluation, selection and training (Camen, 2004).

2.2. International HR Management Strategies

In recent years, people have witnessed a significant increase in the number of companies operating internationally. In some cases, the expansion into other markets pose a human, as, for example, when the company acquires a block of shares of another foreign organization but is not involved in its management. But in most cases, internationalization leads to the need to address human resource issues, such as: deciding the personnel system locally or should be the plant itself which it determined (Pointon and Ryan, 2004). From the point of view of the host country, the increasing internationalization makes a good number of employees working for companies not of their nationality.

The basic theoretical framework: They all take theoretical reference pressure and argue that the key challenge that multinationals must respond to the configuration HR system of its subsidiaries is reconcile the pressures that lead to coordinate the various units together (integration) with the demands of each unit to operate efficiently in their local environment (differentiation). The function: International human resource management adopts a macro perspective that includes the human resources system of the subsidiary as a mechanism can help achieving its strategic objectives (Erbel, Reyes and Gomnez, 2007).

2.3. Determinants of Configuration Strategy

Beardwell, Holden, and Claydon (2004) suggested that this is depending on the developmental stage of the subsidiary, which starts at step which called Domestic (export), wherein the practices are very similar to those in the central International following the (adaptive), with very practices locally adapted and concluding with the global (integrated), with a very comprehensive set of standardized practices. However, this analysis has been criticized for involving a development along a series of stages which does not occur in all cases assuming without appropriate empirical evidence that the early stages are less efficient, and grant equal weight to the various stages when in reality few organizations like Tesco that follow an overall strategy (Camen, 2004).

2.4. International Human Resource Strategy and Efficiency

Compared with the U.S., European organizations like Sainsbury have restricted levels of autonomy in decisions of hiring, firing and training; have historically been less exposed to market and free competition, and unions assume a greater role in the regulation of employment. These models revealed that there was no better way (the one best way) to manage human resources in organizations, but many efficient ways managing staff. At the same time, showed that some of those that were considered as "American management practices" not working properly in certain countries (Guillen, 2006).

2.5. Problems Faced by HR Managers in Multinational Corporations

The problems faced by human resource managers in multinational corporations are issues of fairness, honesty, self-discipline, and the consequences of the behaviour. Since the human resources department (dealing with the problems of employees) assumes an important role in the company, can be a tremendous burden on human resources managers who walk a fine line between what is legal and morally better for the employee, and what is economically advantageous for the company. Human resources management as a career option has resulted in the creation of the Society of Human Resource Management (SHRM). It is this organization that developed a code of ethics for human resource managers (Pointon and Ryan, 2004).

Chapter 3 – Methodology

3.1. Research Methodology

Research methodology is the outline of the overall research and methods involving in it. Below is the research methodology which has been adapted for this research.

3.2. Data Collection

The research has been conducted with the aid of two techniques of investigation designed to elicit a detailed description of the organizations, the change and organizational model: participant observation and an interview with top managers of human resources in multinational firm.

3.3. Participants

This study has been done by involving a select group of eleven large multinational companies, each of which had an office corporate human resource management (at headquarters) and Regional Directors and / or national human resource management. Nine participants were multinationals between 14,000 and 356,000 employees worldwide, the remaining multinational is a joint venture between an Indian company and a global firm of Japan, and is a world leader in its products. The sample firms operate in a wide range of sectors, including mining services, medical insurance and health care services, transportation and logistics, information technology, finance, automotive, manufacturing and retail.

In each of the multinational companies, a senior human resources executive at headquarters has been interviewed and up three HR managers at regional or national level. Key informants were selected within the organization based on his official position and his knowledge. The sample of key informants was chosen because participants were more likely to be knowledgeable about the investigated issues and it could and wanted to discuss them.

3.4. Procedure

There were 23 semi-structured interviews as many managers of the following nine countries: Australia, Brazil, China, England, Hong Kong, India, Malaysia, Sweden and the United States. Most interviews were conducted in person, although some are conducted by

telephone because of the geographical dispersion sample, the interviews lasted between 45 minutes and two hours.

3.5. Data Analysis

Program used a computer assisted qualitative analysis (NVIVO) to reduce, classify and group interview data and obtain the key issues with framework under Boselie, Dietz and Boon (2005) conducted a process to establish the thematic content. In the presentation of the interview, data indicated the name of the job, the company or sector, and the location of the source.

3.6. Ethical Implications of the Problems and Solutions

The management of human resource is a function or business which is concerned with the management of relations between groups of people on their capacity as employees and employers. Unavoidably, this process leads to raising questions regarding the responsibilities and rights to each party in this relationship, specifically, managers in treating their employees fairly. The ethical implications of the problems that have been discussed in this paper along with the solutions deal particularly with how the human resource managers understand the standards, values and ethics of the employees working in a multinational corporation as their decisions particularly affect the jobs of those employees.

Chapter 4 – Results and Discussion

It has been analysed that if employees of multinational companies often move from country, then there needs to be greater consistency between policies offered. If the multinational company has a strong and unwavering commitment to overall management of the balance between work and personal life, then it is easier to dictate global policy of conciliation. From the perspective of the company, customers are changing. People need to ensure they meet the needs of these customers, but there are also pressures on the customers who go against the set policies and objectives (Guillen, 2006).

Even within a multinational company was no difference between the perspectives of humans resource professionals globally and locally. While interviewed on headquarters with worldwide responsibility discussed a "rule 80/20 ", none of the local or regional directors interviewed in this multinational were aware of this "rule". Different opinions expressed by human resource managers may indicate deficiencies in human resource management in multinational corporations system regarding the transfer of knowledge and a shared vision of politics. These deficiencies can be important if companies behave misunderstandings within, and outside, the HR function (Camen, 2004).

Boselie, Dietz and Boon (2005) have argued that the system of a multinational human resource management is a key factor of knowledge management, and therefore, it is essential for success in international business. For a multinational company to operate effectively as a social community that creates, integrates and transfers knowledge across its various locations, must understand well and international human resource management support system and related policies, such as policies for reconciling work and family life (Erbel, Reyes and Gomnez, 2007).

Chapter 5 – Conclusion

This project has examined the multicultural management in the context of human resource management in international companies. In this project, research including case studies and interviews of multinational HR professionals has been done to explore the impact of globalization on human resource management. Managers who participated in this study no doubt seek to resolve the tensions and challenges associated with international management. Global initiatives for human resource management and multicultural management must be aligned with strategic objectives such as diversity management and performance. Globalization has changed the ways of business competition.

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