

International Human Resource Management

4TH EDITION

Managing People in a
Multinational Context

Peter J. Dowling
Denice E. Welch



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FOURTH EDITION

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University of Melbourne, Australia

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International Human Resource Management, 4th edition

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International Human Resource Management

Preface

According to 2003 figures from the United Nations Conference on Trade and Development, there are currently a total of 65 000 transnational corporations, with 850 000 affiliates. These organizations now employ a total number of 54 million people worldwide, compared with 24 million in 1990 – the year the first edition of this textbook was published. The spread of international business, of course, is not confined to transnational corporations. However, these figures do serve to demonstrate how global the world of international business has become. The role of human resource management in sustaining international business in this complex, ever-changing world is the central theme of our book.

This, the fourth edition of our textbook, represents a significant change in terms of scope, presentation and publication. The first two editions were part of the International Dimensions of Business Series, which was discontinued while we were preparing the third edition, as reflected in its title – *International Human Resource Management: Managing People in a Multinational Context*. The discontinuation of the International Dimensions Series has meant that its constraints no longer apply. This has allowed us to provide what our colleagues who have adopted previous editions have consistently requested: teaching cases and exercises, a website instructor's guide, teaching aids and other supplementary material.

Reflecting the growth in international human resource issues, we have 11 chapters in this edition. We have divided these into four parts. Part I contains three chapters dealing with the multinational context and the consequences of international growth on human resource management (HRM). Those of our colleagues familiar with previous editions will notice that Chapter 3, new in this edition, presents staffing approaches in the context of the reasons for and types of international assignments, and the key roles played by expatriates and non-expatriates (that is, international business travelers). Part II deals with areas deemed critical in managing and supporting international assignments. Its four chapters cover activities relating to expatriate management. Part III concerns global HRM issues. It contains a new chapter dealing with subsidiary management and HRM issues, a chapter on industrial relations, and we have repositioned the chapter on performance management to this part, to reflect both corporate and individual performance issues. The final chapter identifies future trends and international HRM (IHRM) challenges, including research issues and theoretical developments. Part IV contains new, unpublished, cases and exercises, selected on the basis of how they reinforce topics or themes covered in the various chapters. By grouping these into a self-contained section, instructors can decide which case or exercise they feel best suits their pedagogical needs and styles. A list of useful websites can be found in the Appendix.

The new structure enables us to give more emphasis to broader HR issues than expatriate management, although international assignments continue to be given weight owing to their importance in international business operations, and the continuing focus of research into expatriate management activities. Indeed, the shape and contents of the fourth edition provide a clear indication of how the field of IHRM has evolved from its early focus on the selection and training of expatriate managers. However, those of our colleagues who have adopted previous editions will recognize that we endeavor to maintain a familiar approach while injecting freshness into the contents of each revised chapter.

The second major change has been the decision by our colleague, Randall Schuler, to withdraw from authorship of the book owing to work commitments. We respect his decision and take this opportunity to acknowledge publicly his contributions to earlier editions, particularly during the book's initial inception as part of the International Dimensions Series.

The change in format has been accompanied by a change in production location – across the Atlantic to the United Kingdom in terms of place of publication. Perhaps appropriate for authors writing in the area of staff relocation, since the publication of the third edition, the Dowling family relocated from the island state of Tasmania to mainland Australia, and the Welch family repatriated themselves from Norway back home to Australia.

The contribution of this book to the globalization of the business curriculum

This book can be used in various ways:

- As the main text for a course on IHRM. We also recommend the current edition of *Readings and Cases in International Human Resource Management* by Mark Mendenhall and Gary Oddou, ITP South-Western, as a supplementary text.
- As one of several texts in a comparative management or international management course.
- As a supplement to a traditional introductory HRM course to bring an international dimension into the course, and assist in meeting AACSB and EQIS requirements.

For all instructors teaching in the areas of IHRM, we recommend the *International Encyclopedia of Business and Management* (edited by M. Warner, Thomson Learning, London, 2002) as an excellent library reference.

Acknowledgements

As with the previous editions, we have received encouraging and helpful assistance from numerous colleagues in various educational institutions around the world. Their comments, along with those from students and book reviewers, have provided us with suggestions and general feedback that has aided us in adding, deleting and refining sections and chapters of the book for each edition. Particular thanks go to the following colleagues for their assistance with chapters and the provision of teaching cases:

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- Günter Stahl, INSEAD – Singapore
- Catherine Welch, University of New South Wales
- Lawrence Welch, Mt Eliza Business School and University of Queensland.

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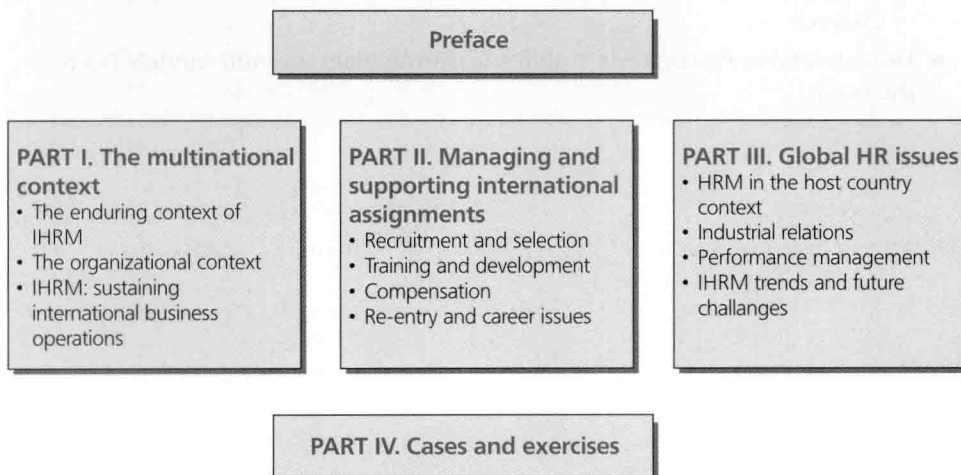
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Book layout

The fourth edition contains four parts. Part I has three chapters dealing with the multinational context and the consequences of international growth on human resource management (HRM). Part II deals with areas deemed critical in managing and supporting international assignments. Its four chapters cover the main areas of expatriate management: selection, training and development, compensation and re-entry. Part III concerns global issues pertaining to multinational IHRM: subsidiary management, industrial relations and performance management. It concludes with a chapter identifying trends and future challenges for IHRM. Part IV contains new teaching cases and exercises. The accompanying diagram illustrates how the various parts are connected and build into a solid treatment of *International Human Resource Management: Managing People in a Multinational Context*.



Visit the *International Human Resource Management* 4th edition accompanying website at www.thomsonlearning.co.uk/businessandmanagement/dowlingandwelch to find valuable further material for students and lecturers including:

For Students

- Overviews of each chapter
- Human Resource Management definitions from *The IEBM Pocket Encyclopedia of Business and Management*
- Related weblinks to direct you to further resources

For Lecturers

- Instructors Manual – including:
 - Teaching notes to cases and exercises
 - Suggested answers to discussion questions and exercises for each chapter
- Downloadable PowerPoint^(TM) slides featuring diagrams and models from the book

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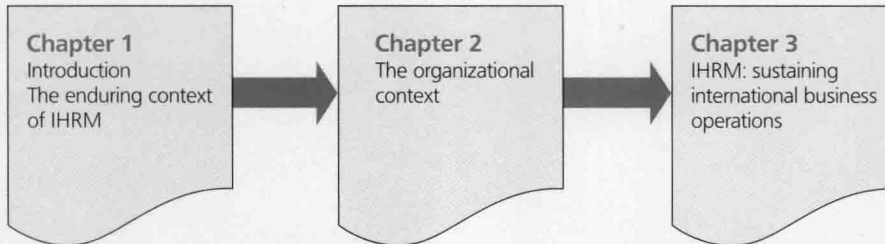
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The multinational context



Part I contains three chapters that deal with the multinational context within which international human resource management (IHRM) functions and activities take place. Chapter 1 introduces the scope of the book and outlines the differences between domestic and international HRM and the variables that moderate these differences. We then look at the enduring context of IHRM – demonstrating how trends and challenges in the global work environment force changes on the operations of internationalizing firms that have consequences for the management of people in the multinational context.

Chapter 2 examines in detail the organizational and managerial responses to international growth. We trace the international firm along the path to multinational status and examine structural responses, control and coordination mechanisms and the mode of operation used in various international markets. The implications for IHRM are highlighted.

Chapter 3 provides the final contextual section. We examine the approaches to staffing international operations, the reasons for, and types of, international assignments and the roles played by expatriates. The impact on international growth on the corporate HR function is also discussed.

These three inter-related chapters provide a useful foundation for examining the specific IHRM functions and activities to sustain international business operations.

Introduction

The enduring context of IHRM

Chapter objectives

In this introductory chapter, we establish the scope of the textbook. We:

- define key terms in international human resource management (IHRM)
- outline the differences between domestic and international human resource management and the variables that moderate these differences
- discuss trends and challenges in the global work environment and the enduring context in which IHRM functions and activities are conducted – including the way in which forces for change affect the operations of the internationalizing firm and have consequences for the management of people in the multinational context.

Scope of the book

The field of IHRM has been characterized by three broad approaches.¹ The first² emphasizes cross-cultural management: examining human behaviour within organizations from an international perspective. A second approach developed from the comparative industrial relations and HRM literature³ and seeks to describe, compare and analyze HRM systems in various countries. A third approach seeks to focus on aspects of HRM in multinational firms.⁴ These approaches are depicted in Figure 1-1. In this book, we take the third approach. Our objective is to explore the implications that the process of internationalization has for the activities and policies of HRM. In particular, we are interested in how HRM is practiced in multinationals – hence the subtitle of this book, ‘Managing People in a Multinational Context’.

As Figure 1-1 demonstrates, there is an inevitable overlap between the three approaches when one is attempting to provide an accurate view of the global realities