

Chapter 2

1. How has the multinational enterprise evolved? How have the changes in MNEs affected IHRM?

- The typical development of multinational firms has moved from very limited presence overseas (exporting) to very complex and integrated presence (partnerships, joint ventures, acquisitions, wholly-owned subsidiaries and businesses, subcontracting).
- Until recently, MNEs developed through simple exporting and sub-contracting. As the extent of their overseas sales increased, they moved to more closely held business forms. With the advent of the Internet and opportunities for e-sales, many Internet businesses (such as Amazon.com) are “born global”.
- The importance and complexity of IHRM increases with the complexity and global integration of an MNE’s global business.

2. What are the various choices that MNEs have for entry into international business? How do the functions of HR vary with these various choices?

- See Discussion Question no. 1.
- Refer to Figure 2.2.
- The responsibilities of HR increase and become more complex with increased internationalization. Refer to the discussion of the internationalization of HR in Chapter 1. In the early stages, the use of expatriates evolves and takes on major importance in IHRM. As the level of international business increases, the numbers and types of expats increases (and the IHRM workload for managing them), and as foreign business ownership and the number of international partnerships and joint ventures increase, MNE IHRM takes on additional responsibility for local workforces, as well. Eventually, efforts to integrate foreign workforces and managers with home-country workforces and management become a central focus.

3. What is the link between SIHRM and IHRM? Why is it important for IHRM to be strategic?

- The most important link between international strategy and IHRM is the degree to which the firm pursues a localization strategy versus a centralization or standardization strategy. A strategic emphasis on localization (a multi-domestic strategy) requires a localization strategy for IHRM, with an emphasis on localized HR policy and practice, in every area of HR, from recruiting and staffing, to training, to compensation and benefits, to labor relations and employee health and safety. A strategic emphasis on centralization (referred to as a Global strategy, with emphasis on integration of HQ policy with the local business) requires a large emphasis on use of expatriates and international assignees in all locales of the business, developing a global mindset and a headquarters' focus throughout the business. A strategy to be as local as possible within the context of an integration and centralization strategy requires HR to develop policies and practices that are global in scope while being sensitive to local custom, drawing on the best practices from headquarters as well as from throughout the world.
- In order for IHRM to contribute to the global success of its firm, it must develop the competencies to understand and execute practices in all areas of its responsibilities (e.g., staffing, training, management development, compensation, health and safety and employee well-being, union relations, etc.) and in all areas of the global business that support the global strategy of the firm.

4. How does IHRM strategy vary with an MNE's business strategy?

- When an MNE's business strategy emphasizes globalization, with increased use of international assignees, the need for executives with a global mindset, the use of a global workforce, and operations in dozens of countries, IHRM must develop its own

competencies to support such strategies. It must grow from a purely domestic focus and skill-set to a truly global focus and mindset. As the first two chapters point out, the global skill-set for IHR is very different from that required in a domestic HR focus.

5. What are some of the IHRM challenges faced by an MNE with a transnational business strategy?

- Refer to Figure 2.4.
- Transnational strategy implies geocentric mindset, taking advantage of global knowledge and technology while adapting to local culture and values. IHRM plays an important role in developing the global mindset while ensuring that local practice and values are accommodated.

6. What are the pros and cons of centralization versus decentralization of the IHRM function?

- Centralization takes advantage of standardized policy and practice; decentralization takes advantage of local cultural values and differences. There is no easy answer to which strategy is best—it all depends. Refer to Figure 2.5 to see the many variables that influence IHRM. The end result is that there are both pros and cons to each of these strategies.