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**Entering the International Market:
Opportunities and Choices in Human
Resource Practices**

Dr. Kathy Monks
DCU Business School

Ms. Jane Creaner
DCU Business School
(Research Fellow)

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ENTERING THE INTERNATIONAL MARKET: OPPORTUNITIES AND CHOICES IN HUMAN RESOURCE PRACTICES

INTRODUCTION

There is now a wealth of literature on the topic of international human resource management (IHRM). However, much of this literature has been devoted to the study of the large multinational which employs thousands of employees and operates at a transnational level. In addition, much of the space given to the analysis of IHRM practices has concentrated on the management of expatriates. Yet, most organisations are now faced with the prospect of becoming international companies if they are to survive in an increasingly global economy. The majority of these companies will be of small or medium size and relatively little is known of how they manage human resource issues in an international context. This article draws on research conducted in Ireland which examined the human resource practices of indigenous firms which have internationalised their operations. The article first of all considers the models presented in the IHRM literature as mechanisms for understanding the ways in which companies internationalise and the impact on their HR practices, before describing the findings from research in 11 Irish organisations.

THE IHRM DEBATES

There are a number of models of internationalisation proposed in the international management literature. Research in Sweden in the 1970s suggested that organisations start the internationalisation process by exporting, move on to licensing and thence to direct foreign investment (Johanson and Vahlne, 1977). This model was further developed by Johanson and Mattsson (1988) to include the degree of internationalisation of the firm and of the market. Four types of firm are identified: the Early Starter, the Lonely International, the Late Starter and the International Among Others. While the Swedish research concentrated on the stages of internationalisation, other researchers have identified different types of international company and have suggested that there is a process of evolution from one type to another. Thus, Bartlett and Ghoshal (1989) categorise companies into the multinational, the global firm, the international company and the transnational company. Various writers have then attempted to understand the human resource implications of the various stages of internationalisation (Negandhi, 1987; Dowling and Schuler, 1990; Doz and Prahalad, 1986). For example, Negandhi (1987) has matched the stages of internationalisation with control structures and staffing policies.

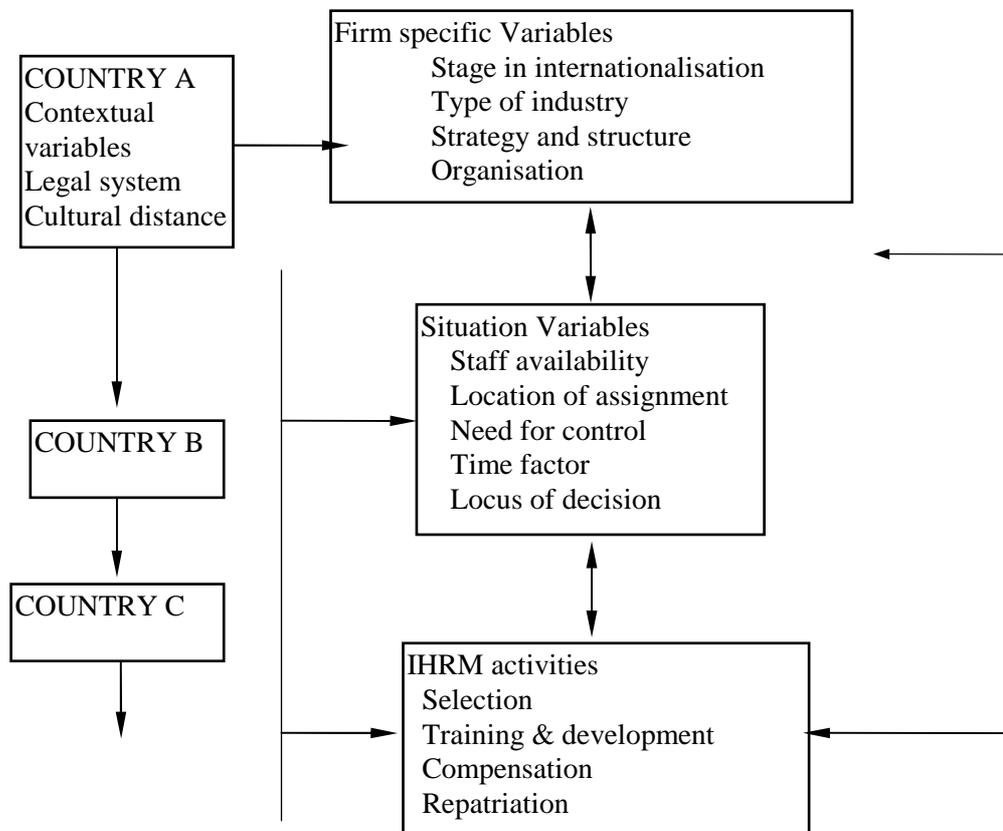
Once international, companies face all sorts of problems. Schuler, Dowling and De Cieri (1993: 719) summarise these difficulties by suggesting that multinational enterprises need to be 'global and local (multi-domestic) at the same time' and that they need to be able to 'facilitate a multi-domestic response that is simultaneously consistent with the need for global co-ordination and the transfer of learning and innovation across units through human resource policies and practices'.

There is evidence that staffing issues are critical in the international firm. Staffing involves a variety of choices: the employment of parent company nationals (PCNs), host country nationals (HCNs) or third country nationals (TCNs). The employment of these different types of staff is dependent on whether companies wish to pursue ethnocentric, polycentric, geocentric, mixed or ad hoc approaches (Heenan and Perlmutter, 1979). The recruitment of international managers is considered vital to the success of global strategies (Scullion, 1992). Yet international managers are in short supply and their employment creates the need for a complex set of arrangements which, unless successfully managed, leads to major problems for both individuals and organisations (Brewster, 1991; Black and Mendenhall, 1990; Barham and Oates, 1991). While some organisations may choose not to recruit an elite of international managers, they still face the issue of how to develop managers who can operate in the context of a large, diversified, multinational company and the quality of such managers has been identified as a source of competitive advantage (Doz and Prahalad, 1986; Bartlett and Ghoshal, 1992). In addition, organisations may need to identify exactly what types of managers they do require. Torrington (1994: 6) profiles four different types: 'cosmopolitans', 'the high flying multilingual elite', who are 'the most significant integrators of a dispersed operation' and who are akin to the 'global manager' identified by Bartlett and Ghoshal (1992); expatriates who may 'relocate for several years to a different country, usually taking family with them and often having significant problems on repatriation'; 'engineers' who 'spend a period of weeks or months at an overseas location, usually to install new equipment or to set up a production operation'; and the 'mobile worker' who 'is seeking employment in a foreign country as opposed to being sent out as an existing employee'.

A recent piece of research (Welch, 1994) proposes a framework for understanding the various interrelationships between organisational factors and IHRM activities that may determine an organisation's approach to the staffing of overseas subsidiaries.

From a study of expatriation in four Australian firms, Welch identifies interrelationships between IHRM activities and organisational factors such as stage in internationalisation, type of industry, strategy and structure. Linkages were suggested between four major IHRM activities (selection, training, compensation and repatriation) and firm specific and situation specific variables (see Figure 1). Welch's study aimed to contribute to theory building and was proposed only as a suggested explanation with further work required to develop the framework before it could be tested.

Figure 1: Determinants of IHRM Approaches and Activities



Source: Welch, 1994

THE RESEARCH

The research took place between February and July 1994 in 11 Irish companies. All companies had been operating in international markets for at least three years, employed at least 100 employees, some of whom were expatriates, and had a personnel department in head office. Interviews were conducted with personnel staff in these companies and questionnaires were also sent to expatriates employed by

three companies. While the interviews were successful in obtaining information on most aspects of HR practice within the firms, the questionnaires were less useful. Only three companies agreed to a questionnaire to their expatriates and only 24 questionnaires were obtained from a total of 105 dispatched. The questionnaire data was therefore used only to expand and confirm the information obtained in the interviews. Table 1 gives an overview of the companies. The table shows the number of employees, sector, number of operations, date at which the firms were established and date at which they began international activities. In some cases, only a rough figure is given for the number of operations as in the case of the service companies this was often difficult to gauge. As table 1 shows, the firms varied in terms of size, age and also the date when they entered the international market. Although all these firms are large by Irish standards, they are small when considered alongside many multinational firms.

Table 1: Profile of Companies

Company	Staff	Mfcg/service	No. Operations	Established	Internat
Retaico	2,600	Service	8	1950	1988
Dairy1	5,900	Mfcg	10	1973	1988
Dairy2	3,800	Mfcg	6	1973	1986
Drinko	1400	Mfcg	2	1769	1989
Financ	15,000	Service	<10	1966	1983
Cons1	13,000	Service	57	1984	1987
Foodco	2,500	Service	<10	1888	1906
Buildco	11,700	Mfcg	<10	1940	1972
Papco	16,000	Mfcg	350+	1934	1973
Marco	530	Service	15	1969	1970
Cons2	11,000	Service	<10	1920	1975

IRHM PRACTICES

Four areas of HRM practice were explored in the research: recruitment, expatriate management, management development and remuneration.

Recruitment and Selection

International firms face two major issues in the area of recruitment and selection. The first is the need to decide on the number and type of staff who will operate as international managers or who will be employed in international operations. The

second is the need to consider how the recruitment and selection of host country nationals (HCN) should take place. Table 2 gives an overview of the number of expatriates employed within these firms; the categories of staff recruited; the type of expatriate, using Torrington's (1994) classification; and whether the appointment was internal or external.

As table 2 shows, there were relatively few staff employed as expatriates, that is staff employed by head office but located abroad in a subsidiary. Most companies employed expatriates for quite specific reasons and often for limited time spans. Thus, in the case of Dairy2, Financ, Foodco, Buildco and Papco the expatriates were senior management whose specialist skills could not be found in the subsidiary. In the case of Cons1 and Cons2 and Marco, expatriates provided technical skills. Retaico and Dairy1 employed expatriates to spread the company culture, while in Drinko graduates were employed abroad as part of their training and development. In all companies except Papco, accountants made up the bulk of expatriates; in Papco only chief executive levels were occupied by expatriates. This suggests that for most companies control in international subsidiaries was achieved through financial systems and procedures and that accountants were critical to this process

The recruitment policies adopted by these companies varied depending on whether they were recruiting staff for international operations or whether they were recruiting HCN staff. Seven of the companies operated a centralised policy for the recruitment of international staff and all had strict guidelines on recruitment which were common throughout their operations. In addition, some of the firms had central processing of applications for vacant positions. However, these policies were to some extent flexible in that it was recognised that local situations also had to be considered in the recruitment process. Four of the companies operated a decentralised recruitment policy with staffing decisions taken at subsidiary rather than headquarters level.

Table 2: Expatriate Recruitment and Employment

Company	No. Expatriates	Category of staff	Type of Expatriate	Internal/external appointment
Retaico	70	Accountants; retail managers	Expatriates	internal/external
Dairy1	>10	Accountants; technical; managers	expatriates; engineers	internal/external
Dairy2	.>10	accountants	expatriates, engineers	internal/external
Drinko	>10	accountants; managers; graduates	expatriates, parachutists	internal
Financ	60	accountants; managers	expatriates	internal
Cons1	50	accountants, engineers	expatriates, engineers	internal/external
Foodco	>10	accountants	expatriates, parachutists	internal
Buildco	>10	accountants, engineers	expatriates	internal/external
Papco	>10	CEO	expatriates	internal
Marco	60	accountants, marketing	expatriates, parachutists	internal
Cons2	50	accountants, engineers	expatriates, engineers	internal/external

In the recruitment of HCN staff, quite a different picture emerges. All companies allowed the subsidiary to use their discretion although in some cases this discretion was based on the adaptation of head office policies. Given the legal requirements attaching to the employment of HCN staff, this finding is not surprising.

Table 2 also indicates the type of international employees found within these firms. These are classified according to Torrington's (1994: 6) categorisation of 'cosmopolitan', 'expatriate', 'engineer', 'occasional parachutist' and 'mobile worker'. There was no evidence of either 'cosmopolitans' or 'mobile workers' in this study, but the other three types were represented. The length of assignments undertaken by these employees, together with their attitude to expatriation, the preparation they

received and the types of communications between head office and the individual, is shown in table 3.

The companies varied considerably in the time they allotted to an expatriate assignment. This diversity reflects the very different types of international assignment undertaken in these companies and also the type of staff employed. Some of the companies (the dairies, Buildco, Drinko, Cons1 and Marco) found no difficulty in getting staff to move abroad; their difficulty lay in the need to retain key employees. In the remainder of the companies, enthusiasm for international assignments appeared to have waned over time. In Retaico, the personnel managers blamed this on a poorly planned repatriation policy whereby expatriates returned to their old jobs with no official recognition of the skills and experience they had gained abroad. In Finance, a similar lack of enthusiasm was reported and in the promotion stakes in this firm, internal company experience was more valued than international experience.

Table 3: Expatriate Assignments

Company	Length of stay	Attitude	Training	Communications
Retaico	> 1 year	ambivalent	extensive	constant
Dairy1	3 years min.	positive	extensive	weekly
Dairy2	3 years min.	positive	moderate	sporadic
Drinko	1 -2 years min	positive	moderate	sporadic
Financ	3 years min	ambivalent	none	sporadic
Cons1	no set term	positive	minimal	fortnightly
Foodco	3 months min	ambivalent	minimal	sporadic
Buildco	indefinite	positive	moderate	sporadic
Papco	-	-	-	-
Marco	5 years min	positive	extensive	constant
Cons2	years min	ambivalent	minimal	constant

The extent to which training was given for international assignments also varied between the firms. The companies which had the largest number of expatriates also tended to have the most comprehensive training packages. In some companies (Retaico, Dairy1, Marco), this training encompassed visits to the overseas location and the involvement of the spouse of the expatriate. The focus on training was undoubtedly fuelled by the problems of expatriate adaptation and possible failure, a

topic extensively documented in the literature (Barham and Oates, 1991; Rothwell, 1992; Tung, 1981). As the personnel manager in Retaico put it: 'failure overseas is very damaging both for the expatriate and for the organisation'.

The level of communication between head office and the expatriate may be a deciding factor in the success of the international assignment (Newman, 1992; Brewster, 1991; Tung, 1981) as the feeling of abandonment and isolation is a major difficulty for expatriates. As table 3 shows, the level of communication varied considerably in these companies: some corresponded on a daily basis with their expatriates; for others communications were much more erratic. The type of communication ranged from the normal business channels of telephone, fax or telex to more personal measures designed to provide expatriates with an ongoing link with home. For example, in Retaico a collage of newspaper articles was put together each day and faxed to expatriates. Even despite regular communications, the companies did report that their expatriates suffered problems with culture shock, isolation, climate and family adjustments. One difficulty mentioned in Dairy2 was where the expatriate is seen as a spy from head office and in consequence feels alienated in the new position.

Most of the companies did not consider the issue of repatriation although this is an issue widely debated in the literature (Guzzo, Noonan and Elron, 1992; Adler, 1991; Brewster, 1991). In the Irish companies the expatriate was simply expected to fit back into the position which had been vacated some years previously. In part, this lack of emphasis on repatriation stemmed from a lack of expatriate failure as none of the companies recognised this as a problem. The personnel managers considered that even those who did not like the assignment 'stick it out'. In Buildco and Cons2, the personnel managers reported that some expatriates 'stay on the circuit': they get used to working in an international environment and prefer the lifestyle abroad. However, this is not judged as expatriate failure on the part of these companies but rather as an indication of the expected mobility of international employees. As a consequence of these experiences, only two companies (Retaico, Dairy1) were exploring the possibility of repatriation policies.

Management Development

Only two companies (Retaico and Dairy2) operated international management development programmes. In the case of Retaico, the programme extended over

two years and was made up of 17 managers drawn from throughout the company: expatriates, host country managers and managers from the domestic operation. Dairy2 included exchanges between Irish and overseas operations in its management development programme. In the remainder of the companies, the emphasis was on developing general rather than international management competencies and Dairy1, Foodco, Financ, Cons1 and Cons2 included international assignments as part of the general training and development of their managers. This philosophy can be seen most strikingly in the provision of language training within these firms. Only one company, Retaico, provided language training for all staff. Six others (Dairy1, Buildco, Drinko, Cons1, Cons2, and Marco) provided limited language training for employees who need to use a foreign language in their work and the remainder did not provide any language training at all.

In all the companies, management development was perceived as the vehicle for enabling the organisation to deal with organisational change, of which internationalisation might be one element, rather than of equipping managers with international competencies.

Remuneration

There were difficulties in accessing information on remuneration in many of the companies. Papco and Marco did not provide any information, while Buildco disclosed only certain aspects. The sensitive nature of remuneration policies appeared to cause problems for the personnel managers interviewed. Table 4 indicates the policies.

Table 4: Remuneration Policies

Company	Centralised	Type of remuneration
	Decentralised	
Retaico	decentralised	PRP, bonus
Dairy1		PRP, shares, profit sharing
Dairy2		PRP, shares, profit sharing
Drinko		bonus, shares, profit sharing
Financ	decentralised	PRP, bonus, shares, profits
Cons1		bonus
Foodco	decentralised	PRP, bonus, shares, profit
Buildco	decentralised	PRP, bonus, shares, profit
Papco		-
Marco		-
Cons2		PRP

The companies varied considerably in their approach to remuneration. Four companies (Retaico, Buildco, Foodco and Financ) had decentralised policies. The remainder had uniform policies, but in effect variable practices, with policies adapted where necessary to the conditions operating in a particular location. For example, Dairy1 used the Hay system so that policies were the same throughout the organisation, but with different allowances in place. The majority of companies had merit schemes of one kind or another, although not for all levels of staff. This flexibility also extended to the remuneration package offered to the expatriate and was summed up by the personnel manager in Dairy2 as 'we try to make them somewhat better off than they were here...there is sacrifice involved'.

DISCUSSION

The description of HRM practices in the Irish international firms reveals some similarities, but many differences, with the types of approaches discussed in the general IHRM literature. In addition, there are many differences between the firms themselves; from this research it is certainly not possible to say that there is an 'Irish' approach to internationalisation. In trying to understand these differences, the framework provided by Welch (1994) and outlined in figure 1 is a useful starting point. Welch, from research in four Australian firms, suggests that 'international HRM approaches and activities are a function of firm specific and situational activities' (p. 150). The Irish research gives additional insights into the firm-specific

elements identified by Welch: stage of internationalisation, type of industry, strategy and structure and organisation.

Stage in the Internationalisation Process

The stage in the internationalisation process is a useful tool in understanding the HRM policies adopted by the Irish firms. The Irish firms could be broadly grouped into two categories: firms which had entered the international market before 1980 and those which had entered after that date. Firms which had entered 'early', had a more laissez faire attitude to IHRM issues: they tended to deal with HR issues on an ad hoc and individual basis. In contrast, the 'late' firms were more likely to have developed policies and practices to deal with the HR issues that they were experiencing in the international environment.. Thus, Retaico and the Dairies were trying to internationalise as quickly as possible and were much more proactive in their strategies than their more long-established counterparts. This need to internationalise rapidly also meant that these companies had to design and implement specific IHRM policies and systems; their more established counterparts relied extensively on the experience they had gained over time in dealing with problems and issues. The Irish evidence therefore supports Welch's (1994: 151) contention that the early models of internationalization, based on an assumption of sequential evolutionary development, are limited: 'the number of stages involved varies from firm to firm'.

Strategy and Structure

Welch contends that 'strategy and structure can dominate at a given point in time and thus influence the IHRM activity' (p. 154). There was evidence of the impact of both strategy and structure in the Irish research. For example, the dairy companies were fairly small and had entered the international market very aggressively. They needed to expand rapidly in order to survive and had developed their HR policies to cope with this expansion. The larger firms such as Buildco and Papco operated a more decentralised approach towards internationalisation. The Irish research also suggests that the first target country for the newly international firm and the number of locations are important factors in the strategy adopted towards internationalisation. Whereas some research suggests that familiar markets, in both geographic and 'psychic' terms are the most likely targets for international firms (e.g. Johansson and Mattsson, 1988), many of the Irish companies did not follow this route. Thus, Retaico entered the USSR while Cons2 entered the Middle East; both

target countries were geographically and 'psychically' extremely different from the Irish operations, yet this was where the business opportunities lay and the companies were prepared to take the risks involved in setting up operations in these countries. The companies that took the more unconventional routes to internationalisation were more likely to have put in place HR policies. Thus, Retaico had an extensive pre-departure programme for its expatriates, an extensive communications structure, and was in the process of constructing a repatriation process: the overseas locations were so psychologically and geographically far removed from Ireland that special provisions had to be made.

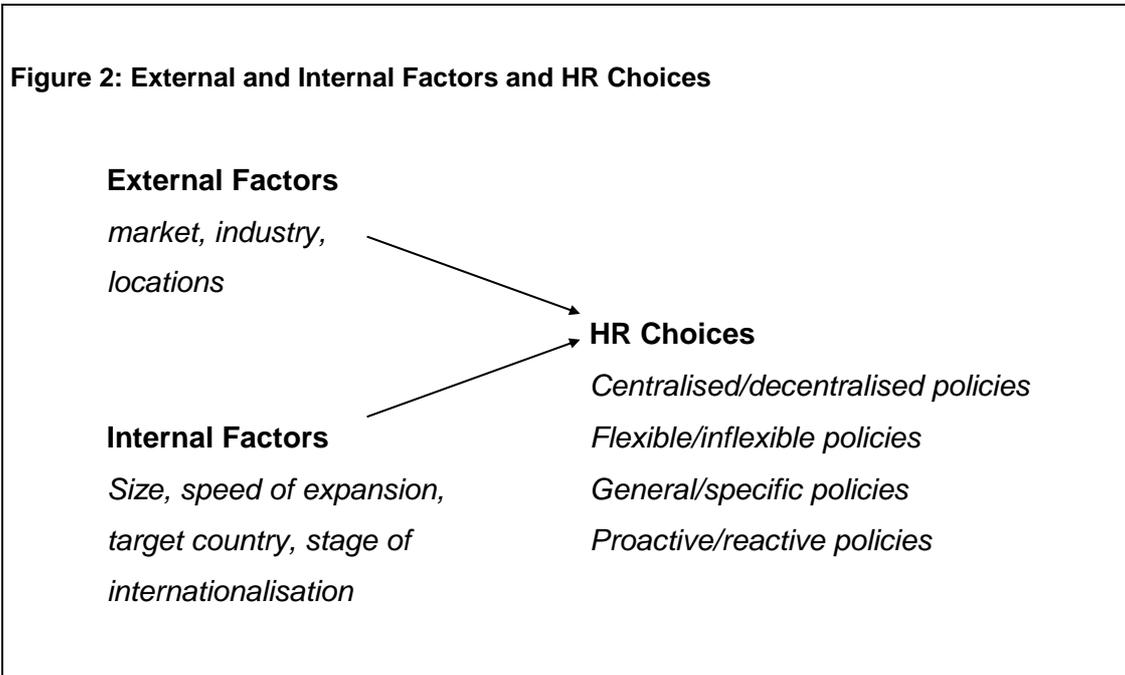
Type of Industry

The type of industry also appears to have an impact of the IHRM practices adopted. Welch's study suggests that 'the service company may be more vulnerable than the manufacturing firm as it has not experienced that preparatory stages of exporting which allows exposure to some of the inherent difficulties involved in offshore business ventures' (p.152-3). However, evidence from the Irish study indicated that a service company may be able to leverage certain advantages. Thus Retaico, as a service organisation, was able to enforce a reasonably uniform set of HR practices and to interchange employees between locations. In contrast, Buildco, a manufacturing firm, had a very diverse set of practices throughout the company and this militated against movement between even the various domestic sites; adding the international dimension to its activities complicated matters further. Here the personnel manager remarked enviously on 'the IBMs of this world who are able to move their people about internationally as on a chess board'.

Firm-Specific Interactions

Although Welch does not explore this issue, it was apparent in the Irish study that the firm-specific factors do not operate in isolation; there is a process of interaction between the variables which result in a variety of outcomes. In addition, it may be useful to differentiate between internal and external firm-specific variables and to identify the range of choices in the HR practices that firms pursue. Some of these choices are identified in Figure 2. The research suggests that firms have several choices in their approach to HR issues: centralisation or decentralisation; flexibility or uniformity; a set of HR policies which offer general guidelines for action or one which indicates specific action; a strategy which is proactive or one which is reactive. The Irish study gives some indications that a combination of certain variables may lead to

the adoption of particular approaches. Thus there was evidence that where companies go through a process of rapid internationalisation and choose more distant markets, they will adopt a centralised HR policy. Conversely, where they have undertaken a slow approach to internationalisation and choose closer markets they will adopt a decentralised HR policy.



CONCLUSION

This paper has considered the IHRM practices of 11 Irish international companies. The findings of the research suggest that the models of internationalisation which have been developed from research in large MNEs do not adequately explain the approaches taken in smaller firms: smaller firms may need to be more flexible, adaptable and opportunistic than their larger counterparts. Likewise, their HR practices may need to be tailored to specific demands. The research indicated the usefulness of the framework proposed by Welch (1994) in identifying linkages between IHRM activities and organizational factors such as stage in internationalization, type of industry, strategy and structure. Welch proposed the framework as one conducive to theory building rather than theory testing and is one based on a study of expatriate management rather than human resource practices in general. However, the Irish research suggests that the framework is a robust mechanism for identifying the range of variables which impact on human resource choices in international activities. The research supports some of the findings from

Welch's research and also suggests that attention needs to be paid to identifying the way in which variables interact with one another in their impact on HR practices.

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