Human resource management in international business presents issues that are different from those in domestic or local business. The nature and characteristics of international business are more complicated than domestic or local business. As such, it is necessary to account for different types of human resource management issues in international business. HR managers must also choose the right staffing policy approach based on the needs of the organization. Effectively addressing the various types of human resource management issues and deciding on the most suitable staffing policy approach leads to success in HRM in international business.

**Types of Human Resource Management Issues in International Business**

Three types of human resource management issues in international business are as follows:

* Expatriation
* Compensation
* Repatriation

In staffing in international business, HR managers must determine when or where to expatriation. Expatriate workers are frequently assigned to key positions in overseas operations. Human resource managers must also decide on the issue of compensation. The compensation of expatriate workers must be examined along with compensation of local workers and the compensation of workers in the home country. Differences in compensation packages have significant implications on staffing success, expatriate performance and business performance. HR managers must also address the issue of repatriation. Repatriation happens when the worker needs to come back to the home country, usually to continue working for the company. Repatriation also happens when the expatriate worker retires. These issues have significant effects on the perspectives and performance of expatriate workers and local workers, and the effectiveness of HRM in staffing.

**Types of Staffing Policy Approaches in International HRM**

In international human resource management, the types of staffing policy approaches are as follows:

* Ethnocentric staffing
* Polycentric staffing
* Geocentric staffing

The ethnocentric policy approach to staffing designates home country nationals as top ranking employees in global operations. For instance, executive positions are given to Americans in an office of an American company located in Indonesia. The main benefit of this staffing policy approach is that it allows the organization to ensure that the people in the top positions are experienced in the business of the firm. This is especially the case where the host country does not have enough qualified workers for staffing top positions in the organization. The ethnocentric staffing policy approach is also used to ensure that the culture of the entire organization is unified rather than diversified. However, the problem with the ethnocentric policy approach is that it does not fully support the transfer of local knowledge to the company. Also, this staffing policy approach could block locals from promotion in the organization.

The polycentric policy approach to staffing assigns home country workers to top positions in the central offices or headquarters, and overseas local workers to other positions. The main advantage of this policy approach is that it facilitates organizational learning on local markets. This staffing policy approach also provides better opportunities for locals to improve their careers through promotion. However, this promotion is limited to key positions in the local operations, and does not include central or corporate top positions. This staffing policy approach is disadvantageous because it could create knowledge and performance gaps between overseas managers and managers in the home country.

The geocentric policy approach to staffing assigns job positions to any person best suited for the position, regardless of the employee’s background, culture or country of origin. The main advantage of this staffing policy approach is that it is highly flexible. It can increase the firm’s cultural knowledge about the different markets and countries. However, a disadvantage of this staffing policy approach is that it could be difficult to apply. Immigration policies, costs of worker relocation and diversity management create pressure on HR management.

**International HRM**

The process of selecting, training, developing and compensating personnel in overseas positions

The national or country categories involved in IHRM activates:

- The parent/home country – firm headquartered

- The host country – subsidiary

- “Other” countries that may be source of labour, finance and other input

**What is an Expatriate?**

- Three basic sources of personnel talent that MNE’s can tap for these positions:

o Parent country nationals (PCN’s) EXPATRIATES

o Host country nationals (HCN’s)

o Third country nationals (TCN’s)

- Expatriates:

o Organisation members who work outside their country of citizenship on

international assignments for more than one year in one of MNE’s subsidiaries

(Briscoe, Schuler, & Claus, 2012)

International Recruitment Philosophies

**Ethnocentric (Expatriates/PCN’s)**

- Hire from the PCN’s to fill key positions and send them on international assignment to the

subsidiaries

- Pro’s

o When there are inefficiencies of qualified HCN’s

o Maintains coordination and links with HQ

- Con’s

o Limits promotion opportunities for HCN’s

o Expatriates usually more expensive

o Expatriate adaption to host country can be problematic

**Poly-centric (HCN’s)**

- Use of local HCN’s from the subsidiary country

- Pro’s

o Eliminates language barriers

o Avoids adjustment problems

o MNC can take lower profile in sensitive countries

o Continuity to management for foreign subsidiaries

- Con’s

o Gap between HCN’s and PCN’s at corporate HQ

o Problems with career paths

**Regio-centric (staff assigned within region)**

- Regional approach to staffing (favours using people from the region)

- Pro’s

o Reflects some sensitivity to local conditions

o Enables progressions from ethnocentric/polycentric approach to geocentric

- Con’s

o Can produce federalism at regional level

o Improves career prospects at national level but creates a barrier at regional level

**Geo-centric (staff appointed regardless of region)**

- Best people employed regardless of origin (i.e. from anywhere around the world)

- Pro’s

o Enables development of truly international cadre (team)

o Supports cooperation and resource sharing across units

- Con’s

o Some countries insit on employment of HCN’s

o Expensive for relocation and training

o Large numbers of PCNs HCNs and TCNs need to be used to build and maintain the

international team and to support the geocentric policy