Differentiate between Domestic HRM and International HRM.

Increased functional activities:

In order to manage human resources across countries, the functional activities of human resource departments increase multi-fold. These activities include managing expatriation, cross-country relocation, international taxation, trans-national labour legislation, etc.

Functional heterogeneity:

Since an MNE operates in diverse business environments with wide variations in government policies, culture, and regulatory environments, it has to carry out a variety of HRM functions, such as recruitment and selection, performance evaluation, managing compensation, and training and development, with considerable heterogeneity.

Satisfying various stakeholders, such as the employers, business partners, and the host country governments with effective human resource management in cross-country settings is indeed a challenging task.

Increased involvement in employees' personal lives: Managing expatriates involves relocating their entire families across countries: this is an important factor in ensuring employees' satisfaction as satisfied employees are crucial to effective output.

Relocating includes preparing not only the employees but their entire families, including spouse and children, to develop an understanding and appreciation for cross-cultural environment and equip them for potential cultural shock.

Further, issues such as education of children, meaningful engagement/employment for the spouse, accommodation, and transport become highly significant for employees, not only in the capacity to influence the decision to take up an overseas assignment but also in determining the employees' level of satisfaction and job performance.

Enhanced risks: Since human resource activities involve relocation of employees and their families across a country, which requires substantially higher costs in terms of their travel, training, and relocation expenses, the consequences of under- performance of expatriates or their premature return from international assignments is much higher compared to domestic assignment.

Therefore, an MNE has to develop and implement its international HRM strategies effectively so as to minimize such risks. Besides, the risks of employees' and their families' safety in terms of health and life increases multi-fold in trans-national assignments due to changes in climatic conditions, epidemic, war, terrorism, and incidence of riots and robbery.

5. Increased influence of external environment:

Like all other activities in international business, managing human resources is also influenced by external environment. The diversity of cultural, regulatory, financial, and political environments requires considerable adaptations in a firm's HRM strategy.

What Is a Multicultural Organization?

A multicultural organization is one that has a workforce that includes people from diverse backgrounds across all departments, and which offers them equal opportunity for input and advancement within the company.

A multicultural organization also possesses an absence of discrimination or prejudice toward people based on their race, religion, ethnicity, gender, age, sexual orientation, or physical limitation. In a multicultural organization, skill, talent, and performance are the criteria for meritocratic advancement.

Multinational Organizations

Multinational corporations are profit seeking enterprises having international power, capital, manpower, and resource-seeking practices. We can say that an organization that performs its business in two or more countries is a multinational company. These companies operate worldwide through their own branches and subsidiaries or through agents who represent them.

All the business activities are managed and controlled by the central head office of the organization, which is usually situated in the home country of the company.

The equity capital of the subsidiaries or branches in various countries is contributed by both the host company and the parent company. However, management and control of the branches is governed and controlled by the parent company.

As these organizations coordinate production and distribution on a global scale, they become enormous in size and wield enormous power, both economically and politically.

Multinational firms arise −

- Because capital as a resource is mobile and can be used across geographies.
- The growing global marketplace has created enormous consumerism.
- The mutual cooperation among friendly nations and development of new technology has facilitated mass production.
- Inexpensive labor and skills are available in many countries.
- Raw materials availability is spread across geographically.

Managers working in multinationals are required to understand and operate in multi-cultural international environment. As a result, they are required to constantly monitor the political, legal, sociocultural, economic, and technological environments across international markets.

Types of Multinational Corporations

Some of the common forms of Multinational Companies are −

Franchise Operations

Under this form, a multinational corporation endows firms in foreign countries the legal right to use its business model and brand per the terms and conditions of franchise agreement, which can be reviewed and renewed periodically. The firms who get the right or license pay royalty or license fee to multinational corporations.

Branches and Subsidiaries

In this kind of a system, the multinational company opens its own braches in different countries, which operate under the direct control and supervision of the company's head office. Sometimes, a multinational company may establish subsidiaries in foreign countries. These subsidiaries may be fully owned by the multinational (parent company) or partly owned, where the host countries own share capital. The subsidiaries follow the guidelines of the parent company.

Joint Venture

A multinational company establishes its company in a foreign country in partnership with the local firms or companies in the host company. The ownership and control of the business is shared by multinational and foreign company, where the governing policies are that of the multinational company and the day-to-day management is left to the local company.