


Chapter 2

Managing Employee Relations in Multinational Firms: Challenges and Opportunities

Sandeep Yadav

 <https://orcid.org/0000-0002-5030-6724>

Indian Institute of Management, Kozhikode, India

Latasri Hazarika

Indian Institute of Management, Kozhikode, India

ABSTRACT

Employee relations management has become an important intangible asset for the firm in today's employee-centered business environment. The multinational firm (MNCs) operating in various countries or institutional contexts face a unique form of employee relationship management challenges. This chapter focuses on the various employee relation issue in MNCs and provides a conceptual understanding. The chapter identifies language differences in various cultural contexts, staffing mix in various foreign subsidiaries, employee turnover in the global labor market, work-life balance, power conflict between parent firm and subsidiary, and virtual teams management as major employee-relation challenges for MNCs. The chapter explores strategic management of these challenges to have competitive advantages and practical recommendations for the MNCs managers based on the existing literature. Finally, the chapter also provides various gaps in the literature to be explored by future researchers.

DOI: 10.4018/978-1-7998-3515-8.ch002

INTRODUCTION

The world has become a shopping mall availing simultaneous ideas, products, and services at every place. Globalization explains a phenomenon of the borderless world with the integration of the global value chain, product markets, financial market, and corporate structures (Ohmae, 1990). Internationalization of the firms is one aspect of globalization. Dicken (1992) makes a qualitative difference between globalization and firm internationalization. Globalization is a complex and advanced form of internationalization with the integration of dispersed and multiple economic activities by firms. A multinational enterprise (MNCs) is a firm that owns and controls the activities in different countries (Buckley & Casson, 2016). This chapter is mainly focused on employee relationship management challenges faces by MNCs. The first section of the chapter introduces the concepts of globalization and firm internationalization. The process of Internationalization comes up with several advantages and challenges. The second section of the chapter discusses various employee management challenges faced by MNCs and provide a broad framework based on theoretical literature. The third section of the chapter provides solutions for managing employee relations in MNCs and road ahead for future research. The final section of the paper concludes with findings, implications for practitioners, and theoretical contributions for academicians.

Multinational firms have several advantages by achieving economies of scale and scope, by using their slack resources across boundaries, which increase firm profitability (Franko, 1989; Kobrin, 1991) and also by acquiring a new strategic asset from foreign markets. The establishment of foreign subsidiaries causes reverse spillover of knowledge and innovation to improve firm survival and profitability (Barkema & Vermeulen, 1998; Kogut & Zander, 1992). Firms can reap profit by exploiting low-cost labor and tax benefits in the imperfect markets (S. H. Hymer, 1976; Rugman, 1979) and can spread the fixed cost of R&D and marketing over several firms units (Franko, 1989). Internationalization provides a market power based competitive advantage of serving products and services across borders (Sapienza et al., 2006). The internationalization process comes up with certain unique challenges due to the liability of foreignness (LOF). It is the cost of doing business abroad which resulted from the firm competitive disadvantage of firms in the overseas market in comparison to the local host county firms (Zaheer, 1995). LOF arises from differences in cultural, geographical, political, practices and consumer behavior, labor practices, and laws. This chapter is mainly focused on employee relationship management challenges faced by MNCs. The chapter explores the multinational firm's challenges in strategic decisions of hiring and training new employees, deciding staffing mix of local, home or third-country based employees, retention of the talent and sustaining employee, resolving language barriers, maintaining

25 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/managing-employee-relations-in-multinational-firms/269352

Related Content

Moderation Effect of Training on Employee Job Performance in Retail Stores: A Conceptual Framework for Industry 5.0 People Analytics

Amandeep Kaur, Veer P. Gangwar, Prabhjeet Kaur and Lokesh Jasrai (2024). *Convergence of Human Resources Technologies and Industry 5.0* (pp. 211-225). www.irma-international.org/chapter/moderation-effect-of-training-on-employee-job-performance-in-retail-stores/345698

Strategic Decision Making: The Innovation and Implementation of a New Sourcing Solution

Anju Kamal (2021). *Cases on Critical Practices for Modern and Future Human Resources Management* (pp. 15-41). www.irma-international.org/chapter/strategic-decision-making/271883

Enhancing Employee Innovative Work Behavior Through Human Resource Management Practices

Nurten Polat Dede (2022). *Research Anthology on Human Resource Practices for the Modern Workforce* (pp. 1230-1250). www.irma-international.org/chapter/enhancing-employee-innovative-work-behavior-through-human-resource-management-practices/295399

Wasta, the Impact of Preferment on Organizational Culture and Human Resource Management

Elizabeth Kassab Sfeir (2022). *Research Anthology on Human Resource Practices for the Modern Workforce* (pp. 1297-1313). www.irma-international.org/chapter/wasta-the-impact-of-preferment-on-organizational-culture-and-human-resource-management/295402

Ignoring Commitment of Labor's Welfare: Evidence in State-Owned Enterprise Cement Holding of PT Semen Indonesia (Persero) Tbk

Effnu Subiyanto (2021). *Critical Issues on Changing Dynamics in Employee Relations and Workforce Diversity* (pp. 90-108). www.irma-international.org/chapter/ignoring-commitment-of-labors-welfare/269355