

Internationalization Strategies for Human Resource Management

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ABSTRACT

Nowadays globalization forces companies to go international and enter new markets. All the corporate values and strategies change after internationalization. Human resource management (HRM), as a part of key business functional dimensions, faces a high level of development as well. The aim of the thesis is to build an overview of internationalization strategies and operations for human resource management.

The thesis analyses both theoretical and empirical approaches of the topic. The theoretical overview focuses on the concepts of internationalization, strategic and global HRM. The empirical part of the thesis applies qualitative research method in form of semi-structured in-depth interviews with human resource managers of trustworthy global companies.

After all the data analyses the paper grounds the new theory about human resource processes and challenges during the internationalization period and gives suggestions on how companies can build global HRM strategies.

The results of the research show that there are certain processes and challenges of internal and external environment influence on HRM in internationalization. A company can build effective global HRM if they take into account all the points that must to be considered during internationalization.

Key Words: Human Resource Management, International Human Resource Management, Internationalization, Market Entry, Strategies

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ABBREVIATIONS

CEO – Chief Executive Officer

EAPs – Employee Assistance Programs

EU – European Union

GDP – Gross Domestic Product

HR – Human Resources

HRM – Human Resource Management

HCN`s – Host Country Nationals

IDI – In-depth Interview

IHRM – International Human Resource Management

PCN`s – Parent Country Nationals

SHRM – Strategic Human Resource Management

SME – Small and Medium Enterprises

TCN`s – Third Country Nationals

1 INTRODUCTION

This chapter provides an overview of the thesis frameworks. First, it introduces the thesis background and topic as well as explains the reasons of studies and author's intention to conduct research. The second part gives a deeper look into the thesis objectives, research questions and limitations. Moreover, the chapter presents a theoretical framework, research methodology and data collection methods implemented in the thesis. Finally, the introduction ends with a summary of the thesis structure.

1.1 Background

Human resource management (HRM), as a part of strategic operations, is frequently discussed nowadays amongst business professionals. Since 1970, HRM grew from administrative tasks into something new called people management. Together with an expansion of tasks and responsibilities, the role of the human resource (HR) department became more important. (Rees & Smith 2014.) As a part of strategic management, HRM is already involved in something more than just a personnel inflow into a company. It is also a source of motivation, training, control, organizational culture and in some cases, even customer care is implemented with support of HR professionals. (Ulrich & Brockbank 2005.)

Introducing the trend of strategic HRM, it would be inappropriate not to mention the tendency of internationalization and the role of proper HR strategies in internationalization processes. Root (1994) discussed the connection of the business world with internationalization already in the 90s. According to him, innovations and globalisation were going to take the world over. At the moment, there are a lot of examples of small and medium size enterprises (SMEs) and multinational corporations who successfully implement their businesses in completely different parts of the world. Certainly, there are clear advantages of globalisation. For example, cost efficiency, customers' expansion and raw materials accessibility. On the other hand, there is a number of factors to take into consideration

while planning an international market entry. Every company's strategy and goal requires planning and in a global sense this planning is becoming even more complicated due to external factors and complex market analyses. (Griffin & Pustay 2010.)

One of the challenges companies face when entering a new market is closely connected to personnel and HRM. Domestic HR strategies are not as effective in the international market. Due to markets' differences in cultural and economic backgrounds, teamwork does not go smoothly. As a result, collective motivation decreases and a company's personnel does not provide any profit, but only loses. (Rees & Smith 2014.) It goes without saying, that there are many more significant factors to consider in order to overcome challenges in international HRM for successful business internationalization (Griffin & Pustay 2010).

The thesis' topic is relevant because it focuses on positioning HRM as one of the main points of global growth planning. Moreover, it covers common HRM features that should be taken into consideration during an international market entry and internationalization as well as challenges that may occur on the way. The studies are based on theoretical and practical researches and contain relevant information about HRM transformation from domestic to international market. The thesis will be valuable for companies who have recently entered or are planning to enter a new market or are planning global growth or want to improve their international strategies. Furthermore, the thesis gives a base for further research about internationalization, HRM as a part of strategic management and international nature of HR.

1.2 Thesis Objectives, Research Questions and Limitations

According to Cox (2012, 3), every research starts from identifying a general topic of interest. In case of this thesis, the topic is Internationalization strategies of HRM. After the topic identification, it should be narrowed down in order to get a proper picture of research objectives and questions. After primary research about the topic, a

narrowed subject becomes an objective of the work. The thesis will strive for the following objective:

The main objective of the thesis is to conduct a research about HRM operations and issues in a market entry planning in order to get an overview about HRM strategies in internationalization period.

After the objectives specification certain research questions can be defined. The research questions are used to express research issues and objectives into a researchable form (Hair, Celsi, Money, Samouel, Page 2011). The following research question will be analysed in terms of the thesis:

How can HRM transform its strategies to an international level?

A number of sub questions supports the research question. It helps to organize work and provide descriptive and proper answers. The sub questions are defined as:

What are the main characteristics of international HRM?

What are the major HRM processes in the period of market entry?

What are the main external and internal challenges companies face in HRM transformation?

Research question, as the basis for further actual research, requires careful revision and evaluation. Evaluation of the research question and sub questions can be made using the following points of analysis made by Cox (2012, 3.)

1. Is the research question interesting to a researcher and relevant? Is it a new issue to explore from previously completed studies?

The research question is relevant and interesting on both sides of the topic: HRM and internationalization planning. There are studies that analyse HRM as part of strategic management; there are studies about international HR as well. However, the question of

HRM transformation to international operations during establishing a new market and global strategies do not have enough attention from researchers.

2. Is it possible to research the question?

Yes, the question can be researched using theoretical information and practical data.

3. Is the topic perceptible? Can the research produce a reliable and supported data?

The data for the research will be gathered from academic theoretical sources and interviews with HR managers of a number of companies. Therefore, the research question can provide reliable materials for further studies.

4. Is the research question broad or too narrow?

The research question does not focus on one country of interest or on one company. Nevertheless, as the question and sub questions are aimed to explore international HRM only from the side of new market entry planning, the question has a reasonable breadth for the research.

The research topic faces certain limitations that are significant to describe. The first limitation of the topic is connected to relevance of data available about the HRM as a part of Internationalization processes. As a fast developing practical field, HR went through a number of changes during the past years. The tasks and responsibilities of HRM are growing. Therefore, it may be complicated to find relevant studies that reflect a reality from the existing theoretical materials.

As for the second limitation, it is important to mention that the main research method is interviews. The nature of the method and limited timing for the research allow a small number of interviewees. While the interviews were conducted with four respondents, it is difficult to say that all the

companies can follow the same strategies or use the suggestions in their internationalization planning. Furthermore, the nature of the answers and personal assumptions included into the interview methodology may be not reliable enough.

From the side of interviews respondents, the HRM representatives interviewed come from different units of HRM and are responsible for different tasks and processes. Moreover, the companies representing the interviews have different sizes, come from different industries and use different entry modes. Therefore, the generalisation of research in terms of industries, companies` profile and HRM units does not guarantee relevance of the topic for all companies that are planning internationalization processes.

Moreover, the cultural side of the question cannot be properly explored without focusing on particular countries of origin and entry. Covering mostly European companies and analysing only general factors of the market entry processes builds an additional limit for the research.

From the side of author skills and qualifications, the lack of experience in the topic is a source of limitation as well as not having native-level of skills in English - the language of the research. Despite the fact that all the information is clear and understandable, some inaccuracy may arise.

1.3 Theoretical Framework

The theoretical framework is a guidance for further research. It helps to organise the ideas and topics of the research and understand the flow of further work (Business Dictionary 2016).

In the thesis, the theory will focus on theories of HRM, market entry and internalisation. Going from global fields to the final topic of the research, the framework will provide a full picture of the work and theories connected

to the topic. Figure 1 represents the theoretical framework of the thesis.



FIGURE 1. Theoretical Framework

Figure 1 shows that the first and the most global topic covers the basic theory about internationalization and market entry. These theories will be analysed in order to understand which factors other than HR make a difference for market entry. Second, the strategic role of the human resources in a company's operations will be examined for better understanding of HRM role in organizational operations as well as its international processes. Challenges of international human resource management (IHRM), as the next stage of the framework, is closely related to the final topic and describe difficulties that HRM faces on the international market and issues that influence IHRM. Lastly, future trends of HRM give an overview of expected changes and development in HRM structure and processes.

1.4 Research Methodology and Data Collection

First of all, it is important to mention that there are different approaches, research methods and data types to be considered while working on research.

The first point of decision making in the research is to understand whether it has inductive or deductive nature. Inductive method is based on empirical evidence while deductive is more focused on logical reasons (Ghuri & Gronhaug 2010). In its operations, deductive reasoning begins from predictions and hypothesis that are proved by further observations while inductive research starts with observations that arise into a theory (Privitera 2014). The research will follow both deductive and inductive methodology. The theoretical research will be conducted using deductive methodology, going from the general theories to the thesis topic. The empirical part of the thesis will reflect the inductive method, as thesis objectives, research question and interview structure are complex. The new theory will be built in form of suggestions for HRM internationalization strategies.

The second point of choice is decision regarding a suitable research method. There are two major methods: qualitative and quantitative. Likewise, the methods can be mixed in a research. Sanders, Lewis and Thornhill (2012) suggest easy definitions of qualitative and quantitative methods. They state that decision about the methods is driven by numeric or non-numeric nature of analysed data. Numeric data supports quantitative method, and non-numeric data such as words, images and case studies are the main tools of a qualitative research. From this simple explanation, it is easy to define the core tools of the methods. Quantitative research is closely related to surveys and other structured data sources while qualitative research refers to interviews and other methods that can have different approaches and interpretations.

In terms of the thesis, the qualitative research will be used, as the research question asks for reasoning and the operational side of the topic rather than statistical data. For this reason, the interview, as a tool of qualitative method, will be the most suitable data source for the research.

The third point of consideration is the type of data sources. There are secondary and primary data handled in the research. Secondary data is data gathered from information that was already produced in other studies.

The examples of secondary source are literature, articles, internet pages and other sources of theoretical information. Secondary data helps not only to conduct a research, but it also assists in a problem definition. Primary data has a more practical basis as it is gathered directly during research. (Ghauri & Gronhaug 2010.) Primary data, in case of the thesis, will be collected through interviews while secondary data will be collected from theoretical sources. The secondary data will help to have a theoretical outlook of existing studies and previous researches, while the primary data will give a practical view on the topic.

Table 1 summarises the methodologies considered during the research, their explanation and shows the author`s decision about the most suitable ways of the research conduction.

TABLE 1. Research Methodology

Research Approach	
Deductive	Inductive
From hypothesis to observations	From observations to theory
Research Methods	
Quantitative	Qualitative
Numerical, well structured data focused on statistics	Non-numerical data of descriptive nature focused on opinions and reasons
Data Sources	
Primary	Secondary
Direct data gathered by researcher	Data collected by other researchers

1.5 Thesis Structure

This part of the chapter introduces the structure of the thesis. The main parts of the study are represented on Figure 2.

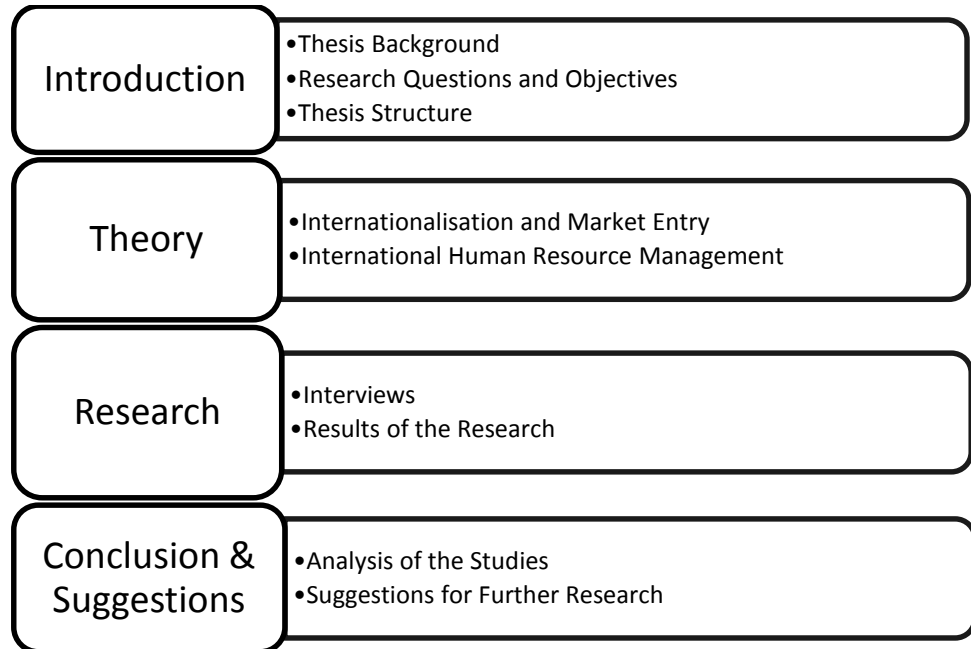


FIGURE 2. Thesis Structure

Figure 2 is separated into four sections: introduction, theoretical, empirical research and conclusions. The first section of Figure 2 represents the first chapter of the thesis, which introduces the thesis background, theoretical and research frameworks. This part plays a role of thesis guide for the further work over the paper. The second section shows the theoretical studies related to the research topic and questions. As is exhibited on Figure 2 the second chapter of the thesis introduces the theories connected to business internalization and market entry. The topics will be discovered in order to understand the position of HRM in the internationalization processes and other functional dimensions of the market entry procedure. The third chapter will be focused on the IHRM as a part of internationalization, its features, tasks, challenges and differences from domestic personnel management activities. After the literature overview, the fourth chapter of the paper begins with qualitative research process description. Furthermore, interviews planning process is

described in the chapter. The interviews are conducted with HR managers. These managers represent companies that are in the transformation process at the moment or recently went through the process. The results of the research and its analysis conclude the empirical section. The final point of the thesis is conclusion and suggestions completed in fifth, sixth and seventh chapters of the work. This part includes discussions and author`s suggestions, answers for research questions and suggestions for further research of the topic.

2 INTERNATIONALIZATION

This chapter describes the theoretical concepts related to internationalization and market entry. It covers introduction to international business theories, basics of internationalization and globalization as well as discovers market entry concept, its functional dimensions and modes of entry.

2.1 Internationalization and Globalization

According to Business Dictionary (2016), internationalization is a trend of bringing companies` operations to the international level. From the operational side of the concept it means that products and services are adapted for markets and customers other than domestic.

Essentially, internationalization is a part of the globalisation process, a more complex phenomenon of international integration. The theories of absolute and comparative advantages of trade are the basic concepts of economic globalization. The desire of not available goods, lower production costs and costs of resources as well as differences in technologies and ways of manufacturing made the world dream about free trade and made the global business an essential part of our lives. (Tayeb 2000.)

2.2 Reasons to Go International

From the side of the companies there are certain reasons for expanding to international market. The factors of the decision can have organizational or environmental nature. Figure 3 represents the factors that convince companies to enter a new market. (Tayeb 2000.)

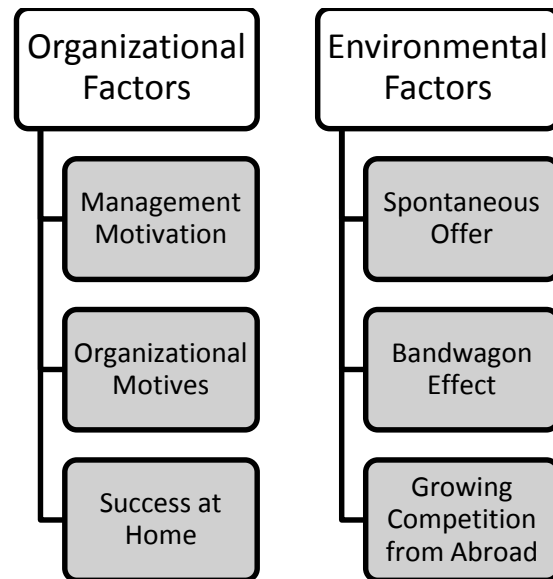


FIGURE 3. Reasons for Internationalization (Tayeb 2000)

2.2.1 Organizational Factors

Internal factors that force companies to go global and build international strategies can be defined as organizational factors. The first factor that force companies to extend the market is management motivation. In some cases the management of the company, its founders, President or Chief Executive Officer (CEO), can make a decision to go abroad due to their own international experience and plans. Management can have a knowledge about a certain market or just be motivated to grow and expand the business. When the company heads are full of enthusiasm about global growth, they start to build internationally oriented teams and plan internationalization as soon as they get the resources for the processes. (Tayeb 2000.)

The second factor represented on Figure 3 is the organizational motives. The organizational motives is a number of factors that work as motives or constraint over the internationalization. There are three main categories of the organizational motives: market seeking, efficiency and resources seeking. Market seeking refers to a company demand to find the most profitable and attractive market. The reasons can be profit advantage, lower tax rates, unique product or some new information about the market.

Efficiency seeking means a search of the most attractive and beneficial production and delivery conditions. The example of these conditions is port availability, English-speaking labor force or efficient production technologies implemented in the country of choice. Resource seeking is related to availability of resources required for the production. For example, oil companies are tend to invest to Middle East oil refineries because the countries have the oil resources. (Tayeb 2000.)

The last internal factor that can convince a company to go abroad is success at home market. When a product is very popular in the domestic market, the question of the internationalization rises. In times of globalization, when information about worldwide products and services is available to everyone, it is just a question of time when a successful domestic product will appear on the international shelves. (Tayeb 2000.)

2.2.2 Environmental Factors

The main environmental factors that influence a decision making process are spontaneous offer, bandwagon effect and growing competition from abroad. In general, decision to go abroad is taken after careful consideration of a number of factors such as knowledge of the market or product characteristics. However, an unsolicited offer adds a stimulus for the internationalization processes. Unsolicited offer is an offer that comes spontaneously from a foreign firm, customer or distributor. A company can either accept or decline the offer after considering its conditions and market environment. (Tayeb 2000.)

The second environmental factor explained in this part of the chapter is bandwagon effect. According to Investopedia (2016), bandwagon effect is a physiological phenomenon when people follow others in completing an action. Bandwagon effect is usually described as a phenomenon in a customer behaviour. In case of internationalization, bandwagon effect means that companies go abroad due to the fact that other companies successfully expanded their market before. As a result, one company

begins a chain of international activities among competitors and partners. (Tayeb 2000.)

The third environmental factor is strong competition from abroad in the domestic market. Usually this competition comes from multinational companies. As a strategy of defence, domestic organisations try to get new customers and respect from home audience by entering new markets. At the same time, the strategy makes companies to gather confidence, understand that their product should do in order to win the competition and realize the market potential that can help them to build the further improvement and development strategies. (Tayeb 2000.)

2.3 Entry Modes

One of the most important step on the way of establishing international operations is a decision about suitable entry mode. All the further operations are based on the choice made at this stage. HRM operations are not an exception. Therefore, this part of the chapter is essential, as its main aim is to give an overview about decision-making process, basic entry modes that a company can use in its internationalization strategies and role of HRM in each of them. Table 2 represents the basic entry modes, their key characteristics and influence on the HRM strategies.

TABLE 2. Entry Modes

Export Entry Modes	Direct Export	Producer handles all the procedures and decisions about the export. Then foreign-based agents or distributors take the responsibility over the product. (Hollensen 2007.) The mode requires careful HRM in terms of hiring, training and motivating teams with international experience and languages skills that will be involved in the export operations, collaborations,
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		documentation, financing and marketing (Griffin & Pustay 2010).
	Indirect Export	It is a convenient strategy for companies to test out the market and enter it gradually. The main players in the modes are producer, export-buying agents, brokers, export management company or trading company. A seller gives all the responsibilities on the host market to an independent organization located in the producer's country, who will manage export and all the connections with host country operators. (Hollensen 2007.) One point of consideration from the side of HR is to hire and motivate managers who will build connections with key export players (Baker & Hart 2008).
Intermediate Entry Modes	Contract Manufacturing	Manufacturing goods in a foreign market without making a final commitment. The mode can be selected by reasons of better interaction with foreign customers, lower production or transportation costs or governmental preferences of national suppliers. The method has comparatively low risks due to protection by tariffs and overall control of the process. One of the point of contract manufacturing minuses is closely related to HRM activities. There is a limited possibility to train

		and recruit qualified staff for the production units. (Hollensen 2007.)
	Licensing	Differs from the contract manufacturing in a way that producer keeps the right to influence on production and know-how by the terms of the contract. Despite the fact that values and manufacturing gets more control from the side of exporter, there is still limited control over quality and licensee operations. (Hollensen 2007.)
	Franchising	Very market oriented method. Its strategy involves selling business service to independent investors. According to franchising agreement conditions, an investor gets rights to use the full company`s image from name up to the total business concepts. Franchisor gets more control over the operations than in licensing. (Hollensen 2007.) In terms of HRM, franchising faces challenges in a way of understanding that franchisor is not the employer of the personnel. Due to differences in the leave, working hours and payment policies employees can affect the overall position of franchisor brand in the market. (XpertHR 2016.)
	Joint Venture	A partnership between two or more parties in sharing technologies and

		<p>managerial skills between each other and building opportunities for both partners. In some cases, joint venture is an only way to enter a market. (Hollensen 2007.) It is the hardest mode of entry for HRM. The need of intercultural trainings and communication arises. An alliance requires strong and committed leaders to work on it. Furthermore, if partners decide to put human capital into the joint venture, HRM of both companies should build completely new organizational culture together. (Gundy & Hinkel 2012.)</p>
	Management Contracting	<p>Upon the agreement, the contractor provides the know-how to the partner who supplies capital and takes responsibility about value chain in the foreign market. Management contracting is an effective way of learning of market entry and internationalization strategies for the contractor. It also gives low risky opportunity to get involved into a new market. The contracting creates demand for key personnel who will take care over the entry issues and operations. (Hollensen 2007.)</p>
	Buying a Company	<p>Buying a company with an established customer base, employees and local connections. The most costly market</p>

		entry mode. The main advantages of the method is the status of local company and benefit of being treated as a local company by the government, knowledge about the market and possibility to control the processes. (Tradestart 2016.)
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Overall, there is a range of routes how a company can enter a new market. The decision making process includes a complex analyse and comparison of entry modes and market characteristics. In terms of HRM, its functions highly depend on the market selection. While export strategies require less HRM involvement, intermediate modes has a lot of issues to be solved and discussed during the planning period in each of the company`s functional dimensions. (Tayeb 2000.)

2.4 Functional Dimensions

There are different activities involved in every business that are important for strategic planning and company`s operations. In international business, these functional dimensions can be categorized into five main functions represented on Figure 4. The organizational functions are closely connected to each other. Therefore, it is important to get an overview about each of the dimensions in order to explore HRM as a part of strategic management in Internationalization and market entry processes. (Morisson 2006.)

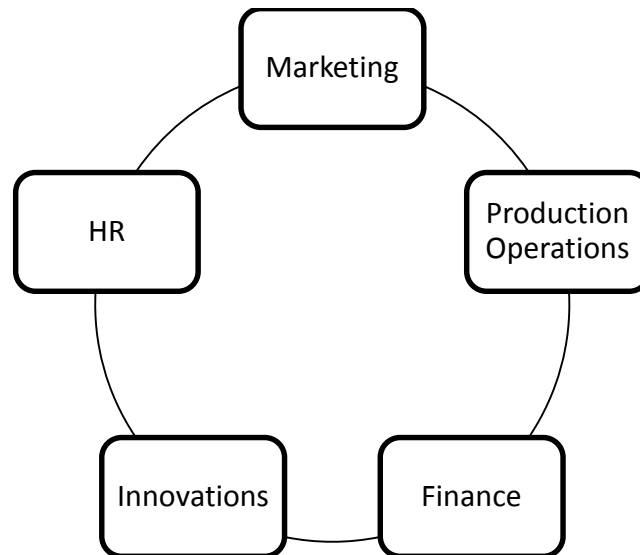


FIGURE 4. Functional Dimensions of International Business (Morisson 2006)

The main function of marketing as a business dimension is to satisfy and reach the audience by implementing a suitable marketing strategy for each market (Morisson 2006). In terms of international marketing, the concepts are identified with marketing mix, which represents combination of product, price, place and promotion elements. Product, as an element of the mix, can be a good, service, information or a scope of all three types of a product. (Onkvisis & Shaw 2009.) Price refers to strategic decisions about price differentiation, costs of production and resources (Griffin & Pustay 2010). The main goal of the place planning is to deliver a product to its final customers in the most efficient way. Placing brings together decisions about networks, transport, wholesalers and retailers of a good. (Morisson 2006.) Promotion is basically source of communication between producer and customers. There are different promotion strategies and activities. The scope of these elements is called promotion mix. It includes advertising, personal selling, sales promotion and public relations operations. (Onkvisis & Shaw 2009.)

Production operations are activities that a company takes in order to transfer different parts of production into a final product. According to Morisson (2006), strategic objectives of production operations are concepts of quality, dependability, speed, flexibility and cost. Quality

means reaching customers expectation in terms of reliability and durability of a product. Dependability concept relates to delivery of products in accordance to promised conditions. Speed indicates the time expected for raw materials and goods delivery. Flexibility shows if production and delivery conditions can be easily changed in line with changing customers' needs. Cost concept is connected to costs management where all the components and processes are aimed to be completed with lowest expenses while saving expected qualifications. (Morisson 2006; Gourdin 2006.)

International business is not possible without finance and accounting activities as a part of its functional dimensions. Finance and accounting include three main functions: financial management, which supports company`s intentions to raise funds for strategic operations; management accounting, which aim is to control funds needed to reach certain objectives and financial reporting, including profit and loss accounts, balance sheet and auditors actions. Management accounting is closely related to HRM in its links to labor, material and energy costs. (Griffin & Pustay 2010.)

Production and organizational processes should be always developed and improved in accordance to modern trends and technologies. Nowadays the word "innovations" can be defined as a separate dimension of business operations. Apart from products improvements, innovation also includes other strategic developments such as processes development, administration and control methodologies, new marketing waves and modern technologies in distribution and delivery fields. As it can be seen from the range of developments, Innovation is into and over all the international business operations. (Morisson 2006.) The last functional dimension of the international business is human resources that will be deeply explored in the following chapter of the thesis.

3 INTERNATIONAL HUMAN RESOURCE MANAGEMENT

The third chapter of the thesis describes theories related to IHRM. The chapter includes introduction to strategic and global HRM, its main differences, processes, challenges and future trends. The chapter is essential for the research in order to get an overview about HRM strategies that appear in companies after internationalization.

3.1 Nature of Human Resource Management

The first part of the chapter will be focused on theories related to HRM nature, its growing strategic role and HRM value proposition. Moreover, the sub chapter will define global HRM, as an introduction to IHRM theories.

3.1.1 Strategic Human Resource Management

According to Business Dictionary (2016), HRM is a process of creating additional value to a company by hiring and developing employees. As a part of organizational management, the main objectives of the HRM are to raise employees' capacity, hire the most suitable people, control legal employment and discrimination issues, and motivate employees for reaching the highest commitment levels. (Dessler 2009.)

Defining strategic human resource management (SHRM), Business Dictionary (2016) gives the same overview of the main tasks and objectives of the department. However, as a part of organizational strategies, SHRM has more collaborative and proactive nature of actions. The managerial actions in the strategic operations are closely linked to organizational structure and objectives of the company. (Bratton & Gold 2003.)

3.1.2 HR Value Proposition

After defining HRM and SHRM, the next step of the theoretical research is to explore the core HR values and their proposition. By its organizational nature, SHRM is linked to the company business strategies. This link can be almost invisible or it can describe HR and organizational strategy as one organism, depending on organizational values and goals. (Torrington, Hall, Taylor 2005.) In its value proposition, HRM has five main elements that are represented on Figure 5.

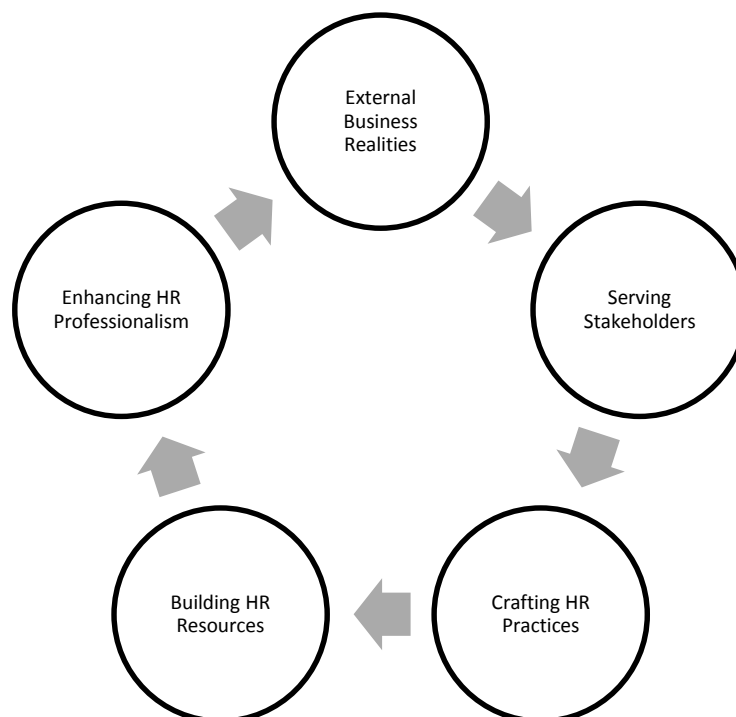


FIGURE 5. HR Value Proposition Elements (Ulrich 2005)

As shown on Figure 5, the first element, external business realities, refers to the changes in the business environment. These changes include technological development, transformation in economic, political and demographic environments and internationalization context. The role of SHRM is to adapt the practices and resources over the external realities. Ability of this adaptation is one of the criteria for efficient HRM. The second element of the value proposition is connected to stockholders. HR values and deliverability should be precise for receivers of HR work. These receivers are employees, customers, investors and line managers of the company. Effective HRM and strategies are able to create value for all the

company players by helping line managers with delivering strategies, enhancing individual abilities of employees and building connections with target customers for customer share increase. (Ulrich & Brockbank 2005.)

HR practices, as the third value proposition element, are the functions that company expects from HRM to be involved in. Another HRM element, which brings value, is building of effective strategic planning process. HR resources add the value from creation and organization of resources, combining them into efficient strategies. These strategies should align investments into HR operations with business goals. Value proposition of HR professionalism element is related to HR professionals, their qualifications and area of expertise. They are able to add value to the company operations by completing their tasks and playing their role in the organizational processes. (Ulrich & Brockbank 2005.)

3.1.3 Global HRM

IHRM is a scope of strategies and concepts that are used to evaluate and manage HR challenges in the global environment. The main objectives of IHRM are managing human resources in international companies, implementing expatriate programs and analysing global HRM practices. (Dessler 2009.)

One of the basic decisions that IHRM makes is a choice of strategies for HR practices and policies centralization. There are four main approaches related to the topic. (Rees & Smith 2014.) First approach is ethnocentric. In case of the approach, all HRM operations are managed from the parent company and all strategic decision are made by key managers from the domestic offices. Second approach, polytechnic, gives more decision-making space and responsibilities to subsidiaries and host managers. Polytechnic approach is usually used when a need for product or services adaptation exists. (Scullion & Collings 2006.) Third approach, geocentric orientation of an organization, refers to multicultural and skills-driven thinking. In this case, positions are filled regardless the nationalities, but considering skills and achievements of the personnel. (Rees & Smith

2014, Mutsuddi 2011.) The last approach, regiocentric, approach is based on the regional headquarters. Managers are chosen from a certain region by skills and experience. Autonomy of subsidiaries in this case is relatively large and all the policies and processes are controlled by headquarters located in each region. (Rees & Smith 2014.)

3.2 HRM Practices

This part of the chapter provides information about HRM practices, tasks and responsibilities in the strategic management as well as describes the practices in terms of international environment. The part will follow the HRM cycle represented on Figure 6.

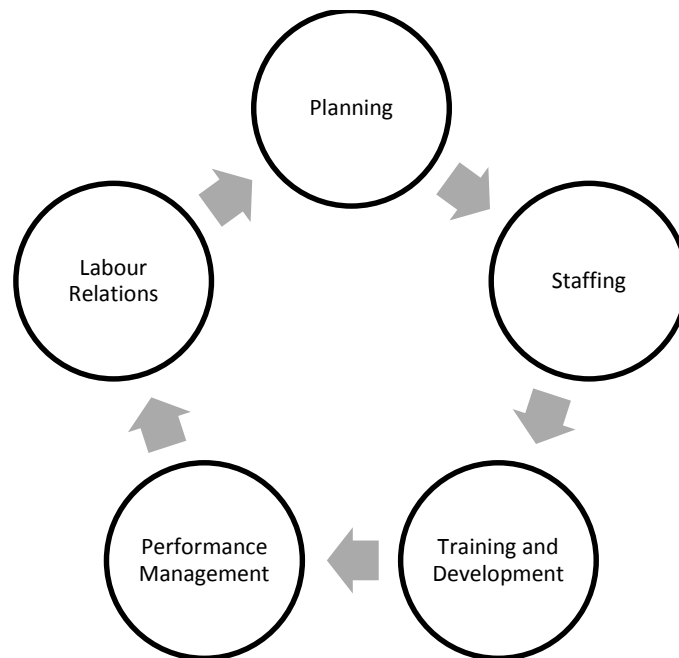


FIGURE 6. HRM Cycle (Dessler 2009)

3.2.1 Planning

Planning, in terms of HR, is a tool used to make strategies available and implementable for the further operations. Planning of HR processes includes analysing of company`s demands for the personnel and balancing human capital in an organization. The process plays roles of strategic programming, communication and control of HRM processes. As

a crucial part of each HR operation, strategic planning helps to fill gaps in capabilities, capitalise knowledge and skills of available personnel, resolve appropriate strategies and develop a talent pool. (Torrington et al. 2005)

The scope of workforce planning includes analysis of market environment by social, demographic, political, legal, industrial, technological and competition factors. These analyses help to identify and develop corporate values and missions in regards to external situation. Successful planning is one of the requirements for building a wide pool of talents and understanding their values and demand. Analysis of current situation and forecasting the future workforce flow help to approach corporate development plans and strategies. (Torrington et al. 2005)

IHRM function is a scope of HR processes with emphasis on company's multinational development and strategies. Global HRM planning should be relevant to the company's needs and consistent of the local policies and environment. (Schuler, Budhwar, Florkowski 2002.) Therefore, external factors reflect more studies about social, cultural, political, economic and legal issues on the local and international arena. Internal management, analysis and forecasting get complex approaches related to centralization and decision-making policies. (Torrington et al. 2005)

3.2.2 Recruitment

The next step of HRM cycle is organizational staffing. Staffing by itself consists of three major operations – recruitment, pool of applicants' management and employees' selection. This part of the chapter will be focused on the first stage of staffing, recruitment. DeCenzo and Robbins (2010) page number explain recruitment as a process of seeking for sources of candidates for company's openings. Success of recruitment process depends on several factors. These factors are organizational image, job attractiveness, internal organizational policies, external market laws and recruitment costs.

As for the goal of the stage, recruitment is aimed at seeking for sources that will be suitable for job positions to be filled. There are two types of recruitment sources that exist in companies. First of them is internal sources. Internal recruitment is promotion of employees within a company by training and developing their skills in order to force their career growth. Internal promotion is a source of employees` commitment and motivation. Companies that prefer internal recruitment can reduce costs by simplifying orientation, training and recruitment processes. On another hand, there is a threat of missing external qualified fits for openings while promoting internal personnel just by the reason of their previous work in the company.

External sources are essential for a company in order to broaden the candidate pool and attract the best professionals for available openings. One of the external sources is employment agencies. There can be public, non-profit or private employment agencies. They help companies to create candidates pool based on the positions available in the organization and skills required for them. (Dessler 2009.) Schools, colleges and universities are great sources of entry-level employees with high educational skills. Some corporations provide special graduate programs and internships that help graduates and students to start and develop their career in a company. These programs help to build strongly committed and motivated employees over recent university graduates and students. Job fairs, as a source of external recruitment, nowadays are more focused on creating the best image of the company and attracting possible candidates and clients for the future. (DeCenzo & Robbins 2010.)

Following technological development wave, HRM received a great advantage of recruitment via internet. New sources of recruitment such as home pages, job boards and portals, dot-jobs domains, virtual fairs and social networks made it a way easier to receive and manage applications flows. In comparison with newspapers, job advertisement has an advantage of free advertisement, global availability and data storage. Moreover, applicants tracing systems that are implemented in most of the

job portals and companies` job pages ease the processes of candidates` pool management, applications sorting and selection. (Dessler 2009.)

In the global sense, it is essential to define labor market for global positions, because costs of failure are extremely high. The decision is based on company`s requirements of cultural and national development and skills of host and home countries employees. (DeCenzo & Robbins 2010.) There are three main perspectives of defining the target labor market. Employees can be hired or expatriated from parent country nationalities (PCNs), which gives more direct control over international subsidiaries and helps to transfer organizational culture to a new market. Possible disadvantages of the perspective are connected to high costs and risks of expatriation connected to lack of cultural awareness, governmental issues and working permit legislations. An opposite approach is hiring host country nationalities (HCN`s). Knowledge of local market and culture, long-term view on the local corporate strategies and governmental support are the main drivers for the perspective. While there are disadvantages of difficulties with control of subsidiary activities and communication challenge. The last method, which is closely related to regiocentric and geocentric approaches, is hiring third country nationalities (TCNs). This type of employees can have same qualifications and higher cultural awareness than PCN`s. Hiring TCNs also involves less threats and lower costs. Recruitment pool expansion and sharing possibility as well as elimination of language barriers are other advantages of hiring employees of TCN`s. However, it may be not the perfect option in terms of legislations, cultural differences and possible lack of control over the subsidiary. Furthermore, there is a possibility of hiring third country employees only by language and cultural competencies rather than by skills and ability to handle company tasks. (Scullion & Collings 2006.)

3.2.3 Employees Selection

After the phase of recruitment, it is essential to manage the pool of candidates and start the selection processes. As it was previously

discussed in the chapter, internet gives an opportunity of bringing all the candidates' information together via application forms. It becomes much easier to collect and verify information of each candidate. Moreover, application forms give an opportunity for candidates to control and manage their own application process, upload certificates, motivation letters and resumes to support their application. One recent way of applying for a job is to submit video resume. It gives a chance to applicants to show their commitment and build a better image of themselves for the employer. On the other side, application forms and video resumes, in some cases, include questions that may raise discrimination problem. Even though there are certain laws implemented in a number of developed and developing countries that restrict the use of questions about religion, race, gender or sexual orientation in the application forms, companies still frequently ask for this information. (Dessler 2009.)

Apart from application form, selection can include screening and comprehensive interviews, pre-employment tests, medical examination and background examination procedures. The methods of the candidates' selection vary between companies and positions. More than 60% of all organizations use some type of pre-employment testing. It helps to screen candidates' skills and capabilities and see whether applicants are able to handle pressure and tasks. There are different types of the tests exist. One of these types is performance simulation test, which analyses behaviour of a candidate in situations that usually appear on the job placement. Another way to check the candidates' ability to perform tasks is work sampling. Work sampling is a great tool to predict the short-term performance and avoid discrimination. One difficulty connected to sample testing is a range of tasks that employee will perform after hiring. It is impossible to build sample tests for each of the tasks and see the full picture of candidates' abilities. (Dessler 2009.) A set of performance tests can be completed in assessment centres. Usually assessment centres are used for checking teamwork and leadership potential of candidates. In an international context, it is important to realize difference between markets

and find out the most efficient testing tools for the global arena. (DeCenzo & Robbins 2010.)

One of the most important stages of the application process is interviewing. An interview is the most common way of candidates' assessment. The selection interviews are aimed to predict future job performance by assessing oral responses and inquiries of the applicants. Interviews may be non-structured with questions that come to an interviewer's mind or structured where all the questions are specified in advance and responses may be rated for appropriateness of content. Types of questions may also vary from situational, behavioural or knowledge and background questions. The way of interview administration can be classified as well. Interview can be taken by one person, by several people in sequence before the decision is made or an interviewee can be interviewed by a group of people at once. (Dessler 2009.)

After successful interviews, a lot of employers tend to investigate candidate's background and references. The standard areas that are verified by a company are legal eligibility for employment, military service, and education, dates of prior employment, criminal records and identification. Nowadays, more and more employers start to check social network sites and postings as well. It helps to confirm employees' qualifications, behaviour and identify former colleagues that can be further contacted. Furthermore, reference checks, as an investigation method, helps to verify information and get more understandings about skills and qualifications of the candidate. Nowadays there are special pre-employment information services exist that help to check candidates data from one web site. Medical investigation and drug screening are often the last stages of application process. (Dessler 2009.)

Candidates, who performed successfully, get an employment offer. After, negotiations about salary and working conditions can be completed before the final agreements. It is important to mention that HRM requires constant communication with all the candidates. Rejected candidates should be considered in the strategic decision-making processes as well. It would be

beneficial for company's image and future applications to get in touch will all the applicants and consider the rejected applications for the future opportunities. (DeCenzo & Robbins 2010.)

Selection process in the international HRM can follow the same scheme of applications receiving, testing, interviewing and hiring the most suitable candidates. The differences in the process are connected to the skills required for the international managers. In terms of managers from all three perspectives of recruitment, a perfect candidate should have experience in international work, excellent communication skills, stress tolerance, language and intercultural competences in order to be successful in the global management. (Mutsuddi 2011.) Therefore, testing and interviewing should include tasks and questions related to global thinking, communication, flexibility and problem-solving skills (Dessler 2009).

3.2.4 Training and Development

First step that a new employee goes through is new-employee orientation. During an orientation program new employee is tend to get understanding about organizational culture, history, procedures, rules and specific responsibilities and duties of his(her) new position. The orientation can be done not only by HR professionals, but also by unit's supervisors or via special online-based programs. The programs should help employees to begin integration with the team and organizational culture. (DeCenzo & Robbins 2010.)

Orientation programs may vary by their nature, length or managers. The employee can receive a handbook with all the necessary information about working hours, company background, and job description. Web based handbook can also include facilities tour. In other case, companies can organise a brief introduction to the firm's background or a full introduction day for a number of employees. Training, as the next step after the orientation, help to enhance skills and knowledge of the trainee about the job that (s)he will perform. (Dessler 2009.)

There is a number of different training methods. The most popular ones are coaching and mentoring that are based on sharing experience between new comers and senior employees. Furthermore, Apprenticeship training, as a mix of on-the job training and formal instructions, is frequently used by companies. Usually a new employee gets guidelines from a senior manager, who is already an expert in the job field. Nowadays, a number of e-based trainings is getting popular among companies. These trainings can include virtual-reality-type games, animated guides, and online role-plays, as parts of simulating learning, or different online courses that are provided by company`s learning portals. (Dessler 2009.)

The task of HRM is to implement not only new-employee training programs, but also managerial and leadership development trainings. This type of trainings is aimed at enhancing the personnel skills and improve managerial performance in the company. (Dessler 2009.) One of the popular development technique is job rotation. Job rotation can be vertical or horizontal. Vertical rotation is a promotion of an employee to a new managerial level while horizontal rotation is a short-term transfer of an employee into a new organizational role. The main aim of the method is to broad skills of a particular employee. As an example of horizontal rotation, assistant-to position training is a method of making personnel experienced in a variety of tasks and duties. Employees under the method seasonally work for different units under guidelines from the unit`s managers. After completing the assistant-to-position training, the employee gets qualified in different company`s dimensions and can be promoted to a new managerial level. Committee assignments, as a training technique, allows employees to share their ideas, learn from others and investigate the organizational problems. In terms of the method, a committee is involved into particular company`s problem where (s)he looks for a solution. (DeCenzo & Robbins 2009.)

In the international context, training and development refer to cross-cultural trainings and understanding of corporate goals and overseas assignments. The trainings are most relevant to expatriates, people, who

are taking international learning as their project and professional development (Peltonen 1998). Even though expatriates are usually intercultural competent people, there is a need for cross-cultural trainings before or after arrival to the destination point. The trainings should be available for the expatriated employee as well as for his(her) family. (Decenzo & Robbins 2010.)

3.2.5 Performance Measurement

The next stage in the HRM cycle is performance management. Performance management can be divided into two main activities that are performance measurement and compensation management. HR practices and policies can have an impact over employees` performance and commitment, product`s quality and sales, and company`s financial performance (Torrington et al. 2005).

Performance appraisal process, as the base for performance measurement, has several stages of implementation. The first stage is establishment of performance standards. These standards follow organizational culture and objectives. After that, they should be clearly and carefully explained to all the employees. Communication is essential at this stage, as it is the start for new corporate rules and performance management strategies. Measurement of actual performance, as the second stage of the appraisals, can be made from four main sources of data: personal observations, statistical, oral or written reports. The main decision that should be made during the performance measurement is the criteria of assessment. After all the goals are set and employees` performance is measured, it is time to compare the actual performance with the corporate standards. Appraisals compare data by different approaches and include a list of explanations. The appraisals` results are shared and discussed with employees and if needed the appropriate actions are taken inside the teams. (DeCenzo & Robbins 2010.)

According to studies described by Dessler (2009), a lot of global companies use the same technologies for the performance management

abroad that they use in headquarters. Performance evaluation tends to follow headquarters` culture without any or with only small adaptation to the host country employees. They tried to keep the consistency and treat all the employees internationally by one standardized scheme. However, it can be said that performance management in the international context requires consideration of growing number of factors in its evaluation and appraisal models. Differences in social and business cultures between parent and host nationalities are important factors that come into planning performance management processes. Not all the norms acceptable in the national culture of headquarter country fit cultural and business rules in its regional subsidiaries. (Mutsuddi 2011.)

3.2.6 Compensaion Management

The second mission of performance management is compensation. Compensation systems by themselves contain several elements that help to motivate and encourage employees (Ulrich & Brockbank 2005). The first element, rewards, have three main objectives: recruit and retain qualified workers, encourage employees to learn and develop their skills and motivate employees to follow corporate rules and undertake responsibility. There are three types of rewarding can be implemented. One and the most popular type is individual rewards that are paid directly to an employee. Individual rewards are based on work maintenance, attendance, tasks performance and competence factors. As examples of individual rewards, there are basic wage, overtime wage, bonuses, paid leaves and benefits. The second type of rewarding systems is team rewards. They are given to the teams, who successfully completed their projects in efficient cooperation between team members. A possible example of the team reward is team bonuses and gain sharing. Team rewards are getting more popular on the market with growing emplacement of self-managed teams. Organizational rewards, as the third type, are based on overall commitment to the corporate goals. Organizational rewards can be given on the profit sharing or share ownership bases. (Bratton & Gold 2003.)

Moreover, compensation can have performance-based or membership-based characteristics. Performance-based system includes commissions, piecework, performance bonuses as the methods of rewarding, while membership based commission takes into consideration costs of living, labour market adjustments and profit sharing factors. Establishment of compensation strategies highly depends on company`s rewarding objectives and external factors of the market. The main external factors that influence compensation policies in HRM are geographic differences, labour supply, competition, costs of living and collective bargaining. (DeCenzo & Robbins 2010.)

During the planning process of compensation strategies, section of employees` benefits should take a careful consideration. Nowadays employees want not only a stable salary and rewards for their work, but they also require several benefits that will provide them by stable personal life. Employee benefits are nonfinancial rewards that are used to attract and keep employees in the company. Decision-making process about benefits is usually taken by assessment of needs and desires of the personnel. After careful consideration of benefits variety, it is time to include benefits into established compensation systems. It is significant to remember that there are legally required benefits exist. The main goal of these benefits is to provide employees the financial protection in unpredictable cases. Legally required benefits vary from country to country. Usually, basic employee benefits that are mandatory by law in developed and developing countries are security premiums, unemployment and workers` compensation. Voluntarily benefits that are decided by company can be in forms of health or life insurances, disability protection, financial planning, paid vacations, etc. Therefore, for HRM it is essential to take care of planning compensation and benefits programs to reach the better efficiency in terms of recruitment, hiring and motivation of the personnel. (DeCenzo & Robbins 2010.)

3.2.7 Labour Management Environments

Labour environment management is related to moral responsibilities. One of the core objectives of HRM is to build a value for the company while designing safe and healthy working conditions for all the employees. World Health Organisation introduces “health” as mental, physical and social wellbeing. Workplace injuries and health diseases not only take huge costs from a company, but also affect the most valuable resource of the organization – its employees. This is a legal duty of an employer to provide safe working conditions for their personnel. (Bratton & Gold 2003.) The main contemporary issues of working health and safety are workplace violence, indoor air quality and smoke-free environment. Unhealthy working atmosphere as well as conflicts and stressful responsibilities cause increasing aggression and disease levels in the organization. It is an important issue for HRM to reduce stressor in the company in order to implement effective and convenient strategies for all the organizational players. (DeCenzo & Robbins 2010.)

The second issue that is connected to the working environment is ethics. Workplace and threat of any employee in a company must be fair. The fact that employees who suffer from bullies, yelling and humiliation from their supervisors get higher stress and frequently leave a company despite of other company's advantages like image, salary or benefits. Ethics by its nature is very tricky question in terms of different perceptions. The best way to avoid the ethical problems is to build a constant communication and collaboration with all the company parties, follow and understand their feelings and needs in order to eliminate any possible threats connected to the topic. (Dessler 2009.) Nevertheless, it is not always possible to avoid the problems. For this reason, there are different methods that help to manage and solve the problems connected to personal or relationship issues. The studies of Tompson and Campling (2006) provide 50 different tools of solving the people problems. For example, CIA Network that helps to manage pressure and stress or Embedded whys that make manager to understand the reasons of certain actions. Most of these tools can be used in the HR management. The most important thing is to select the most

suitable tool in terms of key ideas, problem circumstances, preparations and support needed for the method and consider all the challenges that may appear.

3.3 Challenges of International HR Management

This part of the chapter covers key challenges of international HRM. Cultural barriers, ethics, political, legal and economic environment as well as internal issues will be described as the main issues of IHRM (Rees & Smith 2014; Mutsuddi 2011).

3.3.1 Cultural Barriers

Intercultural diversity is one of the globalization advantages for international companies. However, cultural issues bring a number of challenges as well. The fact is that countries differ in their attitude towards life and working environment. People of different cultures react on the same issues in completely different ways. Several researches shown that countries differ by certain cultural dimensions. Assertiveness, as the level of readiness to confrontation and competition, shows how tough people in a society are. The future orientation is another important factor of the culture differences. The orientation to short-term or long-term strategies is a matter of nationality. Performance orientation and perfectionism are the points to planning employees` development and improvement. Human orientation cultural scores help to build strategies of rewarding and benefits considering, whether it is common to reward people for their fairness, altruism and kindness. (Dessler 2009.)

Another classification that can be used for understanding cultural differences is Hofstede model. Four key factors were offered by Hofstede to classify cultures by their working habits. These factors are individualism, power distance, uncertainty avoidance and masculinity. Individualism refers to employees` preferences to work and take responsibility individually or in a team. Power distance shows a level of authority in the culture and level of communication with organizational managers.

Uncertainty avoidance can give an understanding about cultural perception of future and willingness to take risks. Masculinity as a factor refers to the cultural orientation towards success, performance and money, if society is masculine or towards environment, quality of life and relationship values in the feminine nationalities. (Torrington et al. 2005.) Hofstede classification of countries can be found in appendix 1. (Hofstede 2001)

The main cultural challenges are connected to communication problems between PCNs, HCNs and TCNs. As the same actions can be done in completely different way and with different perception, there is a need to learn and respect cultural characteristics of all the company`s players. Culture is not something that should be avoided in the international strategic planning. A company can overcome the challenge by avoiding stereotypes, becoming open-minded to multicultural environment and lowering cultural effects on the projects` effectiveness while implementing right performance and motivation strategies adapted over the culture of the international market. (Torrington et al. 2005.)

3.3.2 Ethics

Ethics, as a part of working environment management, brings several challenges to the International managerial practices. Some ethical questions were discussed already in the chapter. However, as the significant issues in the global context, discrimination will be further discussed in this part of the paper.

Discrimination, as an IHRM challenge, refers to equal opportunities for all the employees regardless their race, gender, sexual orientation or physical diseases. The role of IHRM is to build equal and fair working environment. Discrimination issues touch all the HRM processes. Recruitment and selection should provide same opportunities for all the applicants, performance of the minorities should be assessed and rewarded according to company`s strategies on the same level as for the majority employees. Everyone should get access to the training and development opportunities

and career growth as well as the comfortable working environment cannot be based only on the majority desires. (Mutsuddi 2011.)

Gender question in the international context is a topic that is getting more and more discussions and arguments on the basis of growing feminism move. The fact is that there is still low number of women nominated for international assignments and international managerial roles, even though women do take managerial roles in headquarters. There is still a stereotype exists that management is only for men in some countries. It can be just not common to have a woman on the managerial position in several cultures. It is believed that women cannot handle the same level of pressure as a male manager. Therefore, women in the international management have to work harder in order to prove their managerial skills. Overall, discrimination, as a part of ethical issues, should be avoided and people should be treated by their abilities, personality and skills, not by their country of birth, race, gender or health issues. (Scullion & Collings 2006.)

3.3.3 Economical, Political, Legal

Economic, political and legal factors are important issues in the international business. Each country has their own policies and laws concerning labor forces. These laws depend a lot on the economic situation and the political stability in the country. HRM cannot operate efficiently without understanding issues connected to these factors. Therefore, it is the role of international HRM to follow changes in political, economic and legal systems and avoid any misunderstanding or legal challenges in its labor strategies. (Mutsuddi 2011.)

Economic development levels differ from country to country. Usually more developed countries are ready to build working conditions in a more comfortable way for employees, therefore legal practices in the developed markets develop to the side over the decreasing working hours and increasing minimum compensation rates and taxes. It is important for HRM management to consider labour costs and hours of work in all the

international dimensions and make sure that corporate strategies do not break any labour law. Otherwise, a company will have to pay a fine or even leave the market. (Dessler 2009.) Political environment has direct influence on legal issues of labor force as well. Government can have a bigger support of home country employees over incoming managers in order to reduce unemployment rates and build a wider home labor pool. This support can include higher tax rates for incoming employees, special visa and recruitment requirements. For the foreign governments international companies is not only a source of taxes and investments, but also a source of work places for local citizens. Therefore, while planning managerial strategies, it is significant for HRM and company`s headquarters to find the most profitable and legal options for hiring, training and managing the personnel. (Tayeb 2000.)

3.3.4 Internal Factors

Internal challenges of HR management involve problems connected to market entry and internationalization stages and strategies, organizational culture and levels of control and communication inside the company. Headquarters involvement in IHRM actions hugely depends on internationalization stage and organization models chosen by the company. Usually polytechnic, regiocentric and ethnocentric approaches are slowly adapted to the company after the entry. There is an issue appears of hiring and training personnel with consideration of international strategies development and adaptation. (Mutsuddi 2011.) Another organizational challenge is building strategies, considering modes of entry and international views of the organization. For example, every increase in export is followed by increasing number of employees involved in export contracts, finances and marketing procedures. The need of constant flexibility and readiness to implement new strategies for a developing mode of internationalization is a significant issue of international business and HRM. (Griffin & Pustay 2010.)

IHRM gets affected by financial, technological and cultural aspects as well as by corporate values, culture and common policies. IHRM strategies are fluctuated over these internal factors. It may be difficult for SMEs to implement internationalization considering all HRM processes and issues. Organizational policies reshape HRM and build the base for organizational culture. Technologies that are used inside the company can help HR management or in opposite build additional barriers in the international environment. Teamwork level and working climate in the corporate assignments gives an understanding on the personalities` types that should be hired for open positions. Overall, internal organizational factors add tasks to the HR managers and create new challenges for the IHRM strategic implementation. (Mutsuddi 2011.)

3.4 Future Trends of Human Resource Management

It is significant to understand that are the current and future trends of HRM in order to get a full picture of HRM, its role and processes. The fact is that employees` expectations, technological development, unstable world economy and globalization reshape business and workplace strategies. It is one of the HRM goals to be prepared for changes in the business and market environment. (Coombes 2014.)

3.4.1 Future Role of HRM

From the side of future roles, HRM is going to continue its path to strategic organizational position. In past years, a lot of global companies divided their HRM structure by three main functions: administrative tasks, compensation management and business partnership. While administrative tasks of HRM are tend to be outsourced, the role of HRM as a company`s business partner and remuneration planner will get the key attention in the future. (The Economist 2009.) Due to this fact, core competences of HR managers get a change as well. HR business partner should have at least basic business understanding in order to give valuable advices and support to the company operators. Furthermore,

strategic thinking and ability to encourage and motivate people are the key skills that HR business partner is going to have. (Losey, Meisinger, Ulrich 2005.)

Moreover, future strategic role of HRM includes a high number of analytics and research tasks. Traditionally, HRM has not high context of data. However, the situation is changing at the moment. Despite the fact that recruitment and candidates pool management are in a flow of outsourcing, HRM will get a high amount of data coming from performance management and attendance reviews. Overall, new generation HR managers are people qualified in analytics, research and information technologies (IT). They are able to track employees` motivation, performance and life situation while using relevant research methods and media platforms. More than that, they know how to fix workforce and improve teamwork in the company. (Morgan 2016.)

3.4.2 Development of HRM Processes

One of the business trends is hiring people for temporary projects in the form of freelance. Hiring freelancer creates an advantage for a company in avoiding permanent payments and benefits packages. The trend of freelance forces HRM to search, select and hire suitable freelancers and fill the employment gaps in the available projects. (Morgan 2016.)

Another trend in HR processes is connected to growing importance of interaction and employees` involvement in the company`s operations. Nowadays, people see work as not just a place to earn money, but also as a part of their personal lives. Morgan (2016) called it "work-life integration". Employees want to make difference in their workplace, they want to be valuable and noticed inside their team. One of the strategies that companies can use to build employees` commitment is peer recruitment. Peer recruitment is a process based on referencing where company`s employees help to source candidates using their own social connections. There are different ways of implementing peer programs. Employees can just provide information about possible candidates for the roles or

employees can get a chance to promote their candidates to the company. Peer recruitment has a lot of advantages. Friendly environment and established relationship with at least one team member helps candidate to feel welcome and more committed to the company. It takes less time for the new worker to adapt himself and get into the operations. Furthermore, peer recruitment gives more responsibility and feeling of importance to already performing employees, who now can take part in the team building operations. (Sullivan 2016.)

As an example of trends in employees motivation and integration activities, gamification is taking attention of the business world. First, gamification is a tool of how companies can build a brand loyalty and engage with their customers while building their operations in form of a game. In the world of HRM, gamification is involved in the integration activities as well. It creates a brand loyalty from the employer side and engagement between employees and management. Gamification can be used in most of the HR processes. Talent acquisition can become brighter using scores or other rewarding systems for every step of application process. Gamified platforms can help to track the teams` performance, create motivation and handle data about employees` activities at the same time. Employees will happily go forward training and development activities if they have day-to-day challenges that will break the daily routine. Gamification creates more interactive environment full of small competitions, rewards and motivation. (Sims 2016.)

3.5 Summary

In conclusion, theoretical overview of the research topic covered the main theories related to internationalization, market entry, strategic role of HRM, IHRM and future trends of HRM. After going through the theories, it is getting clear that HRM in the market entry period is highly dependent on organization strategies, market related aspects and HRM processes.

While running after more profitable market for company operations, it is significant to realize that HRM is one of the company`s functional

dimensions and people is one of the main organizational resources. Therefore, HRM should be considered as a point of international issues and processes. In the international sense, HRM should be aware of market entry strategies the company uses, centralization decisions should be taken with participation of HR managers as well. Key market characteristics such as market type, its economic, political and legal issues are the points of discussion for the company headquarters and international managers.

The main activities of HRM are planning, staffing, training and development, performance, compensation and working environment management. All these activities have one big aim – to provide company by the best employees with all the skills and qualifications required for the company operations. On the international level, there is a number of factors including external challenges such as cultural, legal, political, economic and ethical issues. Together with internal organizational issues, they make HRM to build processes and strategies in more complex and internationally oriented way. Looking into the future, the role of HRM becomes more connected to business partnership in the company. All the HR processes are going to change with waves of technological development and rising role of integration.

To sum up, theoretical part of the thesis provides understanding about key issues of internationalization, strategic HRM and IHRM. The information guided the author through the main theories related to the topic of the thesis research, internationalization strategies for HRM.

4 EMPIRICAL PART

Chapter 4 introduces practical part of the thesis. After careful consideration of the theory available about the topic, empirical part will observe the primary results of qualitative research. The procedures of interview design, acquisition, analysis and basic results will be described in the chapter.

4.1 Data Collection Method

As it was already described in the introduction part of the thesis, research is completed via qualitative method. In-depth interviews (IDIs) were chosen as the main data collection method. In-depth interviews help to go into the subject and understand it from the inside. They are meant to discover new knowledge and theory from interaction with chosen target-interviewing group. (Roller & Lavrakas 2015.)

There are several steps that can be followed on the way to reliable results that will answer research questions and satisfy the research aims. The first step is definition of research issues that should be solved. The main issue of the following thesis is transformation of HRM strategies to international level. The following step is determining the interviewees. (Roller & Lavrakas 2015) Author found it sufficient to conduct interviews among people, who are skilled and experienced in the research topic. Therefore, a number of HR managers, HR business partners and CEOs of 17 international companies were asked to answer interview questions using the most suitable way of interviewing for them. After getting replies from companies closely connected to Lahti University of Applied Sciences, four HR business partners from companies of different sizes and industries agreed to participate the interviews. These companies are Wiredelta Ltd, CGI Oy, Ramboll Oy and Lindstrom Oy. Talking about the reasons of rejections, three Managers of international companies were not able to find enough time for the interview and one company`s representatives did not feel themselves proficient enough in the topic to take part in the research.

After defining reliable sources of the information and selecting interviewees, it is important to understand the structure of interview questions (Roller & Lavrakas 2015). By the questions an interview can be structured, unstructured or semi-structured. Structured interview includes a strict number of questions that follow each other in a certain order. An interviewee, in this case, can choose responses from the list provided by interviewer. Unstructured interviewees is basically an open conversation between respondent and interviewer. Both participants of unstructured interview discuss topic and initiate questions right on the spot. The topic is quite broad in this type of interview. Semi-structured interviews is a mix of both modes, where interviewer may have a certain plan for the interview with key questions that should be discussed, but these questions do not follow a strict order. Semi-structured interview is heavily based on follow-ups and supporting questions. (Roulston 2012; Salmons 2015.)

As the main aim of the exploratory research is to understand how companies can transfer their strategies to an international market, author found it more suitable to use semi-structured interview format. The method is useful in terms of the research due to its inductive characteristics and unpredictable results. The main topics discussed during the interviews includes questions about first thoughts about HRM in market entry, organizational strategies of HRM, HR internationalization processes and challenges that managers find fundamental in building an efficient HRM model for an international market. The basic questions of interviews were structured as open questions. While follow-ups and clarifications could be formulated in the closed questions format. The basic interview questions can be found under Appendix 2.

4.2 Interview Acquisition

The following step in the data collection is interview acquisition. There are different methods how in-depth interviews can be conducted. It is essential to find an interview mode and time that will satisfy all the participants. The basic mode of conducting the interview is face-to-face conversation.

Certainly, face-to-face conversation gives more space for a natural discussion between interviewer and respondent. People usually feel themselves more comfortable, when they see a person who asks questions and his (her) emotions and expressions about the replies. However, face-to-face interview is not always the most suitable mode for everyone, as it requires time and additional costs to be present in the place of meeting for both sides. Nowadays, there are a lot of technologies that can help with interviews handled between people from different places. Nowadays, with development of information technologies, it is getting easier to reach people from all over the world and schedule interviews for the most sufficient time for all the participants. The possible ways of not traditional conversation are phone, online and email interviews. (Roller & Lavrakas 2016.)

In terms of the thesis, the interviews are conducted, using different communication modes. It was easier for some companies to meet online rather than discuss the topics face-to-face. In numbers, three out of four interviewees suggested to have interviews online, using different platforms like skype, appear.in and outlook lync. One interview was conducted in a company office. All the interviews were recorded and transcribed before the analysis in order to get a full overview of answers and ideas suggested by interviewees. Table 3 presents interviews timetable including dates when the interviews were scheduled and conducted.

TABLE 3. Interviews Timetable

27.09.2016 – 05.10.2016	Interview Design
5.10.2016 – 7.10.2016	Contacting possible Interviewees
12.10.2016	Online Interview with WHR Manager of Wiredelta Ltd
13.10.2016	Face-to-face Interview with HR Business Partner of CGI Oy

17.10.2016	Online Interview with HR Business Partner of Ramboll Oy
18.10.2016	Online Interview with Senior Vice President HR of Lindstrom Oy

4.3 Interview Analysis

This part of the chapter describes the process of interview analysis. It gives a closer look to analysis steps and methods, primary study of the interview data and evaluation of the thesis interviews as a data collection method.

4.3.1 Analysis Methods

Interviews can be analysed via different methods in dependence of research objectives and target groups. In terms of the thesis, information gathered from the interviews was analysed by mix of memo writing and constant comparative methods. Memo writing, as the data representation, starts from writing down all the ideas and questions appeared after the interviews and continues with making connections between different interpretations and exceptions. (Roulston 2012.) The paper followed memo writing analysis in order to qualitatively understand data and build the common theory about HRM internationalization strategies. Constant comparative method is based on the constant comparison of data. The steps of comparative method include comparing scenes from each category, integrating the categories, demarcate the theory and writing down the final findings. (Roulston 2012.) From the point of the comparative analysis, the interview results were compared to each other, common data was found as well as reasons of differences were explored.

As a mix of both evaluation methods the interviews analysis followed the steps represented on Figure 7.

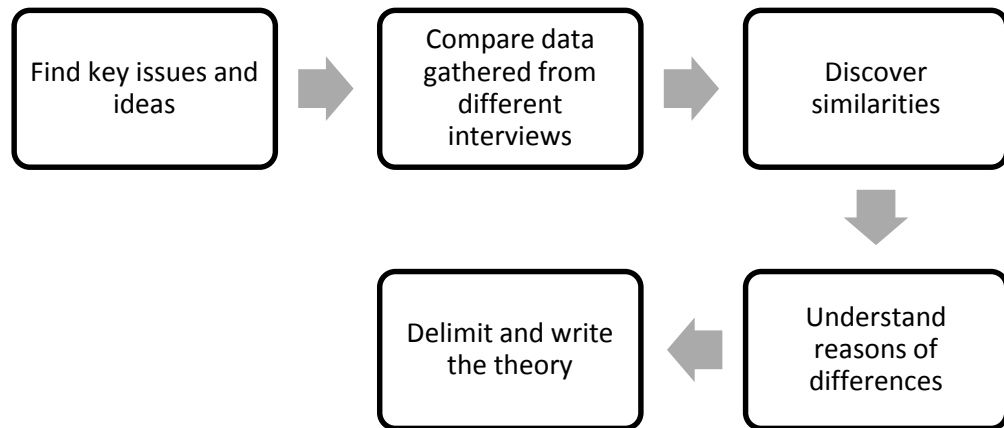


FIGURE 7. Interview Analyses (Roulston 2012)

4.3.2 Data Analysis

As it is represented on Figure 7, the first step in the interview analysis is finding key issues discussed during the interviews. As it was already mentioned in the previous sub-chapter, all the interviews included several core topics that support the further study. These topics are the main processes of HRM transformation for international market and challenges of this transformation. Furthermore, the interviews discovered basic international HRM strategies of the companies. During the discussions, new topics and ideas appeared inside the main questions. These key ideas in the topic of transformation are connected to the need of local managers in a new market, influence of culture and legal factors on the recruitment processes, global performance and compensation management, training and members` orientation.

Comparing answers of interviewees concerning HRM responsibilities during market entry period, all the respondents agreed that market awareness is the first thing that should be taken into consideration by HRM. As one of the interviewees said, the key responsibility of HRM manager in a new market is to *“understand the market, understand the employees”*. The market understanding is related to external issues and legal environment of the labour while employees understanding is all about cultural diversity. It is important as well to spread this understanding

inside the company. HRM *“should make sure that new members of the company know where they are coming... they should face truth and reality.”*

Another key issue in terms of the HRM processes that was discussed is about building strategies in a smooth way and bringing value to the company and its operations. Three out of four interviewees agreed in different parts of the interviews that recruiting a local person to lead a new market is one of the basic steps that HRM should take care of. The main reasons for hiring local managers are described by these quotations from one interview: *“Getting a local is advantage. I am far away; it is hard to get to the universities and people because of distance and time”*; *“While one interviewee said that need of hiring a local manager “depends on business and industry where a company performs”.*

Considering differences in the answers, it is important to mention that the interviews do not contradict each other. The main difference is the direction of answers. Some respondents were talking more about planning and recruitment, some paid more attention on the performance reviews and management. There are also interviewees who said that *“the first thing they should start looking at compensation”*. The main reason of the different direction is the fact that while being on the same positions of HR managers or business partners, interviewees are involved in different tasks. Especially, the issue exists in case of the big companies where all the processes are usually separated by different HR departments. Nevertheless, the look at different processes gives an opportunity to see the topic from different prospective.

Talking about the centralization levels, there is also a big difference in the interviews` answers. Most of the interviewees said that the processes and corporate rules somehow adapted over international markets in their companies. However, levels of adaptation are different due to different sizes and industries where the interviewed companies perform. In case of a start-up, strategies for a new market are built very fast and it is mostly *“free styling on the bases that we do in headquarters”*. Talking about big

companies, HRM and business strategies can have several levels of decision-making. Overall, regardless all the differences in market entry mode and market size, all the interviewees declared that they do have some corporate strategies, guidelines and processes that were built in headquarters and apply for all the regional offices. The common opinion of all the interviewees is that without careful planning and adaptation over a new market, these strategies can cause a challenge for HRM and as a result, for the whole business, especially in case of big global enterprises. *“That is a problem in big organizations where you are trying to find just one way to lead, you cannot find it, if the countries are very different.”*

Talking about internationalization challenges of HRM, the topic is the most dependable from industries, directions and strategies that companies perform. It would not be correct to say that all the companies face the same challenges during the market entry. Therefore, the answers vary among the interviewees. It is important to mention that culture is one of the challenges that all the companies agreed on: *“Cultures always win.”*; *“You need to know the hierarchy that the culture is into and this kind of staff...we speak different language”*; *“it is very important for the employees commitment and satisfaction that you know that are the key cultural values of the employees in your company”*. Apart from cultural issues, all the interviewees talked about legal factors of a new market as well.

Interviewees mentioned laws, regulations, translations, certifications and contracts that are used in the local market, taking about legal issues. Both topics, culture and legal factors, were discussed without any follow-up question. Moreover, communication topic was discussed a bit closer. It turned out that difference in time zones and distance is still a challenge for companies who operate in long distance areas. While it is not a big issue if a company does not have to deal with time zones and has an efficient online communication systems. As it was mentioned by one HR manager of the company where an effective IT system was recently built, *“fortunately, now it is alright, the system is updated, so it feels like we are much more transparent, we are using chats, globally and between different teams”*. Moreover, recruitment of *“key leaders who lead the corporate*

culture and ready to commit” is one of the practical issues that all the interviewees noted during discussion about internationalization challenges.

It is significant to mention that all the key issues could be discussed in different order. Moreover, reasoning and solutions as well as context of the topics described were different on the interviews. The closer look at these points is available in the discussions and suggestions chapter of the thesis, where the data is delimited and a new theory arises from the analyses.

4.3.3 Interview Evaluation

In order to understand whether an interview, as a research method, follows the thesis objectives, it is important to evaluate the interview at the field stage by several factors. From the point, several questions can be asked in order to prove the ability of interviews to build a new reliable theory. (Roller & Lavrakas 2015.) Table 4 presents these questions and answers in regards to the interview conducted in terms of the thesis.

TABLE 4. Interview Evaluation (Roller & Lavrakas 2015).

Did IDIs cover all the issues and questions important for the research?	As it was discussed above, the interviews covered topics of HRM processes during international transformation, organizational strategies and centralization levels and challenges of HRM. Each IDI included questions regarding these key topics.
Are all the interview answers clear?	At this stage, interviews provided all the information that will help to build a new theory. All the answers corresponded the questions and gave a broad overview about the topic. If there is any information missing, all interviewees gave permission to contact them and ask additional questions.
Do the data so far answers the	Research question of the thesis is <i>How can HRMt transform its strategies to an international level?</i> As

research question?	the interviews were conducted with HR managers and HR business partners of real international companies and all the answers describe internationalization processes and issues of HRM, it can be said that so far the data answers research question.
Do the interview provide new ideas, themes or information?	Yes, the author got a new knowledge and understanding of the topic from the interviews. The new ideas and topics that were not considered after the theoretical study appeared during the discussions.
Can the researcher explain the differences in the data?	The main differences in the data gathered from the interviews are connected to the companies` sizes, natures and industries. Furthermore, the countries where the companies operate make HRM processes and challenges vary from interview to interview.
Are there any concerns about objectivity of the data?	There may be concerns about data objectivity, as the interview involves a personal interaction. There is a possibility of quite objective answers from the interviewees due to their working responsibilities and environment in the company.
Do data correspond the theory about the subject?	So far, it can be noticed that data gathered during the interview goes to the same direction as the theory. For example, the main challenges of HRM in market entry that were noted by interviewees correspond the IHRM challenges described by theoretical sources.
Do the data tell a story?	The data obtained from the interviews describes how real companies transferred their strategies to new markets. All interviewees described at least one

	process in details. For this reason, the data do tell a story.
Do data include any unexplored issues that can be discovered by further research?	<p>The topic of HRM in market entry is very broad. There are a lot of factors that require study and analysis.</p> <p>The aim of this thesis is to understand how companies transfer their strategies to a new market.</p> <p>The thesis does not cover each of the topic segments and issues, but gives an overview. This overview may be a great introduction for the further researches about the topic.</p>

To sum up table 4, the interview corresponds the main objectives of the thesis, its research question and theory. There are certain limitations that can affect research in terms of its validity and reliability. However, the data is able to work as a base for a new theory and it can be further discussed.

5 DISCUSSIONS AND SUGGESTIONS

Chapter 5 of the thesis will describe author`s interpretations and opinion about data gathered from the interviews. The chapter is the central part of the thesis, which is aimed at building a new study about HRM in internationalization period. The findings about HRM strategies and challenges in the market entry will be discussed in the chapter as well as possible solutions suggested.

5.1 Human Resource Management Strategies in a New Market

Bringing strategies to the international level requires a lot of time and resources to be involved. New markets definitely worth to be explored. In terms of this exploration, key roles and strategies of each functional dimension arise. HRM is not an exception.

When a company faces internationalization, HRM gets involved in more responsibilities and corporate operations. In some cases, domestic HRM tasks and processes can be handled by other company departments. For example, very often finance organization and unit managers take care of HR tasks. However, when it comes to international strategies, there is a growing need of substantive HRM department with its own strategies and processes. In this case, HRM plays a role of strategic organizational unit that is able to provide required resources and consultancies to the organizational management.

5.1.1 Level of Centralization and Decision-Making

One of the basic decisions that company makes in terms of its organization culture and strategies is whether processes and functions of units will be centralized in all the countries of company`s performance or not.

Strategies and processes centralization is a tool that helps to build common guidelines for all the markets of company`s performance. The

centralization can be held at completely different levels. Headquarters can take all the strategic decisions related to HRM or decisions can be separated among the regional departments. Common guidelines help all companies to bring corporate rules, visions, values, ambitions and policies to the international level in order to build and keep the common corporate culture. However, due to different nature of regional business departments, cultural and legal issues of markets, adaptation of the common guidelines is needed for each international market.

Certainly, the adaptation of corporate strategies highly depends on the market of entry and the nature of regional business operations. The operations can vary from region to region in regards to market needs and position. Organizational rules are not always applicable for business needs of each international dimension. In terms of HRM, there are different ways of adapting strategies over the regions. The strategies can be adapted in a quite experimental way. Especially, it is reasonable for SMEs that often build their HRM processes for new markets by trying and learning from their own mistakes and challenges.

In case of big companies, HRM decision making is usually strictly centralized in the headquarters, while the corporate strategies are adapted for each region. It is not easy for headquarters to find the best ways for establishing regional operations and it is quite complicated for a recently bought company to change all the corporate culture and guidelines over the parent enterprise. For this reason, a lot of companies are trying to make the entry process smoother for both parties by bringing HR processes and tasks to separate levels of global and domestic operations. For example, one company can have a global HR department that builds common global strategies and plays more strategic role in the company's international arena. At the same time, the company can have domestic HR departments, each of whose is responsible for one or a scope of related HR tasks and operations. Some of the traditional HR tasks like recruiting can be also outsourced or held by unit managers while a number of HRM units are responsible for introductions and consulting of HR and corporate culture related business operations. Moreover, the levels of control can be

managed via different levels of decision-making processes for local and global HRM. It means that some guidelines related to more global corporate thinking are built in the headquarters inside the global HRM team and more localized rules can be implemented by local human resources partners.

Overall, it is difficult to understand, which strategy would work better for a market and corporate operations. Certainly, is complicated to find the best option and strategy to save corporate visions and values globally, concerning all the markets differences. The company needs to be certain in its directions and at the same time to be very flexible about the new markets and areas. The centralization and level of control bring certain challenges to HRM operations.

5.1.2 HRM Internationalization Processes

As it was already discussed, during the market entry period, HRM faces a transformation of its goals and processes. HRM gets more responsibilities and tasks related to the international management and global team building. One of the basic aims in the period of internationalization is to find qualified professionals who will lead the regional units. These professionals include leaders for global teams, key personnel for regional management roles and local HR managers. It is more common to hire managers of the host country nationalities for a new market due to several factors. First of all, they are aware of market needs and features. Local managers have better understanding of local regulations and cultural differences. Furthermore, recruitment of locals for the key roles in the international units helps to avoid language barriers and translation problems. Local managers can provide a great help in understanding the market, defining the labour expectations and transforming the HRM processes.

Another thing that is significant for HRM to consider is awareness of local regulations and labour laws. It is important for global management to understand these issues before entering the market and before starting

recruitment processes. It is essential for global HRM to conduct a deep research about country regulations, certification systems, and contract templates. Furthermore, the needs of employees on the market cannot be defined without analysis of key market information and cultural awareness. It is difficult to hire suitable key personnel without understanding the market features while defining strategies for the business abroad.

Recruitment, as one of the key HRM processes, requires careful planning as well in order to create the corporate awareness in the labour market. Despite the fact that nowadays technologies help a lot with reaching people around the globe, different labour markets can have completely different trends in technologies used for recruitment operations. Research about the most popular job portals, use of social media, and focus on phone or online conversation are the possible tools for creating a local pool of qualified candidates. While starting recruitment, it is important to think the local way, write the job adds that better suit the market needs and post them on the visited platforms.

Certainly, networking is something that has a great importance for HRM, especially in the market entry period. It is beneficial to get an understanding of how people promote themselves. In some cultures resume is the most important thing in the application, in others resume does not play that big role and interviews is the main step of selection process. Therefore, it is crucial to build strategies in a way that managers can understand how a person will perform and select the best people for the open positions. Some companies in their market entry recruitment use help of local recruiter due to the fact they are already on the market, they understand all the application moments that require more consideration. The agencies see how to hire the best personnel for the roles in the certain region. However, recruiters may be not the best option in terms of the key personnel recruitment. The key managers require more than just qualities needed for the local operations, but also global and strategic thinking, as the core leader competence. For this reason, at the first stages of international HRM establishment it is better for top management to be present in the country of entry or to be presented by local partners.

That is one more reason, why finding local HR managers is the one of the first things to do in a new market and one of the hardest tasks in the internationalization strategies for HRM.

It is important to mention that the whole company should realize that it becomes international. Especially, it is relevant for companies who were recently bought by a global organization. It is important that all the unit managers understand the new strategies and guidelines and that they realize where the company is going and that are the new global concepts of the enterprise. From this point, the role of HRM together with top managers is to give introduction and consulting about the global organizational directions and future development plans.

After a company moves to the international strategies and processes, it becomes more difficult to follow company's work and evaluate performance of all the international departments. It requires a lot of efforts to build performance management systems in a way that each market follows the same rules and assessment without any ethical and cultural misunderstanding. From one point, business is still responsible for all the managerial control of the company operations. However, the task of HRM is to create and control the system that will allow to evaluate performance of the employees in all the company's areas and at the same time develop working conditions and solve the employees' problems. Constant communication between global managers, top local leaders, HRM and all the employees is required. Certainly, there are different programs that help to analyse employees' satisfaction by working conditions, leadership, management, compensation and other topics that are important for the workers motivation. Members' orientations, team discussions, career planning events, performance management meetings can be helpful in the evaluation.

HR managers would agree that compensation and benefits is one of the core topics in the international HRM. The compensation strategies are built according to market conditions, its labour laws, average costs and salaries. It is complicated to build the right compensation systems for all

the global markets. However, it is even more complicated to create benefits and resources that will support and motivate employees. For example, in some countries job tends to be evaluated by actual performance and in others by time of work. Therefore, the common market practices should be analysed and corporate resources aligned in accordance to those analyses.

Overall, it can be said that the main role of HRM in internationalization is to build key teams in a new market as well as build, train, develop global and local units, and build the company image as a responsible employer in the country of entry. Moreover, the goal of HRM is support of top corporate leaders with adapting the new strategies over the regions while preventing key corporate values and visions.

5.2 Market Entry Challenges of Human Resource Management

Global HRM faces a number of challenges that appear in the market. Certainly, these challenges should be considered and analyzed before going abroad and becoming international. They highly effect HRM and overall business strategies that company builds globally. The major issues highlighted by HRM performers that make it more difficult to manage internationalization processes are related to cultural differences, legal issues and market policies, level of centralization and control, recruitment of key managers to a new market and communication issues.

5.2.1 Culture

Culture is one of the most important issues that HRM takes into consideration about a new market. As all the processes and tasks of HRM deal with people, it is important to understand how employees of a particular country tend to perform their jobs and that are their values and needs. The cultural issues are faced by companies not only during the market entry period, but also along all the international HRM processes. It is crucial to understand that people of different countries just do persuade the same situation in different ways. One thing can have extremely

different meaning in different markets. Therefore, the role of HRM management is to understand how to build effective teams and processes that will satisfy and motivate local employees considering their cultural identity.

Culture influence all the HR processes during the internationalization period. First of all, during recruitment phase people can pay more attention at different stages of recruitment. While hiring and selecting personnel, it is complicated to understand the reality of how a candidate will actually perform the job from not only professional, but also emotional side. When it comes to other cultures, it gets even more difficult to evaluate the candidates` pool and build right teams. In terms of training, leaning speed and motivation vary from culture to culture as well. Certainly, it does not depend only on culture, but also personality. However, it can be said that people of different countries are used to receive information and learn in different ways due to differences in education systems and cultural approach of trainings. It is also the fact that some cultures prefer to be involved in more teamwork and others tend to handle tasks individually. Furthermore, position of leader in a group and hierarchy do vary culturally. Therefore, while choosing, training and evaluating employees, the culture must be taken into account.

From the compensation and benefits side, people have different expectations from work and company. Overall commitment and motivation depend on the country`s cultural aspects. The ways of employees` motivation can be planned only after working close with the cultural backgrounds. In addition, it is always better to remember that while company should provide employees by satisfying level of compensation and working conditions, employees also should enjoy their work and feel that they are welcome in the company. This emotional side of the HRM management has a lot of connections with cultures.

5.2.2 Legal, Political and Economic

Legal challenges is the second issue that comes to mind, when you think about HRM in internationalization. Legal challenge is related to the differences in labor laws, regulations, contracts and other policies that are unique for each region. The main points of influence from the side of legal factors are connected to performance management and compensation operations of HRM. HRM faces a lot of regulations that will satisfy all the country living standards in terms of working hours, leaves, compensation, benefits and taxes. Furthermore, before starting recruitment it is compulsory to understand how the agreements between employer and employee can be made in the country. Some countries have very strict rules in terms of working contracts. Avoiding legal factors can cause a lot of unexpected expenses and problems with the local government.

It can be mentioned that for European companies it is a way easier to enter other European markets in terms of legal issues. Certainly, There are some differences exist between countries of European Union (EU). However, the laws are close to each other and EU agreements allow companies to enter foreign market in the European zone with less level of regulations. Integration between EU markets gives more possibilities to learn country and make decisions right on spot due to short distances and simple Visa regulations. It becomes easier to find a lawyer or other legal representative and consultants to deal with legal factors when a company`s management can easily travel between home and host countries. In case of entering long-distance areas, laws and regulations should be explored more precisely. It becomes more difficult to learn about all the legal factors and labor laws. The systems have more differences and interpretations.

While legal factors is one of the core challenges in international HRM, political and economic factors do not have that much influence on HRM strategies. The major point of influence over HRM keeps being related to the labor regulations. Availability of information sources about labor laws can be restricted by government. In this case, HRM strategic planning

faces lack of data and information. The need of local consultants and layer arises. Furthermore, changes in political and economic environment certainly can cause changes in the legal conditions. In terms of business, political and economic fluctuations can influence company and its customers. It is important for managers to understand that limitations their clients face during the local changes. As all the business units are very close to each other, every change in client base affects all the functional dimensions, including HRM.

5.2.3 Level of Guidelines

Decision about centralization strategies creates issues for companies who enter a first or second market and corporations that already perform in a number of countries or buy local companies with established HRM strategies. It is crucial to analyze the situation at every stage of international growth as challenges connected to centralization and decision-making levels can appear in a new country even if a company successfully launched the corporate guidelines in other markets already.

As it was discussed above, a company should have common values, visions and corporate culture in the global market. However, if the global guidelines for all the business units are controlled in a strict way, they are seen as instructions and these instructions can be not suitable for each market where the company plans to perform. Processes designed from one prospective of the business operations majority do not take into account market needs of the minority. The cultural, legal issues and differences in business needs are the main reasons why the challenge appear.

From the point of business needs and internal side of HRM operations, companies can have different directions for each market. For example, there is a situation that headquarters and major regional units of a company are involved into serving a number of big clients. Each of these clients is served by a number of corporate units while in another market one unit has to take care of hundreds of small customers. Different nature

of business creates a problem with the corporate guidelines, if they are not able to satisfy the needs of all the markets.

By its affects, the challenge is more connected to the business issues rather than HRM. However, the company does not need HRM if there is a problem with the customer base and other functional dimensions. Furthermore, in the situations where each market has different key products, nature of services or customers amount it is impossible to manage strategies, using the same guidelines and processes that were built from the headquarters experience. HRM as consultants and administrators of units` performance should understand that in some cases people have to ignore the corporate rules to bring value and do their job in the most effective way. For HRM it can be difficult to give strategic managers an idea that strategies that seem to be efficient for the global side do not always work effectively in a local environment.

5.2.4 Key Management Recruitment

The crucial step in entering a new market is finding people who will lead this market and support the corporate culture. Key managers are highly committed people who understand local market, its people, and regulations as well as aware of business and global environment. It is one of the most challenging internationalization process for HRM to find perfect people to the key local and global management positions. If the leader lacks capabilities or understanding, all the market operations can fail.

Companies find overall recruitment as a challenge on a way to a new market. It is complicated to find people with suitable competences and cultural range who will enjoy working with the company. Even after time spent in a market, the question of recruitment stays open. Hiring local HR leader is one of the points of the challenge. As one of the key managers, who helps to build the company abroad from the side of HR, HR leader makes a brand from the company in the local labor market. Employer image highly depends on the strategies that local managers come up with. HR Manager is the one who is bringing people to the company. It is HR

responsibility to present the company in a positive way and be able to recruit people needed for the upcoming operations.

Moreover, key leaders are people who make inductions and “build” new employees from newcomers who enter the company. It is essential to find leaders who are so competent in business field that they are able to present the company to new employees and motivate them to work and be committed. It is one of the most important and difficult things for business to recruit someone who thinks the same way as the corporate top level managers, ready to follow and spread the corporate culture among others.

5.2.5 Communication

Moreover, communication and negotiations is one of the challenges that companies experience in international environment and global operations. It is important to mention that technological development made it much easier to solve issues connected to communication between different countries and continents. Developed IT systems allow people to discuss the corporate topics and share files between each other. However, boom of Internet still does not solve all the communication challenges that company and its HRM faces during internationalization.

During the processes of market entry, there is a lot of development happening in a company. It is very complicated to follow and track all the innovations and new strategies that company plans and implements. More than that, there is something that is even more difficult to do – make sure that all the company members including old and new personnel understand the company`s direction. It is important to see how they are seeing the development that they think about it. It is essential for all the units to face reality in the corporate internationalization and it is impossible without the constant communication and HRM support.

Another issue that builds a challenge out of communication is timing. It is very difficult to be present for communication with countries located in another time zone. Top managers of companies have to go to the country

of entry to solve the most relevant issues and look for managers who will be responsible for the market development in the future. In case of smaller tasks, it is very complicated to find right time for everyone to get in touch, it takes a lot of efforts to solve the problems and get into the processes on distance.

Communication with top managers is also one of the challenges connected to time issues. It is crucial for top managers to be present for their employees. However, it is not always possible due to busy schedule and growing number of tasks in the market entry period. In the period of internationalization all the everyday processes go to the background, as internationalization becomes the key aim and objective of the company. Not effective communication between line managers and company's key players can affect routine operations that are certainly essential for corporate responsibility, income and development.

5.3 Suggestions

Suggestions, introduced in this part of the chapter, are based on the whole study of the materials available from literature review and interviews. The part represents thoughts and suggestions of the author about the ways how companies can move their HRM strategies to new markets. Figure 8 shows steps of HRM transformation to international level suggested by author of the thesis.

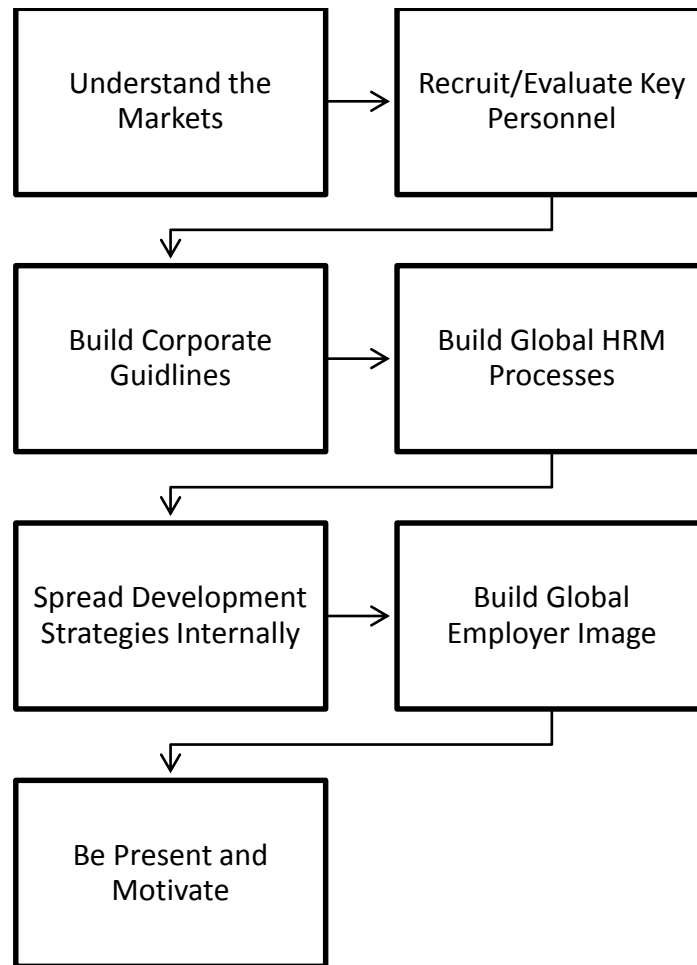


FIGURE 8. Transformation of HRM Strategies to International Level

5.3.1 Understand the Markets

As it is represented on Figure 8, the first step that is important to follow for HRM in companies of any size, nature or industry is to understand the markets of entry. It is essential to conduct a number of researches about market conditions and features. Especially legal and cultural issues can get the biggest attention from the HR professionals as they influence the whole company structure and HR operations. Understanding markets is crucial for planning and implementation of further steps in the internationalization processes of HRM.

Furthermore, as HRM is closely connected to all the corporate units, research of political and economic situation in the country as well as levels

of industrial and technological development can be studied during the international strategic planning.

5.3.2 Recruit Key Personnel

One of the basic steps in implementing the strategies in a new market is hiring key personnel that will lead local units of the company. As it was discussed above, it may be difficult to find suitable and trustful people who is able to lead people and spread the corporate culture inside the teams. Therefore, it may be a good idea to start looking for local key managers as soon as possible. It is a great value if leaders will have prior experience in the industry, understanding of market and general business knowledge. Moreover, there is a need to find qualified global managers who can take care of control and development of global corporate operations together with the top leaders. These people should be highly motivated and interested in the company. Head hunting can be a suitable strategy for companies to find the local and global key personnel. However, the most important thing is not to find these people, but attract them to the company and motivate to join and perform successfully. A company should take care of its image, corporate environment and benefits offers in order to get the best personnel.

In case where a global corporation buys a local company, there are people already who are trustful and proficient in their jobs. In this case, it is significant to evaluate the key managers and give them knowledge of the global strategies and directions that company is going to step on. After all the introductions, these managers can contribute the global development and build the image of the parent company inside and outside the local units.

5.3.3 Build Common Corporate Guidelines

Building guidelines that will be relevant for all the markets and corporate strategies is a difficult, but essential part of internationalization. If the company already performs in several markets, it is a good idea to make

the strategies assessment in order to understand if they work fine in all the markets and whether they will be suitable for a new area, considering all internal and external differences.

One of the suggestions in building the common rules and decision-making centralization is to create guidelines of different levels. Headquarters are still responsible for all the key issues upon business needs and global environment while local leaders can take their own decisions about more localized operations. For example, in terms of HRM, these guidelines can include benchmarking about benefits, compensation and holidays. In this case, global guidelines show the basic business directions and markets can decide by themselves how they are going to follow this path. An important issue for the leveled guidelines and decision-making is constant communication between headquarters and regions and evaluation of the regional units' performance. Overall, all the guidelines still need to follow the corporate visions and the core decisions should be approved by headquarters and top managers.

5.3.4 Build Global HRM Processes

Building global HRM processes and adapting them to local operations is the step that is closely connected to the decisions about global guidelines. It can be said that the guidelines determine how the processes will be implemented in the new markets and in the global environment.

In terms of staffing, it is beneficial to understand if recruitment and selection processes can follow the same scheme in every market and how they can be adapted over the new entries. Certainly, local HR managers have a better understanding of how recruitment works in the country. It may be better to listen for their opinion and advices and try to build the system that follows their expectations and corporate needs. This is one more reason why finding key personnel for a new market is the first step.

Planning global training activities is relevant for both cases: when a corporation enters new markets or buys already established company.

Training in the global perspective can follow some of the common directions regulated by headquarters in order to introduce the company and give an overview of its major operations and goals. Nevertheless, cultural issues should be taken into account while planning the global trainings. Information can be the same for the markets, but its delivery can follow different tools depending on the market.

Performance management is based on the personnel evaluation and motivation. The basic performance appraisals can have common rules among markets as they determine expected achievements of company's units. The main question of the process is how data will be transferred and discussed between employees and headquarters. HRM should build an information transfer system based on the communication between all the parties responsible for the performance management. Regular meetings of different levels between HR professionals, employees, unit managers, key local managers and headquarters can help to understand performance of each unit and analyze efficiency of the company work.

Furthermore, the regular meetings and communication can help in evaluation of working conditions and motivation of the employees. It is important to transfer the message to the top managers about employees' feelings and satisfaction by working in the company in order to provide the most comfortable conditions for workers and value for founders and stockholders. Team meetings, discussions and different kinds of surveys are the tools of analyses and tracking the company's culture, environment and motivation.

In terms of compensation, the basic rates of salaries is one point of discussion for internationalization strategies. It means that company should analyze expectations and average rates in the country in order to build compensation that will motivate employees to join and perform. Benefits is another point of consideration. It is quite valuable for a company to give employees a choice of benefits so they can freely get that they really want and missing. For example, in some companies employees are owning a part of corporate shares. The cost of shares is deducted from

their salary and then income is added to the accounts. The strategy gives employees additional commitment to the company, because they are not just workers, but also shareholders. It helps to motivate employees and keeps a high level of performance and responsibility in the company. As a part of legal awareness, compulsory benefits in the country of entry should be included in every benefits package.

5.3.5 Spread International Strategies Inside Company

Transformation of the strategies requires all the units' involvement and awareness. Each employee who already performs in the company should understand how the internationalization processes will change the companies' directions and see his/her own value in the processes. In terms of HRM, HR professionals should explain people how the new global rules work and how people are going to be treated in the global environment. It may be a good idea to organize team meetings in order to spread information among employees and hear their own suggestions for the improvements.

Furthermore, internationalization can give an opportunity for employees to develop their cross-cultural and international skills. Different kinds of expatriation and inpatriation programs can be created in order to build a global team who learn from each other and work over the corporate development together. Especially it is beneficial for enterprises who recently bought a local company and are starting to involve local units to the global strategies and operations. In general, people are tend to trust to people they already know. Therefore, the idea of sending local employees to headquarters for training may be very useful. The local manager can bring the new information in a better way as well as add some fresh ideas to the global development.

5.3.6 Build a Global Employer Image

Creating awareness about a product produced by a company in a new market is a basic marketing task. Attracting new talents to the company is

completely in the HRM task lists. It is essential for HRM to understand beforehand that are the sources of information people usually use and trust in the country, which style of job adds they prefer and that they are looking for from a perfect job placement. Attracting people is related to all the parts of recruitment from job ads content to the selection process. Even if a person is not hired at the end, he/she should stay motivated enough to spread the information about positions available in the company.

Certainly, if a company successfully hires a suitable local HR manager or builds reliable relationship with certain HR partners and recruiters, the task of global HRM units is to confirm and evaluate the processes. However, the company image, as a responsible employer, should be created even before hiring the key personnel. The first steps should come from the global HRM and HRM of other international markets there the company performs. Having a solid global image will help to find people ready to lead and develop the company as well as attract the first candidates for the secondary positions.

5.3.7 Be Present and Motivate

The last step of making HRM international is the constant presence of the top managers and global HRM. The constant communication in the company is one of the keys to successful performance. People should know and understand where the company is going and top managers should realize that are the strengths and weaknesses of all the units` operations.

During the market entry, the whole company is motivated and open for the globalization. As they already understand that is going to happen after the meetings, it can be better to keep them updated about most recent corporate achievements. For example, the new market development can be overviewed in the global corporate networking systems and the brightest events can be described in social medias in order to give

employees feeling of their own involvement in the development and attract the new customers and talents to the company.

6 CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

Chapter 6 describes the results of the thesis. Answers to the research questions will be discussed based on the theoretical and interview studies. Furthermore, the data that was formed during the thesis will be tested for reliability and validity. Suggestions for further research will close the chapter.

6.1 Answering Research Question

The thesis research was based on the main research question about internationalization strategies of HRM. Author completed a literature review regarding the topics related to internationalization, globalization, market entry modes and functional dimensions. The topics of HRM, its strategic and global context, international processes, challenges and future trends were also overviewed in the theoretical study. The interviews conducted from the HR managers of global companies were focused on understanding of HRM position in the market entry and challenges that HRM faces. After careful consideration of both theoretical and practical studies the main and sub research questions can be answered.

What are the main characteristics of IHRM?

The answer for the question is based mostly on the theoretical data reviewed by the author. The main differences between domestic and international HRM are connected to the global issues. Each country has different environments. In case of international companies, HRM requires to consider all the global issues and differences between countries while planning and implementing its strategies and operations. Global corporate visions and strategies also influence HRM. Overall, HRM processes in the global context are more challenging in issues related to cultural diversity, ethics, legal factors and overall markets environment than in the domestic HR operations.

What are the major HRM processes in the period of market entry?

According to the interview research, the main processes that HRM is involved during the market entry are key personnel recruitment, building global and local teams, giving introduction and consulting to the local and global units of the company, training and developing staff and building company's image among possible employees. Furthermore, HRM during internationalization is responsible for adaptation of its processes of recruitment, training, performance and compensation management and working environment over a new market and global visions.

What are the main external and internal challenges companies face in HRM transformation?

The main challenges that HR faces during internationalization can be defined from the research. External issues are culture and legal environment of the new market. Internal issues are more related to the corporate decisions and based on centralization and decision-making matters, communication between different company units, candidates' pool and HRM partners. The most challenging process of HRM, which can be defined as an overall challenge for the company, is recruitment of key personnel to the local units.

How can HRM transform its strategies to an international level?

As a conclusion, the main research question formulated by the author in the beginning of the paper is answered. The answer to the research question is closely related to the suggestions part of the paper. HRM in its international transformation should take care of a number of global and corporate features and challenges. It is important to build the strategies in a way that they attract, satisfy and motivate the local employees and bring value to the headquarters and shareholders of the company.

The answer to the question of how companies can transform their strategies to a global level can be represented by the following steps: understand the markets of entry, their cultural, legal and people issues; hire key local managers who will take care over the local units development and global personnel who will be in charge of controlling and

evaluation activities on the global arena. The next steps are building common guidelines and HRM practices that suit all the markets where company performs. It brings great value if HRM ensures that all the company units and employees understand the new corporate visions and values of internationalization operations. Constant communication between all the units and potential employees can build a comfortable working environment for the workers and a great image of the company, as a global employer, with reliable goals and directions.

Overall, all the sub questions give a space for answering the research question. The answer does represents the author`s view over the question based on all the learned material from interviews and theoretical researches and gives a straight response to the question stated.

6.2 Reliability and Validity

Reliability and validity are two factors that help to evaluate and prove relevance and trustworthiness of the research. First, it is important to understand that research can be considered as valid and reliable. Validity shows the level of reality representation in the research and how the goals and objectives were reached (O`Reilly & Kiyimba 2015; Keegan 2009). In case of the thesis, the objectives of the research were successfully achieved and represented as answers for the research questions. The interviewees were represented by HR managers who experienced HRM transformation in their own companies. They are able to provide the relevant information of how the strategies were implemented and that challenges they faced on the way. For this reason, it can be said that data comes from trustworthy sources. The semi-structured interviews, as the research method, gave author an opportunity to ask follow up questions and keep interaction with the interviewees. The context of the interview answers are different between main questions and follow-ups. The differences were taken into account in building the theory from the research.

In case of reliability, it refers to the replication extend of the data. Research should provide clear understanding of how the data was collected and analyzed. (O`Reilly & Kiyimba 2015.) The thesis reliability can be tested from the following aspects: all the research processes and procedures were explained in the paper as well as analysis methods described. In case of the literature overview, the common phenomena and data mentioned by trusted authors was taken into account in forming the theoretical background. This data was narrowed from the amount of information available and only relevant data was chosen for the theoretical overview.

Discussing the interview research, the author of the thesis takes into consideration the differences between the interviewees connected to company`s sizes and development levels as well as different responsibilities and roles performed by interviewees. All these factors create a limitation for the research in terms of the material generalization. It is significant to understand that the results of the research are based on the common points mentioned during the interviews and interesting findings. All the interviews were recorder and transcribed to the paper. Due to this fact, the interpretation problem do not affect reliability of the research.

Overall, the thesis represents data gathered from both literature overview and qualitative research via semi-structured interviews. There are several factors that limit validity and reliability of the research. Nevertheless, consideration of all the limitations, trustworthy sources of information provided by author about the research flow prove that thesis strives to provide reliable and valid data.

6.3 Suggestions for Further Research

The research is based on understanding of internationalization processes of HRM and their development. As the exploratory research focuses on the practical understanding about the subject of HRM and internationalization strategies, there is a lot of space for further research.

First of all, going from the topic of internationalization and strategies transformation, a new research can be focused on the internationalization approaches of other business functional dimensions: finance, marketing, production operations and innovations. After getting a study about each of the dimensions, it is possible to build the whole overview about company`s internationalization strategies.

Another point for the further research is connected to the deeper understanding of HR processes in terms of internationalization. Recruitment, selection, training, development, performance management, compensation and working environment operations in the market entry can get more attention in the separate researches.

Furthermore, research made in the thesis shown an importance of centralization policies and practices in HRM. The questions of building efficient global HRM guidelines and decision-making strategies can be a start for a completely new subject.

Generalization of market types and entry modes gives an opportunity to continue and analyse internalization strategies of HRM in context of markets with different levels of development. Focus on different entry modes and HRM strategies can become another option for the further research.

7 SUMMARY

To sum up, the basic thesis objective is to understand internationalization processes of HRM, their features and challenges. Considering the research question and author`s prior findings, the actual aim of the thesis is to give an overview about ways how companies can efficiently build their HRM global strategies.

The theoretical part of the thesis represents the theory regarding internationalization and HRM. Internationalization is explained from the sides of reasoning, market entry modes and global functional dimensions while theory about HRM considers its strategic and global meaning, processes and challenges that affect HRM in the global environment. Moreover, future trends of HRM are explored in the research.

The empirical study is aimed at the deeper analyses of internationalization strategies in HRM. Together with theoretical information, interview data provides results of the thesis in form of operations that companies can follow in their HRM internationalization strategies suggested by author.

At the end, conclusions and results are represented with answers to the main research question and its sub questions. The thesis results are tested for reliability, validity as a part of the conclusion. Overall, the thesis topic and research provide a number of further research opportunities.

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APPENDICES

APPENDIX 1: Hofstede Classification of Countries (Hofstede 2001)

<i>Dimensions Hofstede</i>	Masculinity / Femininity	Long term orientation	Individualism /Collectivism	Power Distance	Uncertainty Avoidance
Australia	61	31	90	36	51
Netherlands	14	44	80	38	53
World avg	50	45	43	55	64
Arab countries	53		38	80	68
Argentina	56		46	49	86
Austria	79		55	11	70
Belgium	54		75	65	94
Brazil	49	65	38	69	76
Canada	52	23	80	39	48
Chile	28		23	63	86
China, Mainland		118			
Colombia	64		13	67	80
Costa Rica	21		15	35	86
Denmark	16		74	18	23
East Africa	41		27	64	52
Equador	63		8	78	67
Finland	26		63	33	59
France	43		71	68	86
Germany FR	66	31	67	35	65
Great Britain	66	25	89	35	35
Greece	57		35	60	112
Guatemala	37		6	95	101
Hong Kong	57	96	25	68	29
India	56	61	48	77	40
Indonesia	46		14	78	48
Iran	43		41	58	59
Ireland	68		70	28	35
Israel	47		54	13	81
Italy	70		76	50	75
Jamaica	68		39	45	13
Japan	95	80	46	54	92
Malaysia	50		26	104	36
Mexico	69		30	81	82
New Zealand	58	30	79	22	49
Norway	8		69	31	50
Pakistan	50		14	55	70
Panama	44		11	95	86
Peru	42		16	64	87
Philippines	64	19	32	94	44
Poland		32			
Portugal	31		27	63	104
Salvador	40		19	66	94
Singapore	48	48	20	74	8
South Africa	63		65	49	49
South Korea	39	75	18	60	85
Spain	42		51	57	86
Sweden	5	33	71	31	29
Switzerland	70		68	34	58
Taiwan	45	87	17	58	69
Thailand	34	56	20	64	64
Turkey	45		37	66	85
Uruguay	38		36	61	100
USA	62	29	91	40	46
Venezuela	73		12	81	76
West Africa	46	16	20	77	54
Yugoslavia	21		27	76	88

APPENDIX 2. Basic questions for Interview with HRM Managers and Partners

1. What are your first impressions and thoughts about HRM strategies in the market entry period?
2. How are the international strategies organized in your company?
 - How centralized is Human Resource Management in your company?
 - How different are HRM strategies from market to market?
3. How did you transform HRM processes from domestic to international context?
 - How different are the HRM processes from market to market?
 - How did you adapt the HRM processes to new markets?
4. What main responsibilities did you had during the Market Entry period?
5. What challenges did you face during the market entry?

Internal Issues:

- How did the company strategies and organizational factors influenced the transformation of HRM?
- Do you have any challenges connected to the communication with subsidiaries and level of control? What are the challenges?

External Issues:

- What external challenges did you face during the market entry?
- How did you manage legal factors and HRM policies on the international level?
- How did political and economic factors influence IHRM Strategies building?
- How did you manage the cultural diversity in the company?