

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

**M.A (H.R.M)
Semester-IV, Paper-I**

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FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A' grade from the NAAC in the year 2016, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 443 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy of this distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities and in turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson-writers of the Centre who have helped in these endeavors.

*Prof. Raja Sekhar Patteti
Vice-Chancellor
Acharya Nagarjuna University*

SEMESTER - IV

401HM21 - INTERNATIONAL HUMAN RESOURCE MANAGEMENT

UNIT – I

Introduction to IHRM: Basics of IHRM Importance - Definition, Nature, Scope and components of IHRM Strategy, Functions, difference between Domestic HRM and IRHM, Over view of International HR activities.

UNIT – II

International Recruitment and Selection: Approaches to international Recruitment ethnocentric, polycentric, geocentric, region-centric; Selection process-factors effecting in expatriate selection process, Technical ability, cross-cultural suitability, individual adjustments, family adjustments IHRM practices – USA, UK, Japan and India A comparative study

UNIT – III

Managing HRM In Virtual Organization, Globalization & HRM: Meaning, Features and Types of Virtual Organizations, Advantages and disadvantages, Managing HR in Virtual Organizations; Impact of Globalization on Employment, HRD, Wage & Benefits, Collective Bargaining, Participative Management, Ethical Issues in HR

UNIT-IV

IHRM Model of India: Culture and Indian Managers- Indian Managers-Responses to HR practices across the world-Implication for multinationals – MNCs skill based approach and staff training and Development priority – The global managers and future organizations - India's Response to Universalization of HR Principles, Policies and Practices – Cross- Convergence.

UNIT-V

Special Issues in IHRM: Challenges of Globalization and implications of Managing people and leveraging Human Resources for competitive advantage – Women expatriates and their problems – Exit policy and practices

Prescribed Books

1. N. Sengupta & Mousumi, S. Bhattacharya, International HRM, Excel Books
2. P.L. Rao, International Human Resource Management – Text and Cases, Revised Edition, Excel Books- New Delhi
3. Edwards - International HRM, Pearson Education.
4. K. Aswathappa - International Human Resource Management Sadhna Dash Text and Cases, Tata McGraw Hill Publishing Company Ltd
5. P. Subba Rao, International Human Resource Management Himalaya Publishing House
6. Dr. Nilanjam Sengupta- International Human Resource Management Excel Books, New Delhi
7. Dowling, P. J. and Welch, D. E. (1999). International Human Resources Management. 4th ed. CENGAGE Learning.
8. Ashwathappa, K. and Dash, S. (2008). International HRM. Tata McGrawHill. Publishing Company Limited.
9. Rao, P.L. International Human Resource Management, First Edition, Excel Books, New Delhi, 2008.
10. Adler N.J. (Fifth Edition). International Dimensions of Organisational Behaviour. Thomson Higher Education.

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LESSON- 1

INTRODUCTION TO IHRM

Learning Objectives

- ✓ To study the Objectives of IHRM
- ✓ To Know the Model of IHRM
- ✓ To Analyse the Reasons for the Companies to go Global
- ✓ To learn Approaches to IHRM

Structure

- 1.1 Introduction to IHRM
- 1.2 Global HRM
- 1.3 Objectives of Global HRM
- 1.4 Types of International Employee
 - 1.4.1 Parent Country Nationals (PCNs)
 - 1.4.2 Host Country Nationals (HCNs)
 - 1.4.3 Third Country Nationals (TCNs)
- 1.5 Model of International HRM
- 1.6 Approaches to IHRM
- 1.7 Drivers of the Globalization
- 1.8 Reasons for the Companies to go Global
- 1.9 Summary
- 1.10 Keywords
- 1.11 Self Assessment Questions

Introduction to IHRM

Globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. According to the Levin Institute, the term globalization refers to the increasing connections people, companies and states are forming around the world. The process of forming social and economic ties across vast distances is nothing new historically; however, technological improvements and liberal trade agreements have increased these connections greatly in contemporary times. Advances in transportation and telecommunications infrastructure, including the rise of the Internet, are major factors in globalization, generating further interdependence of economic and cultural activities. With globalization, companies moving out of political boundaries have also enhanced the need for human resource functions to go global. In this unit, we will learn about Global HRM, the drivers of globalization and also the variables that moderate differences between HRM and GHRM.

1.2 Global HRM

With the advent of globalization, organizations – big or small have ceased to be local, they have become global! This has increased the workforce diversity and cultural sensitivities have emerged like never before. International dimensions of business and the globalization of business have a significant impact on human resource management. All this led to the development of Global Human Resource Management. HRM refers to those activities undertaken by an organization to utilize its human resources effectively. Human resource management (HRM) as a business practice comprises several processes, which used together are supposed to achieve the theoretical goals mentioned above. Induction and orientation, Recruitment (sometimes separated into attraction and selection)

1. Workforce planning

2. These practical processes include: Personnel administration
3. Training and development
4. Skills management
5. Employees benefits administration
6. Payroll (sometimes assigned to accounting)
7. Travel management (sometimes assigned to accounting)
8. Time management
9. Compensation in wage or salaries
10. Performance appraisal
11. Personnel cost planning

Global HRM is the process of recruiting, allocating and effectively utilising the human resource in multinational corporations across the national boundaries. Firms operating in international markets face different conditions and competitions.

Multinationals are characterized by an interdependence of resources and responsibilities across all business units regardless of national boundaries. These companies have to cope with large flows of components, products, resources, people and information among their subsidiaries and this demands a complex process of coordination and cooperation involving strong cross-unit integrating devices, a strong corporate identity and a well developed worldwide management perspective. National cultural traits also play a critical role in the conduct of business by influencing customer preferences and the values, beliefs and behaviour of employees. Thus, culture affects both internal and external perspectives of management, including the cost of doing business and its results. People play a key role in any type of business activity but their role has become very critical in the new economy and service sector.

Even those organisations who consider themselves immune to transactions across geographical boundaries are connected to the wider network globally. They are in one way or the other dependent upon organisations that may even not have heard about. There is interdependence between organisations in various areas and functions.

The preliminary function of global Human Resource Management is that the organization carries a local appeal in the host country despite maintaining an international feel. All HRM functions are carried out in a global context.

Example: Any multinational/international company would not like to be called as local, however the same wants a domestic touch in the host country and there lies the challenge.

The field of Global Human Resource Management has been characterized by three broad approaches.

1. Firstly, it emphasises cross-cultural management approach and examining human behaviour within organisations from an international perspective.
2. Secondly, a comparative industrial relations and HRM literature seeks to describe compare and analyse HRM systems in various countries.
3. Thirdly, to focus on aspects of HRM in multinational firms.

1.3 Objectives of Global HRM

We may therefore, enumerate the objectives of global HRM as follows:

1. Create a local appeal without compromising upon the global identity.

2. Generating awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries.
3. Training upon cultures and sensitivities of the host country

1.3.1 Expatriates

An expatriate (commonly abbreviated expat) is a person temporarily or permanently residing in a country and culture other than that of the person's upbringing. The word comes from the Latin terms ex ("out of") and patria ("country, fatherland").

In its broadest sense, an expatriate is any person living in a different country from where he is a citizen. In common usage, the term is often used in the context of professionals sent abroad by their companies, as opposed to locally hired staff. The differentiation found in common usage usually comes down to socio-economic factors, so skilled professionals working in another country are described as expatriates, whereas a manual labourer who has moved to another country to earn more money might be labelled an 'immigrant'. There is no set definition and usage does vary depending on context and individual preferences and prejudices.

The term 'expatriate' in some countries also has a legal context used for tax purposes. An expatriate living in a country can receive a favourable tax treatment. In this context a person can only be an expatriate if they move to a country other than their own to work with the intent of returning to their home country within a certain period. The number of years can vary per tax jurisdiction, but 5 years is the most commonly used maximum period. If you are not affected by taxes 3 years is normally the maximum time spent in one country.

International corporations often have a company-wide policy and coaching system that includes spouses at an earlier stage in the decision-making process. Not many companies provide any compensation for loss of income of expatriate spouses, although they often do provide other benefits and assistance. The level of support differs, ranging from offering a job-hunting course for spouses at the new location to full service partner support structures, run by volunteering spouses supported by the organization.

There are several advantages and disadvantages of using expatriate employees to staff international company subsidiaries. Advantages include, permitting closer control and coordination of international subsidiaries and providing a broader global perspective.

Disadvantages include high transfer costs, the possibility of encountering local government restrictions, and possibly creating a problem of adaptability to foreign environments.

HR departments often use services of relocation companies, who assist expats in moving abroad as well as managing expat's related administrative issues such as: assignment management, financial management and reporting to name a few.

1.4 Types of International Employees

There are three basic sources, the MNCs can tap for overseas positions:

1.4.1 Parent Country Nationals (PCNs)

PCNs are managers who are citizens of the country where the MNC is headquartered. In fact, sometimes the term 'headquarter's nationals' is also used.

These managers are commonly called expatriates or, simply, exports, which refers to those who live and work away from their parent country. There are a variety of reasons for using PCNs. Notes The most common reason was to start up operations. MNCs prefer to have their own people launch a new venture. The second most common reason was that the parent country people had the necessary managerial and technical expertise (Tung, 1982).

1.4.2 Host Country Nationals (HCNs)

HCNs are local managers who are hired by the MNC. There are many reasons for hiring them at the lower or middle-level ranks. Many countries require the MNC to hire local talent as part of opening their markets to MNCs. For example, in Brazil, two-thirds of employees in any foreign subsidiary have to be Brazilian nationals. In India too, before approving joint venture agreements, the government restricts the number of expatriates to be employed, primarily to limit the foreign exchange outflow and to prepare Indian nationals to undertake the responsibility at a future time. PCNs fill usually top positions, but this is not always the case. For example, companies following the multi-domestic philosophy or polycentric approach would select most positions, including top ones, from the host country, but usually after starting the operations.

1.4.3 Third Country Nationals (TCNs)

TCNs are managers who are citizens of countries other than the one in which the MNC is headquartered or the one in which it is assigned to work by the MNC. Tung (1991) found that the two most important reasons that American MNCs use third country nationals are:

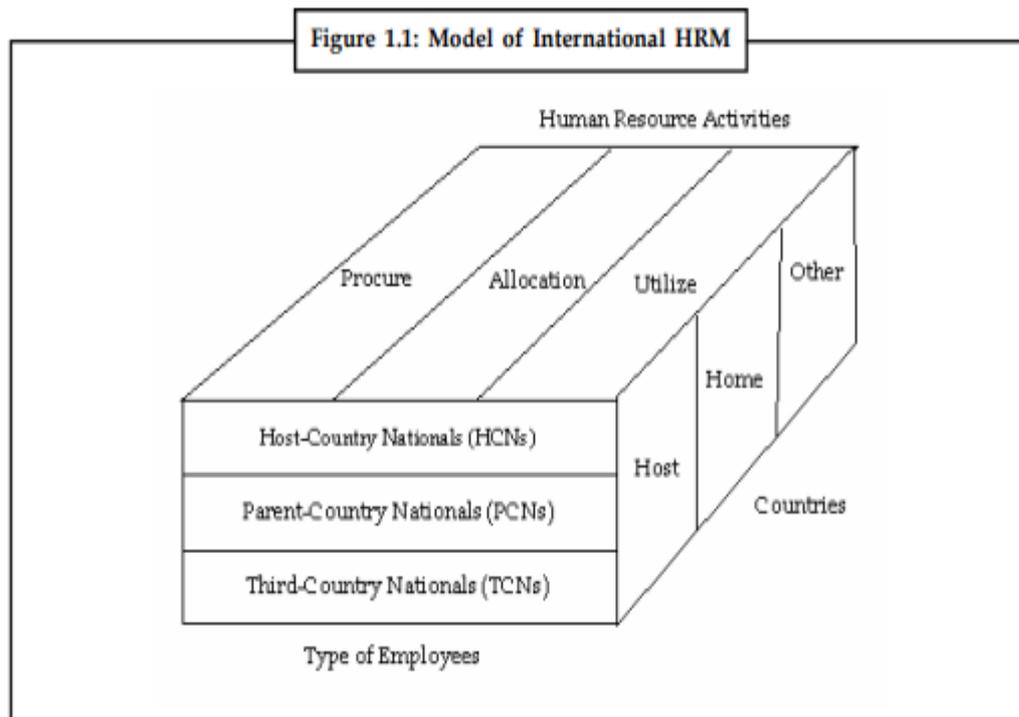
1. These people have the necessary expertise,
2. They were judged to be the best ones for the job. Japanese companies usually do not hire TCNs, while Phatak (1995) found that US companies usually prefer TCNs from Europe. TCNs are found typically in large MNCs in advanced stages of growth. A number of advantages are cited for using them. One is that their salary package is usually less than that of a PCN. The knowledge of local language, like English was the reason for choosing British managers by US companies in former British colonies like India, Jamaica, West Indies and Kenya.

Today, a new breed of multi-lingual, multi-experienced 'global-managers' has emerged. These new managers are part of a growing group of international executives who can manage across borders and do not fit the traditional third country mould. With a unified Europe, and North America and Asia becoming business hubs, such global managers are in great demand.

1.5 Model of International HRM

An article by Morgan (1986) on the development of international HRM presents a model of international HRM that consists of three dimensions:

1. The three broad human resource activities: Procurement, allocation, and utilisation.
2. The three national or country categories involved in international HRM activities: The host-country where a subsidiary may be located, the home (parent) country where the firm is headquartered, and 'other' countries that may be the source of labour or finance.
3. The three types of employees of an international firm: Host-country Nationals (HCNs), Parent-country Nationals (PCNs), and Third-country Nationals (TCNs).



Source: Adapted from P. V. Morgan, 1986, *International Human Resource Management*

1.6 Approaches to IHRM

The HRM uses four terms to describe MNCs which approaches to managing and staffing their subsidiaries: ethnocentric, polycentric, regiocentric, and geocentric. Perlmutter identified and claimed that. It was possible to identify among international executive three primary attitudes ethnocentric, polycentric, and geocentric—toward building a multinational enterprise, based on top management assumptions upon which key product, functional, an geographical decisions were made. A fourth attitude, regiocentric was added later.

The four approaches are:

1. Ethnocentric: Few foreign subsidiaries have any autonomy; strategic decisions are made at headquarters. Key positions at the domestic and foreign operations are held by management personnel of headquarters. These subsidiaries are managed by expatriates from the home country (PCNs).

2. Polycentric: The MNC treats each subsidiary as a distinct national entity with some decisionmaking autonomy. Subsidiaries are usually managed by local nationals (HCNs) who are seldom promoted to positions at headquarters. PCNs are rarely transferred to foreign subsidiary operations.

3. Geocentric: The MNC takes a worldwide approach to its operations, recognising that each part (subsidiaries and headquarters) makes a unique contribution with its unique competence. Nationality is ignored in favour of ability.

Example: The Chief Executive Officer of the Swedish Multinationals Electrolux claims that within this global company there is no tradition to hire managing directors from Sweden, or locally, but to find the person best suited for the job.

4. Regiocentric: Reflects the geographic strategy and structure of the multinational. It utilizes a wider pool of managers but in a limited way. Personnel may move outside their countries

but only within the particular geographic region. Regional managers may not be promoted to headquarter positions but enjoy a degree of regional autonomy in decision-making.

1.7 Drivers of the Globalization

Globalization involves the diffusion of ideas, practices and technologies. It is something more than internationalization and universalisation. It isn't simply modernization or westernization. It is certainly not only the liberalisation of markets. Anthony Giddens (1990: 64) has described globalization as 'the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa'. This involves a change in the way we understand geography and experience localness. As well as offering opportunity it brings with considerable risks linked, for example, to technological change. Globalization, thus, has powerful economic, political, cultural and social dimensions. Though several scholars place the origins of globalization in modern times, others trace its history long before the European age of discovery and voyages to the New World. Some even trace the origins to the third millennium BCE. Since the beginning of the 20th century, the pace of globalization has proceeded at an exponential rate.

In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalisation: trade and transactions, capital and investment movements, migration and movement of people and the dissemination of knowledge.

Key drivers of globalization:

Market Drivers

Costs Drivers Notes

Technology Drivers

Government Drivers

Competitive Drivers

Market Drivers

One of the primary drivers of globalisation has been in respect to market forces, whereby many consumer goods and services are now universally available, no matter one's geographic location or social setting. As a result of international marketing campaigns and corporate brand promotions, consumer desires and lifestyles around the world are increasingly converging.

As corporations pursue growth through globalisation, they have encountered new challenges that impose limits to their growth and potential profits. Corporate social responsibility helps them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising.

The market forces aiding the process of globalisation are:

1. Per capita income converging among industrialised nations
2. Convergence of lifestyles and tastes
3. Organisations beginning to behave as global consumers
4. Increasing travel create global consumers
5. Growth of global and regional channels
6. Establishment of world brands
7. Push to develop global advertising

Globalization of markets

It refers to the merging of national markets into one huge global marketplace. Now selling internationally is easier due to falling barriers to cross-border trade.

A company doesn't have to be the size of these multinational giants to facilitate and benefit from the globalization of markets. They can offer a standard product to the worldwide but it is not possible as there are very significant differences that exist between national markets like consumer tastes, preferences, legal regulations, cultural systems. These differences require that marketing strategies in order to match the conditions in a country.

Example: Wal-mart still needs to vary their products from country depending on local tastes and preferences. McDonalds when entered into Indian market has to bring the changes in their menu and product preparation as per the Indian people requirements.

Globalization of production

It refers to the sourcing of goods and services from locations around the world to take advantage of national differences in the cost and quality of factors of production. The idea is to compete more effectively offering a product with good quality and low cost.

Example: Nike is considerate one of the leading marketers of athletic shoes and apparel on the world. The company has some overseas factories which have achieved a super production with low cost. Unfortunately Nike has been a target of protest and persistent accusations that its products are made in sweatshops with poor working conditions. The company has signalled a commitment to improving working conditions, but in spite of the fact, the attacks continue.

Falling barriers to trade and investment: The falling of barriers to international trade enables firms to view the world as their market. The lowering of barrier to trade and investments also allows firms to base production at the optimal location for that activity. Thus, a firm might design a product in one country, produce a component parts in two other countries, assemble the product in another country and then export the finished product around the world. The lowering of trade barriers has facilitated the globalization of production. It has also attracted the Foreign Direct Investment which is playing an increasing role in the global economy.

Technological innovation

Technological changes have achieved advances in communication, information processing and transportation technology, including the internet and the World.

Wide Web (www)

The most important innovation has been development in the microprocessors after that global communications have been revolutionized by developments in satellite, optical fibre, and wireless technologies, and now the internet and the www. The rapid growth of the internet and the associated www is the latest expression of this development. Besides, innovations have occurred in the field of the transportation technology.

Economic globalization

Economic globalization is the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, service, technology and capital. Whereas the globalisation of business is centered around the diminution of international trade regulations as well as tariffs, taxes, and other impediments that suppresses global trade, economic globalization is the process of increasing economic integration between countries, leading to the emergence of a global marketplace or a single world market. Depending on the paradigm, economic globalization can be viewed as either a positive or a negative phenomenon.

Economic liberalization

Economic liberalization in India is the ongoing economic reforms in India that started in 1991. As of 2009, about 300 million people—equivalent to the entire population of the United States have escaped extreme poverty.

Example: The development of commercial jet aircraft has reduced the time needed to get from one location to another. Now New York is closer to Tokyo than ever. Did u know? Economic globalization comprises the globalization of production, markets, competition, technology, and corporations and industries. Current globalization trends can be largely accounted for by developed economies integrating with less developed economies, by means of foreign direct investment, the reduction of trade barriers as well as other economic reforms and, in many cases, immigration. Measurement of economic globalization focuses on variables such as trade, Foreign Direct Investment (FDI), portfolio investment, and income. However, newer indices attempt to measure globalization in more general terms, including variables related to political, social, cultural, and even environmental aspects of globalization. Example: Chinese economic reform began to open China to the globalization in the 1980s. Scholars find that China has attained a degree of openness that is unprecedented among large and populous nations, with competition from foreign goods in almost every sector of the economy. Foreign investment helped to greatly increase quality, knowledge and standards, especially in heavy industry. China's experience supports the assertion that globalization greatly increases wealth for poor countries. As of 2005–2007, the Port of Shanghai holds the title as the World's busiest port.

- Continuing push for economies of scale
- Accelerating technological innovation
- Advances in transportation
- Emergence of newly industrialised countries with productive capability and low labour costs
- Increasing cost of product development relative to market life

Technology Drivers

Technology has been the other principal driver of globalisation. Advances in information technology, in particular, have dramatically transformed economic life. Information technologies have given all sorts of individual economic actors: consumers, investors, businesses; valuable new tools for identifying and pursuing economic opportunities, including faster and more informed analyses of economic trends around the world, easy transfers of assets, and collaboration with far-flung partners.

Multinational corporations develop global information systems for global data processing and decision-making. The Internet provides a broad area of services to business and individual users. Because the World Wide Web (WWW) can reach any Internet-connected computer in the world, the Internet is closely related to global information systems. A global information system is a data communication network that crosses national boundaries to access and process data in order to achieve corporate goals and strategic objectives.

Across companies and continents, information standards ensure desirable characteristics of products and services such as quality, environmental friendliness, safety, reliability, efficiency and interchangeability at an economical cost. For businesses, widespread adoption of international standards means that suppliers can develop and offer products and services meeting specifications that have wide international acceptance in their sectors. According to

the International Organisation for Standardisation (ISO), businesses using their International Standards are competitive in more markets around the world. The ISO develops standards by organising technical committees of experts from the industrial, technical and business sectors who have asked for the standards and which subsequently put them to use. These experts may be joined by representatives of government agencies, testing laboratories, consumer associations, non-governmental organisations and academic circles.

Both a product of globalization as well as a catalyst, the Internet connects computer users around the world. From 2000 to 2009, the number of Internet users globally rose from 394 million to 1.858 billion. By 2010, 22 percent of the world's population had access to computers with 1 billion Google searches every day, 300 million Internet users reading blogs, and 2 billion videos viewed daily on YouTube.

An online community is a virtual community that exists online and whose members enable its existence through taking part in membership ritual. Significant socio-technical change may have resulted from the proliferation of such Internet-based social networks.

Government Drivers

Globalisation took a big step backwards during the First World War, the Great Depression, and the Second World War. Integration of rich countries didn't recover to previous levels before the 1980s.

After the Second World War, work by politicians and various governments led to the Bretton Woods conference, an agreement by major governments to lay down the framework for international monetary policy, commerce and finance, and the founding of several international institutions intended to facilitate economic growth multiple rounds of trade opening simplified and lowered trade barriers. Initially, the General Agreement on Tariffs and Trade (GATT), led to a series of agreements to remove trade restrictions. GATT's successor was the World Trade

Organisation (WTO), which created an institution to manage the trading system. Exports nearly doubled from 8.5% of total gross world product in 1970 to 16.2% in 2001. The approach of using global agreements to advance trade stumbled with the failure of the Doha round of trade negotiation. Many countries then shifted to bilateral or smaller multilateral agreements, such as the 2011 South Korea–United States Free Trade Agreement.

Since the 1970s, aviation has become increasingly affordable to middle classes in developed countries. Open skies policies and low-cost carriers have helped to bring competition to the market.

In the 1990s, the growth of low cost communication networks, induced by several governments, cut the cost of communicating between different countries. More work could be performed using a computer without regard to location. Policy reforms eased out work in the field of accounting, software development, and engineering design.

The forces:

1. Reduction of tariff barriers
2. Reduction of non-tariff barriers
3. Creation of blocs
4. Decline in role of governments as producers and consumers
5. Privatisation in previously state-dominated economies

6. Shift to open market economies from closed communist systems in eastern Europe countries. Open skies policies and low-cost carriers have helped to bring competition to the market.
7. Trade agreements, economic blocks and special trade zones

A Special Economic Zone (SEZ) is a geographical region that has economic and other laws that are more free-market-oriented than a country's typical or national laws. "Nationwide" laws may be suspended inside these special zones. The category 'SEZ' covers many areas, including Free.

Trade Zones (FTZ), Export Processing Zones (EPZ), Free Zones (FZ), Industrial parks or Industrial Estates (IE), Free Ports, Urban Enterprise Zones and others. Usually the goal of a structure is to increase foreign direct investment by foreign investors, typically an international business or a multinational corporation (MNC). These are designated areas in which companies are taxed very lightly or not at all in order to encourage economic activity. Free ports have historically been endowed with favourable customs regulations, for example, the free port of Trieste. Very often free ports constitute a part of free economic zones.

A FTZ is an area within which goods may be landed, handled, manufactured or reconfigured, and re-exported without the intervention of the customs authorities. Only when the goods are moved to consumers within the country in which the zone is located do they become subject to the prevailing customs duties. Free trade zones are organised around major seaports, international airports, and national frontiers—areas with many geographic advantages for trade. It is a region where a group of countries has agreed to reduce or eliminate trade barriers.

A free trade area is a trade bloc whose member countries have signed a free-trade agreement, which eliminates tariffs, import quotas, and preferences on most (if not all) goods and services traded between them. If people are also free to move between the countries, in addition to freetrade area, it would also be considered an open border. The European Union, for example, a confederation of 27 member states, provides both a free trade area and an open border.

Qualifying Industrial Zones (QIZ) are industrial parks that house manufacturing operations in Jordan and Egypt. They are a special free trade zones established in collaboration with neighbouring Israel to take advantage of the free trade agreements between the United States and Israel. Under the trade agreements with Jordan as laid down by the United States, goods produced in QIZ-notified areas can directly access US markets without tariff or quota restrictions, subject to certain conditions. To qualify, goods produced in these zones must contain a small portion of Israeli input. In addition, a minimum 35% value to the goods must be added to the finished product. The brainchild of Jordanian businessman Omar Salah, the first QIZ was authorised by the United States Congress in 1997.

The Asia-Pacific has been described as "the most integrated trading region on the planet" because its intra-regional trade accounts probably for as much as 50–60% of the region's total imports and exports. It has also extra-regional trade: consumer goods exports such as televisions, radios, bicycles, and textiles into the United States, Europe, and Japan fuelled the economic expansion.

The ASEAN Free Trade Area is a trade bloc agreement by the Association of Southeast Asian Nations supporting local manufacturing in all ASEAN countries. The AFTA agreement was signed on 28 January 1992 in Singapore. When the AFTA agreement was originally signed.

In the 1990s, the growth of low cost communication networks, induced by several governments, cut the cost of communicating between different countries. More work could be performed using a computer without regard to location. Policy reforms eased out work in the field of accounting, software development, and engineering design.

The objectives of governments and of international organisations behind the promotion of globalisation:

1.Free trade, peace, democracy

There's no denying the fact that human beings who trade with one another, who allow mutual equity stakes or financial investments to be made, have better relationships both personally and politically. This results in avoiding or at least reducing the risk of armed conflicts. Peace in the world becomes more secure and the developing political systems come under increasing pressure to organise themselves in a more democratic way. It is therefore almost immaterial whether the establishment of peace and democracy is the main objective of the liberalisation of markets, as it is pursued by international organisations (such as IMF, WTO) or by national governments, or whether this is "only" a desirable, more or less automatic consequence of this process. Thus the main motive of the founders of the European Union was reconciliation after the Second World War, since the commercial benefits of the economic and currency union were not altogether clear before. Only later did the "Ceccini Report" try to demonstrate in terms of opportunity cost what the consequences of not uniting would be. They thought that at latest, when the single currency was introduced, the unification of Europe would become irreversible, and thereby long-term peace between the countries involved would be secured. Even the upholding of human rights and the adherence to democratic structures can be more effectively monitored by international organisations, if there are commercial relations between the countries concerned. If additionally, the international conglomerates apply pressure to uphold environmental and social standards in the manufacture of the products which they sell world-wide, then it is likely that there will be further beneficial effects both for environmental standards and for the quality of life among certain parts of the population.

1. Prosperity

Similarly as companies necessarily work in their own interests, so also governments naturally attempt to create or improve conditions for their own countries and communities of countries by increasing exports (and as little imports as possible) in order to: generate growth in their economies and as a result increasing employment
Notes
prevent or reduce unemployment
generate additional income for the population, and
Finally, to increase tax revenue

Competitive Drivers

The globalization is also affected by the competition. There are various forms of competitive drivers. If there is a strong competition in the industry, the greater is the possibility of the industry to globalise.

1. Continuing increases in the level of world trade
2. Increased ownership of corporations by foreign acquirers

3. Rise of new competitors intent upon becoming global competitors
4. Growth of global networks making countries interdependent in particular industries
5. More companies becoming globally centred rather than nationally centered
6. Increased formation of global strategic alliances

Other Drivers

1. Revolution in information and communication
2. Globalisation of financial markets
3. Improvements in business travel

1.8 Reasons for the Companies to go Global

The reasons to go global are as follows:

Growth

Is there anybody who would not accept that every company in the world, and equally its shareholders, management and staff wish to grow, to increase sales, and if possible profits, in order to secure their long-term future? The widely accepted hypothesis is after all valid that a company which does not achieve growth and stability, is – like a plant – condemned to death in the long-term, or to being pushed aside by increasingly powerful competitors. The opportunities for growth within the national territory are however often limited – although less often than is frequently believed.

The “No. 1 Position”: Size by itself, measured in absolute numbers, is usually not a key objective for the “multinationals”, since for such companies whether they generate sales of 30, 50 or a 100 thousand million \$ is usually not material in achieving a dominant position in the world market. Relative size is more important, i.e. the value of sales compared with those of competitors, and in particular the objective of being the largest and strongest in the own core market, even perhaps being “world market leader”. For example, Jürgen Schrempp, CEO of DaimlerChrysler is clearly pursuing with all the force at his disposal the objective of achieving the “No. 1 position in the World Car Manufacturers’ League” (Scholtys 2002).

The objective of being or aiming to be No. 1 in the market is totally logical, considering that in the market economy, as in sport, the motto “winner takes it all” definitely applies: Once a product, brand or a company has become market leader, and not just in its home country, but also in foreign markets, or even worldwide, then its position is self-reinforcing, because that sends a message to consumers, that it must be the best product, since “so many consumers throughout the world cannot be wrong”. This is because even in the economy as a whole “everybody loves the winner”. In selecting the countries to which the business is to be expanded, there is also the objective of being the First In, reflecting the dictum: “second place is first loser”.

Following on from the fall of the Wall, the expansion into the previously closed-off countries of Eastern Europe has once again demonstrated that the company which enters a market first achieves what are called “first mover advantages” and becomes a synonym for a whole range of products, which makes it possible for long-term market leadership to be achieved.

The multiplication of superior concepts: After all the criticism which is directed against the companies which have a world-wide business and high-profile brands (such as COCA-COLA, McDONALD’S, GAP, STARBUCKS etc.) and which are present almost everywhere, it is usually overlooked that such companies make use of superior marketing concepts, which were initially exclusively employed over many years in their home markets, and then adapted and continuously developed for use in foreign countries. The consequence

is: Consumers simply prefer to buy the products of such manufacturers rather than those of other mostly local producers, either because the products of the former are better in quality, or cheaper, or more innovative, or are just in fact “more trendy”, or quite simply: because they come from the West (mostly from the USA). It is therefore almost impossible to be successful with some undifferentiated and possibly qualitatively inferior product against the competition which exists in virtually all business areas in all countries of the world. Additionally, experience has shown that it is more difficult to operate and succeed in foreign markets than in familiar home markets. If companies wish to be successful throughout the world, they and their products must be “top fit”. The characteristic of being superior cannot though apply to all parameters within a company’s range of products and services. Nobody can be “champion in all sports” simultaneously. The “secret formula” for internationally successful companies is on the contrary to focus on a small number of key competencies, which may include:

Unbeatable low prices and low-cost production processes, such as with IKEA or HENNES & MAURITZ

Unique products (such as with McDonald’S or KELLOGG’S)

Superior and really extensive advertising or promotion activities, such as with COCACOLA or WRIGLEY’S

An extremely cheap distribution concept (as with ALDI)

Innovative technology (as from MICROSOFT or SONY) which can be applied everywhere in the world

Or “simply” superior marketing know-how (such as with UNILEVER or NESTLÉ), which makes it easier to enter new markets quickly and successfully

Increasing “Shareholder Value”

The expansion of company’s commercial activities to an increasing number of the world’s countries not only increases the company’s value due to its increasing sales and size. But at the same time, such expansion requires large financial resources, which actually increase exponentially, since one can assume that priority will be given to markets which can be exploited fastest, most easily and most cheaply while those markets that are regarded as complicated or risky will only be “occupied” later. It is therefore not surprising that most “global players” are quoted on the stock market, and that most of them are traded on Wall Street since through bank credits, loans or other expensive sources of finance, such expansion programs could not be undertaken. Therefore – unless financing is done from internal sources, generated from retained profits, financing via the stock market forms an integral and essential part of the expansion strategies of global companies. The disadvantage of this relatively inexpensive resource for funding expansion, however, is that the stock market has to be involved.

This means that it (in other words, the analysts, the shareholders, the media etc.) has to be Notes convinced of the benefits of the global expansion strategy concerned, and that it regards the associated risks as less than the associated benefits which should flow from the investment. If however at some point in time the risks involved in international expansion, perhaps as a result of political strife or war, grow significantly, then it can be this same Wall Street which slams the door on the further globalization of companies quoted on the stock market. The continuous increase of “shareholder value” (that means the increase of the share price plus paid out dividends) together with limited risks therefore form for such companies an essential “conditio sine qua non”.

Another way of generating the means required to provide or to limit the resources needed for world-wide expansion is the use of franchise- and licence models, as is done for

instance by McDonald's or COCA-COLA: In such cases, the necessary "hardware", i.e. the physical investments (sales outlets, central warehouses, plants etc.) are usually financed by the franchisee or licensee, while the provider of the brand or the concept only supplies the "software", i.e. the formulas, the advertising concepts, the production know-how etc. where the capital requirements are usually modest.

The usage of international media: A further motive for international companies to build distribution as quickly and widely as they can across the whole globe is the possibility only open to such companies of advertising in the relatively inexpensive (in terms of persons contacted) international media (such as CNN or MTV) or to make use of those international sports events such as world championships, which are transmitted globally on TV. When at the final of the Football World Cup in Seoul in 2002, over a thousand million people were sitting in front of their TV screens, these current or potential customers could easily and cheaply be introduced to or at least reminded of international brand names through perimeter boards. And in fact, the list of manufacturers of branded products which used this opportunity read like a "Who's Who" of global companies. This type of advertising is denied to brands which are only available in single countries or continents because of the associated high proportion of wasted contacts.

All the above factors drive the wave of globalization among the corporate to have an integrated economy. This means that it (in other words, the analysts, the shareholders, the media etc.) has to be convinced of the benefits of the global expansion strategy concerned, and that it regards the associated risks as less than the associated benefits which should flow from the investment. If however at some point in time the risks involved in international expansion, perhaps as a result of political strife or war, grow significantly, then it can be this same Wall Street which slams the door on the further globalization of companies quoted on the stock market. The continuous increase of "shareholder value" (that means the increase of the share price plus paid out dividends) together with limited risks therefore form for such companies an essential "conditio sine qua non".

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All the above factors drive the wave of globalisation among the corporates to have an

integrated economy.

There is a wide difference between HRM and global HRM. The international dimensions may bring with it a host of issues, which the domestic HR function would not normally get involved in. The distinction between global HRM and HRM are:

1. Being responsible for a greater number of functions and activities, such as the selection, training and management of international assignees.
2. Having to expand one's area of expertise to include a much broader knowledge of foreign country employment laws and global organization designs.
3. Having to get much more closely involved with employees' lives as the firm moves employees to foreign assignments. For example, collecting information and furnishing to visa authorities about Aids or marital status of employees.
4. Being involved with a greatly expanded and constantly changing mix of employees (from the host country and foreign locales), adding considerable diversity and complexity to the HR tasks.
5. Having to cope with more external influences; for example, having to consider the impact of foreign cultures and laws.
6. Having to face greater exposure to problems and liabilities (for example, making mistakes in expatriate assignments can cost as much as US\$4 million per assignee). The accumulated direct and indirect costs can be huge.
7. Additional responsibilities like translation of language, both at headquarters and at the subsidiary level, organizing schooling and housing for expatriates and providing administrative services.
8. Management of differential compensation due to variety of allowances and adjustments.
9. More emphasis on activities like international relocation and orientation, both predeparture and post-departure cultural training. Knowledge of international taxation, rate of inflation and cost of living, including currency fluctuation.
10. Diversity management, like managing people from different cultural and political backgrounds and gender differences.
11. More contacts with government officials for obtaining visas, tax certificates, fixing of meetings and so on.
12. More coordination and travel to assess performance of expatriates and solve problems.
 - (a) More risk management as threats from terrorists, kidnappers and protecting intellectual property rights of firms.
 - (b) More public relations work to enhance the multinationals image and deal with human rights and other NGOs and interest groups operating in different countries.

1.9 Summary

Globalization is the process of international integration arising from the interchange Advances in transportation and telecommunications infrastructure, including the rise of world views, products, ideas, and other aspects of culture.

The Internet, are major factors in globalization, generating further interdependence of HRM refers to those activities undertaken by an organization to utilize its human resources economic and cultural activities. Even those organizations who consider themselves immune to transactions across effectively. Globalization is the process of international integration arising from the interchangeλgeographical boundaries are connected to the wider network globally of world views, products, ideas, and other aspects of culture. Advances in transportation and telecommunications infrastructure, including the rise of Notes the Internet, are major factors in globalization generating further interdependence of HRM refers to those activities undertaken by an organization to utilize its human resources economic and cultural activities. Even those organizations who consider themselves immune

to transactions across effectively. Globalization involves the diffusion of ideas, practices and technologies. It is something geographical boundaries are connected to the wider network globally. Key drivers of globalization are market drivers, costs drivers, technology drivers, more than internationalization and universalisation government drivers and competitive drivers.

1.10 Keywords

Economic Globalization- Economic globalisation is the process of increasing economic integration between countries, leading to the emergence of a global marketplace or a single world market.

Ethnocentric: Approach in which key positions at the domestic and foreign operations are held by management personnel of headquarters.

Free Trade Zones (FTZ): A FTZ is an area within which goods may be landed, handled, manufactured or reconfigured, and re-exported without the intervention of the customs authorities.

Global Information System: A global information system is a data communication network that crosses national boundaries to access and process data in order to achieve corporate goals and strategic objectives.

ISO: The International Organization for Standardization is an international standard-setting body promulgates worldwide proprietary, industrial, and commercial standards. It was founded on February 23, 1947, the organization.

Online Community: It is a virtual community that exists online and whose members enable its existence through taking part in membership ritual.

Parent Country Nationals (PCNs): PCNs are managers who are citizens of the country where the MNC is headquartered.

Third Country Nationals (TCNs): TCNs are managers who are citizens of countries other than the one in which the MNC is headquartered or the one in which it is assigned to work by the MNC.

1.11 Self Assessment Questions

1. Explain in detail the Global Human Resource Management.
2. Write short notes on:
 - (a) Types of International Employees.
 - (b) Objectives of Global HRM.
3. Describe the Model of International HRM.
4. Explain the Ethnocentric, regocentric, and Polycentric approaches to IHRM.
5. What do you understand by the drivers of the globalization?
6. Which market forces drive globalization?
7. Elucidate the statement 'Technology has been the other principal driver of globalization'.
8. What is the objective of governments and of international organizations behind the promotion of globalization?
9. Elucidate on the competitive drivers of globalization.
10. What are the reasons for the companies to go global?

1.12 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON-2

COMPONENTS OF IHRM STRATEGY

Learning Objectives

- ✓ To learn the Factors Driving Standardization
- ✓ To Understand the Factors Driving Localization
- ✓ To Know the Measures creating the HRM balance between standardization and localization
- ✓ To Analyze the path to global status

Structure

- 2.1 Introduction
- 2.2 Standardization and Localization of HRM Practices
- 2.3 Factors Driving Standardization
- 2.4 Factors Driving Localization
- 2.5 Measures creating the HRM balance between standardization and localization
- 2.6 The Path to Global Status
- 2.7 Summary
- 2.8 Key words
- 2.9 Self Assessment Questions
- 2.10 Suggested Readings

2.1 Introduction

Human resource practices, policies and processes are imbedded in the strategic, structural and technological context of the MNE. This ‘administrative heritage’ is particularly critical for global firms as the international organization will be called on to operate across a wide variety of competitive environments and yet somehow balance these diverse social, political and economic contexts with the requirements of the original home context. Here we focus on internal responses as firms attempt to deal with global environment challenges. Figure 2.1 illustrate the major elements encountered as a result of international growth that place demands on senior managers.

The various elements in Figure 2.1 are not mutually exclusive. For example, geographical dispersion affects firm size, creating pressure upon control mechanisms that, in turn, will influence structural change. Growth (size of the firm) will affect the flow and volume of information, which may reinforce a control response (such as what functions, systems and processes to centralize and what to decentralize). Geographical dispersion will involve more encounters with national cultures and languages, thus affecting the flow and volume of information. The demands of the host country can influence the composition of the workforce (the mix of parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs))



Figure 2.1 Management Demand and International Growth

Rather, the purpose of this chapter is to explore some of the managerial responses to these influences that concern HRM. Our focus remains on the connection between organizational factors, management decisions and HR consequences. To a certain extent, how the internationalizing firm copes with the HR demands of its various foreign operations determines its ability to execute its chosen expansion strategies. Indeed, early Finnish research suggests that personnel policies should lead rather than follow international operation decisions, yet one could argue that most companies take the opposite approach – that is, follow market-driven strategies. To discuss the twin forces of standardization and localization and follow the path a domestic firm takes as it evolves into a global entity and illustrate how the HRM function is affected by the way the internationalization process itself is managed

2.2 Standardization and Localization of HRM Practices

Controlling cross-border operations of a MNE centers around what processes, routines, procedures and practices can be and should be transferred abroad and to what degree these require country-specific adaptation, if any, to be effectively implemented at the local level. In the processes of transferring systems and know-how the role of people is critical. The management of people – probably the most culture-bound resource in an international context – is faced by a high level of complexity because of the diverse cultural environment of a MNE.

As discussed in previous chapters, expatriates are frequently used to oversee the successful implementation of appropriate work practices. At some point, however, multinational management replaces expatriates with local staff with the expectation that these work practices will continue as planned. This approach is based on assumptions that appropriate behavior will have been instilled in the local workforce through training programs and hiring practices, and that the multinational's way of operating has been accepted by the local staff in the manner intended. In this way, the multinational's corporate culture will operate as a subtle, informal control mechanism – a substitution for direct supervision.

However, this depends on the receptivity of the local workforce to adhere to corporate norms of behavior, the effectiveness of expatriates as agents of socialization and whether cost considerations have led the multinational to localize management prematurely. Here, the role of appropriate human resource management activities becomes crucial. The aim of global

standardization of HRM practices is to reach the above-mentioned consistency, transparency and an alignment of a geographically fragmented workforce around common principles and objectives. The use of common management practices is intended to foster a feeling of equal treatment among managers involved in cross-border activities and, at the same time, aims at a common understanding of what is expected from the employees. Furthermore, consistent systems facilitate the administration processes by increasing operational efficiencies.

The aim of realizing local responsiveness is to respect local cultural values, traditions, legislation or other institutional constraints such as government policy and/or education systems regarding HRM and work practices. As mentioned above, attempting to implement methods and techniques that have been successful in one environment can be inappropriate in another.

The challenge of many multinationals is to create a system that operates effectively in multiple countries by exploiting local differences and interdependencies and at the same time sustaining global consistency. Unilever, for example, uses the same recruitment criteria and appraisal system on a worldwide basis to ensure a particular type of managerial behavior in each subsidiary. However, features of the national education systems and skill levels must be considered.

This discussion has shown that the standardization-localization choice that confronts the multinational in an area of operation such as marketing, applies to the management of the global workforce as well. This is due to the fact that HRM carries out a strategic support function within the firm. However, as has been indicated above, the extent to which HRM systems are standardized or localized depends on various interdependent factors. We call this the 'HRM balance between standardization and localization'. Figure 2.2 illustrates important drivers that either foster standardization or localization.

To sum up, the exact balance of a firm's HRM standardization-localization choice is based on factors of influence such as strategy structure, firm size and maturity. The strength of corporate culture plays an important role on the standardization side, while the cultural and institutional environment, including features of the local entity such as operation mode and subsidiary role, play an important role on the localization side. As Harzing confirms, there exists a continuum of advantages for both standardization and localization.

A recent review of North American and European based MNEs led the researchers to conclude that between the two poles of standardization (related to what the writers call 'dependent' – HRM

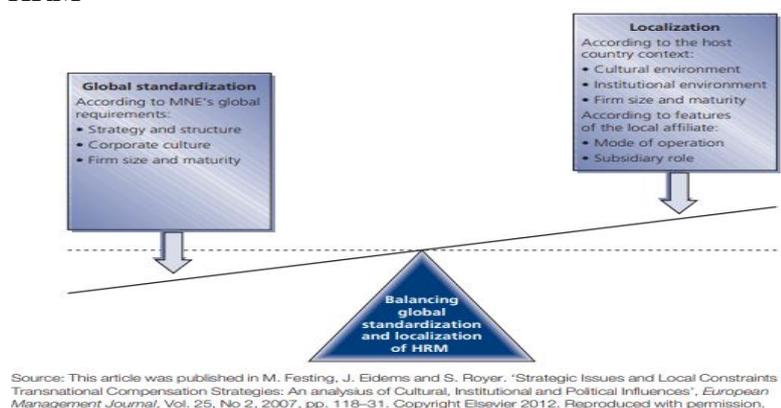


Figure 2.2 Balancing the standardization and localization of Human Resource Management in MNCs

practices that are cleared by corporate headquarters) and localization (related to what the writers call 'highly independent' – HRM practices that vary at the discretion of local managers) there are intermediate strategies of standardization and localization of HR practices (referred to as 'interdependent' and 'independent' respectively). Furthermore, these practices are dynamic, such that HR practices may move between these two poles in response to contextual, firm-specific strategic, environmental and regulatory developments.

2.3 Factors Driving Standardization

The relationship suggested in the literature explains that a large MNE with a long international history and extensive cross-border operations:

- ✓ Pursues a multinational or transnational corporate strategy;
- ✓ Supported by a corresponding organizational structure;
- ✓ That is reinforced by a shared worldwide corporate culture.

However, in practice, we do not always observe perfect adherence to these factors in all MNEs. For example, a worldwide corporate culture may not be shared by all employees in all subsidiaries. This factor should, nonetheless, at least be the target of many firms hoping to cope with the challenges of globalization.

In such highly internationalized organizations we often find attempts to standardize HRM practices on a worldwide basis. Of course, this approach is not appropriate for the whole workforce but aims at a group of managers who are working at the cross-border boundaries of the firm in the headquarters or in foreign locations, i.e., international boundary spanners. A good example of a MNE which has attempted to globally standardize compensation practices is Schering AG, a German pharmaceutical company, which introduced a global performance system for top managers worldwide. Within the context of a new strategic orientation, Schering implemented a standardized bonus system for top executives that aimed at strengthening the performance culture in the company and facilitating a common orientation for all managers.

The corporate element of the bonus system consisted of a standardized bonus structure. As the cultural acceptance for variable bonuses varied across Schering's subsidiaries, the proportion between the fix and variable part of the total compensation package of managers was adapted to the country-specific conditions. The Schering example not only shows us that the implementation of global standards is possible, but at the same time, it also makes it clear that local adaptations and exceptions to the standards are often needed.

2.4 Factors Driving Localization

As has been depicted in Figure 2.2, factors driving localization include the cultural and institutional environment and features of the local entity itself. We will discuss these factors in the following paragraphs.

The cultural environment

To identify national culture as a moderating variable in IHRM. We noted how members of a group or society who share a distinct way of life will tend to have common values, attitudes and behaviors that are transmitted over time in a gradual, yet dynamic, process. There is evidence that culture has an important impact on work and HRM practices. Sparrow, for example, has identified cultural influences on reward behavior such as 'different expectations of the manager-subordinate relationship and their influence on performance management and motivational processes'. Triandis found that cultures where work is based

on more integrated personal social 'relationships' may value a more complete balance of intrinsic and extrinsic rewards, while cultures characterized by personal independence and isolation ('individualism') as well as rapidly changing personal and social contexts may emphasize extrinsic rewards – given the absence of a strong and enduring social matrix that attributes meaning and power to intrinsic rewards. The examples indicate that the effectiveness of standardized practices might differ in various cultural contexts.

The institutional environment

In addition to national or regional culture, institutional settings shape the behavior and expectations of employees in subsidiaries. The institutionalism perspective indicates that institutional pressures may be powerful influences on human resource practices. According to Whitley institutional norms and values may be based on the features of a national business system. Elements which are relevant to HRM are, for example, the characteristics of the education system or the industrial relations system.

For example, in Germany, the dual vocational training system, which provides theoretical learning opportunities in part-time schools and practical experience in companies, is widespread. More than 60 per cent of an age group is involved in dual vocational training for more than 350 professions. This kind of training represents a well-accepted qualification in Germany, whereas in other countries such as France, this system is non-existent or restricted to lower qualifications. The pervasiveness and reputation of such a training system has an impact on IHRM. More specifically, for example, the recruitment process and the selection criteria reflect the importance of these qualifications. Another example of institutional factors which can have HRM-related effects are the: 'scope of labor legislation and its regency of codification, [it] creates new codes of conduct through issues such as sex discrimination, equal pay for equal work, and minimum wages'. Thus, for legitimacy reasons, it can make sense for some organizations to offer specific benefits or advantages, for example, even if they are very expensive and normally would not be offered due to efficiency considerations.

The impact of the institutional environment on IHRM is shown in the following example, which addresses staffing decisions. A study by As-Saber, Dowling and Liesch found that there was a clear preference for using HCNs in key positions by multinationals operating in India. The authors suggest that a major reason for HCN preference was the belief that an Indian would know more than an expatriate manager could learn in years on the job. Generally, localization of HR staff positions is more likely to ensure that local customs and host-government employment regulations are followed. Khilji found that, although foreign multinationals in Pakistan had formulated policies, implementation was low 'because managers brought up and trained in a hierarchical and centralized set-up resist sharing power and involving employees in decision making'. This occurred despite the host country's expectation that multinationals would transfer their best practices and act as a positive force in the introduction of what was regarded as desirable Western management styles. However, the multinationals in Khilji's study had taken a polycentric approach, with HCNs in key positions, including that of the HR manager.

Liberman and Torbiorn, in their study of eight European subsidiaries of a global firm, found variation in the degree to which employees adopted corporate norms. They suggest that at the start of a global venture, differences in management practices are attributable to cultural and institutional factors whereas commonalities might be explained by a common corporate culture. Empirical results confirmed this. In some countries, employees were agreeable towards wearing of company clothing emblazoned with its logo, as such action did

not challenge their national culture. In another focus of the study, there was great resistance to the implementation of performance assessment for non-managerial positions as it went against existing practice in one of the subsidiaries. Taylor found that Chinese employees working in Japanese plants in their home country perceived team briefings and other such forums as a new form of rhetoric, replacing nationalist and Communist Party propaganda of the past, and this information was consequently considered of little value by workers and managers. These examples underline the importance of finding adequate solutions for the standardization-localization balance.

These above-described effects illustrate phenomena identified by the theoretical lens of institutionalism. The country-of-origin effect implies that multinationals are shaped by institutions existing in their country of origin and that they attempt to introduce these parent-country-based HRM practices in their foreign subsidiaries. This is especially the case in an ethnocentric firm.

The country-of-origin effects are stronger in non-restrictive local environments than in very restrictive countries. For example, US MNEs are more flexible in importing their HRM practices into British affiliates than into German units because British employment law is not as strict as that in Germany and it leaves more choices to the enterprises. However, there is also evidence that MNEs tend to limit the export of practices typical for the country-of-origin to those that are considered to be their core competences.

The host-country effect refers to the extent to which HRM practices in subsidiaries are impacted by the host-country context. For example, foreign MNEs in Germany are not free in their choice of pay levels or pay mixes. This is regulated by collective wage agreements, which are typical for the German environment and must be accepted. A similar effect exists in the headquarters. Here, HRM activities are influenced by the home-country environment. We call these effects home-country effects. This differentiation reflects the discussion on home and host country environment, which is typical for MNEs. The home-country effect is the basis for the above-described country-of-origin effect, describing MNEs that try to transfer HRM activities shaped by their home-country environment to foreign locations.

This discussion has shown that the institutional context has an impact on HRM in several different ways. We have seen that not only the host country's institutional context can foster localization, but that forces exist from the country-of-origin as well. Sometimes reverse diffusion, i.e. the transfer of practices from foreign locations to the headquarters, can be observed.

For example, there is evidence that American MNEs learn from their subsidiaries in the United Kingdom. Edwards et al. have reported that a 'shared service' approach to organizing the HR function was developed in the UK and then introduced in the American headquarters. Relationships of the different effects between the institutional environment and the MNE units are delineated in Figure 2.3.

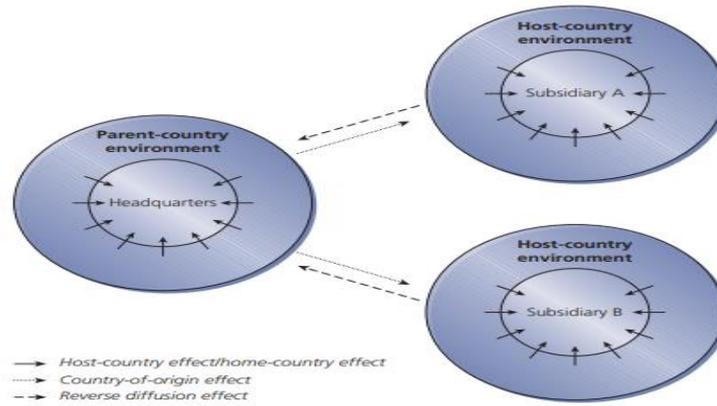


Figure 2.3 Institutional Effect on MNCs

Conclusions on the host-country environment In the preceding two sections we outlined how the institutional environment may influence HRM and, in particular, attempts at global standardization and local responsiveness. Table 2.1 summarizes these ideas and gives examples of environmental differences, which could lead to problems when MNEs attempt to introduce worldwide standardized HRM practices. Within this context, it is important to recall the discussion on convergence and divergence of HRM and work practices

Table 2.1 Examples of the Impact of the cultural and Institutional context on HRM Practices

HRM practices	Impact of the institutional context
Recruitment and selection	<i>Education system</i> The reputation of educational institutions such as public and private universities varies in different countries. This is reflected in the recruiting processes (i.e. HR marketing) and selection criteria of the firms in those countries.
Training and development	<i>Education system</i> Education systems differ between different countries (existence of a dual vocational training system, quality and reputation of higher education institutions). This has an effect on the training needs perceived and fulfilled by MNEs.
Compensation	<i>Legislation and industrial relations</i> Legislation such as the regulation of minimum wages or respective union agreements with respect to compensation have an impact on the firm's compensation choices with respect to pay mix and pay level.
Task distribution	<i>Legislation and norms</i> Legislations and respective norms support gender-based division of labor to a differing extent in different countries. While in some countries the percentage of female managers is relatively high, in other countries it is not common that women work at all.

Mode of operation abroad

When addressing the mode of operation, it is helpful to examine this from the level of the local affiliate. Thus, we turn to firm-endogenous factors to determine the balance between global standardization and localization. A study by Buckley et al. provides two examples of how the mode of operation either inhibits or facilitates work standardization. In late 1978, the Chinese government announced an open-door policy and commenced economic reforms aimed at moving the country from a centrally planned to a market economy. Western firms that entered China early were more or less forced to enter into joint ventures with state owned enterprises (SOEs), whereas those entering later have been able to establish wholly owned

subsidiaries (WOSs). One case in the Buckley et al. study is Shanghai Bell – a joint venture formed in 1983 between a Belgian telecommunications firm (now Alcatel Bell), the Belgian government and the Chinese Postal and Telecommunications Industries Corporation (PTIC). There was a gradual transfer of relevant technology by the Belgian firm, with a long-term reliance on Belgian expatriates. The Belgian firm had limited control over the Chinese employees in the joint venture and was constrained by its partner's expectations and differing goals. The second case researched was much different. The US telecommunications firm, Motorola, established a wholly owned operation in Tianjin, China, in 1992. Changing conditions in China meant that Motorola could effectively build a 'transplant factory': importing production equipment, organizational processes and practices from either the parent or other subsidiaries in its global network. This enabled Motorola to integrate the Chinese operation into the broader corporate network and to localize management. These have been supported by HRM initiatives such as a special management training program (China Accelerated Management Program – CAMP), English language training and transfer of Chinese employees into the US operations. Motorola has been able to transfer its processes and systems, such as Six Sigma quality control, bringing its technology, knowledge and work practices, supported by HRM activities, into the new facilities in China relatively quickly.

Ownership and control are therefore important factors that need to be taken into consideration when multinationals attempt to standardize work and HRM practices. A firm's ability to independently implement processes and procedures is naturally higher in wholly owned subsidiaries while the question of control in international joint ventures (IJV) remains a concern for multinational firms. Complementarities between IJV partners and the degree of interdependence between the IJV and other parts of the multinational have proven to be important influences on effective IJV operation and the transfer of work practices. For example, Yan's study of 87 IJVs operating in China revealed the importance of defining a strategic objective for the IJV when determining work practices. Yan concluded that task-related influence in an IJV plays an important role in directly shaping HRM practices.

The discussion here indicates that the achievement of an acceptable balance in the standardization and localization of HRM practices is less problematic in wholly owned subsidiaries than in cross-border alliances. However, in the latter, the balance also depends on many features of a particular alliance including ownership and control issues. As we will discuss in the next section, it is important to further differentiate wholly owned subsidiaries. We will therefore now introduce the concept of a subsidiary role.

Subsidiary role

The subsidiary role specifies the position of a particular unit in relation to the rest of the organization and defines what is expected of it in terms of contribution to the efficiency of the whole MNE. Subsidiaries can take different roles. Studies have examined how subsidiary roles can differ related to subsidiary function, power and resource relationships, initiative-taking, host country environment, the predisposition of top management and the active championing of subsidiary managers. Subsidiaries may be initiators as well as producers of critical competences and capabilities that contribute as specific profit centers to the competitive advantage of the whole multinational. Centers of excellence at the subsidiary level can be viewed as an indication of how some network-multinationals are recognizing that levels of expertise differ across the organization and that not all innovation and 'best practice' originates from the center – that is from headquarters. The Japanese electronics firm Hitachi's establishment of an R&D center in China is an example of building up the existing R&D facility to the status of a global center for the development of air conditioners.

We will now discuss the well-known typology of subsidiary roles by Gupta and Govindarajan. Based on their interpretation of a MNE as a network of capital, product and knowledge flows, they attribute the highest importance to knowledge flows. They differentiate between

(1) the magnitude of knowledge flows, i.e., the intensity of the subsidiary's engagement in knowledge transfer, and

(2) the directionality of transactions, which means whether subsidiaries are knowledge providers or recipients. The differentiation between knowledge in- and outflows leads to the following typology (see Table 2.2). Subsidiaries characterized as global innovators provide significant knowledge for other units and have gained importance as MNEs move towards the transnational model. This role is reflected in an IHRM orientation in which the parent firm develops HRM policies and practices which are then transferred to its overseas affiliates.

The integrated player also creates knowledge but at the same time is recipient of knowledge flows. Thus, a subsidiary characterized by this role can represent an important knowledge node in the MNE network. This should be supported by a highly integrated HRM orientation. Thus, the HRM practices and policies between headquarters and subsidiaries are very similar, probably characterized by a high extent of global standardization and localized elements when this is needed

Table 2.2 Gupta and Govindarajan's Four generic subsidiary roles

	Low outflow	High outflow
Low inflow	Local innovator	Global innovator
High inflow	Implementer	Integrated player

Source: Adapted from A. Gupta and V. Govindarajan, 'Knowledge Flows and the Structure of Control within Multinational Corporations', *Academy of Management Review*, Vol. 16, No. 4 (1991), pp. 768–92.

Implementers rely heavily on knowledge from the parent or peer subsidiaries and create a relatively small amount of knowledge themselves. If the IHRM system is export-oriented, i.e., global HRM decisions are mainly made in the parent company, then the local subsidiaries are responsible for the implementation process at the local level.

In the local innovator role, subsidiaries engage in the creation of relevant country/region-specific knowledge in all key functional areas because they have complete local responsibility. The HRM systems in such polycentric firms only have weak ties with the headquarters. As every subsidiary operates independently from the parent company and from other subsidiaries this independence results in a number of localized HRM policies and practices. Harzing and Noorderhaven tested this typology and found empirical support in a sample of 169 subsidiaries of MNEs headquartered in The Netherlands, France, Germany, the UK, Japan and the USA:

In comparison to earlier studies, our results show an increasing differentiation between subsidiaries, as well as an increase in the relative importance of both knowledge and product flows between subsidiaries suggesting that MNCs are getting closer to the ideal type of the transnational company.

A development towards the ideal type of the transnational corporation involves more subsidiaries engaging in high-knowledge outflows, and thus, taking on the role of global

innovator or integrative players. The difficulties in transferring knowledge and competence with respect to management practices from the subsidiary level – whether from a designated ‘center of excellence’ or not – to the rest of the network are similar to the difficulties that we discussed in the context of headquarters to subsidiary transfer. The ‘sticky’ nature of knowledge, for example applies regardless of its origins, but the designated role of the subsidiary and the standing of its management are critical in determining the spread and adoption of subsidiary initiated practices.

Stickiness represents one reason why some firms move towards an export-oriented approach to IHRM rather than an integrative management orientation. Another major barrier to an integrative approach can be what Birkinshaw and Ridderstra^le describe as ‘the corporate immune system’. Subsidiary initiatives are often met with significant resistance. Individuals within the organization resist change, or support low-risk projects, and are wary of ideas that challenge their own power base. Michailova and Husted use the terms ‘knowledge-sharing hostility’ and ‘knowledge hoarding’ to explain non-sharing behaviors identified in their study of firms operating in Russia.

Increasing the mobility of managers is one way to break down these barriers and produce corporate rather than subsidiary champions who are prepared to disseminate information about subsidiary initiatives and capabilities, and recommend adoption in other parts of the organization where appropriate. Tregaskis, in her study of R&D centers, reports how one firm found that personal relationships formed through visits of key staff to other units facilitated information sharing and the eventual adoption of new products by other subsidiaries. Face-to-face interactions were important in building trust and exchanges of tacit knowledge which might be possible in the context of corporate or regional meetings. Hence, frequent personal exchanges between the MNE units via individual encounters or regional or global meetings are essential in the processes of successful identification and transfer of knowledge.

This discussion has indicated how the subsidiary role and related processes of knowledge transfer may impact the balance of standardization and localization in HRM. Recalling the power and resource relationships outlined at the beginning of this section, it must be stressed that powerful subsidiaries may have a stronger position in influencing the standardization-localization balance than those affiliates active in less significant markets or with rather unspecific skills. Birkinshaw and Ridderstra^le define the structural power and resource-based power of subsidiaries vis-a`-vis the corporate headquarters as two basic sources of influence within networks and distinguish between ‘core’ subsidiaries and ‘peripheral’ subsidiaries. There is evidence that those subsidiaries controlling large market volumes and possessing strategically important function-specific skills within the MNE network have a strong impact on the standardization-localization balance.

2.5 Measures creating the HRM balance between standardization and localization

Various studies have investigated coordination, communication and control processes between parent organizations and subsidiaries. The analysis of these mechanisms contributes to our understanding about how the balance between globalization and localization is achieved.

Here, we will follow the distinction between structural/formal and informal/ subtle coordination mechanisms used by Martinez and Jarillo. These authors define coordination as

‘the process of integrating activities that remain dispersed across subsidiaries’. The essential difference between these two groups of coordination mechanisms is that the latter is person oriented whereas the former is not. Martinez and Jarillo attribute the non-person-oriented coordination mechanisms to simple strategies of internationalization. More complex strategies, however, require a higher coordination effort. A high degree of coordination is usually realized by using both the nonperson-oriented coordination mechanisms and person-oriented coordination mechanisms.

In the context of corporate IHRM practices and policies, non-person-oriented coordination devices include, for example, written material on HRM practices such as handbooks or information leaflets, either provided in print or via the intranet. However, as this is a one-way communication device, it can only supplement the complex process of balancing global and local needs. It does not meet the requirements of a complex transnational approach to IHRM. Here, person-oriented coordination is indispensable.

As has already been indicated in the context of knowledge transfer between subsidiaries, HR managers from the headquarters as well as from the foreign affiliates must exchange their knowledge, expectancies and experiences on the different local contexts. Therefore, meetings and common project work using a respective supporting infrastructure such as intranet platforms are essential throughout the process of developing and implementing the standardization-localization balance in IHRM. Furthermore, powerful line managers acting as opinion leaders should be involved in the process as well in order to achieve broad support for the transnational HRM measures. Finally, a high importance placed on the respective HRM solution by the corporate top management is essential for the success of the initiative.

2.6 The Path to Global Status

Most firms pass through several stages of organizational development as the nature, and size, of their international activities grow. As they go through these evolutionary stages, their organizational structures change, typically due to:

The strain imposed by growth and geographical spread.

The need for improved coordination and control across business units.

The constraints imposed by host-government regulations on ownership and equity

Multinationals are not born overnight; the evolution from a domestic to a truly global organization may involve a long and somewhat tortuous process with many and diverse steps, as illustrated in Figure 2.4. Although research into internationalization has revealed a common process, it must be stressed that this process is not exactly the same for all firms. As Figure 2.4 shows, some firms may use other operation modes such as licensing and subcontracting instead of, or as well as, establishing their own foreign production or service facilities.

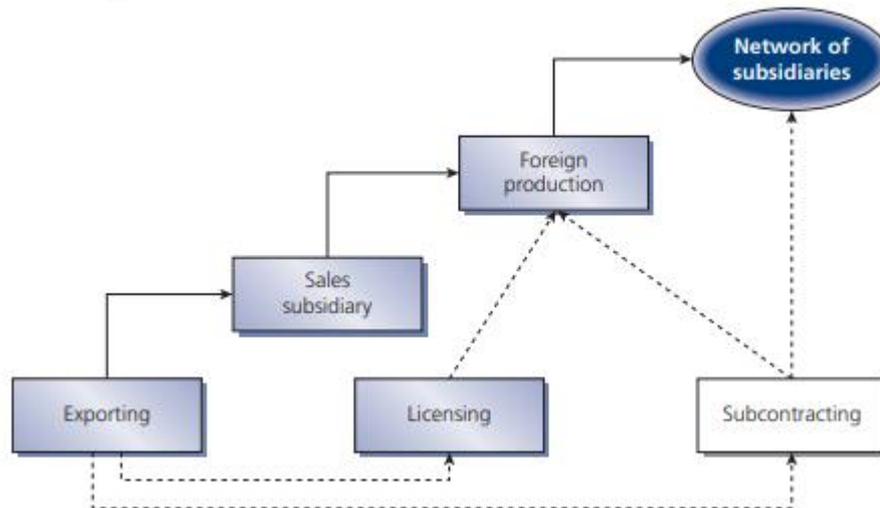


Figure 2.4 Stages of Internationalization

Some firms go through the various steps rapidly while others evolve slowly over many years, although recent studies have identified a speeding up of the process. For example, some firms are able to accelerate the process through acquisitions, thus leapfrogging over intermediate steps (that is, move directly into foreign production through the purchase of a foreign firm, rather than initial exporting, followed by sales subsidiary, as per Figure 2.2 above). Nor do all firms follow the same sequence of stages as they internationalize – some firms can be driven by external factors such as host-government action (for example, forced into a joint venture), or an offer to buy a company. Others are formed expressly with the international market in mind – often referred to as born globals. In other words, the number of steps, or stages, along the path to multinational status varies from firm to firm, as does the time frame involved. However, the concept of an evolutionary process is useful in illustrating the organizational adjustments required of a firm moving along the path to multinational status. As mentioned earlier, linked to this evolutionary process are structural responses, control mechanisms and HRM policies, which we now examine.

Export

This typically is the initial stage for manufacturing firms entering international operations. As such, it rarely involves much organizational response until the level of export sales reaches a critical point. Of course, simple exporting may be difficult for service companies (such as legal firms) so that they may be forced to make an early step into foreign direct investment operations (via a branch office, or joint venture).⁶⁵ Exporting often tends to be handled by an intermediary (for example, a foreign agent or distributor) as local market knowledge is deemed critical. As export sales increase, however, an export manager may be appointed to control foreign sales and actively seek new markets.

This person is commonly from the domestic operations. Further growth in exporting may lead to the establishment of an export department at the same level as the domestic sales department, as the firm becomes more committed to, or more dependent upon, its foreign export sales, as Figure 2.5 shows.

At this stage, exporting is controlled from the domestic-based home office, through a designated export manager. The role of the HR department is unclear, as indicated by the dotted arrow between these two functional areas in Figure 2.5. There is a paucity of empirical

evidence about HR responses at this early internationalization stage, even though there are HR activities involved (such as the selection of export staff), and perhaps training of the foreign agency staff.

As these activities are handled by the marketing department, or exporting staff, the HR department has little, if any, involvement with the development of policies and procedures surrounding the HR aspects of the firm's early international activities.

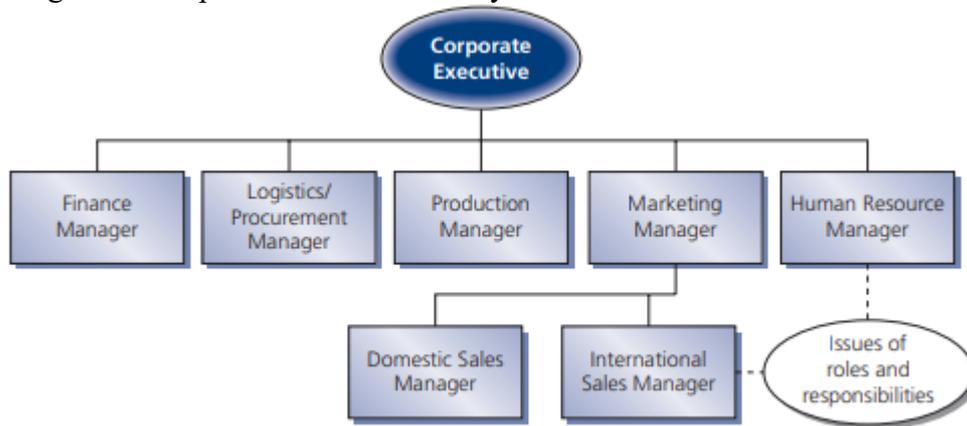


Figure 2.5 Export Department Structure

Sales subsidiary

As the firm develops expertise in foreign markets, agents and distributors are often replaced by direct sales with the establishment of sales subsidiaries or branch offices in the foreign market countries. This stage may be prompted by problems with foreign agents, more confidence in the international sales activity, the desire to have greater control, and/or the decision to give greater support to the exporting activity, usually due to its increasing importance to the overall success of the organization. The export manager may be given the same authority as other functional managers, as illustrated in Figure 2.6.

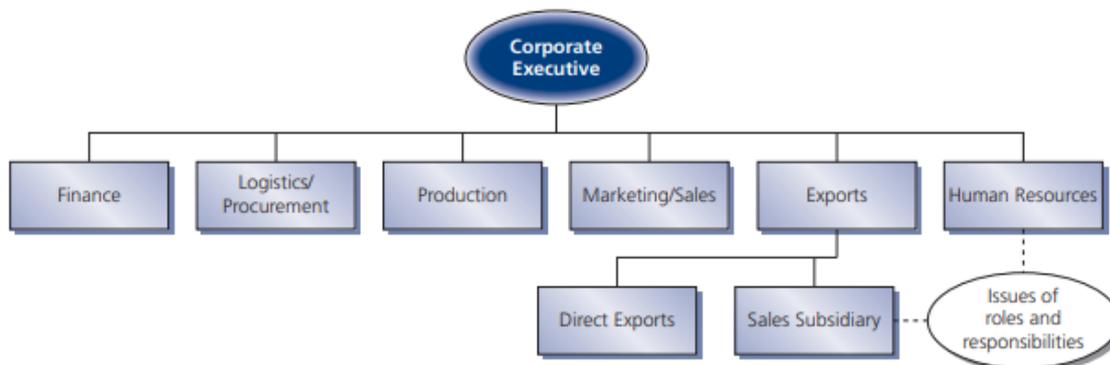


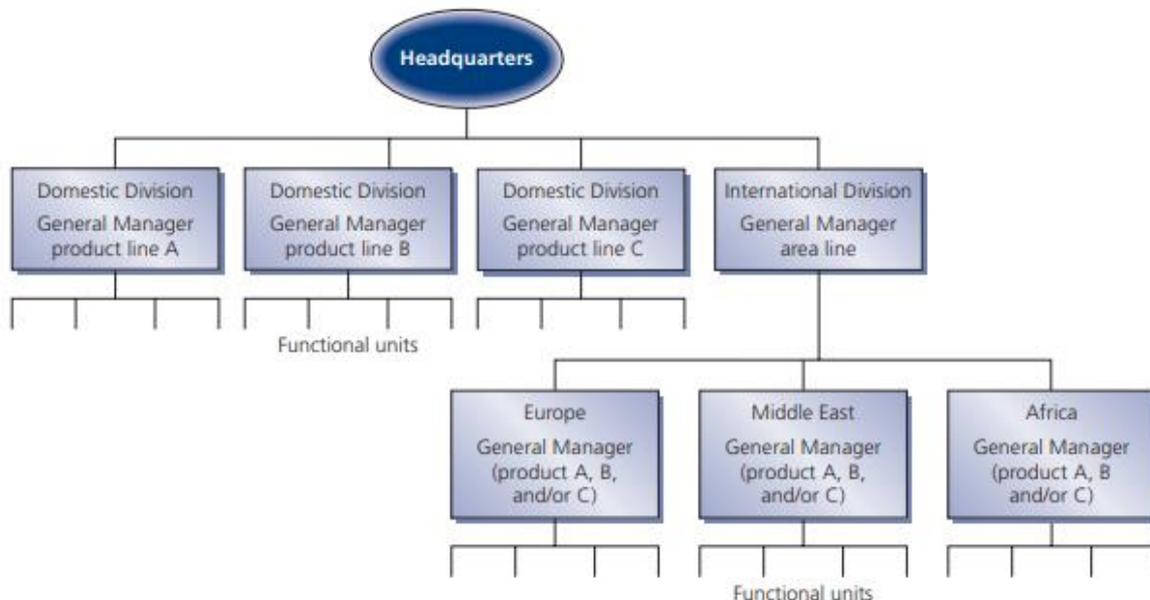
Figure 2.6 Sales Subsidiary Structure

regarding the coordination of the sales subsidiary, including staffing. If it wishes to maintain direct control, reflecting an ethnocentric attitude, it opts to staff the sales subsidiary from its headquarters through the use of PCNs. If it regards country-specific factors – such as knowledge of the foreign market, language, sensitivity to host-country needs – as important, it may staff the subsidiary with HCNs. However, it would appear that many firms use PCNs in key sales subsidiary positions.

The decision to use PCNs leads into expatriation management issues and activities. It may be that, at this point, the HR department becomes actively involved in the personnel aspects of the firm's international operations, though there is little empirical evidence as to when, and how, HR-designated staff become involved.

International division

For some firms, it is a short step from the establishment of a sales subsidiary to a foreign production or service facility. This step may be considered small if the firm is already assembling the product abroad to take advantage of cheap labor or to save shipping costs or tariffs, for example. Alternatively, the firm may have a well-established export and marketing program that enables it to take advantage of host-government incentives or counter host-government controls on foreign imports by establishing a foreign production facility. For some firms, though, the transition to foreign direct investment is a large step. However, having made the decision to produce overseas, the firm may establish its own foreign production facilities, or enter into a joint venture with a local firm, or buy a local firm. Regardless of the method of establishment, foreign production/service operations may trigger the creation of a separate international division in which all international activities are grouped, as Figure 3.7 demonstrates



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Figure 2.7 International divisional Structure

Canada, India, Ceylon (now known as Sri Lanka), Hong Kong, New Zealand, South Africa, Singapore and the West Indies; The Netherlands with Indonesia (known as the 'Dutch East Indies'); Portugal with Brazil, Angola, Mozambique, East Timor and Macau; Spain with Argentina, Venezuela, Peru, Mexico, Chile, Cuba, Panama, Bolivia and Uruguay; and France with colonies in Africa (Algeria, Morocco, Tunisia, Congo, Ivory Coast) and in Vietnam.

With the spread of international activities, typically the firm establishes what has been referred to as 'miniature replicas', as the foreign subsidiaries are structured to mirror that of the domestic organization. The subsidiary managers report to the head of the international division, and there may be some informal reporting directly to the various functional heads. For example, in reference to Figure 2.7, there may be contact between the HR managers in

the two country subsidiaries, and the HR manager at corporate headquarters, regarding staffing issues.

Many firms at this stage of internationalization are concerned about maintaining control of the newly established subsidiary and will place PCNs in all key positions in the subsidiary. However, some firms decide that local employment conditions require local handling and place a HCN in charge of the subsidiary HR function, thus making an exception to the overall ethnocentric approach. Others may place HCNs in several key positions, including HRM, either to comply with host-government directives or to emphasize the local orientation of the subsidiary. The role of corporate HR staff is primarily concerned with expatriate management; though there will be some monitoring of the subsidiary HR function – formally through the head of the international division. Pucik suggests that, initially, corporate HR activities are confined to supervising the selection of staff for the new international division and expatriate managers perform a major role in: ‘identifying employees who can direct the daily operations of the foreign subsidiaries, supervising transfer of managerial and technical know-how, communicating corporate policies, and keeping corporate HQ informed’. As the firm expands its foreign production or service facilities into other countries, increasing the size of its foreign workforce, accompanied by a growth in the number of expatriates, more formal HR policies become necessary. The capacity of corporate HR staff to design appropriate policies may depend on how institutionalized existing approaches to expatriate management concerns have become, especially policies for compensation and pre-departure training; and that the more isolated the corporate HR function has been from the preceding international activities, the more difficult the task is likely to be. The export department (or its equivalent) may have been in charge of international staffing issues and instigated required personnel responses, and now considers it has the competence to manage expatriates.

Global product/area division

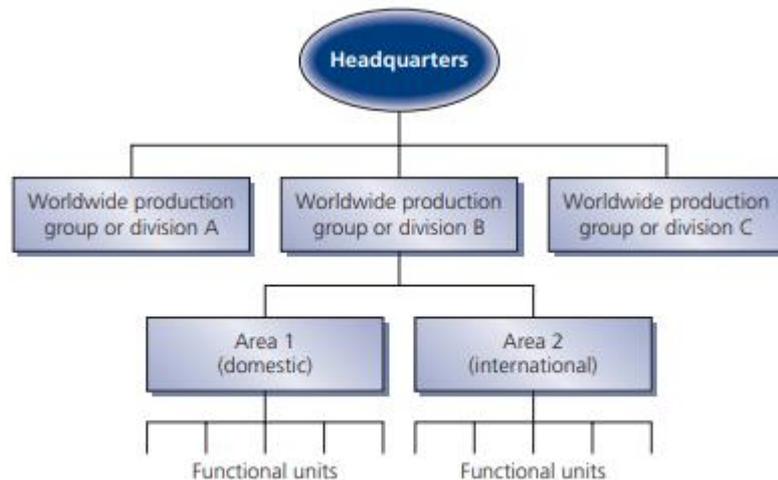
Over time, the firm moves from the early foreign production stage into a phase of growth through production, or service, standardization and diversification. Consequently, the strain of sheer size may create problems. The international division becomes over-stretched making effective communication and efficiency of operation difficult. In some cases, corporate top managers may become concerned that the international division has enjoyed too much autonomy, acting so independently from the domestic operations to the extent that it operates as a separate unit – a situation that cannot be tolerated as the firm’s international activities become strategically more important.

Typically, tensions will emerge between the parent company (headquarters) and its subsidiaries, stemming from the need for national responsiveness at the subsidiary unit and global integration imperatives at the parent headquarters. The demand for national responsiveness at the subsidiary unit develops because of factors such as differences in market structures, distribution channels, customer needs, local culture and pressure from the host government. The need for more centralized global integration by the headquarters comes from having multinational customers, global competitors and the increasingly rapid flow of information and technology, and from the quest for large volume for economies of scale

As a result of these various forces for change, the multinational confronts two major issues of structure:

The extent to which key decisions are to be made at the parent-country headquarters or at the subsidiary units (centralization versus decentralization).

The type or form of control exerted by the parent over the subsidiary unit. The structural response, at this stage of internationalization, can either be a product/servicebased global structure (if the growth strategy is through product or service diversification) or an area-based structure (if the growth strategy is through geographical expansion); see Figures 2.8A and 3.8B



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Figure 2.8A Global Product division structure

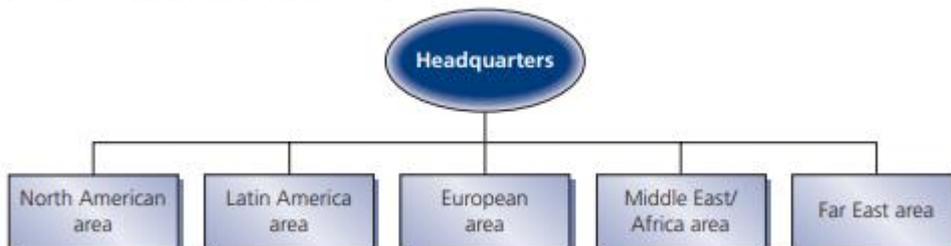


Figure 2.8B Global Area Division structure

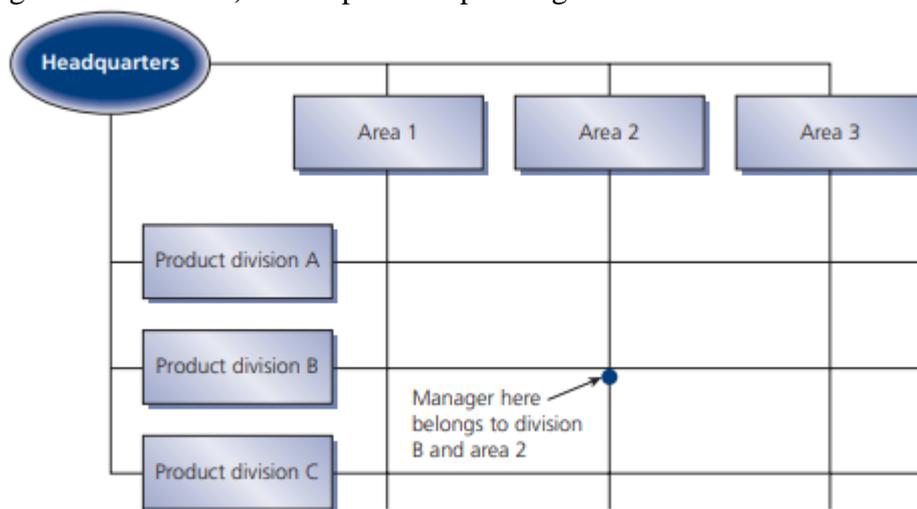
As part of the process of accommodating subsidiary concerns through decentralization, the MNE strives to adapt its HRM activities to each host country's specific requirements. This naturally impacts on the corporate HRM function. As there is an increasing devolution of responsibility for local employee decisions to each subsidiary, with corporate HR staff performing a monitoring role, intervening in local affairs occurs less frequently. This HRM monitoring role reflects management's desire for central control of strategic planning; formulating, implementing and coordinating strategies for its worldwide markets. As well, the growth in foreign exposure combined with changes in the organizational structure of international operations results in an increase in the number of employees needed to oversee the activities between the parent firm and its foreign affiliates. Within the human resource function, the development of managers able to operate in international environments generally becomes a new imperative.

As the MNE grows and the trend toward a global perspective accelerates, it increasingly confronts the 'think global, act local' paradox. The increasingly complex international environment – characterized by global competitors, global customers, universal products, rapid technological change and world-scale factories – push the multinational toward global integration while, at the same time, host governments and other stakeholders

(such as customers, suppliers and employees) push for local responsiveness. To facilitate the challenge of meeting these conflicting demands, the multinational will typically need to consider a more appropriate structure, and the choice appears to be either: the matrix; the mixed structure; the hierarchy; the transnational; or the multinational network. These options are now described and discussed.

The Matrix

In the matrix structure, the MNE is attempting to integrate its operations across more than one dimension. As shown in Figure 2.9, the international or geographical division and the product division share joint authority. Advocates of this structural form see, as its advantages, that conflicts of interest are brought out into the open, and that each issue with priority in decision-making has an executive champion to ensure it is not neglected. In other words, the matrix is considered to bring into the management system a philosophy of matching the structure to the decision-making process. Research on the matrix structure indicates that the matrix; ‘continues to be the only organizational form which fits the strategy of simultaneous pursuit of multiple business dimensions, with each given equal priority ... [The] structural form succeeds because it fits the situation’. In practice, firms that have adopted the matrix structure have met with mixed success. One reason is that it is an expensive structural form in that it requires careful implementation and commitment (and often a great deal of time) on the part of top management to be successful



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Figure 2.9 Global and Matrix Structure

In Figure 2.9, area managers are responsible for the performance of all products within the various countries that comprise their regions, while product managers are responsible for sales of their specific product ranges across the areas. For example, Product A Manager may be concerned with sales of Product A in Europe, the Americas and in the Asia-Pacific area. Product managers typically report to a Vice President Global Products (or similar title) for matters pertaining to product and to another Vice President (perhaps a VP International) who is responsible for geographical matters. There is a similar dual reporting line for functional staff, including HR staff. Country/Area HR managers may also be involved in staffing issues involving product division staff (reporting indirectly to Vice President Global Products). There may be additional reporting requirements to corporate HR at headquarters. One early and public supporter of the matrix organization was Percy Barnevik, former chief executive officer of Asea Brown Boveri (ABB), the European

electrical systems and equipment manufacturer. The decade-long efforts by ABB at matrix control were very influential in the popular and academic press, intriguing executives at a number of global firms.

Mixed Structure

In an attempt to manage the growth of diverse operations, or because attempts to implement a matrix structure have been unsuccessful, some firms have opted for what can only be described as a mixed form. In an early survey conducted by Dowling on this issue, more than one-third (35 per cent) of respondents indicated that they had mixed forms, and around 18 per cent had product or matrix structures. Galbraith and Kazanjian also identify mixed structures that seem to have emerged in response to global pressures and trade-offs: For example, organizations that pursued area structures kept these geographical profit centers, but added worldwide product managers. Colgate-Palmolive has always had strong country managers.

But, as they doubled the funding for product research, and as Colgate Dental Cream became a universal product, product managers were added at the corporate office to direct the R&D funding and coordinate marketing programs worldwide. Similarly the product-divisionalized firms have been reintroducing the international division. At Motorola, the product groups had worldwide responsibility for their product lines. As they compete with the Japanese in Japan, an international group has been introduced to help coordinate across product lines.

Although all structural forms that result from the evolutionary development of international business are complex and difficult to manage effectively, given an MNE's developing capabilities and experience at each new stage, mixed structures appear even more complex and harder to explain and implement, as well as control. Thus, as our discussion of the matrix structure emphasized, it is important that all employees understand the mixed framework and that attention is also given to supporting mechanisms, such as corporate identity, interpersonal relationships, management attitudes and HR systems, particularly promotion and reward policies.

Beyond the matrix

Early studies of headquarter-subsidiary relationships tended to stress resources, people and information flows from headquarters to subsidiary, examining these relationships mainly in the context of control and coordination. However, in the large, mature, multinational, these flows are multidirectional: from headquarters to subsidiary; from subsidiary to subsidiary; and between subsidiaries. The result can be a complex network of inter-related activities and relationships and the multinational management literature identifies three descriptions of organizational structures – the hierarchy, the transnational and the network firm. While they have been given different terms, each form recognizes that, at this stage of internationalization, the concept of a superior structure that neatly fits the corporate strategy becomes inappropriate. The proponents of these forms are in agreement that multinationals at this stage become less hierarchical. We shall take a brief look at each of these more decentralized, organic forms.

The hierarchy

This structural form was proposed by Hedlund, a distinguished Swedish international management researcher, and recognizes that a MNE may have a number of different kinds of centers apart from that traditionally referred to as 'headquarters'. Hedlund argued that

competitive advantage does not necessarily reside in any one country (the parent country, for example). Rather, it may be found in many, so that each subsidiary center may be simultaneously a center and a global coordinator of discrete activities, thus performing a strategic role not just for itself, but for the MNE as a whole (the subsidiary labeled 'center' in Figure 2.10). For example, some multinationals may centralize research and development in a particular subsidiary. In a hierarchical MNE, control is less reliant on the top-to-bottom mechanisms of previous hierarchical modes and more on normative mechanisms, such as the corporate culture and a widely shared awareness of central goals and strategies.

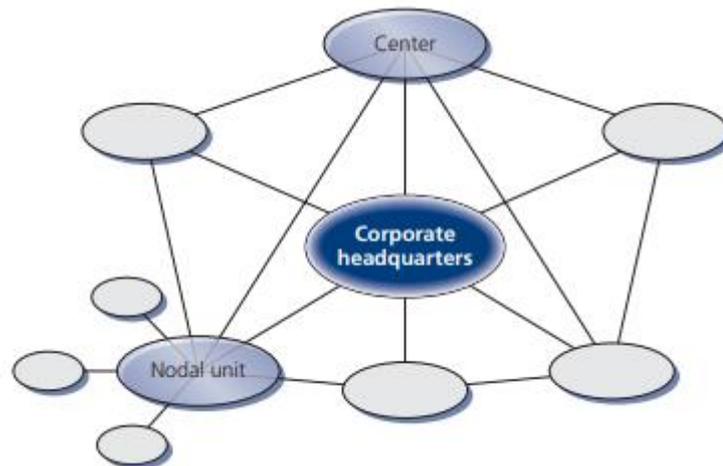


Figure 2.10 The Networked Organization

2.7 Summary

The purpose of this chapter has been to identify the HR implications of the various options and responses that international growth places on the firm.

The general topic of balancing standardization and localization of MNE operations and how this balancing act runs throughout all human resource planning, processes, activities and systems.

The organizational context in which IHRM activities take place. Different structural arrangements have been identified as the firm moves along the path to multinational status – from export department through to more complex varieties such as the matrix, heterarchy, transnational and networked structures.

Control and coordination aspects. Formal and informal mechanisms were outlined, with emphasis on control through personal networks and relationships, and control through corporate culture, drawing out HRM implications.

How international growth affects the firm's approach to HRM. Firms vary from one another as they go through the stages of international development, and react in different ways to the circumstances they encounter in the various foreign markets. There is a wide variety of matches between IHRM approaches, organizational structure and stage of internationalization. Over 20 years ago almost half the US firms surveyed by Dowling reported that the operations of the HR function were unrelated to the nature of the firm's international operations

2.8 Key words

Parent Country National (PCN)- When a company of a country recruits employee from its own country is known as PCN. Here the country is called parent country.

Host Country National (HCN)- When a company of a country runs their business in another country and recruits employees from that country then it is known as HCN. Here the second country is the host country.

Third Country National (TCN)- They are the citizens of one country employed by a company from another country who worked in a third country.

2.9 Self Assessment Questions

- 1 What are the issues of standardization and localization in general for MNEs and how do they particularly manifest themselves in IHRM activities?
- 2 What are the stages a firm typically goes through as it grows internationally and how does each stage affect the HR function?
- 3 What are the specific HRM challenges in a networked firm?
- 4 Country of origin can strongly influence a firm's approach to organization structure. As MNEs from China and India internationalize, to what extent are they likely to differ from that observed for Japanese, European and US MNEs?

2.10 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON-3

DIFFERENCE BETWEEN DOMESTIC HRM AND IHRM

Learning Objectives

- ✓ To study the Differences Between Domestic And International HRM
- ✓ To Understand the HR activities
- ✓ To Learn the workforce mix of PCNs and HCNs varies
- ✓ To Elaborate the Changing Context Of IHRM

Structure

- 3.1 Introduction
- 3.2 What is an expatriate?
- 3.3 Differences Between Domestic And International HRM
- 3.4 More HR activities
- 3.5 The need for a broader perspective
- 3.6 Changes in emphasis as the workforce mix of PCNs and HCNs varies
 - 3.6.1 Risk exposure
 - 3.6.2 Broader external influences
 - 3.6.3 Variables That Moderate Differences Between Domestic and International HRM
 - 3.6.4 The Cultural Environment
 - 3.6.5 Industry Type
- 3.7 Extent of Reliance of The Multinational On Its Home-Country Domestic Market
- 3.8 The Changing Context Of IHRM
- 3.9 Summary
- 3.10 Key words
- 3.11 Self Assessment Questions

3.1 Introduction

Before we can offer a definition of international HRM, we should first define the general field of HRM. Typically, HRM refers to those activities undertaken by an organization to effectively utilize its human resources. These activities would include at least the following:

- Human resource planning.
- Staffing (recruitment, selection, placement).
- Performance management.
- Training and development.
- Compensation (remuneration) and benefits.
- Industrial relations

The question is of course which activities change when HRM goes international? A model developed by Morgan is helpful in terms of answering this question. He presents IHRM on three dimensions:

The broad human resource activities of procurement, allocation and utilization. (These three broad activities can be easily expanded into the six HR activities listed above.)

The national or country categories involved in international HRM activities:

- the host-country where a subsidiary may be located;
- the parent-country where the firm is headquartered; and
- other' countries that may be the source of labor, finance and other inputs.

The three categories of employees of an international firm:

- ✓ Host-country nationals (HCNs);

- ✓ Parent-country nationals (PCNs); and
- ✓ Third-country nationals (TCNs).
- ✓

Thus, for example, the US multinational IBM employs British citizens in its British operations (HCNs), often sends US citizens (PCNs) to Asia-Pacific countries on assignment, and may send some of its Singaporean employees on an assignment to its Chinese operations (as TCNs). The nationality of the employee is a major factor in determining the person's 'category', which in turn is frequently a major driver of the employee's compensation and employment contract.

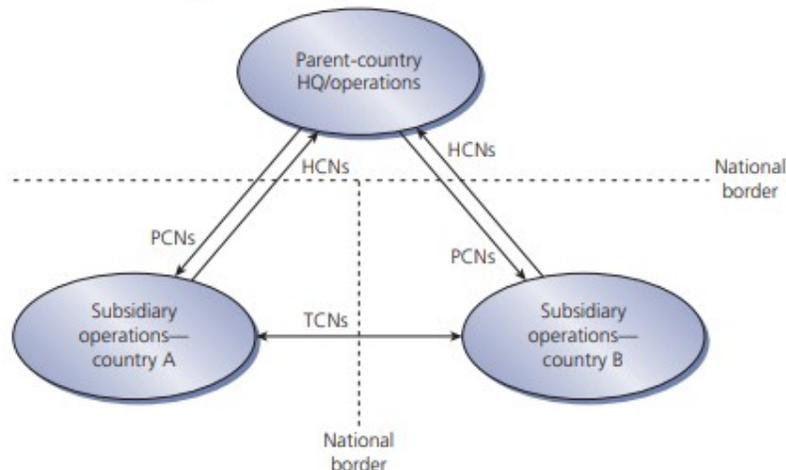
Morgan defines international HRM as the interplay among the three dimensions of human resource activities, type of employees and countries of operation. We can see that in broad terms IHRM involves the same activities as domestic HRM (e.g. procurement refers to HR planning and staffing). However, domestic HRM is involved with employees within only one national boundary. Increasingly, domestic HRM is taking on some of the flavor of IHRM as it deals more and more with a multicultural workforce. Thus, some of the current focus of domestic HRM on issues of managing workforce diversity may prove to be beneficial to the practice of IHRM. However, it must be remembered that the way in which diversity is managed within a single national, legal and cultural context may not necessarily transfer to a multinational context without some modification.

3.2 What is an expatriate?

One obvious difference between domestic and international HRM is that staff are moved across national boundaries into various roles within the international firm's foreign operations – these employees have traditionally been called 'expatriates'. An expatriate is an employee who is working and temporarily residing in a foreign country. Many firms prefer to call such employees 'international assignees'. While it is clear in the literature that PCNs are always expatriates, it is often overlooked that TCNs are also expatriates, as are HCNs who are transferred into parent country operations outside their own home country. Figure 3.2 illustrates how all three categories may become expatriates.

The term inpatriate has come into vogue to signify the transfer of subsidiary staff into the parent country (headquarters) operations. For many managers this term has added a level of confusion surrounding the definition of an expatriate. The (US) Society for Human Resource Management defines an inpatriate as a 'foreign manager in the US'. Thus, an inpatriate is also defined as an expatriate. A further indication of the confusion created by the use of the term 'inpatriate' is that some writers in international management define all HCN employees as expatriates. HCNs only become 'inpatriates' when they are transferred into the parent-country operations as expatriates, as illustrated in Figure 3.2

Given the substantial amount of jargon in IHRM, it is questionable as to whether the term 'inpatriate' adds enough value to justify its use. However, some firms now use the term 'inpatriate' for all staff transferred into a country. For clarity, we will use the term expatriate throughout this text to refer to employees who are transferred out of their home base/parent country into some other area of the firm's international operations. In doing so, we recognize that there is increasing diversity with regard to what constitutes international work, the type and length of international assignments and the increasingly strategic role of the HR function in many organizations, which in turn influences the nature of some expatriate roles



Stahl, Björkman and Morris have recognized this expansion in the scope of the field of IHRM in their *Handbook of Research in International Human Resource Management* where they define the field of IHRM as follows:

Figure 3.2 International Assignments and create expatriates

We define the field of IHRM broadly to cover all issues related to managing the global workforce and its contribution to firm outcomes. Hence, our definition of IHRM covers a wide range of human resource issues facing MNEs in different parts of their organizations. Additionally we include comparative analyses of HRM in different countries. We believe that this broad definition accurately captures the expanding scope of the IHRM field.

3.3 Differences Between Domestic And International HRM

In our view, the complexity of operating in different countries and employing different national categories of workers is a key variable that differentiates domestic and international HRM, rather than any major differences between the HRM activities performed. Dowling argues that the complexity of international HR can be attributed to six factors:

- 1 More HR activities.
- 2 The need for a broader perspective.
- 3 More involvement in employees' personal lives.
- 4 Changes in emphasis as the workforce mix of expatriates and locals varies.
- 5 Risk exposure.
- 6 Broader external influences.

Each of these factors is now discussed in detail to illustrate its characteristics.

3.4 More HR activities

To operate in an international environment, a human resources department must engage in number of activities that would not be necessary in a domestic environment. Examples of required international activities are:

1. international taxation;
2. international relocation and orientation;
3. administrative services for expatriates;
4. host-government relations;
5. language translation services.

Expatriates are subject to international taxation, and often have both domestic (i.e. their home country) and host-country tax liabilities. Therefore, tax equalization policies must be

designed to ensure that there is no tax incentive or disincentive associated with any particular international assignment. The administration of tax equalization policies is complicated by the wide variations in tax laws across host countries and by the possible time lag between the completion of an expatriate assignment and the settlement of domestic and international tax liabilities. In recognition of these difficulties, many MNEs retain the services of a major accounting firm for international taxation advice.

International relocation and orientation involves the following activities:

- arranging for pre-departure training;
- providing immigration and travel details;
- providing housing, shopping, medical care, recreation and schooling information;
- finalizing compensation details such as delivery of salary overseas, determination of various overseas allowances and taxation treatment.
-

The issues involved when expatriates return to their home-country (repatriation) are covered in. Many of these factors may be a source of anxiety for the expatriate and require considerable time and attention to successfully resolve potential problems certainly much more time than would be involved in a domestic transfer/relocation such as London to Glasgow, Frankfurt to Munich, New York to Dallas, Sydney to Melbourne, or Beijing to Shanghai.

An MNE also needs to provide administrative services for expatriates in the host countries in which it operates. Providing these services can often be a time-consuming and complex activity because policies and procedures are not always clear-cut and may conflict with local conditions.

Ethical questions can arise when a practice that is legal and accepted in the host country may be best unethical and at worst illegal in the home country. For example, a situation may arise in which a host country requires an AIDS test for a work permit for an employee whose parent firm is headquartered in the USA, where employment-related AIDS testing remains a controversial issue. How does the corporate HR manager deal with the potential expatriate employee who refuses to meet this requirement for an AIDS test and the overseas affiliate which needs the services of a specialist expatriate from headquarters? These issues add to the complexity of providing administrative services to expatriates.

Host-government relations represent an important activity for the HR department in an MNE, particularly in developing countries where work permits and other important certificates are often more easily obtained when a personal relationship exists between the relevant government officials and multinational managers. Maintaining such relationships helps resolve potential problems that can be caused by ambiguous eligibility and/or compliance criteria for documentation such as work permits. US-based multinationals, however, must be careful in how they deal with relevant government officials, as payment or payment-in-kind, such as dinners and gifts, may violate the US Foreign Corrupt Practices Act (FCPA). Provision of language translation services for internal and external correspondence is an additional international activity for the HR department. Morgan¹² notes that if the HR department is the major user of language translation services, the role of this translation group is often expanded to provide translation services to all foreign operation departments within the MNE.

3.5 The need for a broader perspective

Human resource managers working in a domestic environment generally administer programs for a single national group of employees who are covered by a uniform compensation policy and taxed by one national government. Because HR managers working in an international environment face the problem of designing and administering programs for more than one national group of employees (e.g. PCN, HCN and TCN employees who may work together in Zurich at the European regional headquarters of a US-based multinational), they need to take a broader view of issues. For example, a broader, more international perspective on expatriate benefits would endorse the view that all expatriate employees, regardless of nationality should receive foreign service or expatriate premium when working in a foreign location. Yet some MNEs that routinely pay such premiums to their PCN employees on overseas assignment (even if the assignments are to desirable locations) are reluctant to pay premiums to foreign nationals assigned to the home country of the firm. Such a policy confirms the traditional perception of many HCN and TCN employees that PCN employees (particularly US and European PCNs) are given preferential treatment. Complex equity issues arise when employees of various nationalities work together, and the resolution of these issues remains one of the major challenges in the IHRM field. More involvement in employees' personal lives

A greater degree of involvement in employees' personal lives is necessary for the selection, training and effective management of both PCN and TCN employees. The HR department or HR professional needs to ensure that the expatriate employee understands housing arrangements, health care, and all aspects of the compensation package provided for the assignment (cost of living allowances, premiums, taxes and so on). Many MNEs have an 'International HR Services' section that coordinates administration of the above programs and provides services for PCNs and TCNs, such as handling their banking, investments, home rental while on assignment, coordinating home visits and final repatriation.

In the domestic setting, the HR department's involvement with an employee's family is relatively limited and may not extend beyond providing employee benefits such as health insurance coverage for eligible family members and some assistance in relocating the employee and family members. In the international setting, however, the HR department must be much more involved in order to provide the level of support required and will need to know more about the employee's personal life. For example, some national governments require the presentation of a marriage certificate before granting a visa for an accompanying spouse. Thus, marital status could become an aspect of the selection process, regardless of the best intentions of the MNE to avoid using a potentially discriminatory selection criterion. In such a situation, the HR department should advise all candidates being considered for the position of the host country's visa requirements with regard to marital status and allow candidates to decide whether they wish to remain in the selection process. Apart from providing suitable housing and schooling in the assignment location, the HR department may also need to assist children placed at boarding schools in the home country – a situation that is less frequently encountered in the United States but relatively common in many other countries, particularly former British colonies such as Singapore, Hong Kong, Australia and New Zealand and in Europe.¹⁴ In more remote or less hospitable assignment locations, the HR department may be required to develop, and even run, recreational programs. For a domestic assignment, most of these matters either would not arise or would be seen as the responsibility of the employee rather than the HR department. In a sense the 'psychological contract' is now between the MNE and the entire immediate family of the international assignee.

3.6 Changes in emphasis as the workforce mix of PCNs and HCNs varies

As foreign operations mature, the emphasis put on various human resource activities change. For example, as the need for PCNs and TCNs declines and more trained locals become available, resources previously allocated to areas such as expatriate taxation, relocation and orientation are transferred to activities such as local staff selection, training and management development. The latter activity may require the establishment of a program to bring high potential local staff to corporate headquarters for developmental assignments. The need to change emphasis in HR operations as a foreign subsidiary matures is clearly a factor that would broaden the responsibilities of local HR activities such as human resource planning, staffing, training and development and compensation.

3.6.1 Risk exposure

Frequently the human and financial consequences of failure in the international arena are more severe than in domestic business. For example, while we discuss the topic in more detail in, expatriate failure (the premature return of an expatriate from an international assignment) and under-performance while on international assignment is a potentially high-cost problem for MNEs. The direct costs of failure (salary, training costs, travel costs and relocation expenses) to the parent firm may be as high as three times the domestic salary plus relocation expenses, depending on currency exchange rates and location of assignments. Indirect costs such as loss of foreign market share and damage to key host-country relationships may be considerable.

Another aspect of risk exposure that is relevant to IHRM is terrorism, particularly since the World Trade Center attack in New York in 2001. Most major MNEs must now consider political risk and terrorism when planning international meetings and assignments and spending on protection against terrorism is increasing. Terrorism has also clearly had an effect on the way in which employees assess potential international assignment locations. The HR department may also need to devise emergency evacuation procedures for highly volatile assignment locations subject to political or terrorist violence, or major epidemic or pandemic crises such as severe acute respiratory syndrome (SARS) and avian influenza. For a comprehensive analysis of the impact of SARS on human resource management in the Hong Kong service sector, see Lee and Warner.

3.6.2 Broader external influences

The major external factors that influence IHRM are the type of government, the state of the economy and the generally accepted practices of doing business in each of the various host countries in which MNEs operate. A host government can, for example, dictate hiring procedures, as has been the case until recently in Malaysia. The Malaysian Government during the 1970s introduced a requirement that foreign firms comply with an extensive set of affirmative action rules designed to provide additional employment opportunities for the indigenous Malay ethnic group who constitute the majority of the population of Malaysia but tend to be underrepresented in business and professional employment groups relative to Chinese Malaysians and Indian Malaysians. Various statistics showing employment levels of indigenous Malays throughout the firm (particularly at middle and senior management levels) were required to be forwarded to the relevant government department. Many foreign investors regarded these requirements as a major reason for complaints about bureaucracy and inflexibility with regard to perceived affirmative action appointments at management level in Malaysia and these complaints are one significant reason for the subsequent revision of these requirements.

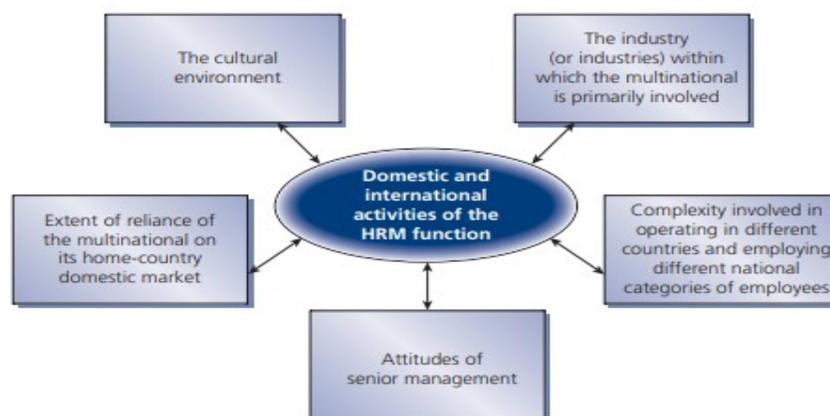
In developed countries, labor is more expensive and better organized than in less-developed countries and governments require compliance with guidelines on issues such as labor relations, taxation and health and safety. These factors shape the activities of the subsidiary HR manager to a considerable extent. In less-developed countries, labor tends to be cheaper, less organized and government regulation is less pervasive, so these factors take less time. The subsidiary HR manager must spend more time, however, learning and interpreting the local ways of doing business and the general code of conduct regarding activities such as gift giving and employment of family members. It is also likely that the subsidiary HR manager will become more involved in administering benefits either provided or financed by the MNE, such as housing, education and other facilities not readily available in the local economy.

3.6.3 Variables That Moderate Differences Between Domestic and International HRM

Earlier in this chapter it was argued that the complexity involved in operating in different countries and employing different national categories of employees is a key variable that differentiates domestic and international HRM, rather than any major differences between the HRM activities performed. Many firms from advanced economies with limited experience in international business underestimate the complexities involved in successful international operations – particularly in emerging economies. There is considerable evidence to suggest that business failures in the international arena are often linked to poor management of human resources. In addition to complexity, there are four other variables that moderate (that is, either diminish or accentuate) differences between domestic and international HRM. These four additional moderators are:

- ✓ The cultural environment.
- ✓ The industry (or industries) with which the multinational is primarily involved.
- ✓ The extent of reliance of the multinational on its home-country domestic market.
- ✓ The attitudes of senior management.
- ✓

Together with the complexity involved in operating in different countries, these five variables constitute a model that explains the differences between domestic and international HRM (see Figure 3.3)



Source: P. J. Dowling, "Completing the Puzzle: Issues in the Development of the Field of International Human Resource Management", *(mir) Management International Review*, Special Issue No. 3/99 (1999), p. 31. Reproduced with kind permission from VS Verlag Für Sozialwissenschaften.

Figure 3.3 A Model of the variables that moderate differences between domestic and International HRM

3.6.4 The Cultural Environment

The Cultural Context of IHRM, we cover the concept of culture in considerable detail, so our comments in this introductory chapter are necessarily brief. There are many definitions of culture, but the term is usually used to describe a shaping process over time. This process generates relative stability, reflecting a shared knowledge structure that attenuates (i.e. reduces) variability in values, behavioral norms and patterns of behavior. An important characteristic of culture is that it is so subtle a process that one is not always conscious of its relationship to values, attitudes and behaviors. One usually has to be confronted with a different culture in order to fully appreciate this effect. Anyone traveling abroad, either as a tourist or on business, experiences situations that demonstrate cultural differences in language, food, dress, hygiene and attitude to time. While the traveler can perceive these differences as novel, even enjoyable, for people required to live and work in a new country, such differences can prove difficult. They may experience culture shock – a phenomenon experienced by people who move across cultures. The new environment requires many adjustments in a relatively short period of time, challenging people's frames of reference to such an extent that their sense of self, especially in terms of nationality, comes into question. People, in effect, experience a shock reaction to new cultural experiences that cause psychological disorientation because they misunderstand or do not recognize important cues. Culture shock can lead to negative feelings about the host country and its people and a longing to return home.

Because international business involves the interaction and movement of people across national boundaries, an appreciation of cultural differences and when these differences are important is essential. Research into these aspects has assisted in furthering our understanding of the cultural environment as an important variable that moderates differences between domestic and international HRM. However, while cross-cultural and comparative research attempts to explore and explain similarities and differences, there are problems associated with such research. A major problem is that there is little agreement on either an exact definition of culture or on the operationalization of this concept. For many researchers, culture has become an omnibus variable, representing a range of social, historic, economic and political factors that are invoked post hoc to explain similarity or dissimilarity in the results of a study. As Bhagat and McQuaid have noted, 'Culture has often served simply as a synonym for nation without any further conceptual grounding. In effect, national differences found in the characteristics of organizations or their members have been interpreted as cultural differences'. To reduce these difficulties, culture needs to be defined a priori rather than post hoc and it should not be assumed that national differences necessarily represent cultural differences.

Another issue in cross-cultural research concerns the emic-etic distinction. Emic refers to culture-specific aspects of concepts or behavior, and etic refers to culture-common aspects.

These terms have been borrowed from linguistics: a phonemic system documents meaningful sounds specific to a given language, and a phonetic system organizes all sounds that have meaning in any language. Both the emic and etic approaches are legitimate research orientations. A major problem may arise, however, if a researcher imposes an etic approach (that is, assumes universality across cultures) when there is little or no evidence for doing so. A well-known example of an imposed etic approach is the 'convergence hypothesis' that dominated much of US and European management research in the 1950s and 1960s. This approach was based on two key assumptions. The first assumption was that there were

principles of sound management that held regardless of national environments. Thus, the existence of local or national practices that deviated from these principles simply indicated a need to change these local practices. The second assumption was that the universality of sound management practices would lead to societies becoming more and more alike in the future. Given that the USA was the leading industrial economy at that time, the point of convergence was the US model.

To use Kuhn's terminology, the convergence hypothesis became an established paradigm that many researchers found difficult to give up, despite a growing body of evidence supporting a divergence hypothesis. In an important early paper that reviewed the convergence/divergence debate, Child made the point that there is evidence for both convergence and divergence. The majority of the convergence studies, however, focus on macrolevel variables (for example, organizational structure and technology used by MNEs across cultures) and the majority of the divergence studies focus on microlevel variables (for example, the behavior of people within firms). His conclusion was that although firms in different countries are becoming more alike (an etic or convergence approach), the behavior of individuals within these firms is maintaining its cultural specificity (an emic or divergence approach). As noted above, both emic and etic approaches are legitimate research orientations, but methodological difficulties may arise if the distinction between these two approaches is ignored or if unwarranted universality assumptions are made. The debate on assumptions of universality is not limited to the literature in international management as this issue has also become a topic of debate in the field of international relations and strategic studies where international management research is cited. For a review of the convergence/divergence question, see Brewster. Cultural awareness and the role of the international HR manager

Despite the methodological concerns about cross-cultural research, it is now generally recognized that culturally insensitive attitudes and behaviors stemming from ignorance or from misguided beliefs ('my way is best', or 'what works at home will work here') are not only inappropriate but can all-too-often contribute to international business failure. Therefore, an awareness of cultural differences is essential for the HR manager at corporate headquarters as well as in the host location. Activities such as hiring, promoting, rewarding and dismissal will be determined by the legal context and practices of the host country and usually are based on a value system relevant to that country's culture. A firm may decide to head up a new overseas operation with an expatriate general manager but appoint as the HR department manager a local, a person who is familiar with the host country's HR practices. This particular policy approach can assist in avoiding problems but can still lead to dilemmas for senior managers.

For example, in a number of developing countries (Indonesia is one such example) local managers are expected (i.e. there is a perceived obligation) to employ their extended family if they are in a position to do so. This may lead to a situation where people are hired who do not possess the required technical competence. While this could be seen as a successful example of adapting to local expectations and customs, from a Western perspective this practice would be seen as nepotism, a negative practice which is not in the best interests of the enterprise because the best people have not been hired for the job.

Coping with cultural differences, and recognizing how and when these differences are relevant, is a constant challenge for international firms. Helping to prepare assignees and their families for working and living in a new cultural environment has become a key activity for HR departments in those MNEs that appreciate (or have been forced, through experience,

to appreciate) the impact that the cultural environment can have on staff performance and well-being.

3.6.5 Industry Type

Porter suggests that the industry (or industries if the firm is a conglomerate) in which a MNE is involved is of considerable importance because patterns of international competition vary widely from one industry to another. At one end of the continuum of international competition is the multidomestic industry, one in which competition in each country is essentially independent of competition in other countries. Traditional examples include retailing, distribution and insurance. At the other end of the continuum is the global industry, one in which a firm's competitive position in one country is significantly influenced by its position in other countries.

Examples include commercial aircraft, semiconductors and copiers. The key distinction between a multi-domestic industry and a global industry is described by Porter as follows:

The global industry is not merely a collection of domestic industries but a series of linked domestic industries in which the rivals compete against each other on a truly worldwide basis ... In a multidomestic industry, then, international strategy collapses to a series of domestic strategies. The issues that are uniquely international revolve around how to do business abroad, how to select good countries in which to compete (or assess country risk), and mechanisms to achieve the one-time transfer of know-how. These are questions that are relatively well developed in the literature. In a global industry, however, managing international activities like a portfolio will undermine the possibility of achieving competitive advantage. In a global industry, a firm must in some way integrate its activities on a worldwide basis to capture the linkages among countries.

The role of the HRM function in multi domestic and global industries can be analyzed using Porter's value-chain model. In Porter's model, HRM is seen as one of four support activities for the five primary activities of the firm. Since human resources are involved in each of the primary and support activities, the HRM function is seen as cutting across the entire value chain of a firm. If the firm is in a multidomestic industry, the role of the HR department will most likely be more domestic in structure and orientation. At times there may be considerable demand for international services from the HRM function (for example, when a new plant or office is established in a foreign location and the need for expatriate employees arises), but these activities would not be pivotal – indeed, many of these services may be provided via consultants and/or temporary employees. The main role for the HRM function would be to support the primary activities of the firm in each domestic market to achieve a competitive advantage through either cost/efficiency or product/service differentiation.

If the multinational is in a global industry, however, the 'imperative for coordination' described by Porter would require a HRM function structured to deliver the international support required by the primary activities of the MNE. The need to develop coordination raises complex problems for any multinational. As Laurent has noted:

In order to build, maintain, and develop their corporate identity, multinational organizations need to strive for consistency in their ways of managing people on a worldwide basis. Yet, and in order to be effective locally, they also need to adapt those ways to the

specific cultural requirements of different societies. While the global nature of the business may call for increased consistency, the variety of cultural environments may be calling for differentiation.

Laurent proposes that a truly international conception of human resource management would require the following steps:

- 1 An explicit recognition by the parent organization that its own peculiar ways of managing human resources reflect some assumptions and values of its home culture.
- 2 An explicit recognition by the parent organization that its peculiar ways are neither universally better nor worse than others but are different and likely to exhibit strengths and weaknesses, particularly abroad.
- 3 An explicit recognition by the parent organization that its foreign subsidiaries may have other preferred ways of managing people that are neither intrinsically better nor worse, but could possibly be more effective locally.
- 4 A willingness from headquarters to not only acknowledge cultural differences, but also to take active steps in order to make them discussable and therefore usable.
- 5 The building of a genuine belief by all parties involved that more creative and effective ways of managing people could be developed as a result of cross-cultural learning. In offering this proposal, Laurent acknowledges that these are difficult steps that few firms have taken: They have more to do with states of mind and mindsets than with behavior. As such, these processes can only be facilitated and this may represent a primary mission for executives in charge of international human resource management.

Implicit in Laurent's analysis is the idea that by taking the steps he describes, a MNE attempting to implement a global strategy via coordination of activities would be better able to work through the difficulties and complex trade-offs inherent in such a strategy. Increasingly, multinationals are taking a more strategic approach to the role of HRM and are using staff transfers and training programs to assist in coordination of activities.

3.7 Extent of Reliance Of The Multinational On Its Home-Country Domestic Market

A pervasive but often ignored factor that influences the behavior of MNEs and resultant HR practices is the extent of reliance of the multinational on its home-country domestic market. When for example, we look through lists of very large firms (such as those that appear in Fortune and other business magazines), it is frequently assumed that a global market perspective would be dominant in the firm's culture and thinking. However, size is not the only key variable when looking at a multinational – the extent of reliance of the multinational on its home-country domestic market is also very important. In fact, for many firms, a small home market is one of the key drivers for seeking new international markets. The United Nations Conference on Trade and Development (UNCTAD) in its annual survey of foreign direct investment calculates what it refers to as an index of transnationality, which is an average of ratios of foreign assets to total assets; foreign sales to total sales; and foreign employment to total employment

Attitudes Of Senior Management To International Operations

The point made by Laurent earlier in this chapter that some of the changes required to truly internationalize the HR function 'have more to do with states of mind and mindsets than with behaviors' illustrates the importance of a final variable that may moderate differences between international and domestic HRM: the attitudes of senior management to international operations. It is likely that if senior management does not have a strong international orientation, the importance of international operations may be underemphasized (or possibly

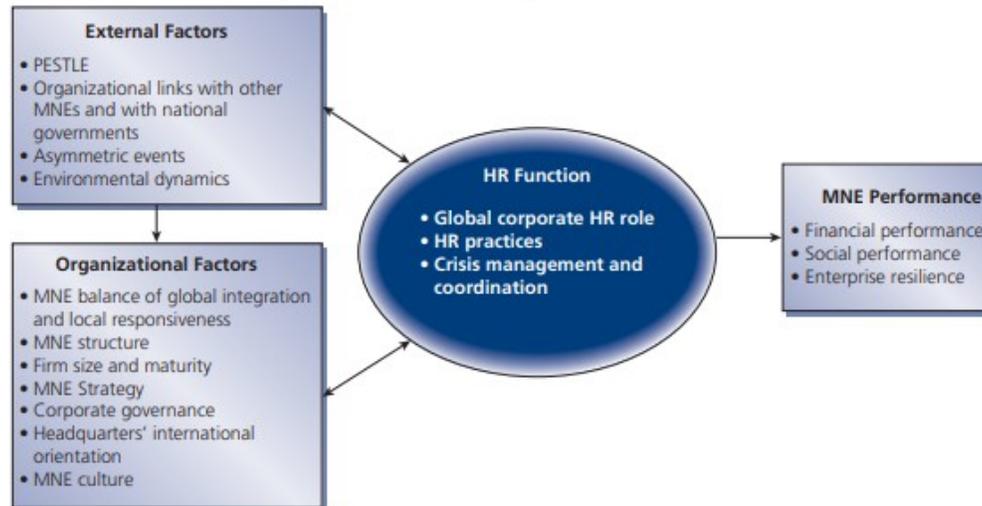
even ignored) in terms of corporate goals and objectives. In such situations, managers may tend to focus on domestic issues and minimize differences between international and domestic environments.

Not surprisingly, senior managers with little international experience (and successful careers built on domestic experience) may assume that there is a great deal of transferability between domestic and international HRM practices. This failure to recognize differences in managing human resources in foreign environments – regardless of whether it is because of ethnocentrism, inadequate information, or a lack of international perspective – frequently results in major difficulties in international operations. The challenge for the corporate HR manager who wishes to contribute to the internationalization of their firm is to work with top management in fostering the desired ‘global mindset’. This goal requires, of course, a HR manager who is able to think globally and to formulate and implement HR policies that facilitate the development of globally oriented staff.

Applying A Strategic View Of IHRM

Our discussion up to this point has suggested that a broader or more strategic view of IHRM is required to better explain the complexity and challenges of managing IHRM issues. An example of a theoretical framework that has been derived from a strategic approach using a multiple methodological approach is that of De Cieri and Dowling. Their framework is depicted in Figure 1.4 and assumes that MNEs operate in the context of worldwide conditions, including the influences of industry (global or multidomestic) and regional, national, and local markets that include geopolitical, legal, socio-cultural, and economic characteristics.

In strategic management practice, the acronym of PEST, which represents the Political, Economic, Sociological and Technological acronym and analytical tool, has often been used to describe the macro-environmental factors that may influence MNEs. Recent additions to this set of factors include Legal and Environmental/ecological elements (PESTLE). Although this analytical tool is popular in consulting and management practice, it appears to have received little academic research attention or usage. De Cieri and Dowling suggest that exploration and adoption of the PESTLE acronym in academic work would help to bring research and practitioner approaches closer together. They propose that external factors have direct influence on both internal/organization factors and SHRM strategy and practices and that external factors have a direct influence on MNE performance. A large body of research has explored these relationships; of particular note is the Cranet study of European HRM practices in different national contexts. There are streams of research within the international business field investigating the implications of each of the external factors for MNEs; for example, there is an extensive body of research that has explored the implications of national culture. Further, research in countries undergoing significant economic transformation, such as China, indicates that the human resource function has been substantially influenced by the changing external environment.



Source: De Cieri, H. & Dowling, P. J. 2012. 'Strategic human resource management in multinational enterprises: Developments and directions', in G. Stahl, I. Björkman and S. Morris (eds) *Handbook of Research in International Human Resource Management*, 2nd Ed. (Cheltenham, UK: Edward Elgar. Reproduced with permission from Helen De Cieri and Peter J. Dowling.

Figure 1.4 A frame work of Strategic HRM in Multinational Enterprise

Other external factors include organizational links with other MNEs and national governments, asymmetric events and environmental dynamics. Organizational networks and alliances may be complex relationship webs based upon personal relationships and may include parent country managers and employees, host country managers and employees and host country governments. Central to network management is an emphasis on human resources that recognizes that knowledge, power, and perceived trustworthiness are often person-specific rather than organization-specific.

In the 21st century, the context for international business also reflects heightened concerns about security, risk and volatility in global markets. In particular, terrorism has been identified by several IB scholars as an important concern. In relatively common usage since the unexpected terrorist attacks in New York in September 2001, asymmetric events have been described by Gray as threats that our political, strategic, and military cultures regard as unusual. In terms of trying to define asymmetric events, Gray notes that they tend to be: Unmatched in our arsenal of capabilities and plans. Such events may or may not appear truly dangerous, but they will certainly look different from war as we have known it.

Highly leveraged against our particular assets – military and, probably more often, civil. Designed not only to secure leverage against our assets, but also intended to work around, offset, and negate what in other contexts are our strengths.

Difficult to respond to in a discriminate and proportionate manner.

Thus, asymmetric events are not only difficult to deal with when they occur, they are difficult to plan for, recognize and respond to with specific planning processes and training. The influence of external factors on MNEs involves complex environmental dynamics. As Andreadis has noted, MNEs operate in a dynamic environment and that environment should be taken into consideration when evaluating organizational effectiveness.

Organizational (or 'internal') factors have been a major focus of international business and strategic HRM research because these factors are suggested to hold implications

not only for areas such as HRM, but also for overall MNE performance. The first organizational factor listed in Figure 3.4 is MNE balance of global integration and local responsiveness. The act of balancing global integration and local responsiveness refers to the extent to which MNEs can maximize local responsiveness and also integrate units into a cohesive, global organization. To achieve this balance is no easy task because as Morris et al. have noted, replication of HR practices across subsidiaries may be difficult due to the influences of external factors in the local context. With regard to MNE structure, the organizational structure literature has shown the importance not only of the structure of international operations, but also of mechanisms of co-ordination and mode of entry into foreign markets, for HRM in MNEs.

With regard to Firm size and maturity, for both the MNE overall and for each subsidiary, the size and maturity of the organization (or unit) may influence decisions with respect to HRM. For example, staffing decisions and demand for HR practices such as training will be influenced by the skill and experience mix within the firm and/or subsidiary (Lawler et al., 2010). Interms of MNE strategy, as has been well-documented, organizational strategy in the MNE has substantial implications for HRM in MNEs. With the Organizational Factor Corporate governance, issues related to corporate governance and incorporation of ethical principles and values into international business practice have become increasingly important for MNE managers, particularly in light of cases of corporate wrongdoing. HR managers may be required to play important roles in corporate governance, such as the design, implementation and maintenance of corporate codes of conduct.

Following on from the pioneering work of Perlmutter, the organizational factor Headquarters' international orientation recognizes that international orientation of the MNE's headquarters will involve aspects such as the extent and diversity of experience in managing international operations. These elements are well-established as important factors for HRM in MNEs, as is the factor Organizational culture which is defined by Kidger as the 'sense of common identify and purpose across the whole organization', and is the final organizational factor included in the framework. For MNEs seeking a high level of global integration, this factor may facilitate the development of a global mindset and enhance firm performance. Overall, the model offered by De Cieri and Dowling aims to assist in the cross fertilization of ideas to further develop theory and empirical research in strategic HRM in multinational firms.

3.8 The Changing Context Of IHRM

As Figures 3.3 and 3.4 show, international firms compete in an increasingly complex environment where the level of challenge of doing business can be highly variable. Internationalizing firms rely on having the right people to manage and operate their businesses and good IHRM practices that are appropriate to the context in which they occur. This combination of appropriate people and HR practices has been a constant critical success factor in international business ventures. For example, the following quotation is taken from a detailed case study of a large US multinational, where the authors, Desatnick and Bennett concluded:

The primary causes of failure in multinational ventures stem from a lack of understanding of the essential differences in managing human resources, at all levels, in foreign environments. Certain management philosophies and techniques have proved successful in the domestic environment: their application in a foreign environment too often leads to frustration, failure and underachievement.

These 'human' considerations are as important as the financial and marketing criteria upon which so many decisions to undertake multinational ventures depend. This study was reported in 1978 but many international managers today would concur with the sentiments expressed in this quote. In this book we attempt to demonstrate some ways in which an appreciation of the international dimensions of HRM can assist in this process.

3.9 Summary

The purpose of this chapter has been to provide an overview of the emerging field of international HRM. We did this by:

Defining key terms in IHRM and considering several definitions of IHRM.

Introducing the historically significant issue of expatriate assignment management and reviewing the evolution of these assignments to reflect the increasing diversity with regard to what constitutes international work and the type and length of international assignments.

Outlining the differences between domestic and international human resource management by looking at six factors which differentiate international and domestic HR (more HR activities; the need for a broader perspective; more involvement in employees' personal lives; changes in emphasis as the workforce mix of expatriates and locals varies; risk exposure; and more external influences) and detailing a model which summarizes the variables that moderate these differences.

Presenting the complexity of IHRM, the increasing potential for challenges to existing IHRM practices and current models, and an increasing awareness of the wide number of choices within IHRM practices due to increased transparency and faster and more detailed diffusion of these practices across organizational units and firms.

We concluded that the complexity involved in operating in different countries and employing different national categories of employees is a key variable differentiating domestic and international HRM, rather than any major differences between the HR activities performed. We also discussed four other variables that moderate differences between domestic and international

HRM: the cultural environment; the industry (or industries) with which the multinational is primarily involved; the extent of reliance of the multinational on its home-country domestic market; and the attitudes of senior management.

Finally, we discussed a model of strategic HRM in multinational enterprises which draws together a number of external factors and organizational factors that impact on IHRM strategy and practice and in turn on MNE goals.

In our discussion of the international dimensions of HRM in this book, we shall be drawing on the HRM literature. Subsequent chapters will examine the cultural and organizational contexts of IHRM; IHRM in cross-border mergers and acquisitions, international alliances and SMEs; staffing, recruitment and selection; international performance management; training, development and careers; international compensation; international industrial relations and the global institutional context; and trends and future challenges in IHRM. We will provide comparative data on HRM practices in different countries, but our major emphasis is on the international dimensions of HRM confronting MNEs, whether large or

small, when facing the challenge of managing people globally

3.10 Key words

Expatriate-An expatriate is an employee who is working and temporarily residing in a foreign country.

Parent Country National (PCN)-When a company of a country recruits employee from its own country is known as PCN. Here the country is called parent country.

Host Country National (HCN)-When a company of a country runs their business in another country and recruits employees from that country then it is known as HCN. Here the second country is the host country.

Third Country National (TCN)-They are the citizens of one country employed by a company from another country who worked in a third country

3.11 Self Assessment Questions

- 1 What are the main similarities and differences between domestic and international HRM?
- 2 Define these terms: international HRM, PCN, HCN and TCN.
- 3 Discuss two HR activities in which a multinational firm must engage that would not be required in a domestic environment.
- 4 Why is a greater degree of involvement in employees' personal lives inevitable in many international HRM activities?
- 5 Discuss at least two of the variables that moderate differences between domestic and international HR practices.

3.12 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON -4

OVERVIEW OF INTERNATIONAL HR ACTIVITIES

Learning Objectives

- ✓ To describe the path of organisation to global status
- ✓ To explain the organisational structure in MNCs
- ✓ To describe the control mechanism
- ✓ To discuss about the strategic framework

Structure

- 4.1 Introduction
- 4.2.1 Exporting
- 4.2.2 Initial Division Structure (Early Stages of Internationalisation)
- 4.2.3 International Division
- 4.2.4 Global Product
- 4.2.5 Global Matrix Structure
- 4.3 Control Mechanism
- 4.4 Control through personal relationships:
- 4.5 Control through corporate culture
- 4.6 Sustaining International Business Operations
- 4.7 Perlmutter's Model
- 4.8 Implications for Human Resource Management Policy
- 4.9 Integrated Strategic Framework
- 4.10 Management and Organisation in Europe
- 4.11 Summary
- 4.12 Keywords
- 4.13 Self Assessment Questions

4.1 Introduction

The human resource functions do not operate in a vacuum. The shift from a domestic to a global focus affects the HR activities as well as other departments. As a consequence, HR activities are determined by and influence various organisational factors, such as:

1. Stage of internationalisation;
2. Mode of operation used in the various foreign markets;
3. The control mechanism and coordination; and
4. Strategic importance of the overseas operations to total corporate profitability To a certain extent, how the internationalising firm copes with the HR demands of its various foreign operations determines its ability to execute its chosen expansion strategies.

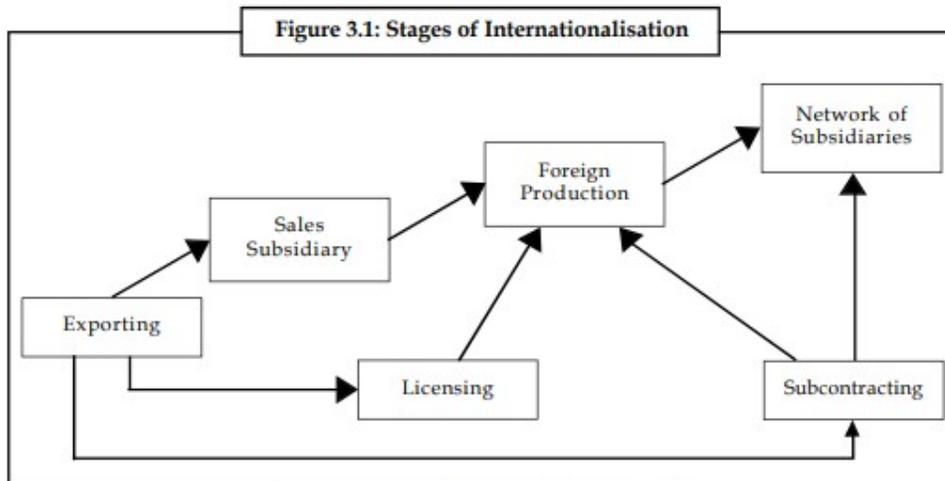
4.2 Path to Global Status

Apart from the strategic imperatives and staffing approaches, IHRM is affected by the way the internationalisation process itself is managed. Most firms pass through several stages of organisational development as the nature and size of their international activities grow. As they go through these evolutionary stages, their organisational structures change, typically due to the strain imposed by growth and geographical spread, the need for improved coordination and control across business units and the constraints imposed by host-government regulations on ownership and equity.

Multinationals evolving from a domestic to a truly global organisation may involve a long process with many diverse steps. Some firms may use licensing, subcontracting, or other

operation modes, instead of establishing their own foreign production or service facilities. Others are able to accelerate the process through acquisitions, thus leapfrogging over intermediate steps (i.e., move directly into foreign production through the purchase of a foreign rather than initial exporting), followed by sales subsidiary.

Some firms can be driven by external factors such as host-government action (e.g., forced into a joint venture) or an offer to buy a company. Others are formed expressly with the international market in mind. The number of steps or stages, along the path to multinational status varies from firm to firm



Source: Dowling et al. (2001) International Resource Management (p. 34)

4.2.1 Exporting

Exporting is initial stage for the firms entering international operations. It rarely involves much organisational response until the level of export sales reaches a critical point. Exporting may be difficult for service companies (such as legal firms) so that they may be forced to make an early step into foreign direct investment operations (via a branch office, or joint venture). Exporting often tends to be handled by an intermediary (e.g., an export agent or foreign distributor – usually an HCN, as local market knowledge is critical). As exports sales increase, an export manager may be appointed to control foreign sales and actively seek new markets. This person is commonly from the domestic operations. Further growth in exporting may lead to the establishment of an export department at the same level as the domestic sales department as the firm becomes more committed to or more dependent on, its foreign export sales

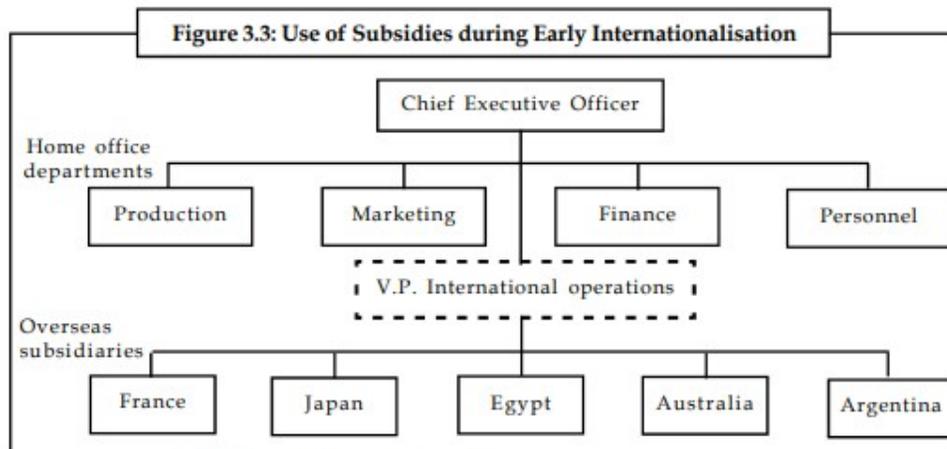


Source: P. L. Rao, International Human Resource Management: Test and Cases, First edition, Excel Books, 2008, New Delhi.

At this stage, exporting is controlled from the domestic-based home office through a designated export manager. The role of the HR department is unclear. Though there are HR activities involved (such as the selection of export staff), and perhaps training of the foreign agency staff, these activities are handled by the marketing department or exporting staff, the HR department has little involvement with the development of policies and procedures surrounding the HR aspects of the firm's early international activities.

4.2.2 Initial Division Structure (Early Stages of Internationalisation)

As the firm develops expertise in foreign markets, agents and distributors are replaced by direct sales with the establishment of branch offices in the foreign market countries and the company creates an export division or function at the corporate home office and the export division head directly reports to the CEO. As international sales increase further, local governments exert pressure on these growing markets for setting up on-site manufacturing facilities which prompts the company to set up a subsidiary and a branch office in the concerned foreign countries. Each subsidiary is responsible for operations within its own geographic area, and the subsidiary manager reports directly to the export division head at the corporate office. PCNs are usually posted to important positions because the firm has more confidence in them to implement proven home office human resource policies and practices. This is known as the ethnocentric approach. The decision to use PCNs leads into exportation of management issues and activities. At this point the HR department becomes actively involved in the personnel aspects of the firm's international operations



Source: International HRM (2006) S.C. Gupta (p. 136)

4.2.3 International Division

This step may be considered small if the firm already is assembling the product abroad to take advantage of cheap labour or to save shipping costs or tariffs or is thinking to establish a sales subsidiary to foreign production. For other firms, the transition to foreign investment is a large and sometimes prohibitive step.

Example: An Australian firm that was successfully exporting mining equipment to Canada began to experience problems with after-sales servicing and delivery schedules. The establishment of its own production facility was considered a great step, so the firm entered into a licensing agreement with a Canadian manufacturer.

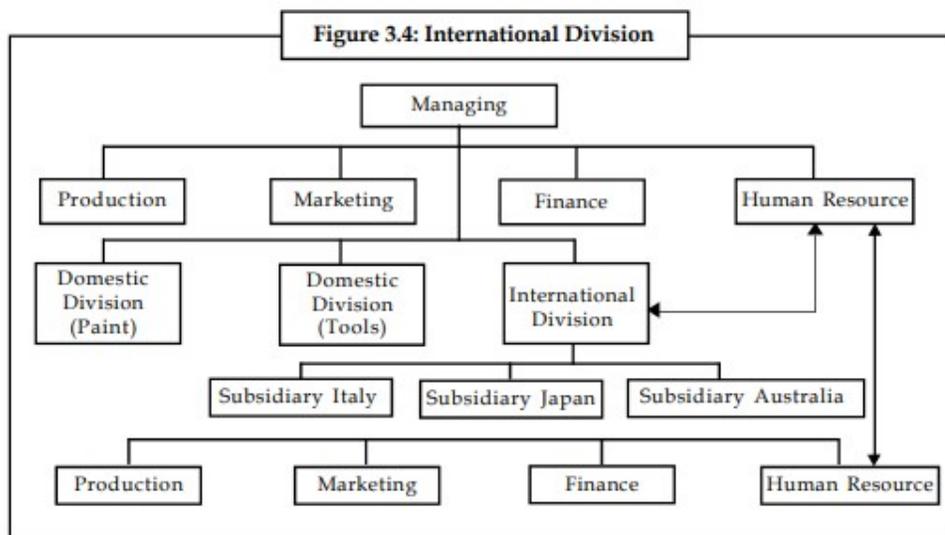
Having made the decision to produce overseas, the firm may establish its own foreign production facilities, or enter into a joint venture with a local firm, or buy a local firm.

Regardless of the method of establishment, foreign production/service operations tend to trigger the creation of a separate international division in which all international activities are grouped.

With the spread of international activities, the firm establishes miniature replicas of the domestic organisations in foreign subsidiaries. The subsidiary managers report to the head of the international division, and there may be some informal reporting directly to the various functional heads.

Example: There may be contact regarding staffing issues between the HR managers in the two subsidiaries and the HR manager at corporate headquarters.

Many firms at this stage of internationalisation are concerned about maintaining control of the newly established subsidiary and will place PCNs in all key position in the subsidiary. While others decide that local employment conditions require local handling and place an HCN in charge of the subsidiary HR function, thus making an exception to the overall ethnocentric approach.



Source: Dowling et al. (2001) *International Resource Management* (p. 38)

The role of corporate HR staff is primarily concerned with expatriate management though there will be some monitoring of the subsidiary HR function-formally through the head of the International Division. Expatriate managers perform a major role: identifying employees who can direct the daily operations of the foreign subsidiaries, supervising transfer of managerial and technical know-how, communicating corporate policies, and keeping corporate HQ informed. As the firm expands its foreign production or service facilities into other countries, increasing the size of its foreign workforce, accompanied by a growth in the number of expatriates, more formal HR policies become necessary.

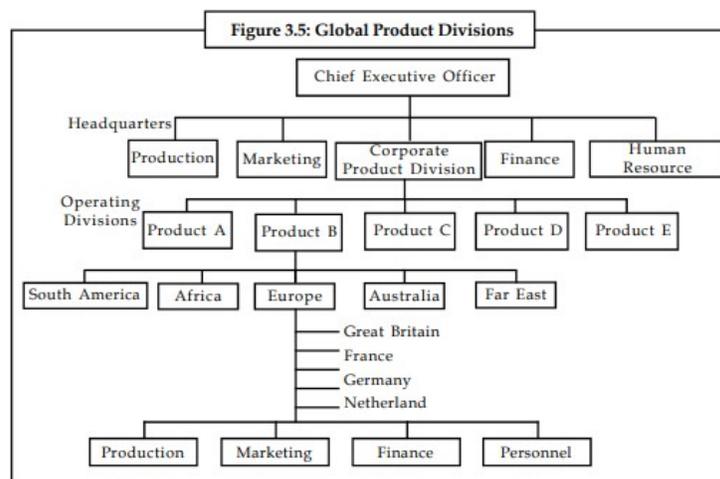
4.2.4 Global Product

As the firm moves from the early foreign production stage into a phase of growth through production or service, standardisation, and diversification, the strain of sheer size creates problems and the international division becomes overstretched making effective communication and efficiency of operation difficult. So, corporate top managers become concerned that the international division for its autonomy and independence from the domestic operations to the extent that it operates as a separate unit.

Conflicts between the parent company (headquarters) and its subsidiaries arise due to the need for national responsiveness at the subsidiary unit and global integration imperatives at the parent headquarters. The demand for national responsiveness at the subsidiary unit develops because of factors such as differences in market structures, distribution channels, customer needs, local culture, and pressure from the host government. The need for more centralized global integration by the headquarters comes from having multinational customers, global competitors, and the increasingly rapid flow of information and technology and from the quest for large volume for economies of scale. As a result of these various forces for change, the multinational confronts two major issues of structure:

1. The extent to which key decisions are to be made at parent headquarter or at the subsidiary units (centralisation vs. decentralisation), and
2. The type of control exerted by the parent over the subsidiary unit (bureaucratic control vs. normative).

The structural response, at this stage of internationalisation, can be either a product – or service based global structure or an area-based structure. 1. Product/service based global division: In this structure; the company treats each of its major products as distinct Strategic Business Units (SBUs). Divisions/functions at the corporate office are given worldwide responsibility for production, finance, marketing and management of supply chain for each product or product line. These product divisions also have internal functional support.



Source: Gupta S. C., International HRM (2006) p. 138

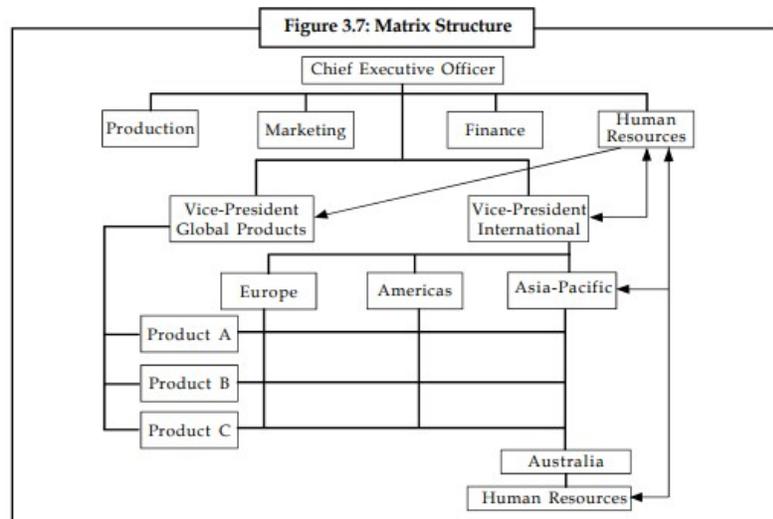


Area based global division: In this structure; a multinational prefers to division its foreign operations on the basis of geographical unit rather than on product basis. The corporate structure at the HQ remains as in case of product-based division. The HQ is responsible for transferring excess resources from one country to another as required and to establish coordination between different countries to provide synergy and overall goal achievement.

As part of the process of accommodating subsidiary concerns through decentralisation, the Notes MNC strives to adapt its HRM activities to each host-country's specific requirements; this impacts the corporate HRM function. There is devolution of responsibility for local employee decisions to each subsidiary, with corporate HR staff performing a monitoring role, intervening in local affairs only in extreme circumstances. Example: In the late-1980s, Ford Australia had a ceiling on its HRM decisions and any decision that involved an amount above that ceiling (such as promotions above a certain salary grade) had to be referred to its regional Headquarters for corporate approval. Expatriate management remained the responsibility of corporate HR staff. This HRM monitoring role reflects management's desire for central control of strategic planning—formulating, implementing, and coordinating strategies for its worldwide markets. The growth in foreign exposure combined with changes in the organisational structure of international operations results in an increase in the number of employees needed to oversee the activities between the parent firm and its foreign affiliates

4.2.5 Global Matrix Structure

When a multinational is trying to integrate its operations in more than one dimension, like product as well as area or customers and technology, it resorts to the matrix structure. Both product division and area division share joint responsibility. This means both executives jointly decide allocation of resources and other important matters but the matrix manager is responsible for the results.



Source: Dowling et al. (2001) *International Resource Management* (p. 43)

In this structure, there are pressures from horizontal matrix managers for equal allocation of resources and the vertical managers are supposed to balance this by taking into account the relative importance of products or projects based on organisational priorities and other long term considerations.

Disadvantages of Matrix Structure

1. As the design complexity increases, coordinating the personnel and getting everyone to work towards a common goals often becomes difficult.
2. Some employees experience dual authority, which is frustrating and confusing. So, managers need excellent interpersonal and conflict-resolution skills.

4.3 Control Mechanism

International operations place additional stresses on control mechanisms. There is also additional stress on the firm's ability to coordinate resources and activities. The less-hierarchical and networked structures that are evolving require coordination and human resource processes of high-level involvement, taking into account cultural variables of each unit and national culture. Human resource management plays a key role in control and coordination process in less hierarchical structures:

1. The key means for vital knowledge generation and diffusion is through personal contact. This means that networked organisations need processes to facilitate contacts. Training and development programmes held in regional centres or at headquarters, become an important forum for the development of personnel networks that foster informal communication channels, as well as for building corporate culture.
2. Network relationships are built and maintained through personal contact. Therefore, staffing decisions are crucial to the effective management of the linkages that the various subsidiaries have established.
3. The management processes in a networked multinational rely heavily on the ability of key

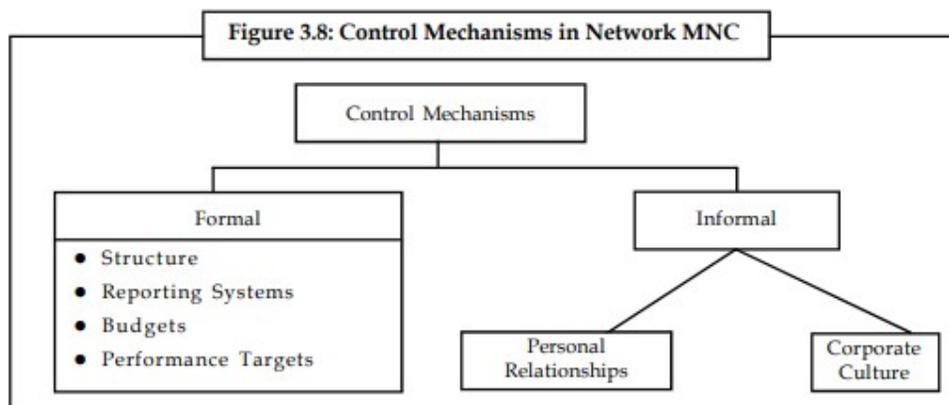
staff to integrate operations to provide the internal company environment that fosters the required level of cooperation, commitment and communication flows between functions and subsidiary units.

4. Staff transfers are also an important part of the required management processes, particularly that of control. Multinationals continue to rely on the movement of key staff to assist in coordination and control.

5. Expatriates are used to instill a sense of corporate identity in subsidiary operations, and to assist in the transfer of corporate norms and values as part of corporate cultural (or normative) control.

6. The visit of the CEO to different countries also helps in integrating relationships and developing, strategic focus.

Thus, proponents of less-hierarchical configurations argue there is greater reliance on informal control mechanisms than on the formal, bureaucratic control mechanisms that accompanied the traditional hierarchy



Source: International Business Review 1996 (5.2) p. 137

It is important to remember that international growth affects the firm's approach to HRM and the HRM implications at each stage of internationalization. Firms vary from one another as they go through the stages of international development, and react in different ways to the circumstances they encounter in the various foreign markets.

International operations place additional stresses on control mechanisms. There is also additional stress on the firm's ability to coordinate resources and activities.

Traditionally multinational firms have emphasized more formal, structural forms of control. As presented earlier in the chapter, strategy is implemented via the factoring of work flows, the articulation of control by some combination of specialization characterised by functional, global product division, national, regional (area) divisions, or matrix structures. Structure results in hierarchies, functional authority and increasingly prescribed job descriptions, selection criteria, training standards and compensable factors. Human resource activities act to implement existing structural systems of control. Communication and relationships are formalized and prescribed and budgetary targets and 'rational', explicit, quantitative criteria dominate performance management systems.

Complementary, yet definitely secondary control is developed and maintained via more informal personal and social networks – the informal organisation. The unique cultural interactions and the contextual and physical distances that characterised multinational operations may have Outstripped the capabilities of solely structural and formal forms of control. A more cultural focus emphasizes the group level potential of corporate culture, informal social processes, personal work networks and the investment in social capital to act as sources of more complete and nimble control in a complex multi-product, multi-cultural environment. On the individual level, an emphasis on persons (as opposed to jobs), their competencies and skills, and the investment in human capital become the focus of more customized human resource practices and processes.

Formal, structural controls still exist, but they are not the primary source of control. The complexities related to subsidiary mandate, reliance on local or corporate technologies and skills, as well as the cultural distance between the corporate and host cultures need to be considered in determining the mix of formal and informal control. Clearly more research is called for in this topic area.

4.4 Control through personal relationships

A consistent theme in the descriptions of transnational and networked organisation forms is the need to foster vital knowledge generation and diffusion through lateral communication via a network of working relationships. Networks are considered as part of an individual's or organisations social capital: contacts and ties, combined with norms and trust that facilitate knowledge sharing and information exchanges between individuals, groups and business units.

As network relationships are built and maintained through personal contact, organizations need processes and forums where staff from various units can develop types of personal relationships that can be used for organisational purposes. For example, working in cross functional and/or cross-border teams can assist in developing personal contacts. Training and development programs, held in regional centres or at headquarters, become an important forum for the development of personal networks that foster informal communication channels.

4.5 Control through corporate culture

Some advocates of more complex structural forms regard the use of cultural control as an effective informal control mechanism. Corporate culture is variously defined, but essentially it refers to a process of socializing people so that they come to share a common set of values and beliefs that then shape their behaviour and perspectives. It is often expressed as 'our way of doing things'. Cultural control may be a contentious issue for some – evidence of multinational imperialism where corporate culture is superimposed upon national cultures in subsidiary operations. However, its proponents offer persuasive arguments as to its value as a management tool. The emphasis is on developing voluntary adherence to corporate behavioural norms and expectations through a process of internalisation of corporate values and beliefs. The literature on corporate culture recognises the role played by HR activities in

fostering corporate culture. For example, Alvesson and Berg regard HRM activities as important means of establishing corporate culture identity. HR activities that build corporate culture include recruitment and selection practices, as firms hire or 'buy' people who appear to hold similar values. Training and development programs, reward systems and promotion are also activities that reinforce company value systems.

Such reinforcement is considered to lead to more committed and productive employees who evince appropriate behaviour and therefore reduce the need for formal control mechanisms. Placement of staff is another method. Some global firms have become even more systematic in

their efforts to achieve control by way of shared corporate culture. These functions also help organisations sustain in an international environment.

4.6 Sustaining International Business Operations

Within multinational companies, there is a need to balance international strategy with local conditions and needs and move towards new organisational structures. Global HRM functions like staffing, training and development of employees going out of nation or assignments or working in a different environment, is essential to be paid attention to. One of the key aspects of the strategic management of modern organisations is the balance between differentiation and integration. While flexibility is required in the way business is conducted differently in different locations, there is a need to integrate activity and coordinate not only business activity but the way people are developed and deployed within the international organization.

The level of strategic control needed in an international operation is depicted along three axes: the type of subsidiary operating in each country; the type of international business strategy employed; and the type of ownership.

4.7 Perlmutter's Model

Perlmutter suggested different internationalizing strategies that organisations tend to fit which influence personnel practices within the global context. The ethnocentric approach is probably closest to global organisation where control is tight from the centre with subsidiaries having little autonomy and where key positions are held by home-country nationals and there is a high degree of management by expatriates. The polycentric approach sees each subsidiary as a separate entity. Although subsidiaries are managed by locals, these same local managers are unlikely to have a career in the international group or at headquarters. The ideal approach is seen as the geocentric organisation.

Table 3.1: Perlmutter's Model of International Strategies

	Ethnocentric	Polycentric	Regiocentric	Geocentric
Prevailing organizational culture	Home country	Host country	Regional	Global
Finance	Repatriation of profits to home country	Retention of profits in host country	Redistribution within region	Redistribution globally
Strategy	Global integration	National responsiveness	Regional integration and national responsiveness	Global integration national responsiveness
Marketing	Product development determined mostly by needs of home country customers	Local product development based on local needs	Standardized within region, but not across regions	Global products with local variation
Personnel practices	People of home country developed for key positions everywhere in the world	People of local nationality developed for key positions in their own country	Regional people developed for key positions anywhere in the region	Best people everywhere developed for key positions everywhere in the world

Source: Adapted from Chakravarthy and Perlmutter, 1985

Bartlett and Ghoshal Model In 1989, Bartlett and Ghoshal offered the 'transnational' as the ideal type. They distinguish: multinational organisations; global organisations; international organisations; and, transnational organisations.

1. Multinational: This type of organisation responds to the need to exploit national diversity and recognise that consumer tastes and needs of technology may be based on local conditions and national culture. This type of organisation will have a strong national presence and can respond to national diversity. There is very little direct influence from the parent company and interpersonal communication among representatives from the different cultures is quite limited.

Example: The American ITT, which needs to respond on a local basis to specific regulations, requirements and formats in the telecommunications switching industry.

2. Global: The organisation exploits the cost advantages of centralised global scale operations based on knowledge development that is retained at the centre and on the implementation of the parent company's strategies. It responds to the trends of growing globalisation of tastes, fashions and consumer demand generally.

Example: The Japanese Matsushita which exploits and promotes the globalisation of taste in consumer electrics, being export-based with research and development, manufacturing and branding concentrated at the centre.

3. International: The organisation exploits the parent company's knowledge and adapts it worldwide. Sources of core competencies are centralised but other competencies may be decentralized. The role of overseas operations is to adapt the parent company's competencies to the local environment. Knowledge is developed at the centre and then transferred to the overseas subsidiaries.

Example: Procter and Gamble is a good example of an international organisation.

4. Transnational: It seeks to integrate the separate forces operating in the international marketplace, which each of the three organisational forms addresses only partially. These three forces are:

(a) Global integration: the trend towards greater integration of global tastes. Product trends such as Coca-Cola and McDonald's are examples.

(b) Local differentiation: the demand of local and national tastes and of protectionism from national governments tends towards multinational organizational structures.

(c) Worldwide innovation: the cost of innovation is great and it is more cost-effective, if research and development are centralised and such products emanating from the centre are marketed globally or are adapted internationally in local centres around the world.

A company exhibits backward vertical integration when it controls subsidiaries that produce some of the inputs used in the production of its products.

A company tends toward forward vertical integration when it controls distribution centers and retailers where its products are sold.

Balanced vertical integration means a firm controls all of these components, from raw materials to final delivery.

4.8 Implications for Human Resource Management Policy

The implication of different phases of internationalization for human resource management is gaining importance nowadays. They view organizational forms as representative of stages in the development of international enterprises.

The four phases identified are: domestic, with a focus on home markets and export; international, with a focus on local responsiveness and the transfer of learning; multinational, with a focus on global strategy and price competition; and global with a focus on both local responsiveness and global integration.

Caution Adler and Ghadar's model provides the relationship of culture and responses with in human resource management.

1. In the first phase, domestic, there is a denying or ignoring of other cultural contexts with foreigners simply being offered a product developed in the home country.

2. In the second phase, international, it is important to take the cultural component consideration, as firms are moving into foreign markets in which they need to operate more fully and take account of local conditions.

3. The third phase, multinational, is characterised by a globalisation of products and services

in order to compete on price and culture is not such a major factor because of necessity there is recognition of cultural differences among the countries of operation.

4. In the fourth phase, global, there is a more complete adaptation to local markets of global products and cultural sensitivity and the international human resource function attempts to provide managers from anywhere with opportunities to develop in order to develop the organisation itself.

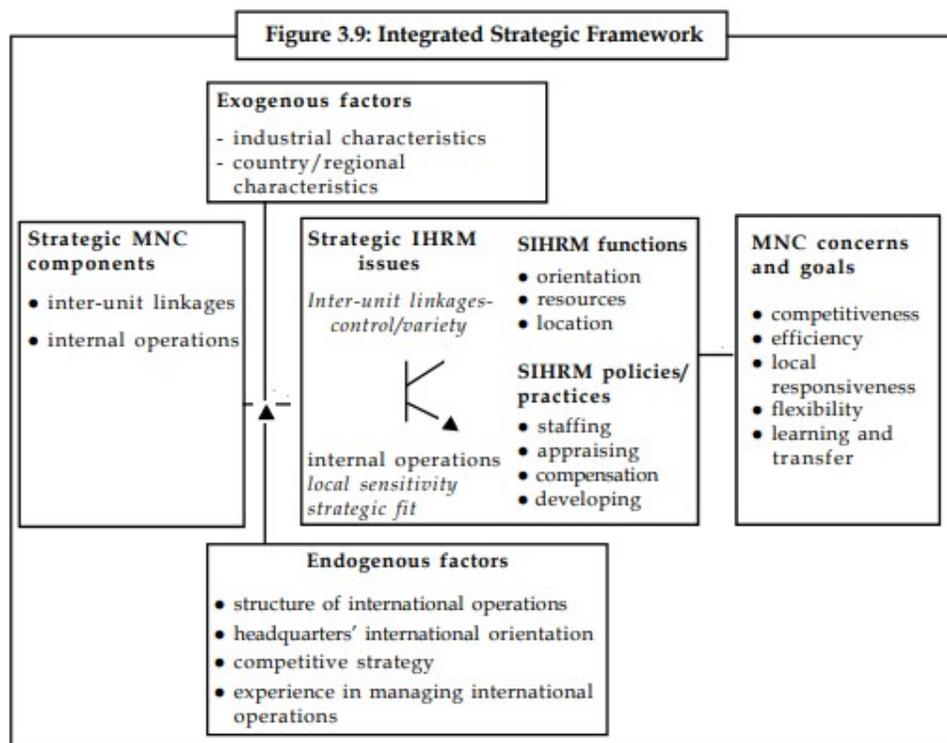
4.9 Integrated Strategic Framework

There is a need for an integrated framework of strategic international human resource management that brings together a number of the aspects in a MNC. They propose that there are two major multinational enterprise components that impact on strategic international HRM issues: the inter-unit linkages and internal operations.

1. Inter-unit linkages involve the organisation's mechanisms for managing the differentiation and integration of its operating units.

2. Internal operations involves the need for each operating unit (e.g. subsidiary) to function effectively within its own (national or market environment).

The strategic international human resource issues in their framework are concerned with these two components and with the need to manage the international organisation by balancing differentiation and integration and balancing the autonomy of local units against the need to coordinate and control them



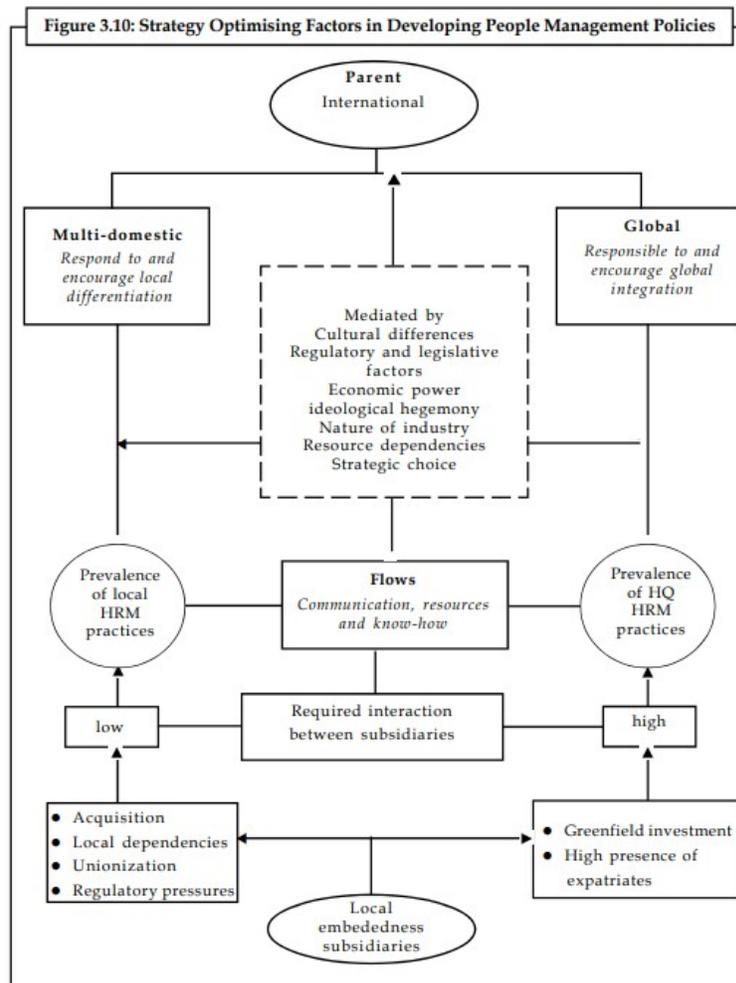
Source: Schuler, Dowling and De Cieri's (1993)

Some companies have large centralised human resource functions for selecting many functions and repatriating expatriate staff, training and compensation. Others devolve many

functions to the subsidiaries either as well as this central function or instead of it. If general guidelines are formulated by the centre that refer only to the need to develop a system for rewarding individual performance, subsidiaries may then be free to develop their own incentive schemes.

Functions and policies are aimed ultimately at meeting the concerns and goals of the multinational organisation. These include global competitiveness, efficiency, local responsiveness, flexibility, and organisational learning and transfer of information.

These concerns vary from company to company. By studying the various factors which are pressing hard for international integration against those factors which point towards local differentiation, it is possible to discuss an optimum instance for managing people in subsidiary operations. This should be achievable by charting a course through these two opposing forces and by drawing on the contributions that can be made from the parent and the different subsidiaries. This requires consideration of the strategic factors that should be addressed to provide the optimum balance between integration and differentiation, a consideration of cultural differences that exist among the different national operations and the relative contributions which can be made by people in the different national organisations to the global operation



Source: International Journal of Human Resource Management 4 (4), 1993

4.10 Management and Organisation in Europe

There is a need to develop the appropriate management skills to meet the needs of the individual and need to develop attitudes and flexibility towards managing change, and managing across cultures. Thurely and Widenius characterise these differences between Japanese and American management theory and practice as: work security versus individual freedom; organizational loyalty versus job competence; consultation and involvement versus management authority; and work group innovation versus specialist know-how. They are concerned about developing a 'functional' model of management in the European context that reflects the different cultural values and legal institutional practices in Europe. They present European management as: emerging and being linked to the ideal of European integration, which is continuously encompassing more and different countries; reflecting key values including pluralism and tolerance, although not consciously developed from those values; being associated with a balanced stakeholder philosophy and the concept of social partners.

It is possible to summarise the European context of management and organisations as:

1. There is no national identity across the European Community as there is in Japan and the USA; for example there is no equivalent of the 'American Dream'.
2. There is no common language or culture.
3. Change is more complex than in American or Japan, particularly with the further integration of Eastern and Central European countries, and this is in some ways artificial in creation: manufactured by the architects and politicians of the Single European Market, signifying the higher level of creativity needed to manage in this environment.
4. There is increasing cross-border activity through mergers and acquisitions, joint ventures and direct investment situations requiring approaches to management such as project management and networking.
5. There is increasing emphasis on the use of technology as a means of competing (such as e-commerce opportunities and communicating (such as extensive use of Intranet systems).
6. There is continuing demand for linguistic skills, in addition to more traditional management skills.
7. There is a need to manage increasing diversity (between cultures rather than trying to create a uniform culture), ambiguity and complexity and an increasing need to create more flexible organisations and methods of working in order to cope with both diversity and change.

Within this context the management of people may be rather more complex than in American models of human resource management and a higher level of flexibility may be required compared with Japanese approaches

4.11 Summary

To a certain extent, how the internationalizing firm copes with the HR demands of its various foreign operations determines its ability to execute its chosen expansion strategies. Apart from the strategic imperatives and staffing approaches, IHRM is affected by the way the internationalization process itself is managed. Most firms pass through several stages of organizational development as the nature and size of their international activities grow. Exporting is initial stage for the firms entering international operations. As the firm develops expertise in foreign markets, agents and distributors are replaced by direct sales with the

establishment of branch offices in the foreign market countries and the company creates an export division or function at the corporate home office and the export division head directly reports to the CEO. International operations place additional stresses on control mechanisms. There is also additional stress on the firm's ability to coordinate resources and activities. MNCs use different approaches to manage and staff their subsidiaries. While a firm goes through evolutionary stages, their organisation structure changes. HRM plays an important role in control and coordination process. As the firm goes international, there is a need for an integrated framework of strategic international HRM.

4.12 Keywords

Global-The Company that applies the global integration business strategy to manage the staff.

IHRM- It is the art of managing different people with various cultures across countries.

Matrix structure- Structure, that results from the integration of the operations of the MNC in more than one dimension.

Multinational Corporation (MNC)- It is a corporation or enterprise that manages production or delivers services in more than one country.

Multinational Enterprise (MNE)- A firm that takes a global approach to its foreign markets and production.

Polycentric- Each subsidiary is managed on a local basis.

Regiocentric- It reflects the geographic strategy and structure of the MNC.

Strategic alliance- A collaborative arrangement of critical importance to one or more of the alliance partners.

Vertically integrated- Companies are united through a hierarchy with a common owner.

4.13 Self Assessment Questions

1. Analyse the attitudes of MNCs towards building a multinational enterprise, giving details.
2. Examine the internationalisation process towards the path to global status.
3. Giving an example explain the integrated strategic framework for HRM.
4. Analyse the various factors that needs to be addressed for developing international organisations.
5. Examine the changes in the HRM policy as the firm transcends across its national borders.

4.14 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON-5

INTERNATIONAL RECRUITMENT AND SELECTION

Learning Objectives

- To explain the process of recruitment and selection of staff for international assignment
- To discuss on the issues in staff selection
- To describe the factors moderating performance
- To identify the reasons behind success and failure of expatriates
- To state the criteria of selection of expatriates

Structure

- 5.1 Introduction
- 5.2 Recruitment Process
- 5.3 MNCs International Staffing Approaches
 - 5.3.1 Ethnocentric Approach
 - 5.3.1 Ethnocentric Approach
 - 5.3.2 Polycentric Approach
 - 5.3.3 Geocentric Approach
 - 5.3.4 Regiocentric Approach
- 5.4 Issues in Staff Selection
 - 5.4.1. Managers Selection
 - 5.4.2. Female International Managers
- 5.5 Selection Process
- 5.6 Selection Criteria
 - 5.6.1. Technical Ability
 - 5.6.2 Cross-cultural Suitability
 - 5.6.3 Family Requirements
 - 5.6.4 Country/Cultural Requirements
 - 5.6.5 MNC Requirements
 - 5.6.6 Language
- 5.7 Summary
- 5.8 Key words
- 5.9 Self Assessment Questions

5.1 Introduction

Human Resource Management is crucial to organisational competitiveness and productivity due to the growing diversity of the world's workforce and its increasing importance. The need to manage this diversity better has become a major challenge to the international manager. If large corporations intend to retain their domestic operations and still be competitive with respect to cost and quality, they will have to improve their human resource management. They must be viewed as valuable assets—resources that are vital to the successful performance of the organisation. Talented people must be attracted to join the organisation, developed to perform at high levels, and encouraged to remain with the organisation with loyalty and commitment to the organisation and its objectives.

5.2 Recruitment Process

In the human resource cycle, recruitment and selection process are the main variables influencing directly the 'performance' as also the 'employee development processes. Recruitment is defined as the process of identifying and attracting the potential candidate from within and outside an organisation to begin evaluating them for future employment.

Once candidates are identified, an organisation can begin its selection process which means collecting, measuring and evaluating the information about the candidates.

The four generic processes: selection, performance appraisal, rewards management and human resource development reflect sequential managerial tasks. Performance is a function of all the human resource components: selecting people who are able to best perform the job defined by the structure; motivating employees by rewarding them judiciously, training and developing people for future performance and appraising employees in order to justify the rewards. The strategy and structure also impact performance through the manner in which the jobs are designed, how the organisation is structured and how well services and products are planned to meet environmental threats and opportunities.

These basic resource processes can be done at three levels: strategic level which deals with policy formulation and goal setting; managerial level which is concerned with the availability and allocation of resource to carry out the strategy plan; and at the operational level to carry out day-to-day activities.

Recruitment is the process by which an organisation attracts people to apply for their job openings. The goal is to recruit a pool of qualified candidates from which he desired people may be selected. Recruitment process in international context is very complex. It begins with human resource planning, developing the strategy for searching the potential candidates, attracting an effective workforce to apply for the vacancies and proceeding further with the selection process.

Recruitment can be categorised into two types: (1) external recruitment; and (2) internal recruitment. External recruitment is conducted in four steps:

1. Planning: Human resource managers must first determine those jobs they wish to fill, how many candidates they can reach and how many of them would accept the job offer.
2. Strategy Development: Next, a strategy is developed that specifies where to look for candidates, as well as how and when to look.
3. Searching: Based on the plan and the strategy, candidates are contacted and given job information and applications are collected. From this pool of candidates, the required new people are hired.
4. Programme Evaluation: The recruitment programme must be continuously monitored, evaluated, and changed as required.

Sources for external recruitment include direct applications received (walk-ins and applications by mail), public employment agencies, private employment agencies, executive search firms, schools and colleges, professional associations, all branches of the military, unions, the handicapped, summer interns, and former employees.

Internal recruitment consists of promotion from within, job posting, and contacts and referrals by current employees. Another especially good source of recruitment candidates is through the collection of temporary, part-time, and contract workers that has become known as the "temps".

5.3 MNCs International Staffing Approaches

The four approaches to multinational staffing decisions ethnocentric, polycentric, geocentric, and regiocentric-tend to reflect the managerial philosophy towards international operations held by top management at headquarters.

5.3.1 Ethnocentric Approach

An ethnocentric approach to staffing results in all key positions in a multinational being filled by Parent-country Nationals (PCNs). While this approach may be common for firms at the early stages of internationalisation, there are often sound business reasons for pursuing an ethnocentric staffing policy.

1. A perceived lack of qualified Host-country Nationals (HCNs), and
2. The need to maintain good communication, coordination, and control links with corporate headquarters.

For instance, when a multinational acquires a firm in another country, it may wish to initially replace local managers with PCNs to ensure that the new subsidiary complies with overall corporate objectives and policies, or because the local staff may not have the required level of competence.

An ethnocentric policy, however, has a number of disadvantages. Zeira (1976) has identified several major problems:

1. An ethnocentric staffing policy limits the promotion opportunities of HCNs, which may lead to reduced productivity and increased turnover among that group.
2. The adaptation of expatriate managers to host countries often takes a long time during which PCNs often make mistakes and make poor decisions.
3. When PCN and HCN compensation packages are compared, the often-considerable income gap in favour of PCNs is viewed by HCNs as unjustified.
4. For many expatriates a key international position means new status, authority, and an increase in standard of living. These changes may affect expatriates' sensitivity to the needs and expectations of their host-country subordinates.

5.3.2 Polycentric Approach

A polycentric staffing policy is one in which HCNs are recruited to manage subsidiaries in their own country and PCNs occupy positions at corporate headquarters.

The main advantages of a polycentric policy are:

1. Employing HCNs eliminates language barriers, avoids the adjustment problems of expatriate managers and their families, and removes the need for expensive cultural awareness training programme

5.3.3 Geocentric Approach

Geocentric approach to recruitment is hiring the best people to fill our positions without regard to where they come from or where they live. This means:

Hiring remote employees. We use this option when we want to hire someone at a place where we don't have offices. For example, if we want a customer support agent in another time zone to support our customers there.

Relocating our employees. This includes both bringing foreign talent into our parent country and relocating people to a new host country. We use this approach when we need someone to be physically present at a specific location, but the best person for the job is living elsewhere.

1. To use the geocentric approach, we need to have a global outlook on recruitment. For example, whenever a position opens at a host country or our parent country, the hiring team could:
2. Advertise on global job boards first, before using local job boards mentioning the location of the job clearly. Also, advertise on job boards focused on remote work when possible.
3. Source candidates online without looking at their current location.

4. Check our global employee database to find internal candidates who may wish to relocate.
5. Ask recruiters to suggest candidates they met at international career fairs or events.
6. Ask for referrals from our existing employees, as they may have someone in their network who could fit in this position and be willing to relocate.

5.3.4 Regiocentric Approach

The regiocentric approach to recruitment means that we hire or transfer people within the same region (like a group of countries) to fill our open positions. For example, we might decide to transfer employees within Scandinavian countries. So if we want to hire someone in Sweden (a host country) we could transfer one of our employees from Denmark, a host country in the same region.

To the regiocentric approach when [the costs of transferring an employee from a host country are lower than transferring them from the parent country. When deciding to use this approach, take into account any language or cultural barriers that may exist.

5.4 Issues in Staff Selection

There are various issues which have to be taken care before selecting the expatriates for an international assignment. The main advantages and disadvantages of utilising the various nationality groups available to the multinational that is, Parent-country Nationals (PCNs), Third-country Nationals (TCNs) and Host-country Nationals (HCNs) is analysed prior to selection.

5.4.1. Managers Selection: The advantages and disadvantages of selecting the various managers are analysed as:

(a) Parent-country Nationals

Advantages

- (i) Organisational control and coordination is maintained and facilitated.
- (ii) Promising managers are given international experience.
- (iii) PCNs may be the best people for the job because of special skills and experiences.
- (iv) There is assurance that subsidiary will comply with company objectives, policies, etc.

Disadvantages

- (i) The promotional opportunities of HCNs are limited.
 - (ii) Adaptation to host country may take a long time.
 - (iii) PCNs may impose an inappropriate HQ style.
 - (iv) Compensation for PCNs and HCNs may differ.
- (b) Third-country Nationals

Advantages

- (i) Salary and benefit requirements may be lower than for PCNs.
- (ii) TCNs may be better informed than PCNs about host-country environment.

Disadvantages

- (i) Transfers must consider possible national animosities (example, India and Pakistan).
 - (ii) The host government may resent hiring TCNs.
 - (iii) TCNs may not want to return their own countries after assignment.
- (c) Host-country Nationals

Advantages

- (i) Language and other barriers are eliminated.
 - (ii) Hiring costs are reduced, and no work permit is required.
 - (iii) Continuity of management improves, since HCNs stay longer in positions.
 - (iv) Government policy may dictate hiring of HCNs.
 - (v) Morale among HCNs may improve as they see career potential
- Disadvantages
- (i) Control and coordination of HQ may be impeded.
 - (ii) HCNs have limited career opportunities outside the subsidiary.
 - (iii) Hiring HCNs limits opportunities for PCNs to gain foreign experience.
 - (iv) Hiring HCNs could encourage a federation of national rather than global units.

5.4.2. Female International Managers

The selection of female for international postings is a related issue in staff selection because multinationals are concerned with the various social norms with regard to women, which prevail in many countries. Example: Some Middle Eastern countries would not issue a work visa to a female expatriate even if the multinational selected her. In many countries, social norms regarding the role of women do not apply to female expatriates because locals regard them as foreigners. This did appear to be the situation for female members of the U.S. armed forces station in Saudi Arabia during the Gulf War.

Men in some cultures, such as certain Asian countries, do not like reporting to female managers, particularly foreign women, and therefore women should not be posted abroad. Such beliefs help create the glass border that supports the glass ceiling.

It is found that only 3% of U.S. expatriates were women. This shortage of women expatriates is found to exist because:

- (a) U.S. MNC executives believe that women are ineffective, unqualified, and uninterested in foreign assignments.
- (b) Corporations resist the idea of sending women abroad.
- (c) Foreign prejudices against women like prejudice of being a foreigner, dual-career families, etc. would tend to make them ineffective.
- (d) Many foreign clients refuse to do business with women.
- (e) Men must be assigned in many locales to provide the required conservative corporate image.
- (f) It is unreasonable to send women into some countries, such as Pakistan or Saudi Arabia.

Indian women have a track record holding important political positions too few have achieved similar success in ranks of business management like Indira Nooyi, Kiran Majhumdar, Chanda Kocchar, etc. Progress in this area is still held back by traditional beliefs that women are second class citizens whose place is in the home. More women excel in politics and in elected offices; their acceptance and interest in corporate boardrooms are increasing gradually. countries within the European Union. It is therefore important that HR staff keep up-to- Notes date with changing legislation in the countries in which the multinational is involved.

Generally a work permit is granted to the expatriate only. The accompanying spouse or partner may not be permitted to work in the host country. Increasingly, multinationals are finding that the inability of the spouse to work in the host country may cause the selected candidate to reject the offer of an international assignment.

Selecting TCNs

When selecting TCNs from within its own operations, the individual factors identified – technical ability, cross-cultural adaptability, and family requirements influence their selection. Situational factors may dominate the selection decision – such as lack of suitably qualified or available PCNs. The issue of work permits may be crucial determinate in the ability to use TCNs, as governments would prefer to see their own nationals employed. It may be harder to justify the use of TCNs than PCNs.

For companies developing a geocentric staffing policy, transferring subsidiary staff to other subsidiaries, as well as to headquarters, is an important part of creating an international team. When recruiting and selecting external candidates for TCN positions, there may be a danger that the multinational will place more emphasis on the potential candidate's ability to fit into the multinational's corporate culture rather than on crosscultural ability. An emerging trend is the use of foreign-born nationals, recruiting from ethnic groups living abroad.

Example: U.K. multinational may select a Canadian-born Chinese to head up its Chinese facility. The majority of expatriate managers working in China were overseas Chinese from Malaysia, Singapore, Hong Kong and Taiwan. The underlying assumption appears to be that such appointments will reduce cross-cultural difficulties.

Selecting HCNs:

The multinational must observe the host-country's legal requirements and social customs for hiring staff. Appointing a HCN as the HR manager is attractive when the strategy is to appear as localised as possible. It is a way of ensuring that the local operation conforms to local standards, thus avoiding the "bad press" that can result from non-adherence.

Mode of entry is an important consideration. If the multinational establishes its own facility, it has more discretion in its hiring practices. Entry through acquisition generally means a ready-made workforce initially.

Example: South Korean multinationals have tended to follow a "growth-throughacquisition" strategy, and have generally encountered more staffing and labour problems than have Japanese multinationals that preferred a "greenfield sites" strategy. Some Western firms entering China have found staffing to be somewhat problematical, as state-owned partners often insist that all, or almost all, existing employees are utilised by the joint venture.

In the recruitment and selection process, multinationals must address the issue of Equal Employment Opportunity (EEO) for employees in all employment locations. Example: Mandatory retirement and hiring ages are illegal in the United States and some other countries, but remain a legal requirement in other countries.

Equal employment opportunity laws are expressions of social values with regard to employment and reflect the values of a society or country. In parts of the Middle East, Africa, Asia, and Latin America, women have tended to have a lower social status and are not universally employed.

Multinationals must be aware of legislation and ensure subsidiary compliance where appropriate. Obeying Local EEO Laws: In 1993, one of the Hyatt hotels in Australia had to explain to the Equal

Employment Opportunity Commissioner on national television that why it was circulating an internal memo that violated Australian Equal Employment (EE) legislation. The internal memo concerned was from a Japanese Hyatt hotel that had vacancies for two young single males. Under Australian EE law, these constitute age, marital status, and sex discrimination respectively, so the memo violated Australian law on three counts. The hotel's defence that such circulation of internal job vacancies was normal company practice was not acceptable. The EE Commissioner did recognise that special circumstances may have been behind the internal memo—that the positions were traineeships and that the persons would share accommodation in a male-only dormitory.

5.5 Selection Process

Selection is the process by which the organisation chooses from among the applicants, those people who are perceived the best meet the job requirements. For each candidate, the organisation evaluates candidate skills, education, and experience to find the people who best 'fit' the particular job specification. Ideal selection identifies the best fit between the person and the job.

Example: Employee Selection at Mitsubishi For the U.S. based Mitsubishi-Chrysler joint venture auto plant, employees are selected the Japanese way- The selection process lasts three days. On the first day, applicants are required to perform tasks that mimic factory jobs. Work-related tests are followed by a series of written, medical, and drug tests and a final screening by plant supervisors. The selection process tests individuals for high level of skills, dedication to their work, an aptitude for learning new work methods, teamwork is expected. Those who are selected must go through a rigorous training programme, where they learn technical skills, interpersonal skills, creativity facilitation, and idea-generation. They are taught efficiency in the form of the Japanese philosophy of 'kaizen', or continual improvement. This basic training is followed by several weeks of on-the-job training. Later, promotion decisions are based, in part, on how well candidates do in management development seminars and in-basket exercises. In any respect, human resource management is a priority task in Japanese firms.

Mitsubishi's relations with its U.S. employees seem to be faring well, as the firm reports that over 50% of its U.S. sales are vehicles that were manufactured in the U.S. (Business Week, 1988) There are seven basic factors in the selection process:

1. Application forms
2. Interviewing
3. Assessment centres
4. Employment testing
5. Reference checks
6. Physical examinations
7. Selection validation

5.6 Selection Criteria

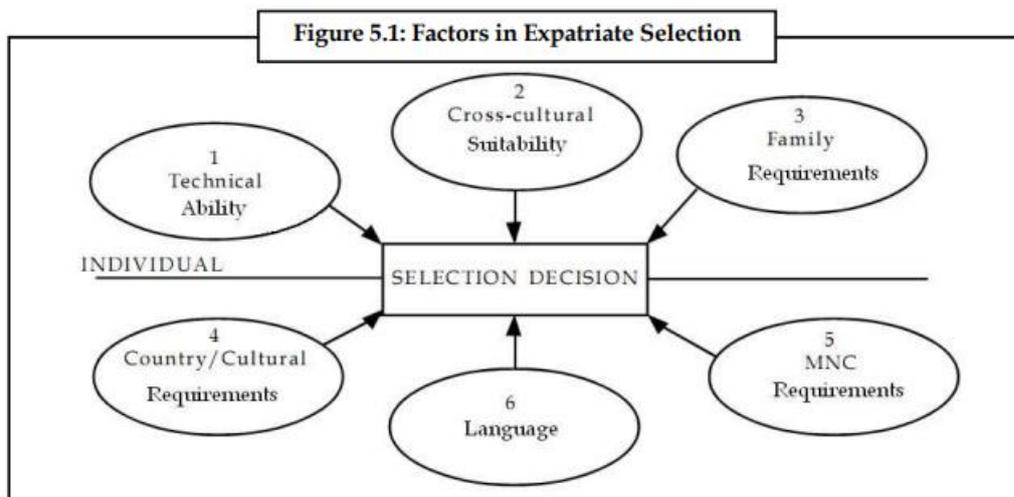
Selection is a two-way process between the individual and the organisation. A prospective candidate may reject the expatriate assignment, either for individual reasons, such as family considerations, or for situational factors, such as the perceived toughness of a particular culture.

The factors involved in expatriate selection, both in terms of the individual and the specifics of the situation concerned are as follows:

5.6.1. Technical Ability

Technical and managerial skills are an essential criterion for selection. U.S. companies seem to focus their selection efforts on one single criterion – that of technical competence – despite the importance of all the other criteria co-related to interaction successes.

Reinforcing the emphasis on technical skills is the relative ease with which the multinational can assess the potential candidate's potential, since technical and managerial competence can be determined on the basis of past performance. Since expatriates are usually internal recruits' personnel evaluation records can be examined and checked with the candidate's past and present superiors



5.6.2 Cross-cultural Suitability

The cultural environment in which expatriates operate is an important factor in determining successful performance. Apart from the technical ability and managerial skills, expatriates require cross-cultural abilities that enable the person to operate in a new environmental. These include: cultural empathy, adaptability, diplomacy, language ability, positive attitude, emotional stability, and maturity.

5.6.3 Family Requirements

The contribution that the family, particularly the spouse, makes to the success of the international assignment.

Example: U.S. expatriates and their spouses working in Japan, Taiwan and Hong Kong found that a favourable opinion about the international assignment by the spouse is positively related to the spouse's adjustment. The adjustment of the spouse was found to be highly correlated to the adjustment of the expatriate manager. Reluctance on the part of Australian firms to include spouses in the formal selection process because it was considered to be outside their domain, and could evoke civil liberties concerns.

5.6.4 Country/Cultural Requirements

Some regions and countries are considered 'hardship postings' – remote areas away from major cities or modern facilities, or war-torn regions with high physical risk. Accompanying family members may be an additional responsibility that the MNC does not want to bear. There may be a reluctance to select females for certain Middle East or South East Asian regions. Indeed, some countries will not issue a work permit for a female. These aspects may result in the selection of HCNs rather than expatriates.

5.6.5 MNC Requirements

The multinational may consider the proportion of expatriates to local staff when making selection decisions, mainly as an outcome of its staffing philosophy. Operations in particular countries may require the use of more PCNs and TCNs than would normally be the case, as multinational operating in parts of Eastern Europe and China are discovering. Other situational factors include:

- (a) The mode of operation involved
- (b) The duration of the assignment
- (c) The amount of knowledge transfer inherent in the expatriate's job in the foreign operation.

5.6.6 Language

The ability to speak a second language is an aspect often linked with crosscultural ability. Language skills may be regarded as of critical importance for some expatriate positions. Some would argue that knowledge of the host-country's language is an important aspect of expatriate performance.

Another component to language as a situation factor in the selection decision is the role of the common corporate language. Most multinationals whether consciously or not, adopt a common corporate language as a way of standardising reporting systems and procedures. This is not an issue for PCN selection within multinationals from the United States, the United Kingdom, Canada, and Australia, where the chosen company language remains the same as that of the home country. It becomes a PCN selection factor for multinationals from non-English speaking countries that adopt English as the corporate language, unless the posting is to a country with a shared language.

Example: A Spanish multinational, using Spanish as the corporate language, selecting a manager to head a new subsidiary in Mexico, does not face the same language issue as a Spanish multinational, with English as its corporate language, selecting a manager to its U.S. facility. For the latter, fluency in English is important.

5.7 Summary

The four approaches to multinational staffing decisions ethnocentric, polycentric, geocentric, and regiocentric tend to reflect the managerial philosophy towards international operations held by top management at headquarters.

In the human resource cycle, recruitment and selection process are the main variables influencing directly the 'performance' as also the 'employee development processes'.

Recruitment is defined as the process of identifying and attracting the potential candidate from within and outside an organisation to begin evaluating them for future employment.

The four generic processes: selection, performance appraisal, rewards management and human resource development reflect sequential managerial tasks.

Human Resource Management is crucial to organisational competitiveness and productivity due to the growing diversity of the world's workforce and its increasing importance. The need to manage this diversity better has become a major challenge to the international manager.

There are various issues which have to be taken care before selecting the expatriates for an international assignment. Indian women have a track record holding important political positions too few have achieved similar success in ranks of business management like Indira Nooyi, Kiran Majhumdar, Chanda Kocchar, etc.

For companies developing a geocentric staffing policy, transferring subsidiary staff to other subsidiaries, as well as to headquarters, is an important part of creating an international team. Selection is the process by which the organisation chooses from among the applicants, those people who are perceived the best meet the job requirements.

5.8 Keywords

Culture: It is a set of the set of shared attitudes, values, goals, and practices that characterises an institution, organisation or group.

Ethnocentric Approach: An ethnocentric approach to staffing results in all key positions in a multinational being filled by Parent-country Nationals (PCNs).

Expatriate: An employee who lives and works in a foreign country.

External recruitment: Applicants are from outside the organisation.

Internal Recruitment: Candidates are from the organisation itself. Source of internal recruitment is promotion from within, job posting and employee referrals.

Recruitment: It is a process of identifying and attracting the potential talented candidates to apply for a vacancy in the organisation for the future employment

Selection: It is the process of choosing the best applicant among the pool of the applicants.

Temps: Process of recruitment of temporary, part-time and contract workers.

5.9 Self Assessment Questions

1. Being the HR of the company, justify the use of PCN, TCN and HCN (various nationality groups) in selecting managers for the international assignments.
2. Examine the factors to be taken into account while selecting expatriates.
3. Critically examine the factors that lead to the failures of the expatriates in the international assignments.
4. Explain the theoretical mode developed to explain the factors involved in effectively adjusting to overseas assignments.
5. What factors do you think plays a dominant role in failure of the expatriates?
6. Analyse the general and specific factors contributing to the success of expatriates.
7. Critically examine the factors that lead to the modification of the expatriate performance in international assignments.
8. Outline the reasons for the shortage of the women expatriates in international assignments. Justify giving examples.
9. Differentiate among PCNs, TCNs and HCNs.
10. How recruitment and selection process in international assignment affects the performance of the expatriates? Justify giving examples.

5.10 Suggested Readings

1. David C. Thomas Essentials of International Human Resource Management, (2013) Sage Publications

2. **International Human Resource Management** CIPD - Kogan Page- 2016

3. Dr. B. V. Satyanarayan Babu, International Human Resource Management, Thakur Publications 2020

4. Dr. Saroj Kumar, International Human Resource Management, Thakur Publications 2022

5. Veera Thakur & Jitendra Shukla, International Human Resource Management, Thakur Publications 2022

LESSON-6

APPROACHES TO INTERNATIONAL RECRUITMENT

Learning Objectives

To Discuss the Approaches of International Recruitment
To Study the International Selection

Structure

6.1 Introduction

6.2 Approaches to International Recruitment

6.2.1. Ethnocentric approach

6.2.2. Polycentric approach

6.2.3. Geocentric approach

6.2.4. Regio centric Approach

6.3 International Selection

6.3.1. Prioritizing language skills over core skills

6.3.2. Failure to comply fully with set employment/termination laws

6.3.3. Avoiding uncomfortable conversations with new employees

6.3.4. Ignoring mandatory employee benefits

6.3.5. Hasty hiring

6.4 Summary

6.5 Key words

6.6 Self Assessment Questions

6.7 Suggested Readings

6.1 Introduction

While recruiting people for international operations, the international HR managers must identify the global competitiveness of the potential applicants at the time of the recruiting process. It is essential that the workforce of an international organization is aware of the nuances of international business. Understandably, the company must keep international knowledge and experience as criteria in the recruitment and selection process.

Besides, the international HR department must have a fairly good idea about the skills and availability of human resources in different labour markets in the world. The HR department must have the capacity to foresee the changes in these markets and exploit those changes productively. A truly international HR department would insist on hiring people from all over the world and place them throughout the international business operations of the organization. Approaches to Recruitment in IHRM Though the general aim of any recruitment policy is to select the right people for the right task at the right time, the HR department of international companies may adopt one of the following three specific approaches available for recruiting employees for global operations.

The Immigration Reform and Control Act of 1986 (IRCA) bars employers from hiring individuals who are not legally entitled to work in the U.S. Employers must verify work eligibility by completing Form I-9 along with required supporting documents. IRCA also prohibits employers from discriminating in hiring, firing, recruiting, or referring on the basis of national origin or citizenship status.

H-1B workers may be employed temporarily in a specialty occupation or as a fashion model of distinguished ability. A specialty occupation requires theoretical and practical

application of a body of specialized knowledge along with at least a bachelor's degree or its equivalent. An H-1B alien may work for any petitioning U.S. employer for a maximum period of six years.



International recruitment methods

Approaches to International Recruitment

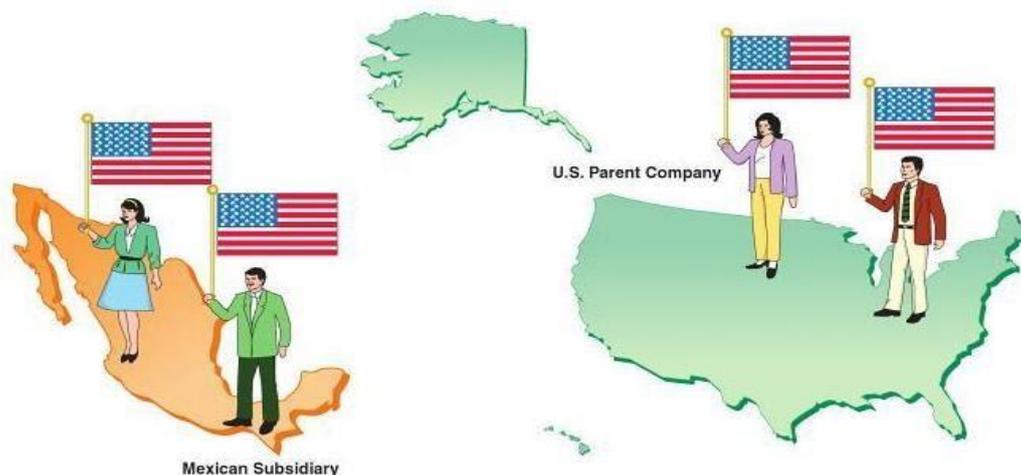
6.2.1. Ethnocentric approach

Countries with branches in foreign countries have to decide how to select management level employees. **Ethnocentric** staffing means to hire management that is of same nationality of parent company.

- *Ethnocentric approach*
- *Polycentric approach*
- *Regio centric approach*
- *Geocentric approach*

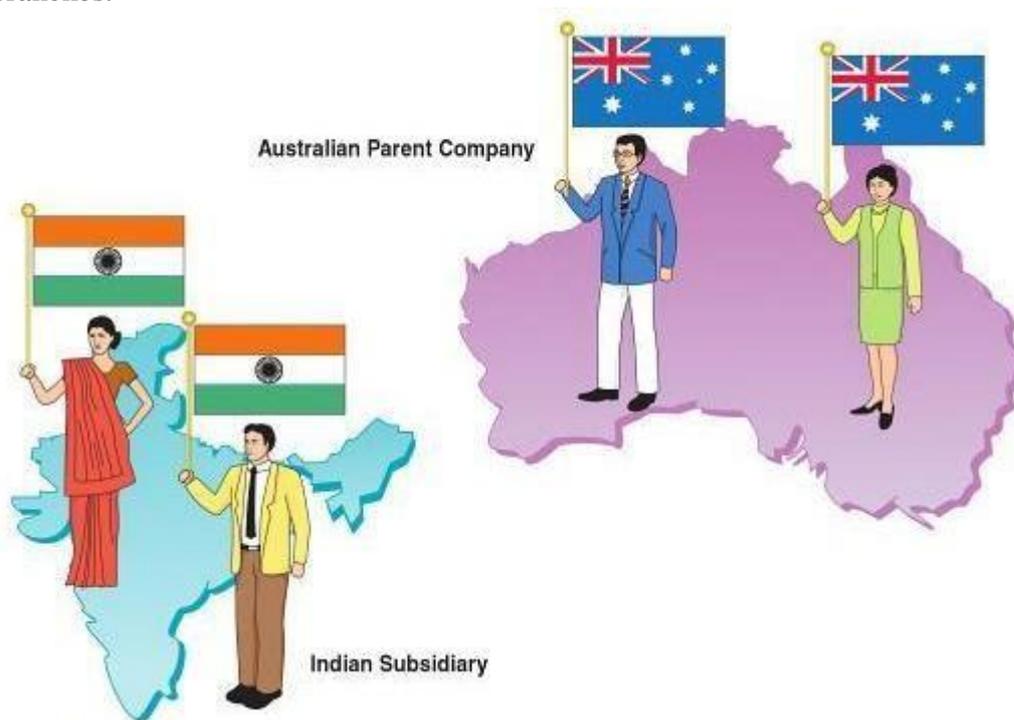
When a company follows the strategy of choosing only from the citizens of the parent country to work in host nations, it is called an ethnocentric approach. Normally, higher-level foreign positions are filled with expatriate employees from the parent country. The general rationale behind the ethnocentric approach is that the staff from the parent country would represent the interests of the headquarters effectively and link well with the parent country. The recruitment process in this method involves four stages: self-selection, creating a candidate pool, technical skills assessment, and making a mutual decision. Self-selection involves the decision by the employee about his future course of action in the international arena. In the next stage, the employee database is prepared according to the manpower requirement of the company for international operations. Then the database is analysed for choosing the best and most suitable persons for global assignments and this process is called technical skills assessment. Finally, the best candidate is identified for foreign assignment and sent abroad with his consent.

The ethnocentric approach places natives of the home country of a business in key positions at home and abroad. In this example, the U.S. parent company places natives from the United States in key positions in both the United States and Mexico.



6.2.2. Polycentric approach

When a company adopts the strategy of limiting recruitment to the nationals of the host country (local people), it is called a polycentric approach. The purpose of adopting this approach is to reduce the cost of foreign operations gradually. Even those organizations which initially adopt the ethnocentric approach may eventually switch over to the polycentric approach. The primary purpose of handing over the management to the local people is to ensure that the company understands the local market conditions, political scenario, cultural and legal requirements better. The companies that adopt this method normally have a localized HR department, which manages the human resources of the company in that country. Many international companies operating their branches in advanced countries like Britain and Japan predominantly adopt this approach for recruiting executives to manage the branches."



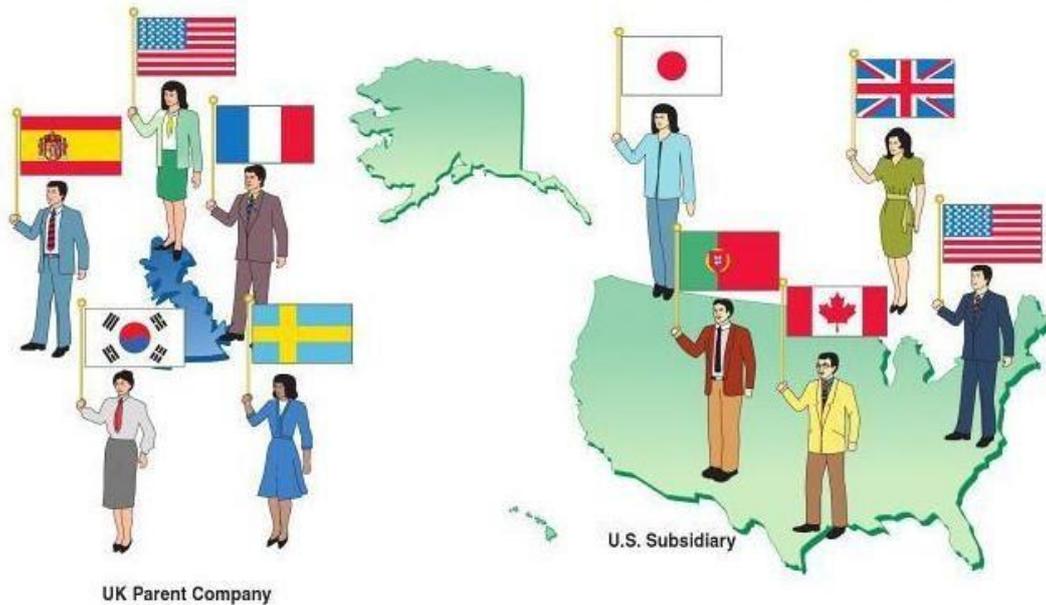
The polycentric approach uses natives of the host country to manage operations in their country and natives of the parent country to manage in the home office. In this example, the Australian parent company uses natives of India to manage operations at the Indian subsidiary. Natives of Australia manage the home office.

6.2.3. Geocentric approach

When a company adopts the strategy of recruiting the most suitable persons for the positions available in it, irrespective of their nationalities, it is called a geocentric approach. Companies that are truly global in nature adopt this approach since it utilizes a globally integrated business strategy. Since the HR operations are constrained by several factors like political and ethnical factors and government laws, it is difficult to adopt this approach. However, large international companies generally adopt the geocentric strategy with considerable success.

For international recruitment, especially on foreign soil, organizations generally use manpower agencies or consultants with international connections and repute to source candidates, in addition to the conventional sources. For an effective utilization of the internal source of recruitment, global companies need to develop an internal database of employees

and an effective tracking system to identify the most suitable persons for global postings.



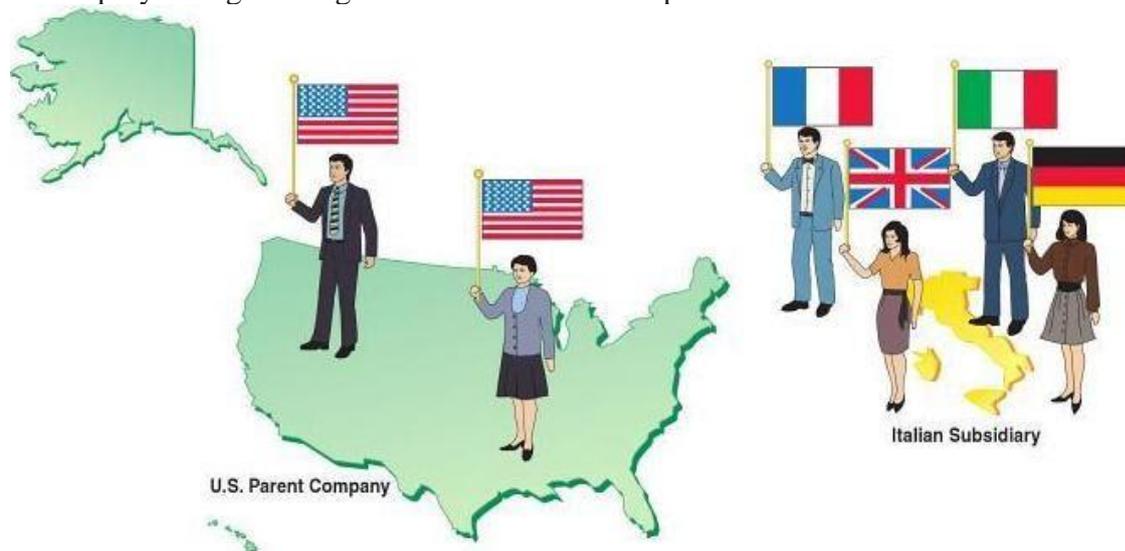
The geocentric approach uses the best available managers for a business without regard for their country of origin. In this example, the UK parent company uses natives of many countries at company headquarters and at the U.S. subsidiary.

6.2.4. Regio centric Approach

The Regio centric approach uses managers from various countries within the geographic regions of business. Although the managers operate relatively independently in the region, they are not normally moved to the company headquarters.

The Regio centric approach is adaptable to the company and product strategies. When regional expertise is needed, natives of the region are hired. If product knowledge is crucial, then parent-country nationals, who have ready access to corporate sources of information, can be brought in.

One shortcoming of the Regio centric approach is that managers from the region may not understand the view of the managers at headquarters. Also, corporate headquarters may not employ enough managers with international experience.



The regiocentric approach places managers from various countries within geographic regions of a business. In this example, the U.S. parent company uses natives of the United States at company headquarters. Natives of European countries are used to manage the Italian subsidiary.



Manufacturing cos recruit expats in key artificial intelligence, digital roles.

Indian manufacturing companies are going all out to woo expat talent in digital, artificial intelligence and other new-age technologies, as they seek to strengthen their global footprint with improved products. Companies in sectors such as automobile, industrial, pharmaceutical, chemical and packaging are **keen on bringing in people familiar with international best practices who can replicate the quality and precision of developed markets such as North America, the UK, Korea, Japan and Germany.** Over the last six months, automaker Mahindra & Mahindra has hired six expats for top-level posts while the diversified Vedanta Ltd in February brought in five expats at senior levels in India. A spokesperson for Hero MotoCorp said several experts have joined the company of late. “There has been an increase in expat hiring in the last six months. **Expat hiring isn’t about numbers but about inducting appropriate capabilities and talent,**” said Rajeshwar Tripathi, chief people officer, M&M, which last year inducted 15 expats at senior levels. “For critical roles, given the skill sets required, we have been going abroad more often than in the past.” Vedanta has appointed Clint McLachlan as head of plant-1- Jharsuguda and Werner Van Schalkwyk as technical expert- carbon (Jharsuguda). Christopher W Waid has been appointed as chief health and safety officer- tight gas facilities, Cairn Oil & Gas, a Vedanta subsidiary, while Paul Dewar has been brought in as chief health safety & environment officer-iron ore business. Geoffrey Dean Currie has joined as chief health, safety & environment (HSE) officer at the group’s iron ore business. Geoffrey Dean Currie has joined as chief health, safety & environment (HSE) officer at the group’s iron ore business

The Foreign Hand
COS HIRING EXPATS TO BRING
 in global best practices, quality, expertise of developed markets

COMPENSATION
 package of expats are 2-3 times higher than domestic talent

AREAS LIKE
DIGITAL, world-class manufacturing, R&D, data sciences, AI, etc see hiring of more expats

FOR EXPATS TOO
 India is an attractive destination with opportunities for growth

If there are 4-5 members in shortlist for a CXO search, two are invariably expats
R SURESH
 MD, INSIST EXECUTIVE SEARCH

For critical roles, given the skillsets required we have been going abroad more often than in the past
RAJESHWAR TRIPATHI
 CHIEF PEOPLE OFFICER, M&M

At **Hero MotoCorp**, Roberto Restelli joined the company's research and development team last week, adding to the pool of 15 new senior expat employees who have joined the Indian motorcycle and scooter manufacturer in recent times. **“Several automotive experts from around the globe have joined our research and development and global product planning functions,”** said a spokesperson of Hero MotoCorp. Some of the recent expat hires at M&M include Steven Woolley, of the UK, who has joined as chief engineer, and Mathew Gausden of the US who is chief engineer. Tripathi cites **non-availability of local talent for critical roles as the reason for the increase in expat hiring**. “The aim is also to achieve global standards and to create instances to bring in global expertise,” he said. The roles for which they were hired include product development, ride and handling, vehicle refinement, architecture, technology-led programmes, safety to meet global standards, electric vehicle, etc. Suresh Bose, head – group human resources at Vedanta group, said, “Among the hired expats you will find skills across all verticals and across all areas including safety, environment, health, technical and enabling. They will be responsible for setting up processes in line with the best practices from our industry around the globe.”

Indian companies that are expanding their footprint overseas have to focus on product quality, meeting consumer needs and keeping up with technological advances. These aspects require relevant talent to be brought into their processes. R Suresh, managing director of Insist Executive Search, said that if there are four-five members in the shortlist for a CXO search, two are invariably expats. “We have started the CFO assignment of one of the largest pharmaceutical companies, where out of the five five shortlisted candidates, three are expats,” he said. For certain professions, there is a dearth of talent in the country. These include digital, large world-class manufacturing, research and development, data sciences, artificial intelligence, machine learning, etc., said experts.

6.3 International Selection

Even though cultural differences influence the selection procedure to some extent, organizations tend to follow similar criteria and methods worldwide. This is due to the fact that the end objective of any selection process is to choose the most capable persons for the job. The selection criteria for international jobs usually revolve around the five core areas of behaviour, attitudes, skills, motivation and personality. More specifically, the focus of selection for international operations normally includes cultural adaptability, strong communication skills, technical competence, professional or technical expertise, global experience, country-specific experience, interpersonal skills, language skills, and family

flexibility. Employers around the world usually rank personal interviews, technical competency and work experience in similar jobs as important criteria for selection. International firms, while choosing employees for overseas operations, usually prefer people with

- highly developed technical skills
- good language and communication skills
- tolerance towards other culture, race, creed, colour, habits, and values
- high level of motivation
- stress resistance
- goal-oriented behaviour

Finally, at the time of selection for international assignments, an organization should consider the previous overseas experience, family circumstances and cultural-adaptability level of the candidates aspiring for the global jobs.

6.3.1. Prioritizing language skills over core skills

It is common practice for recruiters to hire staff members who are experts in the language of their target market. While this is perfectly in order, it is extremely dangerous to put unnecessarily huge emphasis on a candidate's language skills to the point of overlooking some more fundamental skills.

Let's say you are opening shop in China. Your business will stand a great chance to prosper if you can hire competent Chinese professionals to run the business for you. But in the event that you don't get qualified locals to hire, avoid panic hiring. The best thing to do is to hire foreign talents with a fairly good grasp of the local language and then help them develop their language skills through a specially-designed management development program.

6.3.2. Failure to comply fully with set employment/termination laws

Multinational companies are in most cases subjected to more scrutiny than local companies when it comes to their adherence to employment laws. Foreign businesses in China, for example, have to follow stricter reporting structures and administration protocols than their local competitors. If your employees understand the regulatory aspects of running an international office in China, they will use that knowledge against you in case of future employment disputes. The best thing is to understand and comply with all regulations before, during, and after the recruitment process.

6.3.3. Avoiding uncomfortable conversations with new employees

Because taking a local business to the international stage can sometimes be intimidating, some employers opt to play safe with their new staff by avoiding direct, uncomfortable confrontations. That way, they conceal their dissatisfaction with some workers' performance, making problem-solving processes slow and in most cases unfruitful. According to experts from [Globalization Pedia](#) "the only way of getting the most out of your workforce is through having those candid, uncomfortable discussions with them regarding their competency and dedication to their assigned roles. If an employee is too incompetent for your preferences, don't shy away from firing them. Just remember to follow the right termination laws.

6.3.4. Ignoring mandatory employee benefits

In most of Europe and the US, employment laws do not obligate employers to give their employees mandatory annual paid vacations. The decision to or not to grant such benefits rest with an individual employer. However, employment laws in Asia specify sick leaves, paid vacations, and many other mandatory benefits that you have to grant your staff

members on an annual basis. There are some limitations to these benefits, which basically attempt to provide checks and balances so that neither the employer nor employee can take undue advantage over the other.

The mistake some employers make is to assume that their international employees will conform to the employment laws as applied to the US or Europe, for example. To avoid future friction with authorities, it is imperative that you familiarize with the employee benefits in the international market from which you are hiring, and then fully comply with each one of them. Be sure to understand how leaves are administered, how the compensation during the leave should be done, the definitions and expectations of a “sick day”, and any other relevant benefits.

6.3.5. Hasty hiring

Hiring processes are known to be tedious, lengthy, and sometimes inconveniencing. Everything gets worse when it comes to international hiring. If you are interviewing candidates who don't speak your language, then you already have a major stumbling block in your way. On the other hand, you can get the best talent for the job but then due to travel hurdles, the process gets more sophisticated and exhausting. Then there is the issue of paperwork and other legal formalities that you have to comply with, most of which are new to you. Lastly, you may not have enough prior information about universities and colleges in the country from which you are hiring, so you may have a hard time authenticating the academic papers that candidates present to you. In the midst of all these hiring challenges, many employers opt to trust their gut and hire people without following the due process. But because you don't want to keep hiring and firing even before your business gains enough momentum, the best thing to do is to take your time to understand the process, internalize the hiring laws, and learn everything there is to learn regarding local universities and colleges. Take all the time that you need to find the best talent for the job.

Ethnocentric Staffing

The ethnocentric approach to recruitment means that we hire people from our parent country to fill positions all over the world. For example, if we want to fill an executive role in a foreign country, we could:

Relocate one of our existing employees who's a permanent resident of our parent country.

Hire a person from our parent country who lives or wants to live in the host country.

We use the ethnocentric method when [opening a new branch at a new country, so it'd be easier for our company's policies and procedures to be transferred from the parent country to the new branch]. As a rule, expatriates from our parent country should comprise less than [20%] of a foreign office so that we minimize the total hiring costs and avoid missing the pulse of the local community.

Polycentric staffing

The polycentric approach to recruitment means that we hire locals to fill our positions in a host country. For example, we could advertise on local job boards or create a contract with a local recruitment agency.

We use the polycentric approach when [we need the skills of locals to conduct our business. For example, if we want to expand our clientele to a specific country, we'd hire a local professional who knows the market and can coordinate our sales operations.] We'll apply one of the other approaches if we haven't found qualified candidates after [four months].

Regiocentric staffing

The regiocentric approach to recruitment means that we hire or transfer people within the same region (like a group of countries) to fill our open positions. For example, we might decide to transfer employees within Scandinavian countries. So if we want to hire someone in Sweden (a host country) we could transfer one of our employees from Denmark, a host country in the same region.

We use the regiocentric approach when [the costs of transferring an employee from a host country are lower than transferring them from the parent country.] When deciding to use this approach, take into account any language or cultural barriers that may exist.

Geocentric staffing

Geocentric approach to recruitment is hiring the best people to fill our positions without regard to where they come from or where they live. This means:

Hiring remote employees. We use this option when we want to hire someone at a place where we don't have offices. For example, if we want a customer support agent in another time zone to support our customers there.

Relocating our employees. This includes both bringing foreign talent into our parent country and relocating people to a new host country. We use this approach when we need someone to be physically present at a specific location, but the best person for the job is living elsewhere. To use the geocentric approach, we need to have a global outlook on recruitment. For example, whenever a position opens at a host country or our parent country, the hiring team could: Advertise on global job boards first, before using local job boards mentioning the location of the job clearly. Also, advertise on job boards focused on remote work when possible. Source candidates online without looking at their current location.

Check our global employee database to find internal candidates who may wish to relocate.

Ask recruiters to suggest candidates they met at international career fairs or events.

Ask for referrals from our existing employees, as they may have someone in their network who could fit in this position and be willing to relocate.

International recruitment and selection process

Whenever a position opens, hiring teams should follow this process:

Decide which staffing approach is most suitable for this particular case. Use this policy to determine whether the regiocentric, ethnocentric or polycentric approach suits best. Discuss the budget with finance to make sure you're able to apply the chosen approach and whether another one could work equally well with lower costs. If there's no particular reason to use any of them, then the [geocentric approach] should prevail.

Determine the recruitment methods that work for this approach. For example, if you decided on the polycentric approach, then consider local job boards and locally-based recruiters in the host country.

Allocate your budget. To make sure you can coordinate recruitment activities, look into your budget. For example, if you've chosen the ethnocentric approach, you'll need to factor in relocation costs for your new hire. Also, you may decide you need to meet candidates from the host country in-person so pay attention to travel expenses. Work with [finance/ HR] to determine the available resources.

Evaluate candidates. When it comes to resume and phone screening, we evaluate all candidates the same way. You could also use video interviews for remote candidates. Each role will demand a different skillset, but to make sure our employees can work well together,

look for people who:

Are self-motivated and can work independently (especially if their manager is remote).

Can communicate well even through cultural and language barriers.

Have a global mindset.

Are tech-savvy.

Also, depending on the approach you'll use, make sure to discuss if a candidate is legally permitted to work in the country where the open position is. If it's agreed upon, discuss immigration procedures.

6.4 Summary

The key challenge for MNCs will then be to link international assignments more directly to their organizational career paths in order to be able to capitalize upon the experiences and skills that assignees develop during their transfers in the long run. Changes in the way careers are perceived among the younger generations suggest that individuals are less willing to focus their professional lives on a single employer. Companies therefore have a lot to lose if they do not manage international assignments well.

6.5 Key words

Hasty hiring -Hiring processes are known to be tedious, lengthy, and sometimes inconveniencing. Everything gets worse when it comes to international hiring.

Polycentric staffing-The polycentric approach to recruitment means that we hire locals to fill our positions in a host country. For example, we could advertise on local job boards or create a contract with a local recruitment agency

Regiocentric staffing-The regiocentric approach to recruitment means that we hire or transfer people within the same region (like a group of countries) to fill our open positions. For example, we might decide to transfer employees within Scandinavian countries

Geocentric staffing-Geocentric approach to recruitment is hiring the best people to fill our positions without regard to where they come from or where they live

Ethnocentric Staffing- The ethnocentric approach to recruitment means that we hire people from our parent country to fill positions all over the world

6.6 Self Assessment Questions

1. Briefly Explain the Approaches of International Recruitment?
2. Examine the process of International Selection ?
3. Outline the reasons for the shortage of the women expatriates in international assignments. Justify giving examples.
4. Differentiate among PCNs, TCNs and HCNs?.
5. How recruitment and selection process in international assignment affects the performance of the expatriates? Justify giving examples.

6.7 Suggested Readings

1. David C. Thomas Essentials of International Human Resource Management, (2013) Sage Publications

2. **International Human Resource Management** CIPD - Kogan Page- 2016

3. Dr. B. V. Satyanarayan Babu, International Human Resource Management, Thakur Publications 2020

4. Dr. Saroj Kumar, International Human Resource Management, Thakur Publications 2022

5. Veera Thakur & Jitendra Shukla, International Human Resource Management, Thakur Publications 2022

LESSON-7

FACTORS AFFECTING IN EXPATRIATES

Learning Objectives

In this chapter, we examine how international growth places demands on management, and the factors that impact on how managers of internationalizing firms respond to these challenges. We start with the premise that the human resource (HR) function does not operate in a vacuum, and that HR activities are determined by, and influence, organizational factors.

We cover the following areas:

Issues of standardization and localization.

Structural responses to international growth.

Control and coordination mechanisms, including cultural control.

Effect of responses on human resource management approaches and activities.

Structure

7.1 Introduction

7.2 Standardization And Localization Of HRM Practices

7.3 Factors Driving Standardization

7.4 Factors Driving Localization

7.5 Measures creating the HRM balance between standardization and localization

7.6 The Path To Global Status

7.7 Summary

7.8 Key words

7.9 Self Assessment Questions

7.10 Suggested Readings

7.1 Introduction

Human resource practices, policies and processes are imbedded in the strategic, structural and technological context of the MNE. This 'administrative heritage' is particularly critical for global firms as the international organization will be called on to operate across a wide variety of competitive environments and yet somehow balance these diverse social, political and economic contexts with the requirements of the original home context.

The various elements in Figure 7.1 are not mutually exclusive. For example, geographical dispersion affects firm size, creating pressure upon control mechanisms that, in turn, will influence structural change. Growth (size of the firm) will affect the flow and volume of information, which may reinforce a control response (such as what functions, systems and processes to centralize and what to decentralize). Geographical dispersion will involve more encounters with national cultures and languages, thus affecting the flow and volume of information. The demands of the host country can influence the composition of the workforce (the mix of parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs))



Figure 7.1 Management Demands on International Growth

An in-depth examination of all these elements is beyond the scope of this book. Rather, the purpose of this chapter is to explore some of the managerial responses to these influences that concern HRM. Our focus remains on the connection between organizational factors, management decisions and HR consequences. To a certain extent, how the internationalizing firm copes with the HR demands of its various foreign operations determines its ability to execute its chosen expansion strategies. Indeed, early Finnish research suggests that personnel policies should lead rather than follow international operation decisions, yet one could argue that most companies take the opposite approach – that is, follow market-driven strategies. We will now discuss the twin forces of standardization and localization and follow the path a domestic firm takes as it evolves into a global entity and illustrate how the HRM function is affected by the way the internationalization process itself is managed

7.2 Standardization And Localization Of HRM Practices

Controlling cross-border operations of a MNE centers around what processes, routines, procedures and practices can be and should be transferred abroad and to what degree these require country-specific adaptation, if any, to be effectively implemented at the local level. In the processes of transferring systems and know-how the role of people is critical. The management of people – probably the most culture-bound resource in an international context – is faced by a high level of complexity because of the diverse cultural environment of a MNE.

As discussed in previous chapters, expatriates are frequently used to oversee the successful implementation of appropriate work practices. At some point, however, multinational management replaces expatriates with local staff with the expectation that these work practices will continue as planned. This approach is based on assumptions that appropriate behavior will have been instilled in the local workforce through training programs and hiring practices, and that the multinational's way of operating has been accepted by the local staff in the manner intended. In this way, the multinational's corporate culture will operate as a subtle, informal control mechanism – a substitution for direct supervision.

However, this depends on the receptivity of the local workforce to adhere to corporate norms of behavior, the effectiveness of expatriates as agents of socialization and whether cost considerations have led the multinational to localize management prematurely. Here, the role of appropriate human resource management activities becomes crucial. The aim of global

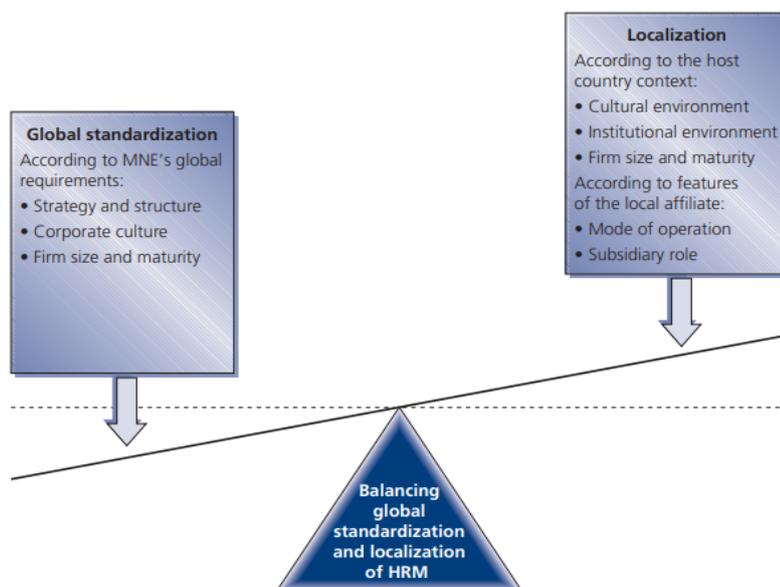
standardization of HRM practices is to reach the above-mentioned consistency, transparency and an alignment of a geographically fragmented workforce around common principles and objectives. The use of common management practices is intended to foster a feeling of equal treatment among managers involved in cross-border activities and, at the same time, aims at a common understanding of what is expected from the employees. Furthermore, consistent systems facilitate the administration processes by increasing operational efficiencies.

The aim of realizing local responsiveness is to respect local cultural values, traditions, legislation or other institutional constraints such as government policy and/or education systems regarding HRM and work practices. As mentioned above, attempting to implement methods and techniques that have been successful in one environment can be inappropriate in another.

The challenge of many multinationals is to create a system that operates effectively in multiple countries by exploiting local differences and interdependencies and at the same time sustaining global consistency. Unilever, for example, uses the same recruitment criteria and appraisal system on a worldwide basis to ensure a particular type of managerial behavior in each subsidiary. However, features of the national education systems and skill levels must be considered.

This discussion has shown that the standardization-localization choice that confronts the multinational in an area of operation such as marketing, applies to the management of the global workforce as well. This is due to the fact that HRM carries out a strategic support function within the firm. However, as has been indicated above, the extent to which HRM systems are standardized or localized depends on various interdependent factors. We call this the 'HRM between standardization and localization'. Figure 7.2 illustrates important drivers that either foster standardization or localization.

A recent review of North American and European based MNEs led the researchers to conclude that between the two poles of standardization (related to what the writers call 'dependent' – HRM



Source: This article was published in M. Festing, J. Eidems and S. Royer. 'Strategic Issues and Local Constraints in Transnational Compensation Strategies: An analysis of Cultural, Institutional and Political Influences', *European Management Journal*, Vol. 25, No 2, 2007, pp. 118–31. Copyright Elsevier 2012. Reproduced with permission.

Figure 7.2 Balancing the Standardization and localization of Human Resource Management in MNEs

practices that are cleared by corporate headquarters) and localization (related to what the writers call 'highly independent' – HRM practices that vary at the discretion of local managers) there are intermediate strategies of standardization and localization of HR practices (referred to as 'interdependent' and 'independent' respectively). Furthermore, these practices are dynamic, such that HR practices may move between these two poles in response to contextual, firm-specific strategic, environmental and regulatory developments.

7.3 Factors Driving Standardization

The relationship suggested in the literature explains that a large MNE with a long international history and extensive cross-border operations: pursues a multinational or transnational corporate strategy; supported by a corresponding organizational structure; that is reinforced by a shared worldwide corporate culture.

However, in practice, we do not always observe perfect adherence to these factors in all MNEs.

For example, a worldwide corporate culture may not be shared by all employees in all subsidiaries. This factor should, nonetheless, at least be the target of many firms hoping to cope with the challenges of globalization.

In such highly internationalized organizations we often find attempts to standardize HRM practices on a worldwide basis. Of course, this approach is not appropriate for the whole workforce but aims at a group of managers who are working at the cross-border boundaries of the firm in the headquarters or in foreign locations, i.e., international boundary spanners. A good example of a MNE which has attempted to globally standardize compensation practices is Schering AG, a German pharmaceutical company, which introduced a global performance system for top managers worldwide. Within the context of a new strategic orientation, Schering a standardized bonus system for top executives that aimed at strengthening the performance culture in the company and facilitating a common orientation for all managers.

The corporate element of the bonus system consisted of a standardized bonus structure. As the cultural acceptance for variable bonuses varied across Schering's subsidiaries, the proportion between the fix and variable part of the total compensation package of managers was adapted to the country-specific conditions. The Schering example not only shows us that the implementation of global standards is possible, but at the same time, it also makes it clear that local adaptations and exceptions to the standards are often needed. The factors driving the localization of HRM practices are outlined in the next section.

7.4 Factors Driving Localization

As has been depicted in Figure 7.2, factors driving localization include the cultural and institutional environment and features of the local entity itself. We will discuss these factors in the following paragraphs.

The cultural environment

To identified national culture as a moderating variable in IHRM. It will be noted how members of a group or society who share a distinct way of life will tend to have common values, attitudes and behaviors that are transmitted over time in a gradual, yet dynamic, process. There is evidence that culture has an important impact on work and HRM practices.

Sparrow, for example, has identified cultural influences on reward behavior such as 'different expectations of the manager-subordinate relationship and their influence on performance management and motivational processes'. Triandis found that cultures where work is based on more integrated personal social 'relationships' may value a more complete balance of intrinsic and extrinsic rewards, while cultures characterized by personal independence and isolation ('individualism') as well as rapidly changing personal and social contexts may emphasize extrinsic rewards – given the absence of a strong and enduring social matrix that attributes meaning and power to intrinsic rewards. The examples indicate that the effectiveness of standardized practices might differ in various cultural contexts.

The institutional environment

In addition to national or regional culture, institutional settings shape the behavior and expectations of employees in subsidiaries. The institutionalism perspective indicates that institutional pressures may be powerful influences on human resource practices. According to Whitley institutional norms and values may be based on the features of a national business system. Elements which are relevant to HRM are, for example, the characteristics of the education system or the industrial relations system.

For example, in Germany, the dual vocational training system, which provides theoretical learning opportunities in part-time schools and practical experience in companies, is widespread. More than 60 per cent of an age group is involved in dual vocational training for 350 professions. This kind of training represents a well-accepted qualification in Germany, whereas in other countries such as France, this system is non-existent or restricted to lower qualifications. The pervasiveness and reputation of such a training system has an impact on IHRM. More specifically, for example, the recruitment process and the selection criteria reflect the importance of these qualifications. Another example of institutional factors which can have HRM-related effects are the: 'scope of labor legislation and its regency of codification, [it] creates new codes of conduct through issues such as sex discrimination, equal pay for equal work, and minimum wages'. Thus, for legitimacy reasons, it can make sense for some organizations to offer specific benefits or advantages, for example, even if they are very expensive and normally would not be offered due to efficiency considerations.

The impact of the institutional environment on IHRM is shown in the following example, which addresses staffing decisions. A study by As-Saber, Dowling and Liesch found that there was a clear preference for using HCNs in key positions by multinationals operating in India. The authors suggest that a major reason for HCN preference was the belief that an Indian would know more than an expatriate manager could learn in years on the job. Generally, localization of HR staff positions is more likely to ensure that local customs and host-government employment regulations are followed. Khilji²⁶ found that, although foreign multinationals in Pakistan had formulated policies, implementation was low 'because managers brought up and trained in a hierarchical and centralized set-up resist sharing power and involving employees in decision making'. This occurred despite the host country's expectation that multinationals would transfer their best practices and act as a positive force in the introduction of what was regarded as desirable Western management styles. However, the multinationals in Khilji's study had taken a polycentric approach, with HCNs in key positions, including that of the HR manager.

Liberman and Torbjörn in their study of eight European subsidiaries of a global firm, found variation in the degree to which employees adopted corporate norms. They suggest that at the start of a global venture, differences in management practices are

attributable to cultural and institutional factors whereas commonalities might be explained by a common corporate culture. Empirical results confirmed this. In some countries, employees were agreeable towards wearing of company clothing emblazoned with its logo, as such action did not challenge their national culture. In another focus of the study, there was great resistance to the implementation of performance assessment for non-managerial positions as it went against existing practice in one of the subsidiaries. Taylor found that Chinese employees working in Japanese plants in their home country perceived team briefings and other such forums as a new form of rhetoric, replacing nationalist and Communist Party propaganda of the past, and this information was consequently considered of little value by workers and managers. These examples underline the importance of finding adequate solutions for the standardization-localization balance.

These above-described effects illustrate phenomena identified by the theoretical lens of institutionalism. The country-of-origin effect implies that multinationals are shaped by institutions existing in their country of origin and that they attempt to introduce these parent-country-based HRM practices in their foreign subsidiaries. This is especially the case in an ethnocentric firm.

The country-of-origin effects are stronger in non-restrictive local environments than in very restrictive countries. For example, US MNEs are more flexible in importing their HRM practices into British affiliates than into German units because British employment law is not as strict as that in Germany and it leaves more choices to the enterprises.³⁰ However, there is also evidence that MNEs tend to limit the export of practices typical for the country-of-origin to those that are considered to be their core competences.

The host-country effect refers to the extent to which HRM practices in subsidiaries are impacted by the host-country context. For example, foreign MNEs in Germany are not free in their choice of pay levels or pay mixes. This is regulated by collective wage agreements, which are typical for the German environment and must be accepted. A similar effect exists in the headquarters. Here, HRM activities are influenced by the home-country environment. We call these effects home-country effects. This differentiation reflects the discussion on home and hostcountry environment, which is typical for MNEs. The home-country effect is the basis for the above-described country-of-origin effect, describing MNEs that try to transfer HRM activities shaped by their home-country environment to foreign locations.

This discussion has shown that the institutional context has an impact on HRM in several different ways. We have seen that not only the host country's institutional context can foster localization, but that forces exist from the country-of-origin as well. Sometimes reverse diffusion, i.e. the transfer of practices from foreign locations to the headquarters, can be observed.

For example, there is evidence that American MNEs learn from their subsidiaries in the United Kingdom. Edwards et al. have reported that a 'shared service' approach to organizing the HR function was developed in the UK and then introduced in the American headquarters. Relationships of the different effects between the institutional environment and the MNE units are delineated in Figure 7.3.

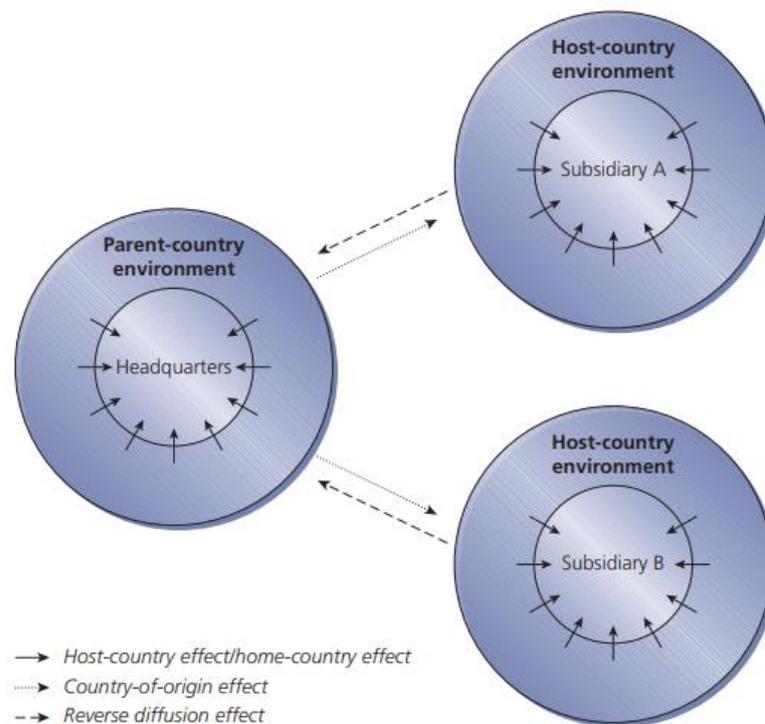


Figure 7.3 Institutional Effects on MNEs

Mode of operation abroad

When addressing the mode of operation, it is helpful to examine this from the level of the local affiliate. Thus, we turn to firm-endogenous factors to determine the balance between global standardization and localization. Later in the chapter we will discuss the various modes of foreign operations and their associated HRM practices. A study by Buckley et al. provides two examples of how the mode of operation either inhibits or facilitates work standardization. In late 1978, the Chinese government announced an open-door policy and commenced economic reforms aimed at moving the country from a centrally planned to a market economy. Western firms that entered China early were more or less forced to enter into joint ventures with state-owned enterprises (SOEs), whereas those entering later have been able to establish wholly owned subsidiaries (WOSs).

One case in the Buckley et al. study is Shanghai Bell – a joint venture formed in 1983 between a Belgian telecommunications firm (now Alcatel Bell), the Belgian government and the Chinese Postal and Telecommunications Industries Corporation (PTIC). There was a gradual transfer of relevant technology by the Belgian firm, with a long-term reliance on Belgian expatriates. The Belgian firm had limited control over the Chinese employees in the joint venture and was constrained by its partner's expectations and differing goals.

The second case researched was much different. The US telecommunications firm, Motorola, established a wholly owned operation in Tianjin, China, in 1992. Changing conditions in China meant that Motorola could effectively build a 'transplant factory': importing production equipment, organizational processes and practices from either the parent or other subsidiaries in its global network. This enabled Motorola to integrate the Chinese operation into the broader corporate network and to localize management. These have been supported by HRM initiatives such as a special management training program (China Accelerated Management Program – CAMP), English language training and transfer of Chinese employees into the US operations.

Motorola has been able to transfer its processes and systems, such as Six Sigma quality control, bringing its technology, knowledge and work practices, supported by HRM activities, into the new facilities in China relatively quickly.

Ownership and control are therefore important factors that need to be taken into consideration when multinationals attempt to standardize work and HRM practices. A firm's ability to independently implement processes and procedures is naturally higher in wholly owned subsidiaries while the question of control in international joint ventures (IJV) remains a concern for multinational firms. Complementarities between IJV partners and the degree of interdependence between the IJV and other parts of the multinational have proven to be important influences on effective IJV operation and the transfer of work practices. For example, Yan's³⁸ study of 87 IJVs operating in China revealed the importance of defining a strategic objective for the IJV when determining work practices. Yan concluded that task-related influence in an IJV plays an important role in directly shaping HRM practices.

The discussion here indicates that the achievement of an acceptable balance in the standardization and localization of HRM practices is less problematic in wholly owned subsidiaries than in cross-border alliances. However, in the latter, the balance also depends on many features of a particular alliance including ownership and control issues. As we will discuss in the next section, it is important to further differentiate wholly owned subsidiaries. We will therefore now introduce the concept of a subsidiary role.

Subsidiary role

The subsidiary role specifies the position of a particular unit in relation to the rest of the organization and defines what is expected of it in terms of contribution to the efficiency of the whole MNE. Subsidiaries can take different roles.³⁹ Studies have examined how subsidiary roles can differ related to subsidiary function, power and resource relationships, initiative-taking, hostcountry environment, the predisposition of top management and the active championing of subsidiary managers.⁴⁰ Subsidiaries may be initiators as well as producers of critical competences and capabilities that contribute as specific profit centers to the competitive advantage of the whole multinational. Centers of excellence at the subsidiary level can be viewed as an indication of how some network-multinationals are recognizing that levels of expertise differ across the organization and that not all innovation and 'best practice' originates from the center – that is from headquarters. The Japanese electronics firm Hitachi's establishment of an R&D center in China is an example of building up the existing R&D facility to the status of a global center for the development of air conditioners.

Subsidiaries characterized as global innovators provide significant knowledge for other units and have gained importance as MNEs move towards the transnational model. This role is reflected in an IHRM orientation in which the parent firm develops HRM policies and practices which are then transferred to its overseas affiliates.

The integrated player also creates knowledge but at the same time is recipient of knowledge flows. Thus, a subsidiary characterized by this role can represent an important knowledge node in the MNE network. This should be supported by a highly integrated HRM orientation.

Thus, the HRM practices and policies between headquarters and subsidiaries are very similar, probably characterized by a high extent of global standardization and localized elements when this is needed

	Low outflow	High outflow
Low inflow	Local innovator	Global innovator
High inflow	Implementer	Integrated player

Source: Adapted from A. Gupta and V. Govindarajan, 'Knowledge Flows and the Structure of Control within Multinational Corporations', *Academy of Management Review*, Vol. 16, No. 4 (1991), pp. 768–92.

Table 7.2 Gupta and Govindarajan's Four Generic Subsidiary Roles

Implementers rely heavily on knowledge from the parent or peer subsidiaries and create a relatively small amount of knowledge themselves. If the IHRM system is export-oriented, i.e., global HRM decisions are mainly made in the parent company, then the local subsidiaries are responsible for the implementation process at the local level.

In the local innovator role, subsidiaries engage in the creation of relevant country/region-specific knowledge in all key functional areas because they have complete local responsibility. The HRM systems in such polycentric firms only have weak ties with the headquarters. As every subsidiary operates independently from the parent company and from other subsidiaries this independence results in a number of localized HRM policies and practices.

Harzing and Noorderhaven tested this typology and found empirical support in a sample of 169 subsidiaries of MNEs headquartered in The Netherlands, France, Germany, the UK, Japan and the USA:

In comparison to earlier studies, our results show an increasing differentiation between subsidiaries, as well as an increase in the relative importance of both knowledge and product flows between subsidiaries suggesting that MNCs are getting closer to the ideal type of the transnational company.

A development towards the ideal type of the transnational corporation involves more subsidiaries engaging in high-knowledge outflows, and thus, taking on the role of global innovator or integrative players. The difficulties in transferring knowledge and competence with respect to management practices from the subsidiary level – whether from a designated 'center of excellence' or not – to the rest of the network are similar to the difficulties that we discussed in the context of headquarters to subsidiary transfer. The 'sticky' nature of knowledge, for example, applies regardless of its origins, but the designated role of the subsidiary and the standing of its management are critical in determining the spread and adoption of subsidiary initiated practices.

Stickiness represents one reason why some firms move towards an export-oriented approach to IHRM rather than an integrative management orientation. Another major barrier to an integrative approach can be what Birkinshaw and Ridderstra^le describe as 'the corporate immune system'. Subsidiary initiatives are often met with significant resistance. Individuals within the organization resist change, or support low-risk projects, and are wary of ideas that challenge their own power base. Michailova and Husted use the terms 'knowledge-sharing hostility' and 'knowledge hoarding' to explain non-sharing behaviors identified in their study of firms operating in Russia.

Increasing the mobility of managers is one way to break down these barriers and produce corporate rather than subsidiary champions who are prepared to disseminate

information about subsidiary initiatives and capabilities, and recommend adoption in other parts of the organization where appropriate. Tregaskis, in her study of R&D centers, reports how one firm found that personal relationships formed through visits of key staff to other units facilitated information sharing and the eventual adoption of new products by other subsidiaries. Face-to-face interactions were important in building trust and exchanges of tacit knowledge which might be possible in the context of corporate or regional meetings. Hence, frequent personal exchanges between the MNE units via individual encounters or regional or global meetings are essential in the processes of successful identification and transfer of knowledge.

This discussion has indicated how the subsidiary role and related processes of knowledge transfer may impact the balance of standardization and localization in HRM. Recalling the power and resource relationships outlined at the beginning of this section, it must be stressed that powerful subsidiaries may have a stronger position in influencing the standardization-localization balance than those affiliates active in less significant markets or with rather unspecific skills. Birkinshaw and Ridderstra^le define the structural power and resource-based power of subsidiaries vis-a`-vis the corporate headquarters as two basic sources of influence within networks and distinguish between 'core' subsidiaries and 'peripheral' subsidiaries. There is evidence that those subsidiaries controlling large market volumes and possessing strategically important function-specific skills within the MNE network have a strong impact on the standardization-localization balance.

7.5 Measures creating the HRM balance between standardization and localization

Various studies have investigated coordination, communication and control processes between parent organizations and subsidiaries. The analysis of these mechanisms contributes to our understanding about how the balance between globalization and localization is achieved.

Here, we will follow the distinction between structural/formal and informal/ subtle coordination mechanisms used by Martinez and Jarillo. These authors define coordination as 'the process of integrating activities that remain dispersed across subsidiaries'. The essential difference between these two groups of coordination mechanisms is that the latter is person oriented whereas the former is not. Martinez and Jarillo attribute the non-person-oriented coordination mechanisms to simple strategies of internationalization. More complex strategies, however, require a higher coordination effort. A high degree of coordination is usually realized by using both the nonperson-oriented coordination mechanisms and person-oriented coordination mechanisms.

In the context of corporate IHRM practices and policies, non-person-oriented coordination devices include, for example, written material on HRM practices such as handbooks or information leaflets, either provided in print or via the intranet. However, as this is a one-way communication device, it can only supplement the complex process of balancing global and local needs. It does not meet the requirements of a complex transnational approach to IHRM. Here, person-oriented coordination is indispensable.

The context of knowledge transfer between subsidiaries, HR managers from the headquarters as well as from the foreign affiliates must exchange their knowledge, expectancies and experiences on the different local contexts. Therefore, meetings and common project work using a respective supporting infrastructure such as intranet platforms are essential throughout the process of developing and implementing the standardization-

localization balance in IHRM. Furthermore, powerful line managers acting as opinion leaders should be involved in the process as well in order to achieve broad support for the transnational HRM measures. Finally, a high importance placed on the respective HRM solution by the corporate top management is essential for the success of the initiative.

7.6 The Path To Global Status

Most firms pass through several stages of organizational development as the nature, and size, of their international activities grow. As they go through these evolutionary stages, their organizational structures change, typically due to:

The strain imposed by growth and geographical spread.

The need for improved coordination and control across business units.

The constraints imposed by host-government regulations on ownership and equity.

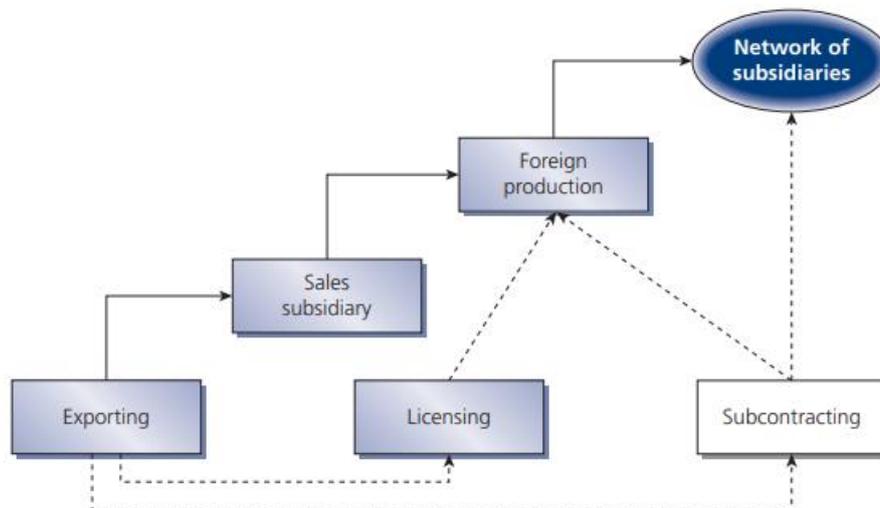


Figure 3.4 Stages of Internationalization

Some firms go through the various steps rapidly while others evolve slowly over many years, recent studies have identified a speeding up of the process. For example, some firms are able to accelerate the process through acquisitions, thus leapfrogging over intermediate steps (that is, move directly into foreign production through the purchase of a foreign firm, rather than initial exporting, followed by sales subsidiary, as per Figure 7.2 above). Nor do all firms follow the same sequence of stages as they internationalize – some firms can be driven by external factors such as host-government action (for example, forced into a joint venture), or an offer to buy a company. Others are formed expressly with the international market in mind – often referred to as born globals. In other words, the number of steps, or stages, along the path to multinational status varies from firm to firm, as does the time frame involved. However, the concept of an evolutionary process is useful in illustrating the organizational adjustments required of a firm moving along the path to multinational status. As mentioned earlier, linked to this evolutionary process are structural responses, control mechanisms and HRM policies, which we now examine.

Export

This typically is the initial stage for manufacturing firms entering international operations. As such, it rarely involves much organizational response until the level of export sales reaches a critical point. Of course, simple exporting may be difficult for service companies (such as legal firms) so that they may be forced to make an early step into foreign direct investment operations (via a branch office, or joint venture).

Exporting often tends to be handled by an intermediary (for example, a foreign agent or distributor) as local market knowledge is deemed critical. As export sales increase, however, an export manager may be appointed to control foreign sales and actively seek new markets.

This person is commonly from the domestic operations. Further growth in exporting may lead to the establishment of an export department at the same level as the domestic sales department, the firm becomes more committed to, or more dependent upon, its foreign export sales, as Figure 7.5 shows.

At this stage, exporting is controlled from the domestic-based home office, through a designated export manager. The role of the HR department is unclear, as indicated by the dotted arrow between these two functional areas in Figure 7.5. There is a paucity of empirical evidence about HR responses at this early internationalization stage, even though there are HR activities involved (such as the selection of export staff), and perhaps training of the foreign agency staff.

As these activities are handled by the marketing department, or exporting staff, the HR department has little, if any, involvement with the development of policies and procedures surrounding the HR aspects of the firm's early international activities.

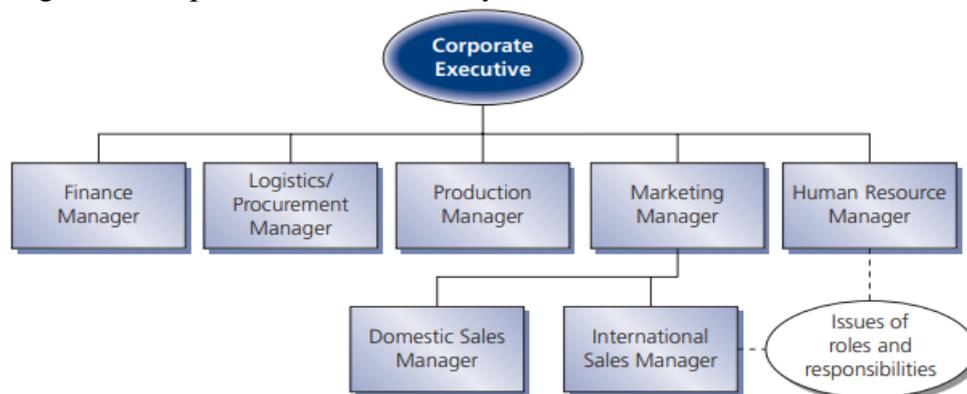


Figure 7.5 Export Department Structure

Sales subsidiary As the firm develops expertise in foreign markets, agents and distributors are often replaced by direct sales with the establishment of sales subsidiaries or branch offices in the foreign market countries. This stage may be prompted by problems with foreign agents, more confidence in the international sales activity, the desire to have greater control, and/or the decision to give greater support to the exporting activity, usually due to its increasing importance to the overall success of the organization. The export manager may be given the same authority as other functional managers, as illustrated in Figure 7.6

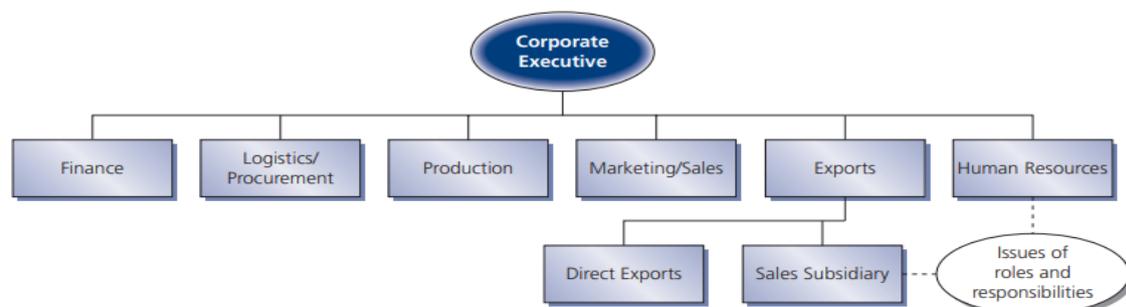


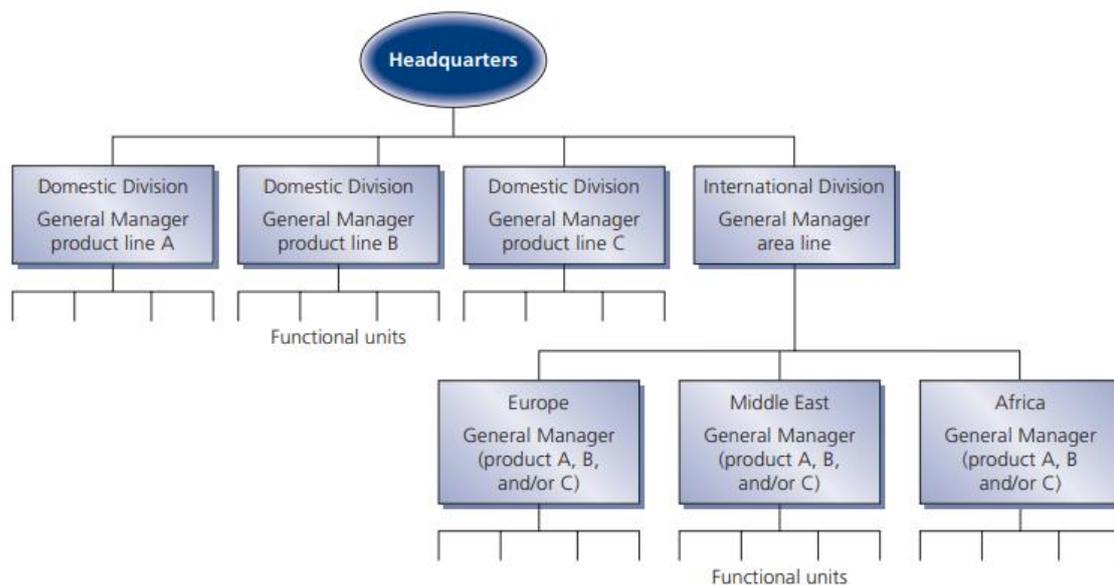
Figure 7.6 Sales Subsidiary Structure

Exporting is still controlled at corporate headquarters, but the firm must make a decision regarding the coordination of the sales subsidiary, including staffing. If it wishes to maintain direct control, reflecting an ethnocentric attitude, it opts to staff the sales subsidiary from its headquarters through the use of PCNs. If it regards country-specific factors – such as knowledge of the foreign market, language, sensitivity to host-country needs – as important, it may staff the subsidiary with HCNs. However, it would appear that many firms use PCNs in key sales subsidiary positions.

The decision to use PCNs leads into expatriation management issues and activities. It may be that, at this point, the HR department becomes actively involved in the personnel aspects of the firm's international operations, though there is little empirical evidence as to when, and how, HR-designated staff become involved.

International division

For some firms, it is a short step from the establishment of a sales subsidiary to a foreign production or service facility. This step may be considered small if the firm is already assembling the product abroad to take advantage of cheap labor or to save shipping costs or tariffs, for example. Alternatively, the firm may have a well-established export and marketing program that enables it to take advantage of host-government incentives or counter host-government controls on foreign imports by establishing a foreign production facility. For some firms, though, the transition to foreign direct investment is a large step. However, having made the decision to produce overseas, the firm may establish its own foreign production facilities, or enter into a joint venture with a local firm, or buy a local firm. Regardless of the method of establishment, foreign production/service operations may trigger the creation of a separate international division in which all international activities are grouped, as Figure 7.7 demonstrates



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Figure 7.7 International Division Structure

It should be noted that this form of organizational structure is much more common in US firms than European firms which often have a long history of activity in various countries that were former colonies. Prominent examples are Britain with long-term colonies such as Australia, Canada, India, Ceylon (now known as Sri Lanka), Hong Kong, New Zealand,

South Africa, Singapore and the West Indies; The Netherlands with Indonesia (known as the 'Dutch East Indies'); Portugal with Brazil, Angola, Mozambique, East Timor and Macau; Spain with Argentina, Venezuela, Peru, Mexico, Chile, Cuba, Panama, Bolivia and Uruguay; and France with colonies in Africa (Algeria, Morocco, Tunisia, Congo, Ivory Coast) and in Vietnam.

With the spread of international activities, typically the firm establishes what has been referred to as 'miniature replicas', as the foreign subsidiaries are structured to mirror that of the domestic organization. The subsidiary managers report to the head of the international division, and there may be some informal reporting directly to the various functional heads. For example, in reference to Figure 7.7, there may be contact between the HR managers in the two country subsidiaries, and the HR manager at corporate headquarters, regarding staffing issues.

Many firms at this stage of internationalization are concerned about maintaining control of the newly established subsidiary and will place PCNs in all key positions in the subsidiary.

However, some firms decide that local employment conditions require local handling and place a HCN in charge of the subsidiary HR function, thus making an exception to the overall ethnocentric approach. Others may place HCNs in several key positions, including HRM, either to comply with host-government directives or to emphasize the local orientation of the subsidiary.

The role of corporate HR staff is primarily concerned with expatriate management; though there will be some monitoring of the subsidiary HR function – formally through the head of the international division. Pucik suggests that, initially, corporate HR activities are confined to supervising the selection of staff for the new international division and expatriate managers perform a major role in: 'identifying employees who can direct the daily operations of the foreign subsidiaries, supervising transfer of managerial and technical know-how, communicating corporate policies, and keeping corporate HQ informed'. As the firm expands its foreign production or service facilities into other countries, increasing the size of its foreign workforce, accompanied by a growth in the number of expatriates, more formal HR policies become necessary. The capacity of corporate HR staff to design appropriate policies may depend on how institutionalized existing approaches to expatriate management concerns have become, especially policies for compensation and pre-departure training; and that the more isolated the corporate HR function has been from the preceding international activities, the more difficult the task is likely to be. The export department (or its equivalent) may have been in charge of international staffing issues and instigated required personnel responses, and now considers it has the competence to manage expatriates.

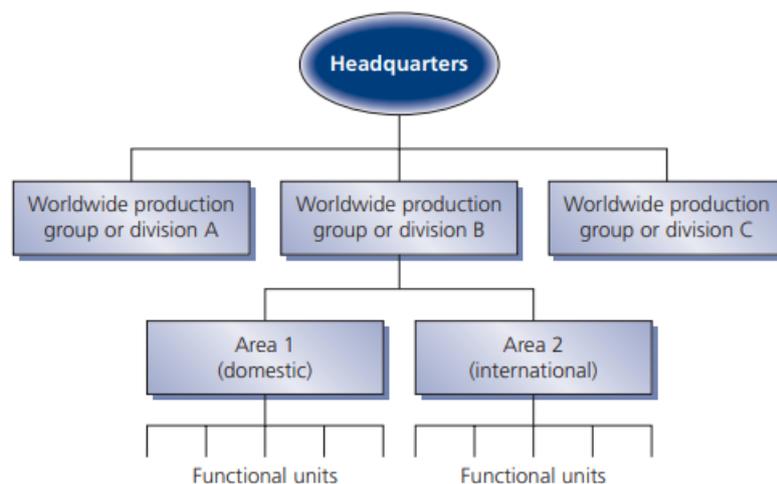
Global product/area division

Over time, the firm moves from the early foreign production stage into a phase of growth through production, or service, standardization and diversification. Consequently, the strain of sheer size may create problems. The international division becomes over-stretched making effective communication and efficiency of operation difficult. In some cases, corporate top managers may become concerned that the international division has enjoyed too much autonomy, acting so independently from the domestic operations to the extent that it operates as a separate unit – a situation that cannot be tolerated as the firm's international activities become strategically more important.

Typically, tensions will emerge between the parent company (headquarters) and its subsidiaries, stemming from the need for national responsiveness at the subsidiary unit and global integration imperatives at the parent headquarters. The demand for national responsiveness at the subsidiary unit develops because of factors such as differences in market structures, distribution channels, customer needs, local culture and pressure from the host government. The need for centralized global integration by the headquarters comes from having multinational customers, global competitors and the increasingly rapid flow of information and technology, and from the quest for large volume for economies of scale. As a result of these various forces for change, the multinational confronts two major issues of structure:

The extent to which key decisions are to be made at the parent-country headquarters or at the subsidiary units (centralization versus decentralization).

The type or form of control exerted by the parent over the subsidiary unit. The structural response, at this stage of internationalization, can either be a product/servicebased global structure (if the growth strategy is through product or service diversification) or an area-based structure (if the growth strategy is through geographical expansion); see Figures 7.8A and 7.8B.



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Figure 7.8A Global Product Division Structure



Figure 7.8B Global Area Division Structure

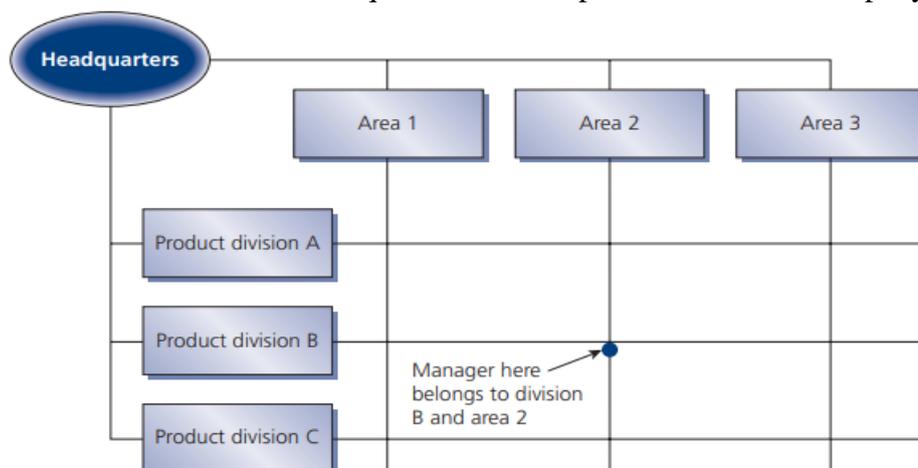
As part of the process of accommodating subsidiary concerns through decentralization, the MNE strives to adapt its HRM activities to each host country's specific requirements. This naturally impacts on the corporate HRM function. As there is an increasing devolution of responsibility for local employee decisions to each subsidiary, with corporate HR staff performing a monitoring role, intervening in local affairs occurs less

frequently. This HRM monitoring role reflects management's desire for central control of strategic planning; formulating, implementing and coordinating strategies for its worldwide markets. As well, the growth in foreign exposure combined with changes in the organizational structure of international operations an increase in the number of employees needed to oversee the activities between the parent firm and its foreign affiliates. Within the human resource function, the development of managers able to operate in international environments generally becomes a new imperative.

As the MNE grows and the trend toward a global perspective accelerates, it increasingly confronts the 'think global, act local' paradox. The increasingly complex international environment – characterized by global competitors, global customers, universal products, rapid technological change and world-scale factories – push the multinational toward global integration while, at the same time, host governments and other stakeholders (such as customers, suppliers and employees) push for local responsiveness. To facilitate the challenge of meeting these conflicting demands, the multinational will typically need to consider a more appropriate structure, and the choice appears to be either: the matrix; the mixed structure; the hierarchy; the transnational; or the multinational network. These options are now described and discussed.

The matrix

In the matrix structure, the MNE is attempting to integrate its operations across more than one dimension. As shown in Figure 7.9, the international or geographical division and the product division share joint authority. Advocates of this structural form see, as its advantages, that conflicts of interest are brought out into the open, and that each issue with priority in decision-making has an executive champion to ensure it is not neglected. In other words, the matrix is considered to bring into the management system a philosophy of matching the structure to the decision-making process. Research on the matrix structure indicates that the matrix; 'continues to be the only organizational form which fits the strategy of simultaneous pursuit of multiple business dimensions, with each given equal priority ... [The] structural form succeeds because it fits the situation'. In practice, firms that have adopted the matrix structure have met with mixed success. One reason is that it is an expensive structural form in that it requires careful implementation and company



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Figure 7.9 Global Matrix Structure

In Figure 7.9, area managers are responsible for the performance of all products within the various countries that comprise their regions, while product managers are responsible for

sales of their specific product ranges across the areas. For example, Product A Manager may be FIGURE 7.9

Global matrix structure Product division

It is concerned with sales of Product A in Europe, the Americas and in the Asia-Pacific area. Product managers typically report to a Vice President Global Products (or similar title) for matters pertaining to product and to another Vice President (perhaps a VP International) who is responsible for geographical matters. There is a similar dual reporting line for functional staff, including HR staff. Country/Area HR managers may also be involved in staffing issues involving product division staff (reporting indirectly to Vice President Global Products). There may be additional reporting requirements to corporate HR at headquarters. One early and public supporter of the matrix organization was Percy Barnevik, former chief executive officer of Asea Brown Boveri (ABB), the European electrical systems and equipment manufacturer. The decade-long efforts by ABB at matrix control were very influential in the popular and academic press, intriguing executives at a number of global firms.

Overall, efforts to successfully implement the matrix solution have been problematic. Bartlett and Ghoshal comment that, in practice, particularly in the international context, the matrix has proven to be all but unmanageable. They isolate four contributing factors:

1. Dual reporting, which leads to conflict and confusion.
- 2 The proliferation of communication channels which creates informational logjams.
- 3 Overlapping responsibilities, which produce turf battles and a loss of accountability
- 4 The barriers of distance, language, time and culture, which often make it very difficult for managers to resolve conflicts and clarify confusion.

Bartlett and Ghoshal conclude that the most successful MNEs focus less on searching for the ideal structure and more on developing the abilities, behavior and performance of individual managers. This assists in creating 'a matrix in the minds of managers', where individual capabilities are captured and the entire firm is motivated to respond cooperatively to a complicated and dynamic environment. It seems clear that if the MNE opts for a matrix structure, particular care be taken with staffing. As Ronen notes:

It requires managers who know the business in general, who have good interpersonal skills, and who can deal with the ambiguities of responsibility and authority inherent in the matrix system. Training in such skills as planning procedures, the kinds of interpersonal skills necessary for the matrix, and the kind of analysis and orderly presentation of ideas essential to planning within a group is most important for supporting the matrix approach. Moreover, management development and human resource planning are even more necessary in the volatile environment of the matrix than in the traditional organizations.

Mixed structure

In an attempt to manage the growth of diverse operations, or because attempts to implement a matrix structure have been unsuccessful, some firms have opted for what can only be described as a mixed form. In an early survey conducted by Dowling on this issue, more than one-third (35 per cent) of respondents indicated that they had mixed forms, and around 18 per cent had product or matrix structures. Galbraith and Kazanjian also identify mixed structures that seem to have emerged in response to global pressures and trade-offs

Although all structural forms that result from the evolutionary development of international business are complex and difficult to manage effectively, given an MNE's developing capabilities and experience at each new stage, mixed structures appear even more

complex and harder to explain and implement, as well as control. Thus, as our discussion of the matrix structure emphasized, it is important that all employees understand the mixed framework and that attention is also given to supporting mechanisms, such as corporate identity, interpersonal relationships, management attitudes and HR systems, particularly promotion and reward policies

7.7 Summary

The purpose of this chapter has been to identify the HR implications of the various options and responses that international growth places on the firm. This chapter focused on:

The general topic of balancing standardization and localization of MNE operations and how this balancing act runs throughout all human resource planning, processes, activities and systems.

The organizational context in which IHRM activities take place. Different structural arrangements have been identified as the firm moves along the path to multinational status – from export department through to more complex varieties such as the matrix, hierarchy, transnational and networked structures.

Control and coordination aspects. Formal and informal mechanisms were outlined, with emphasis on control through personal networks and relationships, and control through corporate culture, drawing out HRM implications.

7.8 Key words

Subsidiary role- The subsidiary role specifies the position of a particular unit in relation to the rest of the organization and defines what is expected of it in terms of contribution to the efficiency of the whole MNE.

Export- This typically is the initial stage for manufacturing firms entering international operations. As such, it rarely involves much organizational response until the level of export sales reaches a critical point

Sales subsidiary- As the firm develops expertise in foreign markets, agents and distributors are often replaced by direct sales with the establishment of sales subsidiaries or branch offices in the foreign market countries

The matrix- In the matrix structure, the MNE is attempting to integrate its operations across more than one dimension

7.9 Self Assessment Questions

1. Discuss the Standardization and localization of HRM practices?
2. Explain the Factors driving standardization?
3. Briefly Explain the Factors driving Localization Process?
4. Discuss the Measures creating the HRM balance between standardization and localization

7.10 Suggested Readings

1. David C. Thomas Essentials of International Human Resource Management, (2013) Sage Publications
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LESSON-8

HRM PRACTICES IN USA, UK, JAPAN

Learning Objectives

Recognise the significance of multi-cultural teams

Identify the difference between Indian HRM with those of UK, USA, Japan and China

Discuss about the drivers of contemporary Indian HRM trends

Structure

8.1 Introduction

8.2 Multi-cultural Teams

8.3 HRM Practices in India and Other Nations

8.3.1 Human Resource Practices in India

8.3.2 Human Resource Practices in U.S.A.

8.3.3 Human Resource Practices in Japan

8.3.4 Human Resource Practices in U.K.

8.3.5 Human Resource Practices in China

8.3.6 Indian HRM in Transition

8.4 Summary

8.5 Keywords

8.6 Self Assessment Questions

8.7 Suggested Readings

8.1 Introduction

Globalisation requires cross-cultural literacy and successful management of diversity. For successful entry and continuous growth in a foreign market, effective communication with the unfamiliar partner and adaptation to his culture is important. Though not much empirical evidence is available on the impact of cross-cultural literacy on the cost of doing business in foreign markets, it is fair to assume that cross-cultural literacy reduces the total costs of operating in foreign markets.

Over many centuries India has absorbed managerial ideas and practices from around the world. There has been considerable interest in the notion that managerial values are a function of the behaviours of managers. So when planning a project, the Swede first identifies places most value on social harmony and assesses the potential of the project on the basis of who will be involved in the different positions.

In the Indonesian context, a group which does not observe social priorities and protect group interests, places individual interests in jeopardy, and the members cannot work together efficiently.

The similar and the significant leadership values that are found in the successful managers across the world are:

US managers: Highly pragmatic; high achievement and competence orientation; emphasis on profit maximisation, organisational efficiency and productivity.

Japanese managers: Highly pragmatic, strong emphasis on size and growth; high value on competence, achievement, dedication and loyalty to organisation.

Korean managers: Highly pragmatic and individualistic; strong achievement and competence orientation.

Australian managers: High moral and humanistic orientation; low value on achievement and success, competition and risk.

Indian managers: Highly individualistic, strong focus on transition compliance and competence. Nevertheless, these similarities are too small compared to the vast inter-country differences. That is why the ideal managerial value system in one country is often not so ideal in another country. So, global managers must be flexible enough to change their approach and leadership style while working in cultures or geographical locations other than their home countries.

8.2 Multi-cultural Teams

International projects are successful only when emphasis is given to those factors that are particularly vulnerable in cross-cultural settings and on building the team capable of dealing with the challenge presented. It is common practice in bi-national projects to have formal authority shared by two people one from each country. The challenge in the international business and team building boils down to create a convergence of people differing personal inputs towards the set of common final inputs. This means developing a process that facilitates communication and understanding between the people of different national cultures. Making this process happen signifies the difference between successes and failure of the international projects.

The secret is to transform the way people do things at the beginning of the project into more effective behaviour as the project moves along. This transformation initially involves identifying the inter-cultural differences among the parties. Once this is done, a programme of inter-cultural team building is called for in order to make the transformation take place. The result of the team building process is influencing the behaviour of the group toward meeting the project's goals.

Inter-cultural team building thus calls for developing and conducting a programme that will help transform the participants' inputs into project outputs.

Experience in managing bi-national projects indicate that for cultural convergence to take place, managers of both sides need to understand the culture of the other, analysing the different patterns that make up that culture. This means learning about the other country's history, geography, economy, religion, tradition and politics. Both sides, therefore, need to become aware of the basic differences involving educational levels, professional experience, and experience on this kind of project, knowledge of language and host-country way of life.

Apart from this information, which can be readily obtained and assimilated, other perceptions must be taken into account, such as beliefs, feelings, informal behaviour patterns, group norms and values. All these factors strongly affect behaviour of project managers and team members.

Cross-cultural team building must take place so that individuals' inputs can be channelled to meet the project goals.

The success of a project depends as much on the project leader as on the dynamics of the project team. A dynamic team is a high-performance team, one that utilises its energy to meet cost and time schedules and solves uncertainties that arise in project implementation by joint problemsolving and combined effort. All dynamic teams have certain characteristics which can be assessed or developed through team building exercises. They are as under:

- (a) Builds upon individuals strengths
- (b) Supports leadership and each other

- (c) Develops team climate
- (d) Resolves disagreements and communicates openly
- (e) Makes objective decisions and evaluates its own effectiveness

In order to develop the cross-cultural teams, it is important that there should be a proper learning process. In the cross-cultural context, Hughes-Weiner qualifies the learning process described by Kolb as follows:

1. Concrete experience: people from different cultures are likely to have different backgrounds and different experiences.
2. Reflective observation: as a result of different behaviour patterns, socialisation and institutional and work experiences, individuals from different cultures may make different assumptions about what they see and understand through their experiences.
Abstract conceptualisation: because people from different cultures have different cognitive Notes frameworks, this may lead them to focus on irrelevant information or misinterpretations in a particular situation, thus drawing wrong conclusions and theories in a different cultural situation from their own.
4. Active experimentation: behavioural differences between cultures may lead to misinterpretations and misattributions of the meaning of such behaviour outside their own cultures, leading to confusion and frustration.

The experiential model largely reflects approaches to management educational and training accepted in the Anglo-Saxon world which is based heavily on the concept of the independent learner, the instructor as facilitator and the value of interactive and experiential methods of education.

In order to partly overcome the problems of simply transposing the experiential model onto other cultures, Jackson reformulated the Kolb model. He proposes four learning modalities as follows.

1. Receptivity: learners are predominantly receptive to practical stimuli or theoretical stimuli for learning depending on their cultural backgrounds and their experiences in national educational systems.
2. Perception: learners are more intuitive about sorting and judging information, or are rational in a step-by-step approach in judging the quality of information that is the basis for making decisions.
3. Cognitive: learners are more subjective in the way that they make decisions and solve problems based on personal judgement, or base their decision making more on logic and scientific approaches.
4. Control (labelled 'behaviour'): learners prefer to rely on their own initiative, or on the direction of an instructor.

Results from surveying management 'learners' across the UK, France, Germany, Poland, Taiwan and Lithuania are discussed as follows:

Receptivity Modality: In the practical-theoretical dimension the main difference exists between the Polish and French groups, with the Polish management learners having an overriding preference for practical educational stimuli, whilst the French have a comparatively theoretical preference. The learners from Taiwan are the most socially oriented, expressing a preference for learning with others. The Lithuanian learners are somewhat different to the Polish on this dimension, in that they have a comparatively greater preference for learning from reading text, but prefer to explore how to do things rather than

looking at underlying concepts. The British too are social learners with a preference for practical activity and learning by doing. The German learners express a preference for learning by doing and learning from simulations in the classroom.

Perceptual Modality: Again, on the intuitive-rational dimension, the Polish learners account for the major differences. They express an overriding preference for dealing with information and ideas in a rational way. British learners express this preference most strongly. Both Lithuanian learners and those from Taiwan express a preference more strongly for practicality over ingenuity

Cognitive Modality: The Poles and Lithuanians and German learners show the greatest preference for decision making through logical processes, with the learners from France, Britain and Taiwan being the most subjective in their approaches to making decisions.

Behaviour Modality: The learners from Poland and Taiwan show the greatest preference for an instructor-directed approach, with the Germans and Lithuanians the least so. The French have the least preference for self-initiated learning, with the Germans and then British preferring a self-initiated approach.

8.3 HRM Practices in India and Other Nations

Human Resource is the most important asset for any organisation and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organisation requires effective HRM system. HRM system should be backed up by sound HRM practices. HRM practices refer to organisational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfilment of organisational goals.

8.3.1 Human Resource Practices in India

Indian managers are more responsive to the human and bureaucratic consequences of their actions. They are more influenced by positions and approaches which utilise philosophical and moral justifications. They are more responsive to internal reward and controls. Because India has a larger proportion of moralistic managers, change in managers is likely to be slower and more difficult. Indian managers, at both middle and senior levels in organisations, possess a belief in group-based, participative decision-making, but have little faith in the capacity of workers for taking initiative and responsibility. Indian managers favour labour and government intervention in the affairs of the organisation. Middle-level managers in India espouse a greater belief in change and are less conservative.

In Indian culture, handshakes are acceptable but the most prevalent way of greeting is by putting both the palms together in front of the chest (namaste). Back slapping and touching are not accepted at all. Indians are very tolerant of outsiders and acknowledge that there are Notes unfamiliarity of local customs and procedures among them.

HRD practices in Indian companies attempt to blend Western and Eastern ideas and systems of people management. This concept of HRD attempts to be more comprehensive and meaningful.

For foreign firms, part of the attraction has been the low cost of Indian labour. However, the competitiveness of India in terms of the availability, qualifications, and skills of its human resources is considered to be one of the lowest in the world.

Example: The Indian software industry is highly competitive – Indian firms do not just compete on price, but on the basis of quality, innovation, and technical expertise, and draw on a huge pool of relatively low-cost, technically-qualified, English-speaking software professionals.

In 1996, 104 firms out of the Fortune 500 outsource their software development to India. About 10% of Microsoft's 20,000 worldwide workforces are Indian.

HRD places a premium on the dignity and respect of people and is based on a belief in the limitless potential of human beings. It stresses that people should not be treated as mere cogs in the wheel of production, but with respect.

Did u know? In a recent survey of Indian CEO's, it was suggested that Indian managerial leaders were less dependent on their personal charisma, but they emphasised logical and step by step implementation processes. Indian leaders focused on empowerment and accountability in cases of critical turnaround challenges, innovative challenges, innovative technology, product planning and marketing or when other similar challenges were encountered (Spencer, Rajah, Narayan, Mohan & Latiri 2007).

8.3.2 Human Resource Practices in U.S.A.

Most people in the United States work in the service sector, which accounts for 73% of all civilian employees, with only 24% in the manufacturing and transportation sectors and less than 3% in agriculture. The American workplace is undergoing radical changes in response to greater domestic and global competition, including work systems innovations that are designed to increase productivity, reduce costs and improve quality. New human resource practices are being implemented in work process design, employee stock ownership, outsourcing and contingent employment.

The identification of competencies required to do a particular job (such as finance manager in the motor industry), has become central to the way American companies recruit, appraise, train, reward and promote managers. This is apparent at industry level in the UK Management Charter Initiative that charts managers' competencies in terms of key purpose (organisational objective), key role (managing people, managing finance, etc.), and units of competence, elements of competence, and performance criteria and range indicators.

Hence a key purpose such as "to achieve the organisation's objectives and continuously improve its performance" will be traced down to the individual's behavioral level, and performance will be judged on prescribed criteria. Individuals can also be trained in these competencies where they have a deficiency. Thus selection, appraisal, reward, promotion and training systems can be lined into human resource management systems aimed at the achievement of organizational goals.

American managers are very individualistic and they value individual rewards and decision over group performance. They have relatively low power distance. They are not upset when others have more powers than they do. They are taught that everyone is equal, so they are not impressed by the important jobs/titles. They are optimistic about the people's motivation and capacities.

Americans believe that man has power to control nature and spend huge amount on space research, biotech, etc. they believe that self-identification is achieved through action

and performance. They are low-context cultured society and ignore the non-verbal behaviour. For the American managers, the single most important criteria are to have a successful career is ambition, drive and a pragmatic individualistic achievement-oriented assessment system

8.3.3 Human Resource Practices in Japan

Human practices in Japan are characterised by lifetime employment and seniority-based pay and promotion. Japanese places a high stress on the security of the job as the basic social factor. Employees have largely been recruited from school levels or university graduates, rather than experienced workers trained by other companies. They are started at a lower level of pay. Their induction programme and training is designed to encourage them to conform, as well as developing skills. Regular pay increases and career advancement are provided on the basis of age and increases and career advancement are provided on the basis of age and length of service to the company.

Unions based on the enterprises and comprising all employees in the company regardless of job or occupation have been the dominant form of trade union and reflect the principles of loyalty, the corporate family and obedience. They are involved in wage bargaining and resolving workplace problems.

Japanese system of human resource management reflects these principles and provides a more systematic appreciation of the connections between the various factors involved; strategies to internalise the labour market are based on the environment factors of relative stability including an ageing workforce as well as technological innovation.

The main features of the Japanese Human Resource management are community orientation, seniority-based promotion and salary system, class egalitarianism groupism, information sharing and employee participation, employment security and flexible job behaviour. Factors that are transferable to overseas subsidiaries are: community orientation, class egalitarianism, job security, and worker participation. Factors that are difficult to transfer are: group-orientation behaviour, wage and promotion seniority system.

Japanese are more anxiety-prone and have a high job stress. Employees place high premium on job security, career planning, and health insurance and retirement beliefs. They are more entrepreneurial, innovative and exhibit less emotional resistance to change. Japan has a high muscularity index and so it places a great importance on earnings, recognitions and challenges.

They have a good orientation towards human nature. They focus on self-control. They follow an indirect style of communication and agreements between the members tend to be spoken rather than written.

Japanese methods and principles of people management focus on gaining mutual commitment of people and the corporation. The corporation is seen as a family that looks after its own.

Motivation should be seen within the whole context of mutual loyalty and commitment. The way performance is both conceived and rewarded in western organisations by performance-related rewards, payment by seniority in Japanese organisations is valued as a way of rewarding commitment to the corporation.

Japanese managers are highly pragmatic, lay strong emphasis on growth and size. They value competence, achievement, dedication and loyalty.

8.3.4 Human Resource Practices in U.K.

The main features of UK human resource are summed up as follows:

1. A valuing of personal psychological privacy;
2. Denigration of emotional outbursts; being reserved;
3. Friendliness and sincerity;
4. Orderliness, patience and seeing a task through; well defined status and roles (class distinctions); little mobility and a preference not to make changes for the sake of change;
5. Making the best of things and playing the game right, not necessarily to win, but to ensure fairplay;
6. Love of humour, often as a device to lighten the occasion;
7. Politeness and modesty, as well as indirectness;
8. Regard for pragmatism and common sense in the work situation rather than precise rules, but a strong sense of order and tradition means rules that are spelt out will be obeyed;
9. Element of formality in the workplace between different levels;
10. Preference for well defined job functions;
11. Meetings are important and managers are expected to be good communicators;
12. Individualism, which is reflected in non-conformity rather than competitiveness, but needing group consensus in order to make a stand;
13. Work is motivating when seen to be useful to self and others striving towards a common goal;
14. Social control based on persuasion and appeal to sense of guilt in transgressing social norms.

8.3.5 Human Resource Practices in China

A person who advances through the system beginning as a worker, then moving up to foreman and finally middle management will gain comparatively little power influence. Power structures are not well installed because of a lack of managers, and may come into shape as a result of necessity. The respect for hierarchy and authority may be rooted, together with a regard for age as a source of authority.

There is a strong avoidance of uncertainty among Chinese with a strong desire to maintain social order with a degree of predictability. The Chinese manager may well be motivated to save 'face' and to tell the other person what he wants to hear, rather than what may be regarded as the absolute truth in Western eyes. The concept of masculinity represents an emphasis on competition and the centrality of work in one's life which is lacking in the Chinese individuals.

Chinese believes in guanxi which means good connections. Collectivism is high in Chinese culture, with the main group of reference being the family.

Praising an individual Chinese in public may embarrass them. China is characterised by longterm values such as thrift and perseverance. This is believed to sustain steady economic growth.

Chinese employees now prefer reward differentials "determined primarily according to individual contributions" and there is greater acceptance of wider reward disparities based on individual performance.

The training and development function does exist in China. It is still passive and narrowly defined “in contrast to the Western HRM notion of planning for long-term staff development.”

Training is more focused on improving current performance deficiencies. The absence of career development plus a high emphasis on material incentives have partly contributed to the problems of high turnover and ‘disloyalty’ observed in many enterprises.

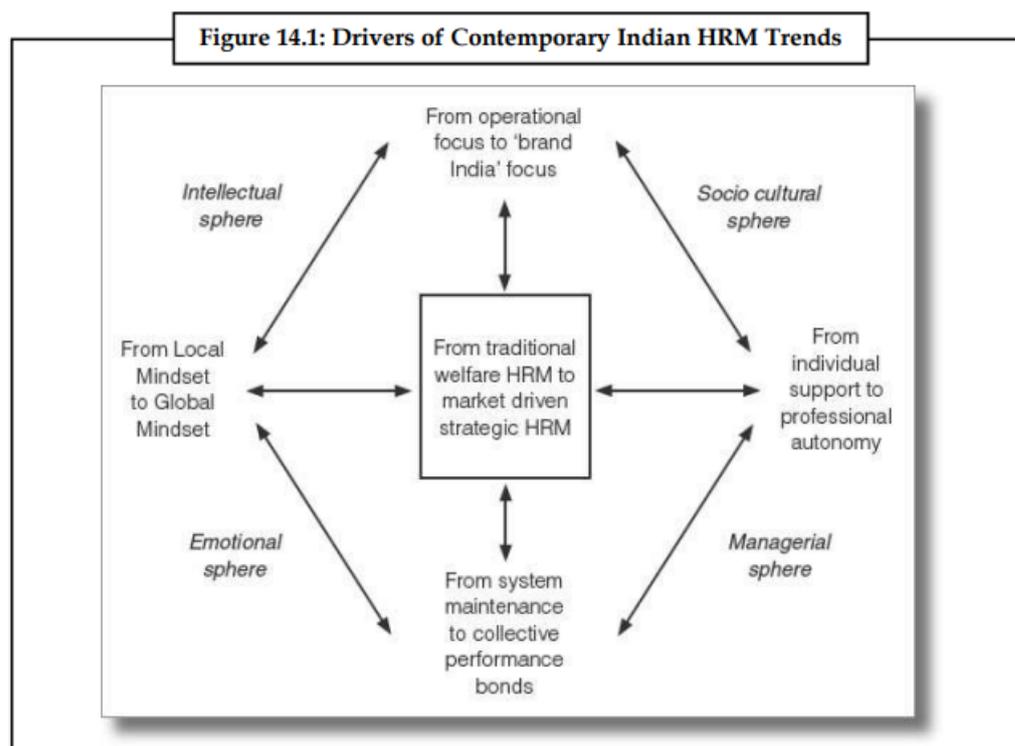
As more foreign multinationals expand their business into China, they have sought local management for their operations in order to develop a large corporate presence in China. When hiring Chinese nationals for executive jobs, many multinationals have found that Chinese managers lack decision-making skills and are wary of taking personal initiatives. Along with job-related skills, corporate management training programmes are required that provide HRM skills appropriate to the Chinese context and skills for problem-solving in high-pressure situations.

8.3.6 Indian HRM in Transition

One of the noteworthy features of the Indian workplace is demographic uniqueness. India will have a larger workforce than China in years to come. When India’s young demographic bubble begins to reach working age, India will need far more jobs than currently exist to keep living standards from declining. India today doesn’t have enough good jobs for its existing workers, much less for millions of new ones. If it cannot better educate its children and create jobs for them once they reach working age, India faces a population time bomb, the nation will grow poorer and not richer, with hundred of millions of people stuck in poverty.

With the retirement age being 55 to 58 years of age in most public sector organisations, Indian workplaces are dominated by youth. Increasing the retirement age in critical areas like universities, schools, hospitals, research institutions and public service is a topic of considerable current debate and agenda of political parties.

The divergent view, that each society has a unique set of national nuances, which guide particular managerial beliefs and actions, is being challenged in Indian society. An emerging dominant perspective is the influence of globalisation on technological advancements, business management, education and communication infrastructures is leading to a converging effect on managerial mindsets and business behaviours. And when India embraced liberalisation and economic reform in the early 1990s, dramatic changes were set in motion in terms of corporate mindsets and HRM practices as a result of global imperatives and accompanying changes in societal priorities. Indeed, the onset of a burgeoning competitive service sector compelled a demographic shift in worker educational status and heightened the demand for job relevant skills as well as regional diversity. Expectedly, there has been a marked shift towards valuing human resources (HR) in Indian organisations as they become increasingly strategy driven as opposed to the culture of the status quo. Accordingly, competitive advantage in industries like software services, pharmaceuticals, and biotechnology (where India is seeking to assert global dominance), the significance of HRs is being emphasised. These relativities were demonstrated in a recent study of three global Indian companies with (235 managers) when evidence was presented that positively linked the HRM practices with organisational performance (Khandekar & Sharma 2005). In spite of this trend of convergence, a deep sense of locality exists creating more robust ‘cross vergence’ in the conceptual as well as practical domain.



Source: <http://rphrm.curtin.edu.au/2007/issue2/india.html>

Figure 8.1 presents the key drivers for contemporary Indian HRM trends. In Figure 14.1, there are four external spheres of intervention for HRM professionals and these spheres are integrated in a complex array within organisational settings. The intellectual sphere, which emphasises the mindset transaction in work organisations, has been significantly impacted by the forces of globalisation. Indeed, Chatterjee and Pearson (2000) argued, with supporting empirical evidence from 421 senior level Indian managers, that many of the traditional Indian values (respect for seniority, status and group affiliation) have been complemented by newer areas of attention that are more usually linked to globalisation, such as work quality, customer service and innovation. The most important work related attribute of the study was the opportunity to learn new things at work. Such cross verging trends need to be understood more widely as practitioners face a new reality of human resource development of post industrial economic organisations.

The other three spheres, of Figure 8.1, namely the emotional, the socio cultural and the managerial domains are undergoing, similar profound changes. For instance, the socio cultural sphere confronts the dialects of the national macro level reform agenda as well as the challenge of innovating by addressing the hygiene and motivational features of the work place. Consequently, this sphere has the opportunity to leverage work setting creativity in dimensions of autonomy, empowerment, multi-skilling and various types of job design. And the emotional sphere, which focuses on creativity and innovation to encapsulate the notions of workplace commitment and collaboration as well as favourable teamwork, brings desirable behavioural elements of transparency and integrity into organisational procedures and practices. The managerial sphere provides the mechanisms for shifting mindsets, for in Indian organisations HRM is viewed to be closely aligned with managerial technical competency.

Thus, understanding of the relativity of HRM to strategic intended organisational performance is less well articulated in Indian firms. The current emphasis of reconfiguring cadres (voluntary and non-voluntary redundancy schemes), downsizing, delayering and

similar arrangements will become less relevant as holistic perspectives gain ground. A hallmark of future Indian workplaces is likely to be a dominant emphasis on managerial training, structural redesign and reframing of institutional architectures to achieve enterprise excellence. Thus, a primary role of Indian managers will be to forge new employment and industrial relationships through purposeful HRM policies and practices.

8.4 Summary

Global leadership is a complex process for the organisation. The success and failure of the global leaders depends on the extent to which they adapt themselves to the cultural orientation of the foreign countries.

Leadership quality is highly dynamic concept which varies nationally due to perceived differences in the values and beliefs of the people internationally.

The leadership orientation of the managers varies across nations. These are due to the vast differences in the values between the national groups.

Leader plays an important role in the organisation. The extent to which they carry their status into the wider context outside the workplace through their professional activity is significant. International projects are successful only when emphasis is given to those factors that are particularly vulnerable in cross-cultural settings and on building the team capable of dealing with the challenge presented.

The secret is to transform the way people do things at the beginning of the project into more effective behaviour as the project moves along.

Experience in managing bi-national projects indicate that for cultural convergence to take place, managers of both sides need to understand the culture of the other, analysing the different patterns that make up that culture.

The success of a project depends as much on the project leader as on the dynamics of the project team. A dynamic team is a high-performance team, one that utilises its energy to meet cost and time schedules and solves uncertainties that arise in project implementation by joint problem-solving and combined effort.

Human Resource is the most important asset for any organisation and it is the source of achieving competitive advantage.

Japanese employees were discovered to have a higher work centrality than those in the USA, who had a higher work centrality than those in the former West German.

Global companies should consider these differences across cultures for their success in managing the people internationally.

8.5 Keywords

Egalitarianism: The doctrine of the equality of mankind and the desirability of political and economic and social equality.

HRM Practices: HRM practices refer to organisational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfilment

of organisational goals.

Human Resource Management (HRM): Human Resource Management is the process of managing people in organisations in a structured and thorough manner.

Individualism: A cultural dimension that focuses on the degree to which a society reinforces individual or collective achievement and interpersonal relationships.

Masculinity: This dimension pertains to the degree societies reinforce, or do not reinforce, the traditional masculine work role model of male achievement, control, and power.

Perception: The representation of what is perceived; a way of conceiving something.

Power Distance: Power distance is the extent to which less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.

Uncertainty Avoidance: This dimension concerns the level of acceptance for uncertainty and ambiguity within a society.

8.6 Self Assessment Questions

1. “The managerial style of leadership varies due to cultural differences.” Justify this statement giving the contrasting role of leadership in international firms.
2. Describe in brief the cross-cultural leadership.
3. Enlist the significant leadership values that are found in the successful managers in different regions of the world.
4. What do you understand by multi-cultural teams?
5. “All dynamic teams have certain characteristics which can be assessed or developed through team building exercises.” Elaborate.
6. Describe the learning process given by Kolb.
7. Comparatively study the human resource practices in India and USA.
8. How are human resource practices in Japan different and similar to Indian HRM?
9. Discuss the transition state of Indian HRM.
10. Discuss the human resource practices in China.

8.7 Suggested Readings

1. David C. Thomas Essentials of International Human Resource Management, (2013) Sage Publications
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LESSON -9

MANAGING HRM IN VIRTUAL ORGANIZATION

Objectives

- To Understand the Features of Virtual Organisation
- To Know the Types of Virtual Organisation
- To Learn the characteristics of Virtual Organisation

Structure

- 9.1 Introduction**
- 9.2 Features of Virtual Organisation**
 - 9.2.1 Information is power**
 - 9.2.2 Technology**
 - 9.2.3 E-mail Integration**
 - 9.2.4 Office System Integration**
 - 9.2.5 Voice Mail Alert**
 - 9.2.6 Mobile Data**
- 9.3 Diversity Recruitment**
- 9.4 Push for Professional Development**
- 9.5 Greater Emphasis on Training**
- 9.6 Management of Laws Across Jurisdictions**
- 9.7 A virtual organization**
- 9.8 Characteristics**
- 9.9 Types of virtual organizations**
 - 9.9.1 Telecommuters**
 - 9.9.2 Outsourcing Employees/Competencies**
 - 9.9.3 Completely Virtual**
- 9.10 Globalization**
- 9.11 Market liberalization policies and employment**
- 9.12 Growth of new segments in the market**
- 9.13 Improvement in the standard of living**
- 9.14 Development of other sectors**
- 9.15 Government Initiatives**
- 9.16 Participative Management**
- 9.17 Summary**
- 9.18 Key words**
- 9.19 Self Assessment Questions**
- 9.20 Suggested Readings**

9.1 Introduction

Planning, recruitment, development, maintenance, retention, and socialization are the common HR issues that ensure right HR for right job. These also control and regulate the antecedent conditions of performance. Virtual organisations are staffed by highly proficient workers who are left to do their own things and produce highly competitive products or services.

Jobs in virtual organisations being knowledge-based are assumed to require greater skills, have greater variety and offer better quality of working life (QWL). From HR point of view, virtual organisation has both sides of the coin. The one (positive) side is greater job

autonomy and more financial stability, which are the most sought after things by the workers in any organisation.

This is so because of the reduced commuting, lunches and the clothing costs. Added to these are increased working hours, a perceived increase in performance, reduced jobstress and better social relationships as barriers between the home and work interface are dissolved. However, the other (negative) side includes aspects like longer work hours, increased work demands, poor working (physical) conditions and fewer career opportunities. In virtual organizations, jobs are variable and of short term. People with multi-skill are valuable to the organisation.

The major HR issues involved in a virtual organization are:

1. Recruitment is conducted under time pressure and requires high performance expectations.
2. Both human capital i.e., knowing one's job and social capital i.e., knowing each other become extricably linked.
3. Stability in social relationship is not very much required.
4. Master-apprentice relationship is craft-based learning techniques matter.
5. Work pace is variable because the need for readiness to be mobilized at any moment, like defence service, is high
6. Job is of short term. This requires virtual organisations a heavy investment to create systems and staffing structures.

The employee selection is a very crucial area in virtual organisation. The reason being people have to work in a virtual set up. Hence, there are certain requirements need to be met to work in virtual organizations.

On the whole, the shift from traditional/face -to-face organisation to virtual organisation triggers two ongoing debates within the HRM field:

1. The relevance of traditional forms of HRM to future organizational forms.
2. The shift from person-job-fit to person-role as the guiding paradigm for resourcing decisions.

There can be endless debate, on pros and cons of virtual organizations. Nonetheless, it can be said with confidence that in a world of ever increasing competition and differentiation, it is impossible for any company to have all skills that are needed to do the job. It is virtual organisation that imbibes these ideas and makes the final leap. In fact, that is where the reality of virtual organizations lies to-day and possibly will remain tomorrow as well.

9.2 Features of Virtual Organisation

9.2.1 Information is power

The absence of information and knowledge renders virtual teams to emas-culate and ineffective. Information technology, i.e., seamless web electronic communication media does not allow happening this and keeps the organisation going. According to Pattanayak, following are the salient features of virtual organisations:

9.2.2 Technology

New technology has transformed the traditional ways of working. In particular, the worlds of computing and telephony are coming together to open up a whole new range of

responsibilities. Computer Telephony Integrations (CTI) will usher in a new revolution to the desktop. The CTI has traditionally been used in all call centre applications.

9.2.3 E-mail Integration

Integrating Short Message Service (SMS) into the existing e-mail infrastructure allows the whole organisation to take advantages of SMS products such as 'Express Way'.

9.2.4 Office System Integration

SMS technology can greatly enhance the existing or new office systems, e. g., phone messages can be sent via SMS rather than returning it in a message book.

9.2.5 Voice Mail Alert

SMS technology added to the existing voice mail system builds an effective method of receiving voice mail alerts.

9.2.6 Mobile Data

This enables a laptop to retrieve information anywhere through the mobile phone network. Mobile data communications revolutionize where and how work is done. In the past, corporate information has been inaccessible from many places where it is needed. One's ability to link laptop to mobile phone keeps one connected to his/her virtual organisation from anywhere.

Globalization is a term in business that refers to the integration of an organization's operations, processes and strategies into diverse cultures, products, services and ideas. Because of its emphasis on diversity, globalization also has a deep impact on the way companies manage their employees. Understanding the effects of globalization on human resources can help managers to better equip their organizations for the increasingly global business.

9.3 Diversity Recruitment

With the rise of globalization, companies of all sizes are now interacting with customers and stakeholders from diverse cultures, languages and social backgrounds. In response, many human resources managers seek to hire employees from equally diverse backgrounds. Companies engaging in this diversity recruitment recognize the value of having people on staff that their customers can relate to, and they know that having a team of diverse people contributes to the range of ideas and influences within the organization.

9.4 Push for Professional Development

A further effect of globalization on HR management is a push for professional development. Professional development is concerned with providing employees opportunities to achieve their career-related goals. Some organizations provide resources for their employees to earn a university degree, others send their employees to conferences or networking events and training days. Professional development is important to globalization because it creates a win-win situation. The employees feel as though the organization is concerned with providing a range of skills and competencies for their employees. Likewise, the organization benefits from the added skills and connections that the employees who take advantage of professional development programs acquire.

9.5 Greater Emphasis on Training

Similar to professional development, a greater emphasis on training has resulted

because of globalization in human resources management. Training, however, tends to be focused on the needs and professional competencies of groups of employees within the organization. The company might, for instance, host language classes to give its call center staff an edge in telephone sales. It might also teach its employees how to use a new global software platform. This emphasis on training seeks to give the company a competitive edge in the global marketplace by honing the employees' diversity emphasis.

9.6 Management of Laws Across Jurisdictions

A final effect of globalization on human resources management is the need for businesses to understand and apply the laws of many different jurisdictions to the particular business. The federal government sets out a number of tax and labor laws that businesses operating in the United States must comply with, but there may also be local and regional laws that apply to companies that operate in different states or different countries. Selling products in Europe, for example, might mean that a company has to impose a Value-Added Tax on its goods. Hiring employees at branch locations in different locations might change the requirements on minimum wage, tax allowances or working hours. Understanding these laws is vitally essential to the organization because any breach of them will have a serious impact not only on the business's financial well-being but also on its reputation

9.7 A virtual organization

It is an organization involving detached and disseminated entities (from employees to entire enterprises) and requiring information technology to support their work and communication. Virtual organizations do not represent a firm's attribute but can be considered as a different organizational form.

Unfortunately, it is quite hard to find a precise and fixed definition of fundamental notions such as virtual organization or virtual company. The term virtual organization ensued from the phrase virtual reality, whose purpose is to look like reality by using electronic sounds and images. The term virtual organization implies the novel and innovative relationships between organizations and individuals. Technology and globalization both support this particular type of organization.

Virtual can be defined as "not physically existing as such but made by software to appear to do so", in other words —unreal but looking real. This definition precisely outlines the leading principle of this unconventional organization, which holds the form of a real (conventional) corporation from the outside but does not actually exist physically and implicates an entirely digital process relying on independent web associates. Thus, virtual organizations are centered on technology and position physical presence in the background. Virtual organizations possess limited physical resources as value is added through (mobile) knowledge rather than (immovable) equipment.

Virtual organizations necessitate associations, federations, relations, agreements and alliance relationships as they essentially are partnership webs of disseminated organizational entities or self-governing corporations.

9.8 Characteristics

A virtual organisation has the following characteristics:

1. Flat organisation
2. Dynamic
3. Informal communication

4. Power flexibility
5. Multi-disciplinary (virtual) teams
6. Vague organisational boundaries
7. Goal orientation
8. Customer orientation
9. Home-work
10. Absence of apparent structure
11. Sharing of information
12. Staffed by knowledge workers.

In fact, this list of the characteristics of virtual organisation is not an exhaustive one but illustrative only. One can add more characteristics to this list.

9.9 Types of virtual organizations

Depending on the degree or spectrum of virtuality, virtual organisations can be classified into three broad types as follows:

1. Telecommuters
2. Outsourcing employees/competencies
3. Completely virtual

A brief description of these follows in turn.

9.9.1 Telecommuters

These companies have employees who work from their homes. They interact with the workplace via personal computers connected with a modem to the phone lines. Examples of companies using some form of telecommuting are Dow Chemicals, Xerox, Coherent Technologies Inc., etc.

9.9.2 Outsourcing Employees/Competencies

These companies are characterised by the outsourcing of all/most core competencies. Areas for outsourcing include marketing and sales, human resources, finance, research and development, engineering, manufacturing, information system, etc. In such case, virtual organisation does its own on one or two core areas of competence but with excellence. For example, Nike performs in product design and marketing very well and relies on outsources for information technology as a means for maintaining inter-organisational coordination.

9.9.3 Completely Virtual

These companies metaphorically described as companies without walls that are tightly linked to a large network of suppliers, distributors, retailers and customers as well as to strategic and joint venture partners. Atlanta Committee for the Olympic Games (ACOG) in 1996 and the development efforts of the PC by the IBM are the examples of completely virtual organisations. Now, these above types of virtual organisations are summarized in the following Table

Advantages

Virtual organisations offer the following advantages:

1. It saves time, travel expenses and eliminates lack of access to experts.
2. Virtual teams can be organised whether or not members are in reasonable proximity to each other.

3. Use of outside experts without incurring expenses for travel, logging and downtime.
4. Dynamic team membership allows people to move from one project to another.
5. Employee can be assigned to multiple, concurrent teams.
6. Teams' communication and work reports are available online to facilitate swift responses to the demands of the (global) market.

Disadvantages

In spite of these advantages, virtual organisations suffer from the following disadvantages also:

1. The lack of physical interactions with its associated verbal and non-verbal cues and also the synergies that often accompany face-to-face interaction
2. Non-availability of paraverbal and non-verbal cues such as voice, eye movement, facial expression, and body language which help in better communication.
3. Ability to work even if the virtual teams are miles apart and the members have never or rarely met each other face-to-face.

9.10 Globalization

It has played an important role in the generation of employment in India. Since the economic liberalization policies in the 1990s, the employment scenario in the country has significantly improved. An analysis of the impact of globalization on employment in India will bring out a number of factors in this regard.

9.11 Market liberalization policies and employment

The wake of globalization was felt in India in the early 1990s when the then Finance Minister Manmohan Singh initiated the open market policies. This led to a significant improvement in the gross domestic product of the country and the exports increased considerably. There was significant rise in the customer base and it slowly gave rise to the consumer market where the market changes were dependant on the demand supply chains. In fact, the growth in demand brought a favorable change and the supply too started increasing. As, supply is directly involved with employment, more supply led to more production which led to more employment over the years

9.12 Growth of new segments in the market

Due to globalization and the growth of the consumer market, a number of segments in various sectors of the industry have grown over the years. This has led to the significant rise in the rate of demand and supply. In the recent years, a number of industry segments such as information technology, agro products, personal and beauty care, health care and other sectors have come into the market.

Experts say that the introduction of a wide range of sectors have led to the favorable growth of the economy in the country. With more and more industry segments coming up, there has been a high demand for quality workforce. As such, lots of young people are taking jobs in all these segments in order to start a good career.

In the unorganized sector as well, there has been an increase in various sectors which has improved the rate of employment in the country. As per the recent surveys, there has been a significant increase in the number of people working in the unorganized and allied sectors. The pay package in all these unorganized sectors have also increased to a great extent.

9.13 Improvement in the standard of living

As globalization has put a favorable impact in the economy of the country, there has been an improvement in the standard of living of the people. The favorable economic growth has led to the development of infrastructure, health care facilities and services, per capita income and other factors which have really led to the high growth rate. It has been expected that the economy in India will grow by around 6-7% yearly. This growth rate is expected to improve the overall employment situation more and the per capita income will also increase significantly.

9.14 Development of other sectors

Globalization has positively affected the growth of various sectors in India. These have opened up new employment opportunities for the people. The service industry has a share of around 54% of the yearly Gross Domestic Product (GDP). From this figure itself, it is understood that the service industries are doing very well in the market and as such, plenty of employment opportunities are taking place.

In the other sectors such as industry and agriculture, the rate of employment has gone up. The industrial sector contributes around 29 % while the agricultural sector contributes around 17 % to the gross domestic product. Some of the well known exports of the country consist of tea, cotton, jute, wheat, sugarcane and so on. Due to the growth of customer base in all these sectors, more and more employment opportunities are opening up. In fact even young people and freshers are getting jobs in all these sectors. In the manufacturing sector, there has been a growth of around 12% while the communication and storage sector has also grown up by around 16.64%.

9.15 Government Initiatives

To keep pace with the favorable effects of globalization, the government has taken a number of initiatives. A number of employment opportunities such as Prime Minister Rojgar Yojna and the CM Rojgar Yojna have been initiated to improve the employment situation in the rural areas.

The Minimum Wages scheme has also been successfully implemented. In order to improve the quality of the workforce, effort is also being given to impact education to various sectors of the rural areas. Under these schemes, new schools are being opened up and attention is also being given to the welfare of the students. Likewise in the urban sector too, more and more employment opportunities are being opened up for the youth in a number of government sectors, banks and so on.

In order to foster communication and migration of workforce to various parts of the country to cater to the needs, the government has also developed infrastructure to a great extent. New roads and highways are being constructed to increase connectivity.

Collective bargaining is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers' compensation and rights. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong. The collective agreements reached by these negotiations usually set out wage scales, working hours, training, health and safety, overtime, grievance mechanisms, and rights to participate in workplace or company affairs.

The union may negotiate with a single employer (who is typically representing a company's shareholders) or may negotiate with a group of businesses, depending on the country, to reach an industry-wide agreement. A collective agreement functions as a labour contract between an employer and one or more unions. Collective bargaining consists of the process of negotiation between representatives of a union and employers (generally represented by management, or, in some countries such as Austria, Sweden and the Netherlands, by an employers' organization) in respect of the terms and conditions of employment of employees, such as wages, hours of work, working conditions, grievance procedures, and about the rights and responsibilities of trade unions. The parties often refer to the result of the negotiation as a collective bargaining agreement (CBA) or as a collective employment agreement (CEA).

9.16 Participative Management

It refers to as an open form of management where employees are actively involved in organization's decision making process. The concept is applied by the managers who understand the importance to human intellect and seek a strong relationship with their employees. They understand that the employees are the facilitators who deal directly with the customers and satisfy their needs. To beat the competition in market and to stay ahead of the competition, this form of management has been adopted by many organizations. They welcome the innovative ideas, concepts and thoughts from the employees and involve them in decision making process.

Participative Management can also be termed as 'Industrial Democracy', 'Co-determination', 'Employee Involvement' as well as 'Participative Decision Making'. The concept of employee participation in organization's decision making is not new. However, the idea couldn't gain that much popularity among organizations. Studies have shown that only 3-5 percent of organizations have actually implemented this concept in their daily operations.

Though the theory of participative management is as old as the institution of employees and employers still it is not applied by a large proportion of organizations. The idea behind employee involvement at every stage of decision making is absolutely straight. Open and honest communication always produces good results both for organization as well as workers. Freedom and transparency in company's operations take it to the next level and strengthens the basis of the organization. On the other hand, there are several companies that straightway rule out the possibility of participative decision making process. According to them, employees misuse their freedom of expression and participation in decision making as it provides higher status to employees and empowers them.

However, there are many companies who have embraced this particular style of management and are now getting positive results. Toyota is the best example. The company has been following suggestion schemes and employee involvement procedures for over a decade now. The management receives almost 2,000,000 suggestions and ideas every year and around 95 percent of these are implemented by the company. Who is not aware of Toyota's success rate?

Around five thousand improvements per year have made Toyota one of the fastest growing organizations globally. The need is to develop and implement a comprehensive company policy and everything works well.

British Airways is another great example of participatory management. During economic downsizing, employees' suggestions helped them cut annual cost of their operations by 4.5 million pounds. This is just unbelievable. The company would have suffered from huge losses, had it not adopted employees' suggestions. It is right to some extent that employees can misuse industrial democracy but with a proper management of HR functions, this problem can be solved and the operations of organization can be taken to the next level.

Satyam is another great example. It has been implementing company-wide suggestion scheme, 'The Idea Junction', since 2001. A real-time web-based portal is present in Intranet that can be accessed by all its employees all across the globe to support the entire life cycle of an idea right from its generation till its implementation. The main idea behind adopting this management style was to create values and bring sense of belongingness in the employees through ideas suggestions and complaints. The whole procedure is backed by a strong and comprehensive reward policy that encourages employees to perform better each time.

Employee participation at each level of decision making process is not at all harmful if managed efficiently. The whole process can be well coordinated and controlled by the sincere and honest efforts of human resource managers.

9.17 Summary

Virtual organization is created around a central organization the relies on other organizations to perform manufacturing, distribution, financing and other crucial business functions on a contract basis. The core of the network structure in the central organization coordinates relationships and activities with the other organizations in the network. Sharing of information between the constituents of the network organization is usually facilitated by electronic technology such as electronic mail, fax, computer etc. This avoids the expense of renting new offices for the venture and costly travel time between companies. It also uses a network of independent firms that join together, often temporarily, to produce services or products.

9.18 Key words

Office System Integration- SMS technology can greatly enhance the existing or new office systems, e. g., phone messages can be sent via SMS rather than returning it in a message book.

E-mail Integration- Integrating Short Message Service (SMS) into the existing e-mail infrastructure allows the whole organisation to take advantages of SMS products such as 'Express Way'.

Voice Mail Alert- SMS technology added to the existing voice mail system builds an effective method of receiving voice mail alerts.

Diversity Recruitment- With the rise of globalization, companies of all sizes are now interacting with customers and stakeholders from diverse cultures, languages and social backgrounds. In response, many human resources managers seek to hire employees from equally diverse backgrounds

A virtual organization- It is an organization involving detached and disseminated entities (from employees to entire enterprises) and requiring information technology to support their

work and communication. Virtual organizations do not represent a firm's attribute but can be considered as a different organizational form

9.19 Self Assessment Questions

1. Briefly explain the the Features of Virtual Organisation
2. Discuss the Types of Virtual Organisation
3. Outline the characteristics of Virtual Organisation

9.20 Suggested Readings

1. Peter J. Dowling , Marion Festing , Allen D. Engle (2017)International Human Resource Management, Seventh Edition, Cengage India Private Limited.
2. Srinivas R. Kandula (2018) International Human Resource Management, SAGE Publications Pvt. Ltd.
3. P. L. Rao (2008) International Human Resource Management: Text and Cases, Excel Publications.
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LESSON -10

GLOBALIZATION AND EMPLOYMENT

Learning Objectives

Explain the term globalization

Discuss on the emergence of global economy

Interpret the globalization of market

Describe the globalization of production, investment and technology

Structure

10.1 Introduction

10.2 Emerging Global Economy

10.3 Impacts of Globalization on National Economies

10.4 Globalization of Market, Production, Investment and Technology

10.5 World Trade Organisation.

10.6 Globalization of Production

10.7 Globalization of Investment

10.8 Globalization of Technology

10.9 The Future of Globalization

10.10 Summary

10.11 Keywords

10.12 Self Assessment Questions

10.13 Suggested Readings

10.1 Introduction

Globalisation is a powerful real aspect of the new world system, and it represents one of the most influential forces in determining the future course of the planet. It has manifold dimensions: economic, political, security, environmental, health, social, cultural, and others. The focus here is on the concept of “globalisation” as applied to the world economy HRM, the drivers of globalisation and also the variables that moderate differences between HRM and GHRM.

Increased Workplace Standards – The full impact of globalization in the workplace has yet to be realized, but as more companies embrace this trend and become more diverse, certain changes are emerging. While many of these changes are good, others may not be as positive. Small business owners are learning that they have to adopt new policies and new guidelines to keep up with these changes. **Increased Cultural Diversity** As globalization becomes more prevalent, companies deal with increased cultural diversity within the workforce. These changes require small and large businesses adopt new policies and guidelines for workers. This increased cultural diversity also has produced many benefits as companies gain new insights into different cultures from a management and a marketing standpoint. **Earnings Changes for Workers** As more companies have access to overseas companies that offer outsourcing, wages have changed for many workers. With lower standards of living, third world companies can offer their services at a rate greatly reduced from those in countries with higher standards of living. Despite a worldwide economic resurgence, growth in employment is mixed. Governments must capitalize on the digitally integrated global economy to create jobs.

1. A Changing Economic Landscape
2. Promoting Digitally Enabled Services to All Sectors of the Economy
3. Nurturing Global Centers of Expertise and Ecosystems of Highly Skilled Workers

4. Enabling SMEs to Serve Global Markets and Global Value Chains
5. Digitally Empowering the Self-Employed
6. Stimulating Domestic Consumption

Governments should actively explore providing their citizens with universal basic services as public goods

The story is even more complex upon a closer look. China continues to report robust urban job growth that outpaces growth in the country's labor force—despite a slowdown in economic expansion. By contrast, employment in India grew by only 1.4% per year from 2000 through 2016—despite a compound annual growth rate of 7.2% for the country's GDP. And in some countries, including Germany and the US, millions of skilled positions remain vacant while millions of workers continue to search for work. Economists have hypothesized that this mixed jobs picture is a result of skills mismatches, changing expectations of the workforce, and mobility limitations.

The Effects of Globalization on Working Conditions in Developing Countries : An Analysis Framework and Country Study Results –

Globalization defined as falling barriers to, and the increase in, trade, migration, and investment across borders directly affects workers in both developed and developing countries. While most global trade and investment is between the developed countries, globalization has increased dramatically in a number of developing countries. Understanding the effects of globalization is critical for governments concerned about employment, working conditions, and, ultimately, poverty reduction. Broadly defined, working conditions include wages and other key job characteristics including (but not necessarily limited to) health and safety, hours, security, benefits, and representation. These conditions have direct and indirect effects on the risk of falling or staying in poverty. This note outlines an approach for a systematic cross-country comparison of the relationship between globalization and working conditions. In addition, the results from applying this approach to five countries (Cambodia, El Salvador, Honduras, Indonesia, and Madagascar) are presented. The country study results described in this note support the hypothesis that globalization has contributed to a shift of workers from sectors with low wage and poor non-wage working conditions (i.e., agriculture) to sectors with relatively higher wages and better non-wage working conditions.

10.2 Emerging Global Economy

“Globalisation” here means major increases in worldwide trade and exchanges in an increasingly open, integrated, and borderless international economy. There has been remarkable growth in such trade and exchanges, not only in traditional international trade in goods and services, but also in exchanges of currencies, in capital movements, in technology transfer, in people moving through international travel and migration, and in international flows of information and ideas. Globalisation has involved greater openness in the international economy, an integration of markets on a worldwide basis, and a movement toward a borderless world, all of which have led to increases in global flows.

The world economy is being transformed by a combination of:

- (a) Technological, and
- (b) Geopolitical factors.

There are several sources of globalisation over the last several decades. Technological advances that have significantly lowered the costs of transportation and communication and dramatically lowered the costs of data processing and information storage and retrieval comprise one such source. The latter stems from developments over the last few decades in

electronics, especially the microchip and computer revolutions. Electronic mail, the Internet, and the World Wide Web are some of the manifestations of this new technology, where today's \$2,000 laptop computer is many times more powerful than a \$10 million mainframe computer of twenty-five years ago.

Another source of globalisation is trade liberalisation and other forms of economic liberalization that have led to reductions in trade protection and to a more liberal world trading system. This process began in the last century, but the two World Wars and the Great Depression interrupted it. It resumed after World War II through the most-favoured-nation approach to trade liberalisation, as embodied in the 1946 General Agreement on Tariffs and Trade (GATT) that has evolved into the World Trade Organisation (WTO). As a result, there have been significant reductions in tariffs and other barriers to trade in goods and services. Other aspects of liberalisation have led to increases in the movement of capital and other factors of production.

Some economists and historians have suggested that globalisation is little more than a return to the world economy of the late nineteenth century and early twentieth century.

A third source of globalisation is comprised of changes in institutions, where organisations have a wider reach, due, in part, to technological changes and to the more wide-ranging horizons of their managers, empowered by advances in communications. Thus, corporations that were mainly focused on local markets have extended their range in terms of markets and production facilities to a national, multinational, international or even global reach. These changes in industrial structure have led to increases in the power, profits and productivity of those firms that can choose among many nations for their sources of materials, production facilities and markets, quickly adjusting to changing market conditions. Virtually every major national or international enterprise has such a structure or relies on subsidiaries or strategic alliances to obtain a comparable degree of influence and flexibility.

As one measure of their scale, almost a third of total international trade now occurs solely within these multinational enterprises. With the advent of such global firms, international conflict has, to some extent, moved from nations to these firms, with the battle no longer among nations over territory but rather among firms over their share of world markets. These global firms are seen by some as a threat to the scope and autonomy of the state, but, while these firms are powerful, the nation state still retains its traditional and dominant role in the world economic and political system

Globalisation has clearly changed the world system and that it poses both opportunities and challenges. It is also clear that the technological, policy, institutional, ideological, and cultural developments that have led to globalisation are still very active. Thus, barring a radical move in a different direction, these trends toward greater globalisation will likely continue or even accelerate in the future. One important aspect of these trends will be the growth in international trade in services that has already increased substantially but promises even greater growth in the future, especially in such areas as telecommunications and financial services. The result will be continued moves toward a more open and a more integrated world as it moves closer and closer to a planet without borders and to a more integrated, open, and interdependent world economy. The result will be even greater worldwide flows of goods, services, money, capital, technology, people, information and ideas

10.3 Impacts of Globalisation on National Economies

Globalisation has had significant impacts on all economies of the world, with manifold effects.

It affects their production of goods and services. It also affects the employment of labour and other inputs into the production process. In addition, it affects investment, both in physical capital and in human capital. It affects technology and results in the diffusion of technology from initiating nations to other nations. It also has major effects on efficiency, productivity and competitiveness. Several impacts of globalisation on national economies deserve particular mention. One is the growth of foreign direct investment (FDI) at a prodigious rate, one that is much greater than the growth in world trade. Such investment plays a key role in technology transfer, in industrial restructuring and in the formation of global enterprises, all of which have major impacts at the national level. A second is the impact of globalisation on technological innovation. New technologies, as already noted, have been a factor in globalisation, but globalisation and the spur of competition have also stimulated further advances in technology and speeded up its diffusion within nations through foreign direct investment. A third is the growth of trade in services, including financial, legal, managerial, and information services and intangibles of all types that have become mainstays of international commerce.

Did u know? In 1970, less than a third of foreign direct investment related to the export of services, but today that has risen to half and it is expected to rise even further, making intellectual capital the most important commodity on world markets. As a result of the growth of services both nationally and internationally, some have called this “the age of competence,” underscoring the importance of lifelong education and training and the investment in human capital in every national economy

10.4 Globalisation of Market, Production, Investment and Technology

The globalisation of markets refers to the merging of historically distinct and separate national markets into one huge global marketplace. In many markets today, the tastes and preferences of consumers in different nations are converging upon some global norm. In the past, marketers have capitalised on the demand stemming from the developed regions of the world; North America, Europe and Australasia. Demand in these markets remains strong. However, growth has slowed significantly in the recent past. International marketers are now turning to the developing regions of the world where there is still huge potential for market growth.

The emerging markets with the highest growth potential are located in Africa, South America, Asia and Eastern Europe. More specifically, international marketers are focusing their efforts on gaining entry into South Africa, Brazil, India, China, and Russia. As these markets become more industrialised, workers are able to earn a more stable and higher income.

There are a few key factors that you can look at to identify the emerging markets with the most potential. Population and population growth forecasts are useful indicators of total market size. The population of India and China combined is over 2.5 billion people, clearly indicating why international marketers are interested in entering these markets. The level of infrastructure in an emerging market is another good indicator of market potential.

When engaging in international operations, you rely heavily on services provided by the local market. You are likely to utilise transportation systems, communication systems and energy infrastructure to sell and distribute your products and services. It will be easier and more cost effective to work in countries that already have reasonably well developed and reliable infrastructure.

Income and spending behaviour are also important factors to consider when analysing an emerging market. When looking at income figures, ensure that you look at the median income rather than the average income. This is because many developing countries feature a small amount of the population who hold the majority of the countries wealth. This can cause average income figures to overestimate what the majority of the population actually earns in a year. Spending and consumption behaviour takes into account the way that people spend their income.

For example, is all of a family's income spent on basic necessities (food, clothing, shelter) or is there enough left over to be spent on luxury goods (electrical appliances, cars, computers)? You also need to look at the culture of spending. For example, do families save their disposable income or do they like to spend it on products that define status in the developing world, like brand name clothes, a car or a mobile phone?

By carefully analysing all of the issues and factors that influence market potential, you can work out which markets you should target and what marketing strategies you can use to gain a market share. There are barriers to entering many of the world's emerging economies, however, the potential for achieving international marketing success in these regions should not be ignored.

The push towards global free trade has resulted in the establishment of many free trade agreements between countries, the developed of regional trading groups and the creation of the

10.5 World Trade Organisation.

It is generally believed that opening up trade between nations and regions is better for consumers as it allows prices to be set based on actual supply and demand. Protectionist policies generally set prices at an artificial level. By preventing fair competition from international suppliers, they keep prices inflated at a higher point than they would be under a free market.

Once international competitors are freely able to enter markets, their costs are reduced. These cost savings are largely passed on to consumers driving demand for products and services. This can have a positive impact on the local economy as more people are able to afford a wider range of consumer goods.

Example: Market globalisation trend is followed by organisations: Coca Cola, Starbucks, Sony PlayStation, and McDonald's hamburgers.

10.6 Globalisation of Production

The globalisation of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (labor energy, land, and capital).

The goal for companies is to lower their overall cost structure or improve the quality or functionality of their product and gain competitive advantage. Example: Production Globalisation trend is followed by companies like; Boeing and Vizio.

Several global institutions have emerged to:

Help manage, regulate, and police the global market place.

Promote the establishment of multinational treaties to govern the global business system.

Notable global institutions include:

The World Trade Organisation (WTO) which is responsible for policing the world trading system and ensuring that nations adhere to the rules established in WTO treaties.

In 2008, 151 nations accounting for 97% of world trade were members of the WTO.

The International Monetary Fund (IMF) which maintains order in the international monetary system. The World Bank which promotes economic development.

The United Nations (UN) which maintains international peace and security, develops friendly relations among nations, cooperates in solving international problems and promotes respect for human rights, and is a centre for harmonising the actions of nations.

However, free trade can have a negative and significant impact on local industries. Many local organisations are only able to compete against international organisations due to the trade barriers put in place by their government. When these barriers are removed and the market is flooded with cheaper, superior or even equal products compared to those being produced locally, the domestic businesses are unable to compete. This can lead to business closures, unemployment and reduced demand.

10.7 Globalisation of Investment

International trade occurs when a firm exports goods or services to consumers in another country. Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

During the 1920s and 1930s, many nations erected barriers to international trade and FDI to protect domestic industries from foreign competition. After World War II, advanced Western countries began removing trade and investment barriers.

Under GATT (the forerunner of the WTO), over 100 nations negotiated further decreases in tariffs and made significant progress on a number of non-tariff issues.

Under the WTO, a mechanism now exists for dispute resolution and the enforcement of trade laws, and there is a push to cut tariffs on industrial goods, services, and agricultural products. Lower trade barriers enable companies to view the world as a single market and establish production activities in optimal locations around the globe.

This has led to an acceleration in the volume of world trade and investment since the early 1980s.

The World Trade Organisation (WTO) was established in 1995 to supervise and encourage international free trade. It assists countries with the formation of free trade agreements and aims to stimulate economic growth. The WTO does not force any countries into free trade

agreements. It only acts as a mediator during negotiations instigated by the countries involved.

Free trade is an especially important issue for the world's developing economies. They are often able to produce products at a lower cost than in other countries, and the income they earn from exports allows their economies to grow rapidly and improves the living standards of the population. It also provides them with access to technology and expertise from the developed world that would otherwise take years to develop.

From a global perspective, it is clear that the benefits of free trade are significant for consumers and organisations. Whilst some industries move to capitalise on the cheap labour in the developing world, new industries with a focus on innovation and technology are created. The increase in free trade around the world will continue to drive growth in the global economy into the future.

With globalisation of markets, well-managed companies have moved from emphasis on customising items to offering globally standardised products that are advanced, functional, reliable—and low priced. Multinational companies that concentrated on idiosyncratic consumer preferences have become befuddled and unable to take in the forest because of the trees. Only global companies will achieve long-term success by concentrating on what everyone wants rather than worrying about the details of what everyone thinks they might like.

10.8 Globalisation of Technology

Lower trade barriers enable companies to view the world as a single market and establish production activities in optimal locations around the globe.

This has led to an acceleration in the volume of world trade and investment since the early 1980s. The development of the microprocessor has lowered the cost of global communication and therefore the cost of coordinating and controlling a global organisation.

Web-based transactions have grown from virtually zero in 1994 to \$250 billion in 2007 in the U.S. alone, and Internet usage is up from fewer than 1 million users in 1990 to 1.3 billion users in 2007.

Commercial jet aircraft and super freighters and the introduction of containerisation have greatly simplified transshipment from one mode of transport to another

10.9 The Future of Globalisation

Like a snowball rolling down a steep mountain, globalisation seems to be gathering more and more momentum. And the question frequently asked about globalisation is not whether it will continue, but at what pace.

A disparate set of factors will dictate the future direction of globalisation, but one important entity sovereign governments should not be overlooked. They still have the power to erect significant obstacles to globalisation, ranging from tariffs to immigration restrictions to military hostilities. Nearly a century ago, the global economy operated in a very open environment, with goods, services, and people able to move across borders with little if any difficulty. That openness began to wither away with the onset of World War I in 1914, and recovering what was lost is a process that is still underway. Along the process, governments

recognised the importance of international cooperation and coordination, which led to the emergence of numerous international organisations and financial institutions (among which the IMF and the World Bank, in 1944).

Indeed, the lessons included avoiding fragmentation and the breakdown of cooperation among nations. The world is still made up of nation states and a global marketplace. We need to get the right rules in place so the global system is more resilient, more beneficial, and more legitimate.

International institutions have a difficult but indispensable role in helping to bring more of globalisation's benefits to more people throughout the world. By helping to break down barriers—ranging from the regulatory to the cultural—more countries can be integrated into the global economy, and more people can seize more of the benefits of globalisation.

10.10 Summary

Globalisation is a powerful real aspect of the new world system, and it represents one of the most influential forces in determining the future course of the planet.

“Globalisation” is understood here to mean major increases in worldwide trade and exchanges in an increasingly open, integrated, and borderless international economy.

There has been remarkable growth in such trade and exchanges, not only in traditional international trade in goods and services, but also in exchanges of currencies, in capital movements, in technology transfer, in people moving through international travel and migration, and in international flows of information and ideas.

There are several sources of globalisation over the last several decades.

Another source of globalisation is trade liberalisation and other forms of economic liberalisation that have led to reductions in trade protection and to a more liberal world trading system.

A third source of globalisation is comprised of changes in institutions, where organisations have a wider reach, due, in part, to technological changes and to the more wide-ranging horizons of their managers, empowered by advances in communications.

Virtually every major national or international enterprise has such a structure or relies on subsidiaries or strategic alliances to obtain a comparable degree of influence and flexibility.

Globalisation has clearly changed the world system and that it poses both opportunities and challenges. It is also clear that the technological, policy, institutional, ideological, and cultural developments that have led to globalisation are still very active

Globalisation has had significant impacts on all economies of the world, with manifold effects.

The globalisation of markets refers to the merging of historically distinct and separate national markets into one huge global marketplace. □ In many markets today, the tastes and preferences of consumers in different nations are converging upon some global norm.

10.11 Keywords

Emerging Economies: Emerging economies are nations with social or business activity in the process of rapid growth and industrialisation.

Foreign Direct Investment (FDI): An investment made by a company or entity based in one country, into a company or entity based in another country.

Human Capital: The skills, knowledge, and experience possessed by an individual or population, viewed in terms of their value or cost to an organisation.

Infrastructure: The stock of fixed capital equipment in a country, including factories, roads, schools, etc., considered as a determinant of economic growth.

Intellectual Capital: Collective knowledge of the individuals in an organisation or society. This knowledge can be used to produce wealth, gain competitive advantage, and enhance value of other types of capital.

International Trade: International trade is exchange of capital, goods, and services across international borders or territories.

Market: A market is any place where the sellers of a particular good or service can meet with the buyers of that goods and service where there is a potential for a transaction to take place.

Multinational Enterprise: A multinational enterprise is any business that has productive activities in two or more countries.

10.12 Self Assessment Questions

1. What do you understand by global economy?
2. How is globalisation leading to the emergence of global economy?
3. State the major factors behind the transformation of world economy.
4. Elaborate on the Technological advancements that aid the globalisation process.
5. Explain the geopolitical factors that helped global economy in emerging.
6. What has helped the globalisation of investment?
7. What do you understand by the globalisation of production?
8. What do you think at what pace globalisation will continue?

10.13 Suggested Readings

1. Dr.Nilanjan Sengupta, Dr.Mousuni S.Bhattacharya International Human Resource Management Excel Books New Delhi.
2. Miguel Martinez Lucio , Robert Mackenzie (2022) International Human Resource Management, Second Edition, Sage Publications Ltd.
3. Evans, P.et al., (ed.), HRM in International Firms: Change, Globalization and Innovation; Macmillan, London.
4. Storey, John, Managing Human Resources : Preparing for the 21st Century, Beacon Booms, New Delhi.

LESSON -11

WAGE BENEFITS

Learning Objectives

- To Describe approaches to International compensation
- To Identify the components of International compensation
- To Design the International compensation program
- To Explain executive compensation

Structure

11.1 Introduction

11.2 Compensation

11.3 Objectives

11.4 Approaches to International Compensation

11.4.1 Going Rate Approach

11.4.2 Balance Sheet Approach

11.5 Differentiating between PCNs and TCNs

11.6 International Living Costs Data

11.7 Key Components of International Compensation Programme

11.8 Termination of Contract

11.9 Executive Compensation

11.10 Components of Executive Compensation

11.11 Strategies for the Growth of Executive Compensation

11.12 Summary

11.13 Keywords

11.14 Self Assessment Questions

11.1 Introduction

Compensation tends to vary widely around the business world due to the economic differences, differences in development levels, political factors, traditions and culture. A comparison between U.S. and Chinese worker compensation showed that average wage of the Chinese worker is only about 3 to 5% of that of U.S. worker, Chinese are not required to pay income tax, insurance premiums, or pension plan payments. Chinese housing costs only about one dollar a month, so the difference in net income is not as large. Employee benefits vary by country. Benefits and employee perks constitute a much greater share of the overall compensation package in Europe than in America. Cross-cultural differences impact the importance of benefits. Like, vacation time is not an important benefit to the Japanese worker who seldom takes more than three or four days off in a year, but vacation and holiday time-off is critical in Africa, most Muslim nations, and some Latin American countries.

International oriented managers have to be accommodated into a global compensation policy which is different from the typical compensation policy in the home-country consisting of the lump-sum reimbursements. So, MNCs are gaining the insight of the changing compensation policies for its international managers and the emerging issues associated in the global compensation package.

11.2 Compensation

Compensation is the financial remuneration the employees receive in exchange for their labour. Compensation management deals with wages, salaries, pay increase, and other monetary issues.

The compensation system is designed to reward employees in an equitable manner and to serve as an inducement for the attraction and retention of a good workforce.

11.3 Objectives

1. Be legal: Compensation decisions should be consistent with federal, state, and local laws and regulation.
2. Be adequate: Compensation should be sufficient to attract qualified job applications and retain them.
3. Be motivating: Compensation should be sufficient to provide the necessary incentives to motivate employees to high performance levels.
4. Be equitable: Employees should be made to feel that the compensation system is equitable.
5. Provide security: Employees should be made to feel that their income is secure and predictable.
6. Be cost-benefit effective: The employing organisation should administer the compensation system effectively

Objectives of the international compensation plan

Compensation decisions are strategic decisions and play a key role in achieving performance and sustainable competitive advantage for international firms. Following are the objectives of designing the compensation plan:

- (a) These policy decisions should be consistent with the overall strategy, structure and business needs of the multinational.
- (b) The policy should attract and retain the best staff in those areas where the firm has greatest needs and opportunities and where its core competency lies.
- (c) The policy must facilitate the transfer of international employees in a cost effective manner.
- (d) The policy should give due consideration to equity and ease of administration.
- (e) They should reduce cost of operations and enhance commitment of employees and facilitate international posting and transfer of employees.

These policy decisions regarding compensation and benefits require the knowledge of employment and taxation laws, customs, cost of living index, environment, employment practices of various countries. Without such comprehensive knowledge and database, the corporate HR executive will not be able to advise expatriates regarding avoidance of double taxation or to reimburse the actual costs or decide about incentives that will encourage employees to take up foreign assignments.

The knowledge of labour markets and industry norms regarding benefits and compensation is also necessary. To ensure equity with PCNs, the salary of expatriates has to be adjusted for foreign currency fluctuations of the two countries unless they are paid full salary and allowances in the home country currency. If the expatriates are paid in local currency, then their salary should also be adjusted for rise in the cost of living in that country from time to time. So, HR managers have to continuously watch foreign exchange rate fluctuations and monitor rate of inflation or cost of living index in different countries.

2. Employee aspirations from the compensation policy: International employee will also have a number of objectives that need to be achieved from the firm's compensation policy. They are:

- (a) They will expect the policy to offer financial protection in terms of benefits, social security, and living costs in the foreign location.
- (b) They will expect that a foreign assignment will offer opportunities for financial advancement through income and/or savings.
- (c) They will expect that issues such as housing, education of children, and recreation will be addressed in the policy.

In the new European Community (EC), efforts are progressing to establish Europay, by which member nations would develop common policies regarding employment practices, especially compensation

11.4 Approaches to International Compensation

Whenever the employee is sent abroad for the assignment, it is preceded by the fresh negotiations between the employer and the employee for its compensation.

There are two main approaches in the area of international compensation: Going Rate Approach and Balance Sheet Approach.

11.4.1 Going Rate Approach

In this approach, the base salary for international transfer is linked to the salary structure in the host country. The multinational obtains information from local compensation surveys and must decide whether local nationals (HCNs), expatriates of the same nationality, or expatriates of all nationalities will be the reference point terms of benchmarking.

Example: A Japanese bank operating in New York would need to decide whether its reference point would be local U.S. salaries, other Japanese competitors in New York, or all foreign banks operating in New York. With the Going Rate Approach, if the location is in a lowpay country, the multinational usually supplements base pay with additional benefits and payments.

Features of the Going Rate Approach: Following are the features of the going rate approach:

1. Based on local market rates.
2. Relies on survey comparisons.
 - (a) Local nationals (HCNs).
 - (b) Expatriates of same nationality.
 - (c) Expatriates of all nationalities.
3. Compensation based on the selected survey comparison.
4. Base pay and benefits may be supplemented by additional payments for low-pay countries.

Advantages of the Going Rate Approach: Following are the advantages of this approach:

1. Equality with local nationals (very effective in attracting PCNs or TCNs to a location that pays higher salaries than those received in the home country).
2. Approach is simple and easy for expatriates to understand.
3. Expatriates are able to identify with the host country and there is equity among expatriates of different nationalities.

Disadvantages of the Going Rate Approach: Following are the disadvantages of this approach:

1. Variation between assignments for the same employees.
2. Variation between expatriates of the same nationality in different countries.
3. Potential re-entry problems.

11.4.2 Balance Sheet Approach

It is widely used approach for international compensation. The basic objective is to “keep the expatriate whole”, i.e., maintaining relatively to PCN colleagues, and compensating for the costs of an international assignment through maintenance of home-country living standard, plus a financial inducement to make the package attractive. The approach links the base salary for PCNs and TCNs to the salary structure of the relevant home country.

Example: U.S. executive taking up an international position would have his or her compensation package built on the U.S. base-salary level rather than that applicable to the host country.

The key assumption of this approach is that foreign assignees should not suffer a material loss due their transfer, and this is accomplished through the utilisation of what is generally referred to as the balance sheet approach.

Features of the Balance Sheet Approach: Following are the features of the balance sheet approach are:

1. The basic objective is maintenance of home-country living standard, plus financial inducements.
2. Home-country pay and benefits are the foundations of this approach.
3. Adjustment to home package to balance additional expenditure in host country.
4. Financial incentives (expatriate/hardship premium) added to make the package attractive.
5. Most common system in usage by multinational firms.

There are four major categories of outlays incurred by expatriates that are incorporated in the balance sheet approach:

1. Goods and services: home-country outlays for items such as food, personal care, clothing, household furnishings, recreation, transportation, and medical care.
2. Housing: major costs associated with housing in the host country.
3. Income taxes: parent-country and host-country income taxes.
4. Reserve: contributions to savings, payments for benefits, pension contributions, investments, education expenses, social security taxes, etc.

Where costs associated with the host-country assignment exceed equivalent costs in the parent country, these costs are met by both the firm and the expatriate to ensure that parent-country equivalent purchasing power is achieved

Table 8.1: Expatriate Compensation Worksheet

Employee:	Brian Smith		
Position:	Marketing Manager		
Country:	New Euphoria		
Reason for change:	New Assignment		
Effective date of change:	1 st February 1998		
Item	Amount A\$ PA	Paid in A\$ PA	Paid in local currency NES PA
Base salary	135,000	67,500	101,250
Cost of living allowance	33,750		50,625
Overseas service premium (20%)	27,000	27,000	
Hardship allowance (20%)	27,000	27,000	
Housing deduction (7%)	-9,450	-9,450	
Tax deduction	-51,079	-51,079	
Total	162,221	60,971	151,875
COLA Index = 1500			
Exchange Rate = 1.5	Authorized / Date		

In this example, an Australian expatriate is assigned to a country called New Euphoria which has a COLA index of 150 relative to Australia, and an exchange rate of 1.5 relative to the A\$. In addition to a Foreign Service premium, a hardship allowance is also payable for this location. Housing is provided by the firm, and a national cost for this is recognised by a 7% deduction from the package, along with a national tax deduction. The expatriate can see from this spreadsheet what components are offered in the package and how the package split between Australian currency and Net Euphoria currency.

Advantages of the Balance Sheet Approach: Following are the advantages of the balance sheet approach:

1. There is equity between assignments and expatriates of the same nationality.
2. It facilitates the re-entry of the expatriates.
3. It is easy to communicate to the employees.

Disadvantages of the Balance Sheet Approach: Following are the disadvantages of the balance sheet approach:

1. It is quite difficult and complex to administer.
2. It can result in great disparity between expatriates of different nationalities and between the expatriates and local nationals.

11.5 Differentiating between PCNs and TCNs

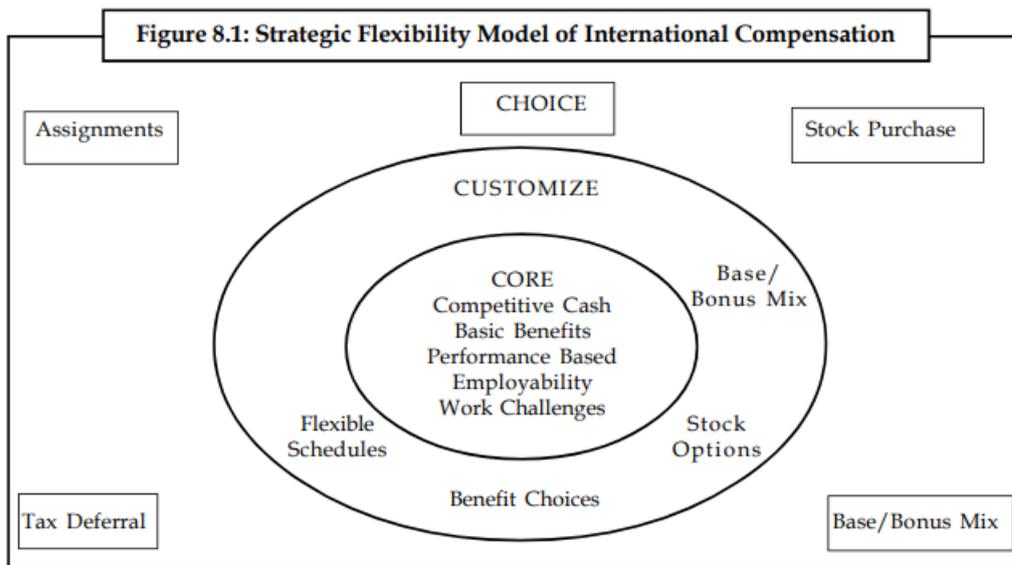
One of the outcomes of the balance sheet approach is to produce differentiation between expatriate employees of different nationalities because of the use of nationality to determine the relevant home-country base salary. This is a differentiation between PCNs and TCNs. Many TCNs have a great deal of international experience because they often move from country to country in the service of one multinational (or several) headquarters in a country other than their own (example, and Indian banker may work in the Singapore branch of a U.S. bank).

Multinational firms need to match their compensation policies with their staffing policies and s general HR philosophy.

1. If a firm has an ethnocentric staffing policy, its compensation policy should be one of

keeping the expatriate whole (that is, maintaining relativity to PCN colleagues plus compensating for the costs of international services).

2. If the staffing policy follows a geocentric approach, there may be no clear 'home' for the TCN, and the firm will need to consider establishing a system of international base pay for key managers paid in a major reserve currency, such as the U.S. dollar or the Deutsche Mark. Nationality influences on managing compensation and reward systems internationally, and propose a strategic model as



Source: Compensation and Benefits Review, 1995 (30 no. 1) p. 22

This model groups consist of total compensation into three sets: core, crafted, and choice.

1. Specific practices in the core section may vary according to market and local conditions but must be consistent with the core policies.
2. Crafted set of compensation elements assumes that regional managers have discretion to choose from a menu of compensation forms.
3. Alternatives in the choice set of offer flexibility for employees to select among various forms of compensation.

The model supports the performance management approach. This model has the potential to overcome the problems identified in both the Going Rate and Balance Sheet approaches to international compensation because firms may be able to utilise aspects of both approaches that suit particular circumstances.

11.6 International Living Costs Data

Obtaining up-to-date information on international living costs is a constant issue for multinationals. Many multinationals retain the services of consulting firms that may offer a broad range of services or provide highly specialised services relevant to HRM in the multinational context. With regard to international living costs, a number of consulting firms offer regular surveys calculating cost-of-living index that can be updated in terms of currency exchange rates.

Multinationals using the balance sheet approach must constantly update compensation packages with new data on living costs, an ongoing administrative requirement. This is an

issue to which expatriate employees pay great attention, and forms the basis of many complaints if updating substantially lags behind any rise in living costs. Multinationals must also be able to respond to unexpected events, such as the currency and stock market crash that suddenly occurred in a number of Asian countries. Some countries, such as Indonesia, faced a devaluation of their currency by over 50% against the U.S. dollar in a matter of weeks, which had a dramatic impact on prices and the cost of living.

MNCs should focus on business costs rather than living costs for expatriates because the multinational firm is interested in the overall cost of doing business in a particular country as well as the more micro issue of expatriate living costs.

Germany is the most expensive country overall because of its very high basic wages, while the second most expensive rank for the United States is in large part because of high executive salaries. In general, developed countries rank as more expensive than developing countries because their wage costs are higher.

11.7 Key Components of International Compensation Programme

The area of international compensation is complex primarily because multinationals must cater for three categories of employees: PCNs, TCNs, and HCNs. The key components of international compensation include base salary, Foreign Service inducement/hardship programme, allowances, benefits and taxation.

1. **Base Salary:** The term base salary acquires a different meaning when employees go abroad. In a domestic context, base salary denotes the amount of cash compensation that serves as a benchmark for other compensation elements (example, bonuses and benefits). For expatriates, it is the primary component of a package of allowances, many of which are directly related to base salary (example, Foreign Service premium, cost-of-living allowance, and housing allowance) as well as the basis for in-service benefits and pension contributions. The base salary is the foundation block for international compensation and the employee's package depending on whether the base salary is linked to the home country of the PCN or TCN or whether an international rate is paid.

2. **Foreign Service Inducement/Hardship Premium:** Parent-country nationals often receive a Notes salary premium as an inducement to accept a foreign assignment as compensation for any hardship caused by the transfer. Under such circumstances, the definition of hardship, eligibility for the premium, and amount and timing of payment must be addressed. These payments are more commonly paid to PCNs than TCNs. Foreign service inducements are usually made in the form of a percentage of salary, usually 5 to 40% of base pay. Such payments vary, depending upon the assignment, actual hardship, tax consequences, and length of assignment.

3. **Allowances:** Issue concerning allowances can be very challenging to a firm establishing an overall compensation policy because of the various forms of allowances that exist. The Cost-of-living Allowance (COLA) involves a payment to compensate for differences in expenditures between the home country and the foreign country.

(a) **Housing allowance provision** implies that employees should be entitled to maintain their home-country living standards. Such allowances are often paid on either an assessed or an actual basis. Other alternatives include company-provided housing, either mandatory or optional; a fixed housing allowance; or assessment of income, out of which actual housing

costs are paid. Financial assistance and protection in connection with the sale or leasing of an expatriate's former residence are offered by many multinationals. Those in the banking and finance industry tend to be the most generous, offering assistance in sale or leasing, payment of closing costs, payment of leasing management fees, rent protection, and equity protection.

(b) Home leave allowances allows the employers to cover the expense of one or more trips back to the home country each year. The purpose of paying for such trips is to give expatriates the opportunity to renew family and business ties, thereby helping them to avoid adjustment problems when they are repatriated.

(c) Educational allowances for expatriate's children are an integral part of any international compensation policy. Allowances for education can cover items such as tuition, language class tuition, enrolment fees, books and supplies, transportation, room and board, and uniforms. The level of education provided for, the adequacy of local schools, and transportation of dependents who are being educated in other locations may present problems for multinationals. The employer typically covers the cost of local or boarding school for dependent children, although there may be restrictions, depending on the availability of good local schools and on their fees.

(d) Relocation allowances usually cover moving, shipping, and storage charges, temporary living expenses, subsidies regarding appliance or car purchases (or sales), and down payments or lease-related charges. Allowances regarding perquisites (cars, club memberships, servants, etc.) may also need to be considered (usually for more senior positions, but this is according to location). These allowances are often contingent upon tax-equalisation policies and practices in both the home and the host countries.

(e) Spouse assistance allowance: This is provided by many multinational firms as it help guard against or offset income lost by an expatriate's spouse as a result of relocating abroad. Although some firms may pay an allowance to make up for a spouse's lost income, U.S. firms are beginning to focus on providing spouses with employment opportunities abroad, either by offering job-search assistance or employment in the firm's foreign unit.

4. Benefits: International benefits bring more difficulties while dealing with compensation for the employees. Pension plans are very difficult to deal with country to country because national practices vary considerably. Transportability of pension plans, medical coverage, and social security benefits are very difficult to normalise.

Most U.S. PCNs typically remain under their home-country's benefit plan. In some countries, expatriates cannot opt out of local social security programmes. In such circumstances, the firm normally pays for these additional costs. European PCNs and TCNs enjoy portable social security benefits within the European Union.

Multinationals also provide vacations and special leave. Included as part of the employee's regular vacation, annual home leave usually provides airfares for families to return to their home countries.

Rest and rehabilitation leave based on the conditions of the host country also provides the employee's family with free airfares to a more comfortable location near the host country. Emergency provisions are available in case of a death or illness in the family. Employees in hardship locations often receive additional leave expense payments and rest and rehabilitation periods.

5. Taxation: Taxation causes the most concern to HR practitioners and expatriates (both PCNs and TCNs) since it generally evokes emotional responses. No one enjoys paying taxes and this issue can be very time consuming for both the firm and the expatriate. For the U.S. expatriate, an assignment abroad can mean being double – taxed-both in the country of assignment and in the United States. This tax cost, combined with all the other expatriate costs, makes some U.S. multinationals think twice about making use of expatriates.

Tax equalisation is by far the more common taxation policy used by multinationals. Thus, for PCN, tax payments equal to the liability of a home-country taxpayer with the same income and family status are imposed on the employee's salary and bonus. The firm pays any additional premiums or allowances, tax-free to the employee. As multinationals operate in more and more countries, they are subject to widely discrepant income tax rates.

Example: In Singapore, if the expatriate receives the payment for the services rendered outside the country are not subjected to Singapore taxation, if a separate contract is established between the expatriate and a non-Singapore employer.

Did u know? Golden parachute is an agreement between a company and an employee (usually upper executive) specifying that the employee will receive certain significant benefits if employment is terminated. Sometimes, certain conditions, typically a change in company ownership, must be met, but often the cause of termination is unspecified. These benefits may include severance pay, cash bonuses, stock options, or other benefits. It is for the executive protection

11.8 Termination of Contract

One aspect of compensation that varies from country to country and has important implications for both subsidiary HR managers and HQ-based managers is the issue of what happens if the MNC decides to leave a foreign country or another firm takes over the management, and is not interested in doing business in this country. When such a decision is made, termination liabilities may result in significant payoffs to employees. By tradition, or law, or union contract, the MNC may be required to pay up to two years' salary to employees who are involuntarily terminated

11.9 Executive Compensation

Executive compensation refers to the compensation received by the top executives of business corporations. This includes a basic salary, bonuses, shares, options and other company benefits. Because of the changing economic conditions, it is very difficult to find and retain the executives who can motivate the people and lead the company to the heights by clearly communicating and achieving the vision of the organisation.

It is a common trend that the executives are swayed by the unique and the challenging opportunity rather than the attractive compensation packages. But, over the past three decades, executive compensation has risen dramatically beyond the rising levels of an average worker's wage.

Executive compensation is an important part of corporate governance, and is often determined by a company's board of directors.

Overall compensation is very important as the qualified candidate enjoys more negotiating power. So, the company needs to have a flexible compensation packages for their executives. Executive compensation packages can be designed by studying the competitors offerings as well.

11.10 Components of Executive Compensation

The basic components of the executive compensation includes the base salary, short-term incentives or bonuses, long-term incentive plans, employee benefits, perks and compensation protection (golden parachute). Long-term incentive plan comes in the form of performance shares or matching shares of the company.

In addition to it, the executives participate in “broad based” employee benefit plans and receives special benefits like life insurance and supplemental retirement’s plans. The compensation package of the executives is very flexible as the components of their compensation packages may vary from equity, restricted stock, flexible schedules, deferred compensation, performance incentives and other kind of compensation.

1. Equity or stock options are the contracts which give the recipient the right to buy the share of the stock at a “pre-specified” exercise price for a pre-specified term. The amount of the stock option given by the company to its executive depends on the industry and the valuation of the stock. They typically become exercisable over time. They are normally non-tradable and are forfeited if the executive leaves the firms before exercising.
2. Restricted stock are the stocks given to an executive that cannot be sold until certain conditions are met and has the same value as the market price of the stock at the time of grant. As the size of stock option grants have been reduced, the number of companies granting restricted stock either with stock options or instead of has increased.
3. Now a day’s international companies have started adding flexible schedules to the executives pay packages. Employers offering the flexi time or compressed workweeks, in geography (telecommuting or satellite workplaces), in time off (floating holidays or vacations carry over) and in career paths (job-sharing) have an added advantage in attracting the talent pool.
4. Deferred compensation plans are effective tools for retaining employees because they reward employees based on the company’s performance over time (typically three to five years). They are an investment vehicle that allows people to defer taxation of both the Notes initial contribution and the earnings on the deferred assets.
5. Performance incentives are special incentives – shares of stock, cash, vacations, or other bonuses tied to the performance of the department or business area that the executive manages. Performance incentives linked to long-term goals create vision that can inspire an executive to remain committed to a company.
6. Other benefits like car allowances, life insurance, relocation payments, flexible start dates, signing bonuses, use of company-owned vacation property, health-club membership, tuition reimbursements, etc. Offering non-monetary incentives also helps in attracting the talented candidates for the executive level.

Example: US corporations pay their top executives salary and short-term incentives or bonuses. This combination is referred to as Total Cash Compensation. Short-term have some performance criteria attached depending on the role of the executive. The Sales Director’s performance related bonus may be based on incremental revenue growth turnover; a CEO’s could be based on incremental profitability and revenue growth.

11.11 Strategies for the Growth of Executive Compensation

There are a number of strategies that could be employed as a response to the growth of executive compensation.

1. In the United States, shareholders must approve all equity compensation plans. Shareholders can simply vote against the issuance of any equity plans. This would eliminate huge windfalls that can be due to a rising stock market or years of retained earnings.
2. Independent non-executive director setting of compensation is widely practiced. Remuneration is the archetype of self dealing. An independent remuneration committee is an attempt to have pay packages set at arms' length from the directors who are getting paid.
3. Disclosure of salaries is the first step, so that company stakeholders can know and decide whether or not they think remuneration is fair. In the UK, the Directors' Remuneration Report Regulations 2002 introduced a requirement into the old Companies Act 1985, the requirement to release all details of pay in the annual accounts.
4. A say on pay – a non-binding vote of the general meeting to approve director pay packages, is practiced in a growing number of countries. The aim is that the vote will be a highly influential signal to a board to not raise salaries beyond reasonable levels.
5. Progressive taxation is a strategy that affects executive compensation, as well as other highly paid people. There has been a recent trend to cutting the highest bracket tax payers. Executive compensation could be checked by taxing more heavily the highest earners.
6. Maximum wage is the idea to place a cap on the amount that any person may legally make, in the same way as there is a floor of a minimum wage so that people can not earn too little.
7. Indexing Operating Performance is a way to make bonus targets business cycle independent. Indexed bonus targets move with the business cycle and are therefore fairer and valid for a longer period of time.

Executive compensation is a very important issue for investors to consider when making decisions. An improperly compensated executive can cost shareholders money and can produce

11.12 Summary

Compensation tends to vary widely around the business world due to the economic differences, differences in development levels, political factors, traditions and culture.

Compensation is the financial remuneration the employees receive in exchange for their labour. HR executives in global firms spend a great deal of time and effort in designing and managing compensation programmes because of their high costs and impact on corporate performance, commitment of employees and their retention.

Whenever the employee is sent abroad for the assignment, it is preceded by the fresh negotiations between the employer and the employee for its compensation.

The area of international compensation is complex primarily because multinationals must cater for three categories of employees: PCNs, TCNs, and HCNs.

The key components of international compensation include base salary, Foreign Service inducement/hardship programme, allowances, benefits and taxation.

Compensation decisions are very strategic decisions and are important for achieving organisation goals and objectives. Executive compensation structure varies from organisation to organisation.

11.13 Keywords

A Say on Pay: A non-binding vote of the general meeting to approve director pay packages. **Balance Sheet Approach:** The base salary for PCNs and TCNs to the salary structure of the relevant home country.

Benefit- An indirect reward given to the employees as a part of the organisational membership.

Compensation- It is the financial remuneration the employees receive in exchange for their labour.

Going Rate Approach- The base salary for international transfer is linked to the salary structure in the host country.

Job Evaluation- The process of assessing the values of the jobs within the organisation

Stock Options- It is the contract which gives the recipient the right to buy the shares of the stock at a pre-specified exercise price for a pre-specified term.

Vesting- The period of time before the recipient has the right to transfer shares and realise value. Vesting can be based on time, performance or both.

11.14 Self Assessment Questions

1. Examine the key components of an international compensation plan for an international firm.
2. Analyse the approaches for the international compensation plan.
3. Being a corporate HR, explain your plan/approaches you will follow for handling international taxation of the employees.
4. You are the HR manager of international firm. Devise the compensation plan for the middle-level executive.
5. What factors you will consider in devising a compensation plan for the expatriate?
6. Devise the strategies for the growth of the executive compensations.
7. Critically analyse the need for a compensation plan in the organisation.
8. You are the employee of a company which has recently decided to send you abroad for the assignments. Outline your expectations from the company in terms of compensation.
9. "Certain knowledge of national tax structure regarding expatriate income is important while devising international compensation policy". Justify.
10. Being the HR manager of the firm, give a detail outline of the compensation management in international context.
11. "Compensation policy of a company helps in attracting and retaining the talented pool" Do you agree? Justify.

11.16 Suggested Readings

1. Anne Wil Harzing et al., International Human Resource Management, Sage, New Delhi.
2. Hodgetts, Ricn M., and Luthan, Fred, International Human Resource Management, The McGraw Hill Companies Inc., New York.
3. Dowling Welch, Schuler, International Human Resource Management, Thomson, New Delhi.
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LESSON -12

ETHICAL ISSUES IN HR

Learning Objectives

- To Discuss about global HRM trends
- To List the challenges faced by GHRM
- To Recognise the ethics in international business
- To Elucidate on the significance of ethics for corporate
- To Describe strategies of IHRM

Structure

12.1 Introduction

12.2 Global HRM Trends and Future Challenges

12.3 Main Challenges in Global HRM

12.4 Global Values

12.5 Role of HR in Operationalizing Corporate Ethics Programmes

12.6 Challenges for the HR Function of the Multinational Firm

12.7 Global Developments on the Criminalization of Bribery

12.8 MNC – Global and Good Corporate Citizen

12.9 Social Responsibility of MNCs 12.10 Strategies of IHRM

12.11 Summary

12.12 Keywords

12.13 Self Assessment Questions

12.1 Introduction

When business conducted across national and cultural borders, the operationalization of an enterprise's ethics programme takes on added layers of complexity. Especially, when multinationals operate in host countries that have different standards of business practice and are economically impoverished, whose legal infrastructure is inadequate, whose governments are corrupt and where human rights are habitually violated.

The question of ethical relativity arises where human rights are habitually violated. The question of ethical relativity arises not only in the context of different home- and host-country employment practices but also in the central operations and policies of multinationals. So, now understand the developments of international business ethics and the challenges they raise for HR professionals.

To exist in international environment, the HRM strategies need to be redefined, some of them are discussed in the unit.

12.2 Global HRM Trends and Future Challenges

The human resource functions in a global arena follows some trends and challenges as discussed below:

The importance of globalisation and integrating markets: Companies will become larger and more global in the coming years, handling operations in more countries than they do today. We're living in an increasingly borderless world.

Talent management: Finding and retaining quality talent continues to be essential to business sustainability. Finding and retaining quality talent continues to be essential to business

sustainability, though its importance in relation to other challenges differs by location. There are more contingent workers, and the rationale behind work force investment is changing and moving in multiple directions.

Most industries and countries are to experience a widening talent gap, notably for highly skilled positions and for next generation of mid and senior leaders.

Working virtually: Working virtually across functions and geographies will intensify, with implications for intercultural communication, business ethics and organisational effectiveness.

Localising management of overseas operations is the key, but a global outlook is just as important as local knowledge. Businesses need to find new ways to connect people to each other and to information, both internally and externally. The expectation of having an “always-available” employee varies around the world.

Tentative global employee engagement :Companies that have implemented multiple layoffs have eroded a sense of security in the global work force. There is a disconnection between what companies currently have to offer employees and what employees really value.

Retaining valued talent is more important, but the drivers to retain that talent are different depending on the type of market (growth opportunity is paramount in growth markets; new or challenging responsibilities is paramount in mature markets).

The gap in creative leadership, executing for speed, and managing ‘collective intelligence’ must be addressed. Employee engagement has suffered; companies are now trying to restore pride and trust.

The economic crisis and fewer existing business opportunities: The crisis and fewer opportunities create a high demand on the global HR function to demonstrate greater adaptability.

Human Resource (HR) will be an important link between corporate headquarters and overseas operations. HR is conducting too many initiatives, with mediocre outcomes. Companies need to reform their HR function and boost resources devoted to HR.

Economic uncertainties: They fundamentally change motivators that attract and retain employees. There is an unbridged disparity between what companies have to offer employees and what employees really value.

Human capital protectionism: It may continue to increase in many countries in non-tariff, nationalistic forms. Global mobility of high-value workers: It continues as multinational companies restrict new hires and relocate talented employees from within their existing work force.

Companies in emerging markets: Companies that originate in emerging economies will continue to succeed in the global marketplace.

Increased demand for HR metrics: It may bring about a widely accepted set of analytic measures and methods (global standards) to describe predict and evaluate the quality and

impact of HR practices and the productivity of the work force. However, globalisation is also driving impetus toward the use of more metrics with greater cultural sensitivity

12.3 Main Challenges in Global HRM

Some major challenges in GHRM have been summarised below:

High failure rates of expatriation and repatriation

Deployment-getting the right mix of skills in the organisation regardless of geographical location

Knowledge and innovation dissemination-managing critical knowledge and speed of information flow

Talent identification and development-identify capable people who are able to function effectively

Barriers to women in GHRM

- a. International ethics Language (example, spoken, written, body)
- b. Different labour laws
- c. Different political climate
- d. Different stage(s) of technological advancement
- e. Different values and attitudes example, time, achievement, risk taking
- f. Roles of religion example, sacred objects, prayer, taboos, holidays, etc.
- g. Educational level attained
- h. Social organisations example, social institutions, authority structures, interest groups, status systems

12.4 Global Values

If a multinational has assigned a PCN to manage its operations in a host country where bribery is common, child labour is used and workplace safety is wanting, then it is difficult to determine whose standards should prevail i.e. those of the multinational's parent country or the host country?

The ethical relativist believes that there are no universal or international rights and wrongs. It all depends on a particular culture's values and beliefs. Thus if the people of Indonesia tolerate the bribery of their public officials, this is morally no better or worse than the people of Singapore or Denmark who refuse to accept bribery. For the ethical relativist, when in Rome, one should do as the Romans do. While ethical relativism may be appealing to those who fear cultural imperialism, it is a logical and ethically incoherent theory.

The ethical absolutist (or imperialist) believes one should continue doing what they will do in their home country. When in Rome, one should do what one would do at home, regardless of what the Romans do. This view of ethics gives primacy to one's own cultural values. But the opponents believe that ethical absolutists are intolerant individuals who confuse respect for local traditions with ethical relativism.

Some people's behaviours are wrong wherever they are practiced (e.g. bribery of government officials), other behaviours may be tolerated in their cultural context (e.g. the practice of routine gift giving between Japanese business people). When PCNs discover too late that the political legal environment in which their home-country policies were formulated

is significantly different from that of the host countries in which they operate, the results can be extreme.

Example: US expatriate bank manager in Italy who was applied by the local branch's recommendation to grossly under-report the bank's profits for income tax purposes and insisted the bank's earnings be reported in the same way as they would in the USA accurately. Later at the bank's tax hearing, he was told by the Italian Taxation Department that the bank owed three times as much tax as it had paid. This reflected the Italian Taxation Department's standard assumption that all firms under-report their earnings by two-thirds. The new assessment stood despite the expatriate's protests.

The ethical universalist believes there are fundamental principles of right and wrong which transcend cultural boundaries and that multinationals must adhere to these fundamental principles or global values. They can distinguish between practices that are culturally different and those that are morally wrong.

It has been identified that honesty, compassion, responsibility, freedom, respect for life and nature, fairness, tolerance and unity (family or community) are core global values to which people subscribe irrespective of race, culture, gender or religion. The challenge for business lies in incorporating them as core business values and aligning the staff to these values.

Example: The value of respect might include valuing differences (gender, sexual orientation, race, religion, etc.), sexual harassment prevention and understanding stereotypes as well as workplace safety, product safety and environment protection. The challenge for managers operating in diverse cultural environments is that different cultures will prioritise core ethical values differently and will translate values into specific behaviours differently. This is the main reason why cultures clash and is the essence of a true ethical dilemma. Like in USA, freedom is regarded as the most important global value whereas in Asia, family or community unity includes fairness, honesty and responsibility along with freedom and unity as top ethical values.

It is the initiatives in international business self-regulation developed in 1994 by Japanese, European and North American business leaders meeting in Caux, Switzerland. This was the first international ethics code for business and aimed to set a global benchmark against which individuals firms could write their own codes and measure the behaviour of their Notes executives. The Caux Principles are grounded in two basic ethical ideals: kyosei and human dignity. The Caux Principles aim to operationalising the twin values of living and working together and human dignity by promoting free trade, environmental and cultural integrity and the prevention of bribery and corruption.

12.5 Role of HR in Operationalising Corporate Ethics Programmes

HR has a special role to play in the formulation, communication, monitoring and enforcement of an enterprise's ethics programme. The HR function along with finance and law is the appropriate locus of responsibility for an enterprise's ethics programme. HR is well positioned to make an important contribution to creating, implementing and sustaining ethical organisational behaviour within a strategic HR paradigm. HR professionals have specialize expertise in the areas of organisational culture, communication, training, performance management, leadership, motivation, group dynamics, organisational structured and change management—all of which are key factors for integrating responsibility for ethics into all aspects of organisational life.

12.6 Challenges for the HR Function of the Multinational Firm

People involved in international business activities face many of the same ethical issues as those in domestic business but the issues are made more complex because of the different social, economic, political and legal environments in which multinationals operate. So, multinationals will need to develop self-regulatory practices via codes of ethics and behavioural guidelines for expatriate, TCN and local HCN staff. Firms which opt consciously or by default to leave ethical considerations up to the individual not only contribute to the pressures of operating in a foreign environment but also allow internal inconsistencies that affect total global performance.

1. When selecting expatriates, their ability to manage with integrity could be a job-relevant criterion.
2. The pre-departure training of expatriates and their orientation programme should include an ethics component.
3. This might include formal studies in ethical theory and decision-making as well as interactive discussion and role playing around dilemmas that expatriates are likely to encounter.
4. In an effort to sensitise managers to cultural diversity and to accept the point that home practices are not necessarily the best or only practices, there has been an emphasis in international business training on adapting to the way in which other cultures do business.
5. In designing training programmes to meet the challenges of multinational business, professional must raise not only the issue of cultural relatives but also the extent to which moral imperatives transcend national and cultural boundaries.
6. It is also important for the HR department to monitor the social (ethical) performance of its expatriate managers to ensure that as managers become familiar with the customs and practices of competition in the host country, they do not backslide into the rationalization that “everybody else does it”.
7. To avoid temptation to cut ‘ethical corners’, expatriates must not be placed under unreasonable pressure to deliver good financial results and they must be given feedback and reinforcement
8. Performance appraisals, compensation programmes and regular trips home are important instruments in developing and maintaining ethical cultures.
9. The HR department must also offer ongoing support to expatriates throughout their assignment. This is made relatively that an expatriate faced with a dilemma might have ready access to mentors at home or expatriates in other countries via these technologies.
10. Those involved in the management of HR would do well to consider these issues when developing organisational strategies and selecting, training and developing expatriates

12.7 Global Developments on the Criminalisation of Bribery

Bribery and corruption are the most frequent ethical problems encountered by international managers. The World Bank estimates that about US \$80 billion annually goes to corrupt government officials

Bribery involves the payment of agents to do things that are inconsistent with the purpose of their position or office in order to gain an unfair advantage. It can be distinguished from so-called gifts and ‘facilitating’ or ‘grease’ payments. The latter are payments to motivate agents to complete a task they would routinely do in the normal course of their duties.

Bribery undermines equity, efficiency and integrity in the public service, undercuts public confidence in markets and aid programmes, adds to the cost of products and may affect the safety and economic well-being of the general public.

1. Internationally, the movement to criminalise the practice of bribery was started when in 1977, the USA enacted the Foreign Corrupt Practices Act (FCPA) to prohibit US-based firms and US nationals from making bribery payments to foreign government officials. Payments to agents violate the Act if it is known that the agent will use those payments to bribe a government official. The Act was amended in 1988 to permit 'facilitating' payments but mandates record-keeping provisions to help ensure that those payments are not disguised as entertainment or business expenses.

2. In December 1996, the UN adopted the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, which committed UN members to criminalise bribery and deny tax deductibility for bribes. A year later, the Declaration was endorsed by 30 member nations and four non-member nations of the OECD adopting the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD) Convention.

12.8 MNC-Global and Good Corporate Citizen

A global world is an interconnected world. It presents a critical challenge to identify common ethical values that underline cultural, religious and philosophical differences. While there are important differences between Western and Eastern philosophical traditions, they share four fundamental core human values:

1. Good citizenship
2. Respect for human dignity
3. Respect for basic rights
4. Equity

Applications of core human values to specific duties of multinationals include the adoption of adequate workplace and environmental health and safety standards, the payment of basic living wages, equal employment opportunity, refraining from the use of child labour, providing basic employee training and education, and allowing workers to organise and form unions.

The regulation of foreign investment is another area that has some implications for ethics and social responsibility. Many nations and their governments have disapproved the ethics of MNCs gaining an economic foothold and then taking the resources and profits back home. These concerns have led to regulation.

In order to be accepted as a good corporate citizen in the local community, a subsidiary must be prepared to abide by both the word and spirit of local laws. This is because the media is particularly harsh with them.

The laws and social norms governing these factors may vary in different countries and compliance with them with better standards than local firms is necessary for a good image.

The foreign subsidiaries should take particular care of:

1. Adulteration and loss of quality.
2. Environment and pollution control.

3. Employment of women, children and minorities.
4. Employment of local citizens.
5. Personal issues including remuneration, pension or severance benefits.
6. Management-union relationship.
7. Taxation and financial controls.
8. Purchase of local and foreign materials.
9. Purchase, lease, and location of buildings and plant.
10. Participate in local festivals and make liberal donations.

Ethical issues including human rights and environment protection are at the centre stage in today's world. This knowledge can be obtained from a study of the national legal system, religious practices and codes, study of organisations and their cultures, interviewing expatriates who have served in that country and gaining knowledge.

Ethical consumerism is the intentional purchase of products and services that the customer considers to be made ethically with a minimal harm to or exploitation of humans, animals and/ or the natural environment. Ethical consumerism is practiced through 'positive buying' in that ethical products are favoured, or "moral boycott", that is negative purchasing and company based purchasing.

12.9 Social Responsibility of MNCs

Ethics and the question of corporate social responsibility are complex and the source of much controversy.

Corporate social responsibility is a form of corporate self-regulation integrated into a business model. CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms.

Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. It is also known as corporate responsibility, corporate citizenship, responsible business, Sustainable Responsible Business (SRB), or corporate social performance.

Corporate Social Responsibility is becoming an increasingly prominent issue in Europe, North America and elsewhere. The main reasons for this growing interest are:

1. Globalisation and rapid advances in information technologies;
2. The greater importance of citizen-driven activities, best seen in the work;
3. Performed by Non-governmental Organisations (NGOs); Notes
4. Greater social awareness among consumers;
5. Increased competition among corporations.

The growing interest in CSR issues has motivated entities – such as the United Nations, The Organisation for Economic Cooperation and Development (OECD) and assessment Organisations in Europe and North America – to establish and enhance standards that will serve as a benchmark for multinational corporate behaviour, and to strengthen mechanisms evaluating that behaviour.

In Japan, too, there is a growing realisation of the need for CSR. This is partly due to a series of corporate scandals that have prompted Japanese industry and the government to introduce a range of counter-measures.

To achieve the goal of corporate social responsibility, HR professionals in multinationals may be required to:

1. Minimise the exposure of employees to corrupt conduct by assisting in the development, publication, and implementation of appropriate codes of conduct.
2. Ensure training programmes cover areas of ethical concern – such as bribery, human rights, justice, and the common good – in a manner consistent with the multinational's objectives in this regard.
3. Align performance appraisal and compensation systems so that they support the ethical stance taken.
4. Be conversant with the type of requests that may be made of staff operating internationally – not just expatriates but also those who visit foreign markets in various capacities – and provide the necessary training so that they have the requisite negotiating skills to handle problem situations that may arise.
5. Ensure that employees understand the difference between corrupt bribery payments, gifts, and allowable facilitation payments. Given the strong positions taken by governments on ethical behaviour, it is important that all staff is fully briefed on their responsibilities in this regard.

12.10 Strategies of IHRM

Human resource is the most significant part of an organisation. With organisations going global, the functions and responsibilities of HRM have also enhanced. Below are described the strategies for IHRM with the steps towards them.

Steps to a Global Human Resources Strategy

The scarcity of qualified managers has become a major constraint on the speed with which multinational companies can expand their international sales. The growth of the knowledge based society, along with the pressures of opening up emerging markets, has led cutting-edge global companies to recognise now more than ever that human resources and intellectual capital are as significant as financial assets in building sustainable competitive advantage. To follow their lead, chief executives in other multinational companies will have to bridge the gap between their companies' human resources rhetoric and reality. HR must now be given a prominent seat in the boardroom.

Good HR management in a multinational company comes down to getting the right people in the right jobs in the right places at the right times and at the right cost. These international managers must then be meshed into a cohesive network in which they quickly identify and leverage good ideas worldwide.

Such an integrated network depends on executive continuity. This in turn requires career management to insure that internal qualified executives are readily available when vacancies occur around the world and that good managers do not jump ship because they have not been recognized.

Very few companies come close to achieving this. Most multinational companies do not have the leadership capital they need to perform effectively in all their markets around

the world. One reason is the lack of managerial mobility. Neither companies nor individuals have come to terms with the role that managerial mobility now has to play in marrying business strategy with HR strategy and in insuring that careers are developed for both profitability and employability.

Ethnocentricity is another reason. In most multinationals, HR development policies have tended to concentrate on nationals of the headquarters country. Only the brightest local stars were given the career management skills and overseas assignments necessary to develop an international mindset.

HR directors rarely have extensive overseas experience and their managers often lack business knowledge. Also, most HR directors do not have adequate information about the brightest candidates coming through the ranks of the overseas subsidiaries. "HR managers also frequently lack a true commitment to the value of the multinational company experience," notes Brian Brooks, group director of human resources for the global advertising company WPP Group Plc. The consequent lack of world-wide multi-cultural managerial talent bites into companies' bottom lines through high staff turnover, high training costs, stagnant market shares, failed joint ventures and mergers and the high opportunity costs that inevitably follow bad management selections around the globe.

Companies new to the global scene quickly discover that finding savvy, trustworthy managers for their overseas markets is one of their biggest challenges. This holds true for companies across the technology spectrum, from software manufacturers to textile companies that have to manage a global supply chain. The pressure is on these newly globalising companies to cut the trial-and-error time in building a cadre of global managers in order to shorten the leads of their larger, established competitors, but they are stymied as to how to do it.

The solution for multinationals is to find a way to emulate companies that have decades of experience in recruiting, training and retaining good employees across the globe.

12.11 Summary

When the business is conducted across national and cultural borders, the operationalization of the enterprises ethics programme adds complexity.

Challenge in the international business lies in incorporating the core business values and aligning the staff to these values.

Challenges for the managers operating in diverse cultural environments is that different cultures will prioritise core ethical values differently and will translate values into specific behaviors differently.

Culture shock develops as a result of a person working within a different and unknown cultural or social environment.

Bribery and corruption are the most frequent ethical problems encountered by international managers

Ethics and corporate social responsibility are important factors but complex issues.

International managers must expect managers from other cultures to apply different criteria in making ethical decisions and that such choices are heavily influenced by each one's culture. The scarcity of qualified managers has become a major constraint on the speed with which multinational companies can expand their international sales.

Good HR management in a multinational company comes down to getting the right people in the right jobs in the right places at the right times and at the right cost. These international managers must then be meshed into a cohesive network in which they quickly identify and leverage good ideas worldwide.

The consequent lack of world-wide multi-cultural managerial talent bites into companies' bottom lines through high staff turnover, high training costs, stagnant market shares, failed joint ventures and mergers and the high opportunity costs that inevitably follow bad management selections around the globe.

Based on the company's business strategy, activities should be identified that are essential to achieving success around the world and specify the positions that hold responsibility for performing them.

Overseas assignments and cross-border task forces are excellent ways to challenge, develop and retain good managers.

12.12 Keywords

Corporate Ethics: It refers to the formulation of the internal policies pertaining to the ethical conduct of employees.

CSR: It is a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms.

Culture: It is the organisation's personality revealing the shared values, beliefs and habits of its members.

Culture Shock: It is the anxiety and feelings of surprise, disorientation, uncertainty; confusion, etc. felt when people have to operate within a different and unknown cultural or social environment.

Ethical Absolutists: They believe in the primacy of one's own culture values.

Ethical Consumerism: It is the intentional purchase of products and services that the customer considers to be made ethically with a minimal harm to or exploitation of humans, animals and/or the natural environment.

Ethical Relativists: They believe that there are no universal or international rights and wrongs.

Glass Ceiling: It is an unofficially acknowledged barrier to advancement in a profession, especially affecting women and members of minorities.

Strategy: It is a plan of action designed to achieve a particular goal.

Talent Management: Finding and retaining quality talent continues to be essential to business Sustainability

12.13 Self Assessment Questions

1. Analyse the areas of developments of international business ethics and the challenges they raise for HR professionals.
2. Being an HR manager, develop the strategies for the international HRM of an Indian subsidiary operating abroad.
3. Examine the emerging role of HR in operationalising corporate ethics programme.
4. Why nowadays corporates are becoming socially responsible? Explain by giving example of a big corporate.
5. Analyse the challenges for the HR formation of the international firm.
6. When a firm operates abroad, what are the ways in which a firm can create an image of the good and responsible corporate in the mind of the local community?

7. Develop the detailed HR plan which a manager should consider when sending his employees abroad for work in the subsidiaries.
8. How do you think that the problem of bribery and corruption leads to ethical dilemmas? Suggest the measures taken to deal with them.
9. Consider that your company has decided to send you abroad to manage its operations in a host country where bribery and corruption is common. Analyse the global values which you will follow.
10. Analyse the role and responsibilities of HR managers in achieving the corporate social responsibility for subsidiary operating abroad.
11. Describe in detail the IHRM strategies and how can these be made to work.

12.14 Suggested Readings

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LESSON -13

CULTURE AND INDIAN MANAGERS

Learning Objectives

- ✓ To define culture and its determinants
- ✓ To discuss the issues in organisational culture
- ✓ To recognise cultural diversity at work
- ✓ To explain how to maintain motivation and communication across culture

Structure

- 13.1 Introduction
- 13.2 Basics of Culture
- 13.3 Determinants of Culture
- 13.4 Reasons for the Convergence of the Cultures
- 13.5 Importance of Cultural Sensitivity to Organisations
- 13.6 Issues in Organisational Cultures
 - 13.6.1. Power Distance
 - 13.6.2. Uncertainty Avoidance
 - 13.6.3. Individualism
 - 13.6.4. Masculinity
- 13.7 Cultural Diversity at Work Place
- 13.8 Motivation and Communication across Culture
- 13.9 Cross-culture Communication
- 13.10 Summary
- 13.11 Keywords
- 13.12 Review Questions
- 13.13 Self Assessment Questions

13.1 Introduction

The interaction of learning within a society produces a body of socially transmitted behavior which is perpetrated beyond the individual life-span. The term 'culture' is applied to such systems of acquired and transmitted behaviour. Organisational culture is different from world cultures in terms of the languages, beliefs, and foods, which are the source of our identity. This environment not only influences inhabitants and customers, but also the people who work there. So, the organisational culture has to be tuned along with the readjustments that are needed to be made for enhancing the human resource management function in international context.

13.2 Basics of Culture

Culture is defined as that complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities acquired by man as a member of society. It is the collective programming of the mind which distinguishes the members of one human group from another. So, culture includes systems of values and values are among the building blocks of culture. Important cultural elements are values, norms, attitudes, folkways and customs. Values form the bedrock of a culture. They provide the context within which a society's norms are established and justified. They may include a society's attitude towards such concepts as individual freedom, democracy, truth, justice, honesty, loyalty, social obligations, collective responsibility, marriage, sex and so on.

1. Norms are further subdivided into two major categories: Folkways and Mores. While folkways define the way people are expected to behave. People who violate folkways are

thought of as eccentric or ill-mannered.

2. Mores are norms that are seen as central to the functioning of a society and to its social life. Mores include such factors as indictments against theft, adultery, etc. For example eating cow's meat is viewed critically by Hindu Society. While drinking is common in the US, the same is prohibited in Saudi Arabia and is a punishable offence.

3. Cultural traits are unique aspects of individual cultures. A cultural trait is a custom such as men opening the door for women, a gesture such as namaste.

4. Enculturation is the process of acquiring cultural traits. One acquires cultural traits naturally within one's culture.

5. Diffusion is the process through which cultures change. Each society borrows cultural traits from others, particularly if a newly learned trait seems better than a traditional one.

Some sectors of society resist such changes. This is known as cultural lag.

6. If contacts between societies are prolonged, acculturation may occur. Traits that have been borrowed over the short-term become permanently adopted. New customs, devices, gestures and ideas irrevocably change both interacting cultures.

7. Assimilation occurs when immigrants or other newcomers adopt the culture of the society in which they have settled.

8. When people leave their own culture to enter another, they must grapple with unfamiliar and unpredictable events, relationships and objects. Some of these may cause a phenomenon called culture shock.

Organisational culture is defined as the specific collection of values and norms that are shared by people and groups in an organisation and that control the way they interact with each other and with stakeholders outside the organisation. Today due to the globalisation and liberalization of the economy, organisations are evolving into global corporates and thus, they have to develop the global strategies and management approach in order to succeed in the foreign markets.

Corporate culture is the total sum of the values, customs, traditions and meanings that make a company unique. Corporate culture is often called "the character of an organisation" since it embodies the vision of the company's founders. The values of a corporate culture influence the ethical standards within a corporation, as well as managerial behaviour. Organisational culture is not the same as corporate culture. It is wider and deeper concepts.

Organisation culture is shaped not only by technologies and markets, but also by the cultural preferences of leader and employees. Some international companies have European, Asian, American and Middle-Eastern subsidiaries, which would be unrecognisable as the same company except for the logo and reporting procedures.

National culture influences the extent to which leadership; teams and employee activities are socially valued and supported. The impact of national culture on organisation cultures by distinguishing corporate culture along two axes: equality, hierarchy and orientation to the person – the task, which gives broadly four types of cultures depending on how they think and learn, how they change and how they motivate, reward and resolve conflicts. The four types can be described as follows: (1) the family; (2) the Eiffel Tower; (3) the guided missile; and (4) the incubator. Each of these types of corporate culture is the 'ideal' type. In practice, the types are mixed or overlaid with one culture dominating.

13.3 Determinants of Culture

National cultures are constantly evolving. Factors that influence the evolving pattern

are prevailing political and economic systems, the social structure of society, dominant religion, language, aesthetics and education.

1. Social Structure: A society's social structure refers to its basic social organisation. Social structure (for study of cultural differences) consists of:

(a) The degree to which the basic unit of social organisation is the individual, as opposed to the group. An individual is the basic unit in western societies and therefore individual achievement gets primacy. In most other societies the group is the basic unit of social structure.

(b) It is the degree of relative importance to individualism or group that differentiates different cultures.

2. Language: This is an essential element which distinguishes one culture from another. In business communication, the translation from one language to another can result in inaccuracies. The same language may have different terms for the same word.

Example: In American English, petrol (British English) is called gasoline and biscuits as cookies. An Indian generally would not understand the word 'downtown' frequently used by Americans for city centre.

In the UK, a person with a large office is important in the hierarchy. But in Japan, many high executives share offices. Much business communication also depends on non-verbal messages. Body language differs from culture to culture.

Example: Nodding of the head one way may mean 'yes' in one culture and 'no' in another.

3. Education: Learning and sharing cultural values happens through the education system.

4. Aesthetics: The aesthetics of a culture refers to designs, forms, colours, shapes, sounds – things conveying the concept of beauty and good taste. These are reflected in the music, art, and architecture of a society. The aesthetics of a culture can affect a firm's marketing strategy, diplomacy and management of human resources

13.4 Reasons for the Convergence of the Cultures

Factors that have encouraged the convergence of certain aspects of culture among nations are:

1. Improvements in transport and communications and a huge increase in the number of people visiting foreign countries.
2. Globalisation of media resulting in the same newspaper and magazine article appearing in all nations.
3. Similarities in the tastes and consumption patterns of young people.
4. The operation of multinationals across the world, supplying standardised products and frequently using undifferentiated marketing strategies.
5. A seemingly worldwide increase in consumers' willingness to accept fresh ideas and try new products.
6. Adoption of similar technologies in several countries, creating common work experiences and working methods.

13.5 Importance of Cultural Sensitivity to Organisations

Global organisations need to know about cultural differences among nations in order to be able to:

1. Communicate effectively with customers, suppliers, business associates and partners in other countries and with foreign employees,
2. Conduct negotiations and understand the nuances of the beginning postures of the other parties into a negotiation,
3. Predict trends in social behaviour likely to affect the firm's foreign operations,
4. Understand ethical standards and concepts of social responsibility in various countries,
5. Predict how cultural differences will affect consumer reactions to advertisements and other promotions,
6. Foster relationships between union confederations and employee associations requiring cultural empathy,
7. Understand local government policies and influence it for business promotion,
8. Conduct efficient meetings in different countries and encourage employee participation in management,
9. Understand how people interpret market research and other information.

13.6 Issues in Organisational Cultures

In order to analyse the influence of different national cultures and finding a common dimension of culture across the countries, G. Hofstede gathered the data from the surveys and found that:

1. Work-related values are not universal;
2. Underlying values persist when a multinational company tries to impose the same norms on all its foreign interests;
3. Local values determine how the headquarters' regulations are interpreted;
4. By implication, a multinational that tries to insist on uniformity is in danger of creating morale problems and inefficiencies.

The four well-known dimensions that Hofstede examines were:

13.6.1. Power Distance: It is 'the extent to which less powerful members of organisations accept that power is distributed unequally.' It is the distance between individuals at different levels of hierarchy. Countries in which people blindly obey the orders of their superiors have high power distance.

Power distance is greatest in Malaysia and least in Austria and Israel. The proportion of supervisory personnel is less and the workforce will often consist of highly qualified people in high power distance countries. The salary gap between levels will be higher.

Power will be reflected through status symbols. Status will be highly valued and have higher motivational appeal. Management is more by control than by participation.

13.6.2. Uncertainty Avoidance: It is 'the extent to which people feel threatened by ambiguous situations, and have created beliefs and institutions that try to avoid those. High uncertainty-oriented nations tend to have a high need for security and a strong belief in experts and their knowledge.

Example: It includes Germany, Spain and Japan. Members in these countries are more anxiety-prone and have high job stress. Employees place high premium on job security, career planning, and health insurance and retirement benefits.

Countries with low uncertainty culture are more entrepreneurial, innovative and exhibit less emotional resistance to change.

Example: Swedes suppress emotions and see shyness as a positive trait and talkativeness as a negative one. In business, they opt for the rational than the emotional course. Swedes are avid appliers of new technology and are ruthless in scrapping what is old inefficient.

Trade unions, which find a place on the board, will accept job cuts if they find rational arguments in favour. Organisations encourage personnel to use their own initiative and to assume responsibility for their actions. Sweden, the US and UK are examples of countries with low uncertainty avoidance.

13.6.3. Individualism: Individualism is the tendency of people to look after themselves and their immediate families only. These cultural differences are measured on a bipolar continuum with individualism on one end and collectivism on other. Collectivism is the tendency of the people to belong to groups and to look after each other in exchange for loyalty.

Example: Americans, high on individualist score, readily go to court against authority and each other to claim their rights. Individual decisions are valued over group decisions and individuals have the right to differ from majority opinion.

Wealthy countries have higher individualism scores, and poorer countries have higher collectivism scores. Countries like the USA, Canada, Denmark, and Sweden have high individualism and higher gross product. Japan is an exception. Conversely, countries like Pakistan, or those in Latin America have low individualism (high collectivism) and low gross national product.

13.6.4. Masculinity: Masculinity is defined as a situation in which the dominant values in society are success, money, and things. Countries like Japan, with a high masculinity index, place great importance on earnings, recognition, advancement and challenge.

Countries like Norway, with a low masculinity index, tend to place great importance on cooperation, friendly atmosphere, and employment security. The workplace has a cordial atmosphere and managers give more credit to employees and freedom to act. Cultures with a high masculinity index like Germany and Spain favour large scale enterprises. Economic growth is more important than conservation of environment.

Cultures with high femininity tend to favour small-scale enterprises and place great importance on conservation of environment.

These cultural dimensions can be used for explaining the differences between various countries and how countries can be described in terms of pairs of dimensions. Americans have very high individualism and relatively low power distance. They prefer to do things for themselves and are not upset when others have more power than they do. Americans are taught that every one is equal, so individuals having important titles or jobs do not overly impress them. Australians, Canadians, British, New Zealanders have the same basic values and therefore can be clubbed together in one cluster.

The integration of these cultural factors into a two-dimensional plot – the uncertainty avoidance index against power distance – explains culture's effect on behaviour. A number of dimensions are at work and sometimes they do not all move in the anticipated direction. Also

certain other factors affecting the organisational culture are:

1. **Universalism-particularism:** In some cultures people see rules and regulations as apply universally to everyone, regardless of who they are. In cultures which are more particularist, people see relationships as more important than applying rules that are same for everyone.

There is an inclination to apply the rules according to friendship and kinship relations. This has implications for recruitment and promotion policies in organisations in some Asian countries, which may be at variance with practices in countries such as the United States and Britain.

2. **Achievement-ascription:** Status is accorded to people on the basis of what they achieve in their jobs and their lives (achievement) or who they are and where they come from such as family background, their school or some other prior factor (ascription). This may influence recruitment and promotion policies which may be at variance with practices in some (but not all) Western cultures. On some measures Austria, Belgium, Spain and Italy are more ascription oriented, and Denmark, Britain and Sweden more achievement oriented.

3. **Locus of control:** People tend to believe that what happens to them in life is their own doing (internal locus of control), or they have no or little control over what happens to them (external locus of control), the causes of which are external to them.

13.7 Cultural Diversity at Work Place

Cultural differences affect the organisational work behaviour within the countries and cultures. The knowledge of the culture helps in understanding the beliefs, attitude and orientation of the employees and workers from the countries internationally. Pattern of behaviour and thinkings different in different countries due to different cultures. This is a major issue which organization faces in cross-border deals

Table 2.1: Kluckhohn-Strodthbeck's Criterion for Comparing Culture

S. No.	Orientation of People	Pattern of Behaviour or Thinking
1.	What is the nature of people?	Good, evil or mixed
2.	What is a person's relationship to nature?	Dominant, harmony, or subjugation
3.	What is a person's relationship to individual?	Hierarchical, collectivist or others
4.	What is the modality of human activity?	Doing, being or containing
5.	What is the temporal focus of human activity?	Future, present or past
6.	What is the conception of Space?	Private, public or mixed

The task of management is to change organisational structures, management practices and the human resource practices including organisational culture to allow individual potential to be released. This corresponds to assumptions that human nature is basically evil and therefore people at work require controlling. Team-building is easy and delegation of authority is more common in countries where the orientation to people and organizations is good. Democracy is a preferred way of life in such countries.

In countries where the orientation to human nature is 'Mixed', there is more use of middleman and business contracts are made more specific. In such countries legal profession is a flourishing trade.

Example: America and India are nations with mixed orientation while Saudi Arabia and Japan are countries where orientation towards human nature is good. Americans are

optimistic about other people's motivations and capacities.

2. The second orientation is about relationship to nature, which relates to locus of control – whether it is internal or external.

Example: Americans with an orientation for being 'dominant' believe that man can control nature and spend huge amounts on space research, weather control, and biotech, etc. In such dominant countries, conflict is not disapproved of and differences in views are encouraged.

The eastern countries, with an orientation towards harmony, believe that there should be peace between man and nature. There is also a desire to avoid conflicts. Countries in the Middle East and India, with an orientation for subjugation, believe that destiny and God control everything. People believe in astrology and assign all success and failure to God.

3. The third orientation – a person's relationship to others – is about the importance of hierarchy or respect for seniority on the basis of age, sex, familial or official position. Example: Countries like Thailand, China and Indonesia have more follower-ship than leadership.

4. The fourth orientation is the modality of human activity. When it is towards doing as in the case of Americans, Germans or the English, self-identification is achieved through action and performance. Where the orientation is towards 'being', people are more philosophical and spend time in abstract thinking Example: In countries of the Middle East, and in India and China, status in life is derived from birth, age, sex, family, and social connections more than through one's achievement.

Where the orientation is towards 'containing' (Japan, Thailand), focus is on self-control. Striving is for balance between feelings and doing.

5. The fifth orientation is the temporal focus of human activity. When it is 'future' oriented (e.g. US), the belief is that a better future can be planned and controlled. On the other hand, if the orientation is towards the 'past', like in India, Pakistan, and the Middle East, people base their decisions on lesson learned from the past.

6. Concept of space in the minds of people: How much people value privacy is the other orientation. If people think space is 'public' then a notice that a meeting is in progress is interrupted as a request to stay out. In countries like China, space is more 'public' when doors are closed. People suspect something fishy. In the western countries, space is more 'private'. People like their chambers and always knock before entering others' rooms. So, these orientation patterns play a great role in determining and comparing the cultures across nations and help the organisation in designing their strategies accordingly.

13.8 Motivation and Communication across Culture

Motivation of the employees is most important task which the managers and the organizations have to perform. Motivated employee results in the increased productivity and creates personal effectiveness at the workplace. For motivating the employees internationally, MNCs must be aware about the cultural norms and regulations. There are basically two motivation theories that are used to analyse the behaviour of the individual. They are: individual dimensions focusing on the individual aspect, while other is team dimension which focuses on the team behavior and motivation of the employees.

Maslow has identified the five basic needs of the human beings which form a hierarchy. They are physiological, safety, social, esteem and self-actualisation needs. Unless the lower order needs are met, the higher order needs cannot be satisfied. In countries like Greece and Japan, need motives of the employees are strong than the self-actualisation needs. In these countries, employees consider the lifetime employment and job-security more important than having a challenging job. In countries like Pakistan, people tend to stress more on the social needs. But for an American, self-actualisation needs are more important than social needs.

Hertzberg's two-factor motivational theory states that hygiene factors which are associated with the environment surrounding the job only de-motivate the employees. The motivators associated with the job itself have the power to motivate the people. But culture again is an influencing factor that motivates and demotivates the employees' behaviour. The highly individualistic, productive-oriented American culture focus is on the job enrichment while in Sweden and Norway, quality of the working life is given more emphasis which acts as a motivating factor for the employees.

In many countries, the most important goal concerned is the achievement, environment conditions and employment conditions like pay and work hours, but there are certain cultural differences across different countries which the organisation must consider before designing the motivational policies:

1. English speaking countries ranked higher on individual achievement and lower on the desire for security.
2. French-speaking countries gave importance to security and to challenging work.
3. Germany ranked highest on security and fringe benefits and highest on "getting ahead."
4. Japan ranked second highest on challenge and lowest on autonomy with a strong emphasis on good working conditions and a friendly working environment.

The above motivational theories are used in designing the jobs, developing the work centrality and rewards policy by the MNCs internationally. In Japan, quality of work life is more emphasized with structured task, low individualism, and strong emphasis on the security. Individual-risk taking is not encouraged and they are used to take orders from their superiors. Emphasis is laid out on money and material symbols of success. They heavily depend on money as a motivator to motivate them and get the work done.

Work centrality focuses on the significance which individual places on the work in comparison to other areas of personal interest such as family, religion, etc. it varies from culture to culture. Job satisfaction is most important factor motivating the employees across cultures. Americans are more satisfied with the job challenges, team work opportunities and ability to make a significant contribution at workplace.

Reward system also motivates the individual. But to standardise the reward policy of the MNCs is the biggest challenge especially when the firm functions internationally. Americans prefer to work for organisations that provide merit-based rewards for the individuals, while Japan and Korean workers prefer to group performance for rewards.

Global firms pay more attention to the workplace relationships which create motivating climate.

The employees are motivated by the structures they work in. Management are using the teams to enrich and motivate the productive work. Japanese work on this concept and

developed a small team of volunteers from the same work area who met on a regular basis in order to identify, analyse and resolve production problems. It increases the efficiency. Team performance and team bonus is more important for them than the individual performance as in case of Americans.

So, when the MNCs transcend the national borders, they have to take care of the cultural factors in motivating the employees by designing the compensation and reward policies based on the cultural aspects of the countries.

13.9 Cross-culture Communication

Communication is the exchange of meaning: it is my attempt to let you know what I mean. Communication includes any behaviour that another human being perceives and interprets. Communication includes sending both verbal messages (words) and nonverbal messages (tone of voice, facial expression, behaviour, and physical setting). It includes consciously sent messages as well as messages that the sender is totally unaware of sending.

Cross-cultural communication occurs when a person from one culture sends a message to a person from another culture. Cross-cultural miscommunication occurs when the person from the second culture does not receive the sender's intended message. The greater the difference between the sender's and the receiver's culture, the greater the chance for cross-cultural mis-communication.

Example: A Japanese businessman wants to tell his Norwegian client that he is uninterested in a particular sale. To be polite, the Japanese says, "That will be very difficult." The Norwegian interprets the statement to mean that there are still unresolved problems, not that the deal is off. He responds by asking how his company can help solve the problems. The Japanese, believing he has sent the message that there will be no sale, is mystified by the response.

Communication does not necessarily result in understanding. Cross-cultural communication continually involves misunderstanding caused by mis-perception, misinterpretation, and misevaluation. When the sender of a message comes from one culture and the receiver from another, the chances of accurately transmitting a message are low. Foreigners see, interpret, and evaluate things differently, and consequently act upon them differently. In approaching cross-cultural situations, one should therefore assume difference until similarity is proven. It is also important to recognise that all behaviour makes sense through the eyes of the person behaving and that logic and rationale are culturally relative.

Moving from one country to another, whether for business or pleasure, almost invariably causes culture shock and the severity of the shock is directly proportional to the cultural distance between two countries. The process of intercultural communication is complex as it involves the communication between individuals from the different cultures. The societies are divided on the basis of the culture internationally. High-context and low-context cultures have to be taken in account by the organisation to design their policies internationally.

Members of high-context culture, depend heavily on the external environment, situation and non-verbal behaviour in creating and interpreting communication. Members of this culture group learn to interpret the covert clues when they communicate so much meaning is conveyed indirectly. They believe in long-term relationships.

In low-context cultures like the US, Sweden, and Britain, the environment is less important, and non-verbal behaviour is often ignored. Therefore, communication has to be explicit and clear. People pay more attention to words than to gestures. People publish their experiences, which are widely read and commented upon. In the East, experiences are not published but passed on to close individuals. Relationships between individuals are of relatively short duration, and deep personal bonds with others are not greatly valued.

Example: High-context cultures are Arabia, Chinese, and Japanese, where indirect style of communication and ability to understand the same is highly valued. U.S., Sweden and Britain are low-context culture countries where non-verbal behaviour is ignored.

The model is useful in understanding how members of different cultures develop business relationships, negotiate with insiders and outsiders and implement contracts.

Based on the cultures, the countries are also divided which is most relevant to the business communication and negotiations. The four dimensions are:

1. Dealers Focus vs. Relationship Focus: Deal-focused (DF) cultures are task oriented, while relationship-focused (RF) cultures are more people oriented. Conflicts arise when DF managers and marketers communicate or negotiate with RF business persons. RF managers find their DF counterparts pushy, aggressive and offensively blunt. On the other hand, DF managers often consider their RF counterparts dilatory, vague and inscrutable.

Example: In DF cultures found in northern Europe, North America, Australia and New Zealand; people are relatively open to doing business with strangers. This means, in DF countries one can straight away talk business and get down to facts. The US is highly DF because Americans are raised in a mobile immigrant society.

In RF countries, people get things done through relatives, friends, business contacts and connections. The Chinese call this 'guanxi,' means 'pull' or 'clout'. This is the only way to break bureaucratic delays. One has to have patience dealing with RF companies.

Example: Volkswagen took nine years to negotiate with the government of China on the opening of an automobile factory. It took twelve years for McDonald to work out an agreement with the Soviet government to open the first Golden Arches restaurant in Russia.

DF cultures value direct, frank, straightforward language while their counterparts often favour an indirect, subtle, roundabout style. They give priority to maintaining harmony and avoid saying anything that may cause embarrassment or loss of face to the other party.

Example: Japanese never say the word 'no' but use other means to indicate the same.

2. Formal vs. Informal: Formal cultures tend to be organised in step hierarchies, which reflect major differences in status and power. Informal cultures value more egalitarian organisations with smaller differences in status and power. These contrasting values cause conflict at the conference table. Formal way of addressing people and maintaining proper protocol are ways of showing respect to people.

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13.10 Summary

Culture plays a very important role in the success or the failure of the international assignments.

Culture varies across different nations due to varied beliefs of the people.

There are various societies that are being formed based on the cross-cultural beliefs.

In collectivistic societies, people are born into and protected by extended families, to which they give loyalty.

In individualist societies, people look after themselves and the immediate nuclear family.

In a masculine society, values are based on material success, money and possessions. Men are expected to be assertive and ambitious, and women tender and concerned with relationships.

The 'feminine' society has values of caring for others and preservation rather than progress. People and good relationships are more important than money and things.

13.11 Keywords

Culture: It is a set of the set of shared attitudes, values, goals, and practices that characterizes an institution, organisation or group.

Collectivism: It measures the degree to which social bonds are formed between the individuals.

Individualism: It measures the extent to which the individuals in the country consider themselves Notes as distant entities.

Intercultural communication: It is the process of communication between the individuals from different cultures.

Leadership: Ability of an individual to influence the group to achieve the goal.

Motivation: Process of increasing the individuals' performance to attain his goals.

Particularism: It believes that unique circumstances and relationships re more important considerations in determining what are good and right.

Universalism: When people believe what is true and good can be discovered, applied and defined.

13.12 Review Questions

1. "Nationality (culture) had three times more influence on the shaping of managerial assumptions than any of the respondents". Do you agree? Justify.
2. Analyse the impact of the culture on the motivation of the employee's internationally.
3. Being the HR of the international company, can you throw light on the importance of multi cultural teams in the success of the international assignment?
4. Examine the critical issues that may affect the implementation of organisational cultures.
5. "Effective corporate communication is the key to the managers' success internationally". Justify giving examples.

6. Examine the role and relevance of culture in international HRM.
7. Bring out the comparison in HR practices followed in Japan and China giving examples.
8. Analyse how managerial styles may vary depending on the cultural context.
9. Critically analyse the cultural differences across India and USA.
10. Do you think that culture makes an organisation sensitive to operate in international environment? Justify giving example.

13.13 Self Assessment Questions

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON -14

MNC SKILL BASED APPROACH AND STAFF TRAINING AND DEVELOPMENT PRIORITY

Learning objectives

- ✓ The role of training in supporting expatriate adjustment and on-assignment performance.
- ✓ Components of effective pre-departure training programs such as cultural awareness, preliminary visits and language skills. Relocation assistance and training for trainers are also addressed.
- ✓ The effectiveness of pre-departure training.
- ✓ The developmental aspect of international assignments.
- ✓ Training and developing international management teams.
- ✓ Trends in international training and development.

Structure

14.1 Introduction

14.2 Components of Effective Pre-Departure Training Programs

14.2.1 Cultural Awareness Programs

14.2.2 Cross-Cultural Training Assists In Managing Diversity.

14.2.3 Preliminary Visits

14.2.4 Language Training

14.2.5 Practical Assistance

14.2.6 Security Briefings

14.2.7 Training For The Training Role

14.2.8 TCN And HCN Expatriate Training

14.3 Provision Of Training For Non-Traditional Expatriate Assignments

14.4 International Business Travelers

14.5 The Effectiveness Of Pre-Departure Training

14.6 Developing Staff Through International Assignments

14.7 Trends In International Training And Development

14.8 The Repatriation Process

14.8 The Repatriation Process

14.8.1 Re-Entry And Repatriation Problems

14.8.2 Individual Reactions To Re-Entry

14.8.3 Job-Related Factors

14.8.4 The Employment Relationship

14.8.5 Devaluing The Overseas Experience

14.8.6 Fears Surrounding Future Employment And Career Development Can

Materialize.

14.8.7 Devaluing the Overseas Experience

14.8.8 Effect On Partner's Career

14.8.9 Responses By The MNE

14.8.10 Staff Availability And Career Expectations

14.9 Summary

14.10 Key Words

14.11 Self Assessment Questions

14.1 Introduction

In order to compete successfully in a global market, more firms are focusing on the role of human resources as a critical part of their core competence and source of competitive

advantage. As Kamoche comments: ‘the human resource refers to the accumulated stock of knowledge, skills, and abilities that the individuals possess, which the firm has built up over time into an identifiable expertise’. Training and development activities are part of the way in which the MNE builds its stock of human resources – its human capital. An indication of the importance of this is the increasing number of MNEs that have established their own ‘universities’ or ‘schools’. Motorola, McDonald’s, Oracle, and Disney universities are good examples of these in-house training centers. Several European, Japanese and Korean firms have similar arrangements (e.g. the Lufthansa School of Business).

The international assignment in itself is an important training and development tool:

Expatriates are trainers, as part of the transfer of knowledge and competence between the various units – a major rationale for the use of international assignments. Whether implicitly or explicitly stated, they are expected to assist the MNE train and develop HCNs – that is, train their replacements.

Expatriates are also expected to ensure that systems and processes are adopted, and inevitably they will be engaged in showing how these systems and processes work, as well as monitoring the effective performance of HCNs.

One of the reasons for international assignments is management development. A move into another area internationally – job rotation – is a useful way for employees to gain a broader perspective. It assists in developing capable people who form the required pool of global operators.

Therefore, the way in which an MNE anticipates and provides suitable training for international assignments is an important first step. This is reflected in the growth of interest in, and provision of, pre-departure training to prepare expatriates and accompanying family members for their international assignment.

Figure 14.1 is a schematic representation of the international training and development process. It shows the link between international recruitment and selection, and training and development activities. Most expatriates are internal hires, selected from within the MNE’s existing operations. However, as indicated by the dotted arrow in Figure 7.1, some expatriates may be hired externally for an international assignment. We will now consider the various elements related to expatriate training and development in the context of managing and supporting international assignments.

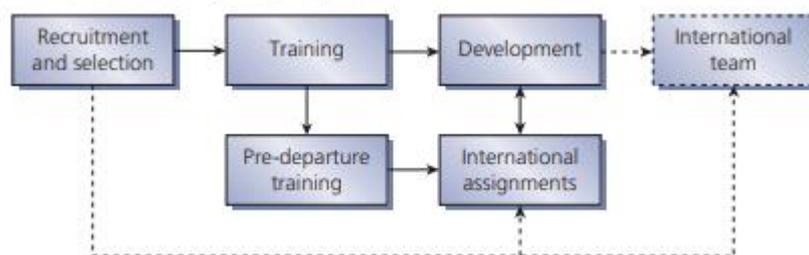


Figure 14.1 International training and Development

The role of expatriate training Given that the primary selection criterion for most MNEs is technical ability of existing employees, it is not surprising to find that most of the literature on expatriate training is devoted to expatriate pre-departure training activities that are mainly concerned with developing cultural awareness. Therefore, once an employee has been selected for an expatriate position, pre-departure training is considered to be the next

critical step in attempting to ensure the expatriate's effectiveness and success abroad, particularly where the destination country is considered culturally tough. In Figure 14.1 pre-departure training is indicated as a subset of general training. Effective cultural training, it is advocated, assists individuals to adjust more rapidly to the new culture. As Earley points out, a major objective of intercultural training is to help people cope with unexpected events in a new culture. The limited, predominately US-based, research into this area reveals that a large number of US multinationals have been reluctant to provide even a basic level of pre-departure training, though this is now changing. Particular interest in the area began with Tung's study on expatriation practices, including the use of pre-departure training programs. Her results showed that US multinationals tended to use training programs for expatriates less frequently than European and Japanese firms (32 per cent compared with 69 per cent and 57 per cent, respectively). The US attitude to the provision of pre-departure training appeared to persist through the 1980s. For example, a 1984 study of one thousand US multinationals found that only 25 per cent offered extensive pre-departure training programs; while a 1989 study of US firms found that only 13 per cent of respondents indicated that they would offer expatriates a pre-departure program. Among the various reasons cited by firms in these studies was that top management did not believe pre-departure training was necessary or effective. So, while the potential benefits of cultural awareness training are widely acknowledged, such training was downgraded or not offered by a large number of US multinationals. A 1997 survey of European firms (including subsidiaries of non-European multinationals) found that only 13 per cent of responding firms always provided expatriates with access to cultural awareness courses, though a further 47 per cent provided briefings for culturally 'challenging' postings (compared with 21 per cent in a 1995 survey).

MNEs appear to be more positive about the provision of training over the last few years, possibly in part due to the growth in numbers of providers of pre-departure training that multinationals can access. Today we see different patterns emerging. For example, in 2011 Brookfield reports from a sample of 118 MNEs that 74 per cent provided cross-cultural training (CCT), with 43 per cent offering preparation on some assignments and 31 per cent on all assignments (see source at Table 14.1). Furthermore, where cross-cultural preparation is offered only on some assignments, 46 per cent make it available based on host location, 29 per cent based on the type of assignment and 25 per cent based on other criteria. Here we see that type of assignment and intended location have considerable influence on when cross-cultural training is offered.

	Brookfield 2009	Brookfield 2011
CCT available:	81 per cent	74 per cent
CCT attendance optional Provided to:	78	75
• Employee only	7 per cent	4 per cent
• Employee and spouse	32	46
• Whole family	56	49

Source: Brookfield Global Relocation Services. Global relocation trends survey reports, 2011 and 2009. Woodridge, IL. All Rights Reserved.

Table 14.1 Availability of cross cultural training in MNEs

Previously, multinational firms placed less priority on providing pre-departure training for the spouse and family. However, perhaps due to increasing recognition of the interaction between expatriate performance and family adjustment, more multinationals are now extending their pre-departure training programs to include the spouse/partner and children. This is reflected in the Brookfield data above, and in another survey – the Mercer

HR 2010 International Assignments Survey. The latter reports that provision of pre-departure training for accompanying spouses and partners continues to increase, with two-thirds of MNEs providing language training to the spouse and 55 per cent providing cross-cultural training. ORC12 reports similar findings, with 38 per cent providing cross-cultural training to all family members, 19 per cent to the expatriate and spouse only and 11 per cent to the expatriate only. However, as Table 14.1 shows, the percentage of firms that make CCT optional remains very high (74 per cent in 2011) so it is possible that many expatriates still receive very little training. In a review of CCT, Littrell and Salas suggest that a lack of synthesis in the area of CCT research has made it difficult for managers to implement CCT. Their review provides a number of research-based guidelines as to how MNEs can enhance the success of their CCT programs. It is also important to note that the provision of pre-departure training appears to vary across industries: Mercer reports that chemical, pharmaceutical, healthcare and consumer firms are overall the most generous in terms of pre-assignment support, while IT firms are the least generous. For example, 56 per cent of chemical, pharmaceutical, healthcare and consumer firms provide language training to assignees' children but only 14 per cent of IT companies do.

14.2 Components of Effective Pre-Departure Training Programs

Studies indicate that the essential components of pre-departure training programs that contribute to a smooth transition to a foreign location include: cultural awareness training, preliminary visits, language instruction, assistance with practical day-to-day matters and security briefings. We will look at each of these in turn.

14.2.1 Cultural awareness programs

It is generally accepted that, to be effective, the expatriate employee must adapt to and not feel isolated from the host country. A well-designed, cultural awareness training program can be extremely beneficial, as it seeks to foster an appreciation of the host country's culture so that expatriates can behave accordingly, or at least develop appropriate coping patterns. Without an understanding (or at least an acceptance) of the host-country culture in such a situation, the expatriate is likely to face some difficulty during the international assignment. Therefore, cultural awareness training remains the most common form of pre-departure training.

The components of cultural awareness programs vary according to country of assignment, duration, purpose of the transfer, and the provider of such programs. As part of her study of expatriate management, Tung identified five categories of pre-departure training, based on different learning processes, type of job, country of assignment and the time available. These were: area studies programs that include environmental briefing and cultural orientation; culture assimilators (a training device whereby various cultural encounters can be discussed and analyzed); language training; sensitivity training; and field experiences. To understand possible variations in expatriate training, Tung proposed a contingency framework for deciding the nature and level of rigor of training. The two determining factors were the degree of interaction required in the host culture and the similarity between the individual's native culture and the new culture. The related training elements in her framework involved the content of the training and the rigor of the training. Essentially, Tung argued that:

If the expected interaction between the individual and members of the host culture was low, and the degree of dissimilarity between the individual's native culture and the host culture was low, then training should focus on task- and job-related issues rather than culture-

related issues. The level of rigor necessary for effective training should be relatively low.

If there was a high level of expected interaction with host nationals and a large dissimilarity between the cultures, then training should focus on cross-cultural skill development as well as on the new task. The level of rigor for such training should be moderate to high.

Tung's model specifies criteria for making training method decisions – such as degree of expected interaction and cultural similarity. One limitation of the model is that it does not assist the user to determine which specific training methods to use or what might constitute more or less rigorous training.

- ✓ More than a decade later, Tung revisited her earlier work and reported that her original recommendations held, though with some changes:
- ✓ Training should be more orientated to life-long learning than 'one-shot' programs with an areaspecific focus.
- ✓ There should be more emphasis on provision of foreign language training.
- ✓ There should be emphasis on the levels of communication competence, not just verbal communication, so the person becomes bicultural and bilingual, which enables an easier transition between one culture and another.

14.2.2 Cross-cultural training assists in managing diversity.

The preview of the expatriate position should be realistic, as this facilitates effective performance. why MNEs do not provide pre-departure training or why the uptake for such training is low. It would therefore be difficult to develop appropriate pre-departure training programs in such cases. Other contextual and situational factors – such as, cultural toughness, length of assignment and the nature/type of the job – may have a bearing on the content, method and processes involved in the cultural awareness training program. More importantly, monitoring and feedback should be recognized as important components of individual skill development, particularly as adjustment and performance are the desired outcomes of cultural awareness training.

14.2.3 Preliminary visits

One technique that can be very useful in orienting international employees is to send them on a preliminary visit to the host country. A well-planned visit for the candidate and spouse provides a preview that allows them to assess their suitability for and interest in the assignment. Such a visit also serves to introduce expatriate candidates to the business context in the host location and helps encourage more informed pre-departure preparation. It is essential to note that such a visit must be relevant to the intended position that the international employee will be taking up and not simply a 'tourist' experience. When used as part of a pre-departure training program, visits to the host location can assist in the initial adjustment process (for details on expatriate adjustment).

14.2.4 Language training

Language training is a seemingly obvious, desirable component of a pre-departure program. However, it is consistently ranked below that of the desirability for cultural awareness training. In trying to understand why language skills are given a lower priority we should consider the following aspects related to language ability that needs to be recognized. why MNEs do not provide pre-departure training or why the uptake for such training is low. It would therefore be difficult to develop appropriate pre-departure training programs in such cases. Other contextual and situational factors – such as, cultural toughness, length of assignment and the nature/type of the job – may have a bearing on the content, method and

processes involved in the cultural awareness training program. More importantly, monitoring and feedback should be recognized as important components of individual skill development, particularly as adjustment and performance are the desired outcomes of cultural awareness training.

14.2.5 Practical assistance

Another component of a pre-departure training program is that of providing information that assists in relocation. Practical assistance makes an important contribution toward the adaptation of the expatriate and his or her family to their new environment. McNulty, Hutchings and De Cieri, in a study of 31 expatriates based in Asia, found that being left to fend for oneself resulted in a short-term negative impact on overall return on investment, as well as a perceived breach of the psychological contract. One important problem identified in their study was poor

HR support such as a lack of mobility expertise and a poor attitude towards international assignees among locally-trained (host-country) HR staff. Human Resources support was found to matter most in the first weeks or months because most stressors were related to settling in rather than the new job. Also problematic for expatriates was not having a central area or person to go to for advice and information; seeking help from a dozen or more different departments was considered time consuming and inefficient, and a distraction from doing their job adequately. Practical assistance includes all manner of support both before and during an assignment.

For example, pre-departure practical support can include preparing official papers/visas, shipping assignee's goods to the host country, shipping additional baggage by air, interim accommodation in the home and host country, additional moving allowances to help cover incidental and out-of-pocket expenses otherwise not reimbursed or covered in the policy (e.g., connection and installation of appliances and utilities, purchase of small electrical appliances, replacement of non-fitting furniture or clothes), furniture storage in the home country, and consultations with a tax adviser and a relocation agent. On-assignment practical support can include on-going language training, administrative support in filling in tax and official administration forms, assistance in opening a bank account, and finding and negotiating a housing lease. On-assignment practical support to help expatriates socially integrate is also needed but less common according to the Mercer 2010 survey, with only 12 per cent of companies introducing assignees to other expatriates living in the host location, 10 per cent providing membership to a sport/fitness club, and 5 per cent to a private/social club.

Many multinationals now take advantage of relocation specialists to provide this practical assistance, for example, in finding suitable accommodation and schools. Usually, during the assignment, host-country HR staff will organize any further orientation programs and language training. However, as McNulty et al. show, it is important that corporate HRM staff act as a liaison to the sending line manager as well as the HR department in the foreign location to ensure that adequate practical assistance is provided.

14.2.6 Security briefings

A relatively new type of pre-departure training is security briefings. This has become necessary as expatriates increasingly relocate to locations where personal safety may be a concern, and therefore presents increased and unfamiliar threats to their health, safety and security. Risks and threats to expatriates range from hostile political environments (terrorism, kidnapping, hijacking, coup, war), natural disasters, exposure to disease (pandemics), travel accidents and other common travel problems (scheduling delays, passport problems). ORC

reports that 21 per cent of companies now provide security briefings to expatriates dependent on the location of their assignment, with 43 per cent having established formal programs or broad guidelines for security and 63 per cent having either a formal or informal program in the case of emergencies.

Security plans include evacuation procedures, assignment tracking systems, ongoing security briefings and continuous improvements in overall security in all at-risk locations. In 19 per cent of participating companies, ORC reported that expatriates had been repatriated from locations deemed unsafe. In these instances, particularly for medical evacuations, 64 per cent of companies used an emergency evacuation service (e.g. SOS International), while 15 per cent covered the costs on an ad-hoc basis. In the event of death or serious illness in the expatriate's family, 41 per cent of companies pay the full cost of travel to the home country for the entire family. Interestingly, ORC found that in companies where expatriates were assigned to dangerous locations, the overwhelming majority (71 per cent) did not pay a danger pay allowance. Just 15 per cent offered this allowance, and a further 14 per cent handled it on a case-by-case basis.

14.2.7 Training for the training role

Expatriates are often used for training because of a lack of suitably trained staff in the host location. Consequently, expatriates often find themselves training HCNs as their replacements. The obvious question is how are expatriates prepared for this training role? There is little research on this question. We do know from the cross-cultural management literature that there are differences in the way people approach tasks and problems, and that this can have an impact on the learning process. The ability to transfer knowledge and skills in a culturally sensitive manner perhaps should be an integral part of pre-departure training programs – particularly if training is part of the expatriate's role in the host country.

One way that MNEs could improve the quality and content of the training offered to expatriates in their role of training HCNs as their replacements would be to better utilize the knowledge transfer process when expatriates are repatriated. A paper by Lazarova and Tarique has examined this issue and argues that effective knowledge transfer occurs when there is a fit between individual readiness to transfer knowledge and organizational receptivity to knowledge. Specifically they propose that:

Organizations should try to match the level of intensity of their knowledge transfer mechanisms to the type of knowledge gained abroad. Thus, highly intense extraction tools (e.g. assigning repatriates to strategic teams) should be used to acquire international knowledge with high tacitness and high specificity ... Such knowledge would be transferred most effectively through rich mechanisms involving frequent communication between the repatriate and other organizational members. Organizations can use low intensity extraction tools (e.g. presentations, intranet) to acquire explicit international knowledge (e.g. information on banking laws and regulations in a particular foreign market).

14.2.8 TCN and HCN expatriate training

Anecdotal evidence suggests that in some firms pre-departure training may not be provided to TCNs being transferred to another subsidiary, and for HCNs (inpatriates) transferred into the parent country operations. Where it is provided, it may not be to the extent of that available to PCNs. This omission could create perceptions of inequitable treatment in situations where PCNs and TCNs work in the same foreign location, and affect adjustment to the international assignment. Not considering the need for HCNs transferred to

the parent organization reflects an ethnocentric attitude.

There may be a link between the amount of training, particularly cross-cultural, and assignment length. HCNs transferred to either headquarters or to another subsidiary are often short-term, project-based assignments or for management development purposes. As such, they may not be regarded as 'genuine' expatriate postings, thus falling outside the ambit of the HR function. In order to design and implement TCN and HCN pre-departure training, local management, particularly those in the HR department, need to be conscious of the demands of an international assignment – just as we have discussed in terms of corporate/headquarters HR staff. There perhaps needs also to be recognition and encouragement of this from headquarters, and monitoring to ensure that sufficient subsidiary resources are allocated for such training.

14.3 Provision of training for non-traditional expatriate assignments

In theory, all staff should be provided with the necessary level of pre-departure training given the demands of the international assignment. Cultural adjustment is inherent in international staff transfers. Pre-departure training should also be provided for employees on short-term assignments, on non-standard assignments such as commuting, and to international business travelers. However, there is a paucity of information regarding pre-departure training for nonstandard assignments.

Short-term and non-standard assignments.

Given the generally low level of provision of pre-departure training to traditional expatriates, it is not surprising to find that those on short-term and non-standard assignments receive little or no preparation before departure. The oversight may be due to lack of time, which is a standard reason for non-provision of pre-departure training

This may be why multinationals are increasingly using modern technology to overcome time and resource constraints. For example, Brookfield reports that 32 per cent of companies now use media-based or web-based alternatives to face-to-face cross-cultural training, of which:

1 28 per cent used media or web-based programs as additional forms of support for in-person programs;

28 per cent used it for portability (anytime, anywhere);

17 per cent as stand-alone alternatives;

9 per cent for time efficiency;

6 per cent for cost reasons.

14.4 International business travelers

Non-expatriates tend to be a forgotten group, yet for many firms they may comprise the largest contingent of employees involved in international business. International business travelers are flying into and out of foreign operations performing a myriad of tasks, including training. For example, explaining new product development, or service, or process, to HCN employees that will involve demonstrations, seminar presentations and other methods of information dissemination. Such internal MNE interaction usually will involve the use of the corporate language.

Therefore, non-expatriates need to be aware that HCNs will differ in their level of competence. It is easy to equate intelligence with language fluency: perceiving lack of fluency as a sign of stupidity. Internal MNE briefings and training sessions will need to take into account local variances in how people conduct themselves in formal situations and approach the 'classroom' situation.

International business travelers may be providing new product information to foreign agents or distributors. These activities naturally involve cross-cultural interaction. Competence in the local language or at least an ability to work with and through interpreters may be required. The same applies to those conducting negotiations with host government officials, prospective clients, suppliers and subcontractors. All these activities are strategically important yet there is little in the literature regarding the provision of training for these roles. From the limited, mainly anecdotal, information available, it would seem that non-expatriates learn on the job, and gradually acquire the knowledge and skills to function effectively in various countries and situations. For a review of the international business traveler literature see Welch and Worm.

14.5 The Effectiveness of Pre-Departure Training

The objective of pre-departure training is to assist the expatriate to adjust to the demands of living and working in a foreign location. The question is how effective is such training and what components have been considered to be essential by those who have been provided predeparture training?

The Brookfield surveys ask firms to indicate the value of cross-cultural preparation for expatriate success as shown in Table 7.2. For the 2011 survey, 79 per cent of companies report cross-cultural training as being of 'good' or 'great value' for expatriate success, with only 2 per cent indicating it has little or no value, and 19 per cent reporting a neutral value. However, it should be noted that information on how the responding firms evaluated their training was not provided – a common problem with many surveys of training utilization.

Several academic studies have attempted to assess the effectiveness of pre-departure training. Eschbach, Parker and Stoeberl⁴⁶ report the results of a study of 79 US

Value rating	Brookfield 2011	Brookfield 2009
Of great value	25%	19%
Of high value	64%	60%
Of neutral value	11%	19%
Of poor value	0%	2%

Source: Brookfield Global Relocation Trends, 2009 and 2011. LLC. All rights reserved.

Table 14.2 Perceived value of cross cultural preparation of expatriates repatriates. They measured cognitive, affective and experiential cross-cultural training and language training, provided by the company or self-initiated. The amount and type of training, based on the models of Tung and Black et al. described, was included. Expatriates with integrated cross-cultural training exhibited cultural proficiency earlier, and appeared to have greater job satisfaction, than those with lesser training. Repatriates commented that there was a need for accurate, up-to-date cultural and language training for expatriates and spouses and many considered that preliminary visits should be used.

The second study was a meta-analysis of the cross-cultural training literature. The conclusion reached was that the effectiveness of cross-cultural training was somewhat weaker than expected due to:

Limited data as few organizations systematically evaluate or validate the effectiveness of their training programs or make them available to the public.

The use of a mixture of different training methods, making evaluation of which

method is most effective difficult to isolate.

The large diversity in cultures that expatriates face.

The interaction between individual differences between expatriates and the work environment they face. What works for one person may not work for another. Thus, the effects of cross-cultural training can be as diverse as the countries to which expatriates are assigned.

The authors add that traditional training methods may underestimate the complexity of international business life, where expatriate managers are required to perform complex jobs across multiple cultural contexts, sometimes on the same day or even within the hour. Training programs that capture this reality are difficult to find and many existing cross-cultural training programs have yet to prove their utility.

14.6 Developing Staff Through International Assignments

International assignments have long been recognized as an important mechanism for developing international expertise. The expected outcomes are:

Management development Individuals gain international experience, which assists in career progression, while the multinational gains through having a pool of experienced international operators on which to draw for future international assignments.

Organizational development International assignments also provide a MNE with a way of accumulating a stock of knowledge, skills and abilities upon which it can base its future growth. A global mindset is an important side benefit, as key personnel take a broader view. Further, as discussed previously, expatriates are agents of direct control and socialization and assist in the transfer of knowledge and competence.

Individual development

An international assignment can be compared to job rotation, a management development tool that seeks to provide certain employees with opportunities to enhance their abilities by exposing them to a range of jobs, tasks and challenges. It is therefore not surprising to find an implicit assumption that an international assignment almost always has management development potential. Along with expected financial gain, perceived career advancement is often a primary motive for accepting international assignments. This is particularly the case in small population advanced economies (e.g. Austria, The Netherlands, Australia, Finland, Sweden and New Zealand) where the relatively small local economy is not big enough to generate growth and international activities provide the opportunity for ongoing revenue growth. In such a situation, employees (particularly younger employees who are motivated to build their careers) understand that international experience is often an essential requirement for further career advancement. A recent review by Kerr, McNulty and Thorn⁵⁰ outlining how Australians and New Zealanders pursue global careers reports that expatriates from these countries not only pursue company-assigned opportunities, but increasingly pursue self-initiated opportunities as well.

Overall, there is a paucity of research that demonstrates a link between an international assignment and career advancement. There remains a need for research that establishes career paths as a direct consequence of international assignments. There are two possible explanations for this lack of interest in the career outcomes of international assignments:

MNEs and researchers have been somewhat preoccupied with the process of expatriation from the organization's perspective. It is important to understand the roles played by the various IHRM activities so that proper management and support for expatriates can be provided to reduce underperformance and improve cost-effectiveness.

Developing international teams

Expatriates may gain individual management development from the international assignment, as we have previously discussed. The international assignment often is the 'training ground' for the international cadre in Figure 7.2. For MNEs, this term usually refers to a group of high potential employees who have been selected for specialized management training to enable the MNE to continue to expand its international operations. International teams can be formed from those who have had international experience, though the international assignment itself may be an assignment to an international team, or to form an international team. It is frequently argued that multinationals, especially in networked organizations, would benefit from using international teams as:

A mechanism for fostering innovation, organizational learning and the transfer of knowledge.
A means of breaking down functional and national boundaries, enhancing horizontal communication and information flows.

A method for encouraging diverse inputs into decisions, problem solving and strategic assessments.

An opportunity for developing a global perspective.

A technique for developing shared values, thus assisting in the use of informal, normative control through socialization

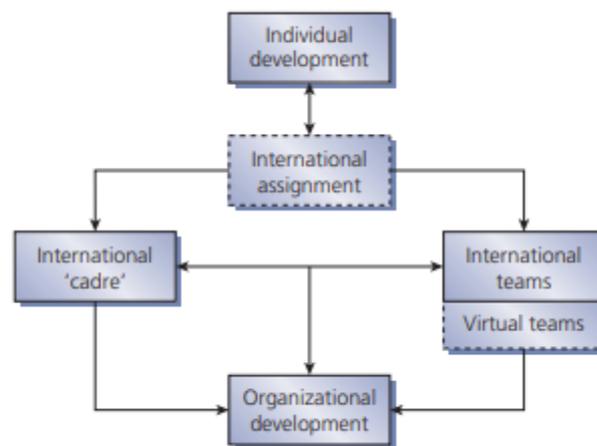


Figure 14.2 Developing international Teams through the International Assignment

Research and development and international projects are common situations where teamwork is utilized and forms the basis of much of the literature on multinational teams, a sub-set of which is the virtual team, where members are geographically dispersed (see Figure 14.2). To a certain extent, international assignments achieve teambuilding by exposing employees to various parts of the global organization. Consequently, expatriates develop local networks that often persist after completion of the assignment. These predominantly informal networks can later be activated for work situations, such as providing membership of project teams. Not everyone will wish to become part of an international cadre, but to create an effective global pool of international operators, many MNEs are conscious that they need to provide international experience to many levels of managers, regardless of nationality. A small cadre comprised only of PCNs may defeat the purpose of having a team of experienced employees who are capable of operating in multiple environments on various types of tasks and jobs. For example, Peterson found that Western-based multinationals

operating in Central and Eastern Europe were increasing the use of TCN and HCN expatriate transfers as a way of widening the 'corporate talent pool.

While the international assignment plays an important role in both management and organizational development, its effectiveness depends on the individuals concerned, the type of multinational and contextual factors. For example, Caligiuri and Di Santo argue that certain personality characteristics that have been identified as expatriate predictors of success cannot be developed through international assignments. In other words, individual characteristics such as dogmatic or authoritarian tendencies are not likely to be altered through an expatriate experience. However, Caligiuri and Di Santo do suggest that individuals can learn to be more sensitive to the challenges of working in another country – that is, to become more culturally aware. This knowledge and experience would prove valuable when working in an international team comprised of colleagues from other countries.

The MNE needs to be able to provide the resources and support for those working in international teams such as R&D projects. Managers supervising international teams, for example, will need to understand processes such as group dynamics, especially how national cultures affect group functioning. Those who have previous experience of international assignments and teams will be better placed than those who have not. Perhaps this is why some MNEs are placing greater stress on the need for international experience and are prepared to use expatriates despite the cost and difficulties often associated with international assignments.

14.7 Trends in International Training and Development

There are a number of emerging and continuing trends in international training and development. First, although the pressure from globalization continues to push MNEs towards a convergent approach to training and development, there is a continuing pressure from many countries (particularly developing countries) for localization of training and development initiatives of which MNEs must be mindful. Al-Dosary and Rahman have reviewed the benefits and problems associated with localization of training and development. Second, there is a growing realization that although globalization is having a major impact on business processes and associated training and development efforts in MNEs, there is evidence that for competence development and learning, it is still necessary to consider the impact and importance of the national context and institutions on such efforts (see Geppert). Third, there is increasing awareness of the important role of non-governmental organizations (NGOs) in international training and development (see Chang, and Brewster and Lee for reviews). Fourth, with the rise of China as an economic superpower, there is increasing interest in all aspects of training and development with a focus on China (see Wang et al., Zhao, Zhang et al., Zhu, and Wang and Wang for reviews). Finally, there is a realization in the training and development literature that the field must address global, comparative and national level contexts for training and development, just as the international HRM field is beginning to do so.

Re-Entry And Career Issues

It is evident from the material covered in this book that there have been considerable advances in our understanding and knowledge of the issues surrounding the management and support of expatriates in terms of recruitment and selection, pre-departure training and compensation. As Figure 14.3 indicates, the expatriation process also includes repatriation: the activity of bringing the expatriate back to the home country. While it is now more widely

recognized by managers and academics that repatriation needs careful managing, attention to this aspect of international assignments has been somewhat belated. In the past, the unpredictable and incremental nature of globalization led to reactive assignments, and re-entry to the firm was left unspoken or dealt with informally on an ad-hoc basis. As more expatriates completed their assignments, firms were faced with organizing these returns in a more planned pattern that allowed for a more strategic and complete use of the repatriate's newfound experiences and insights, while at the same time easing the return to their home country and firm.

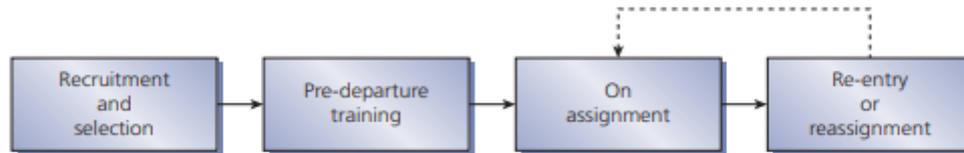


Figure 14.3 Expatriation includes repatriation

Re-entry into the home country presents new challenges. The repatriate is coping with what has been termed re-entry shock, or reverse culture shock. While people frequently expect life in a new country to be different, they may be less prepared for the experience of returning home to present problems of adjustment. As a consequence, it can be a surprising and traumatic experience for some – perhaps more difficult than what was encountered in the foreign location.

From the MNE's perspective, repatriation is frequently considered as the final stage in the expatriation process (as indicated in Figure 14.4), but it is important to note that the MNE's ability to attract future expatriates is affected by the manner in which it handles repatriation.

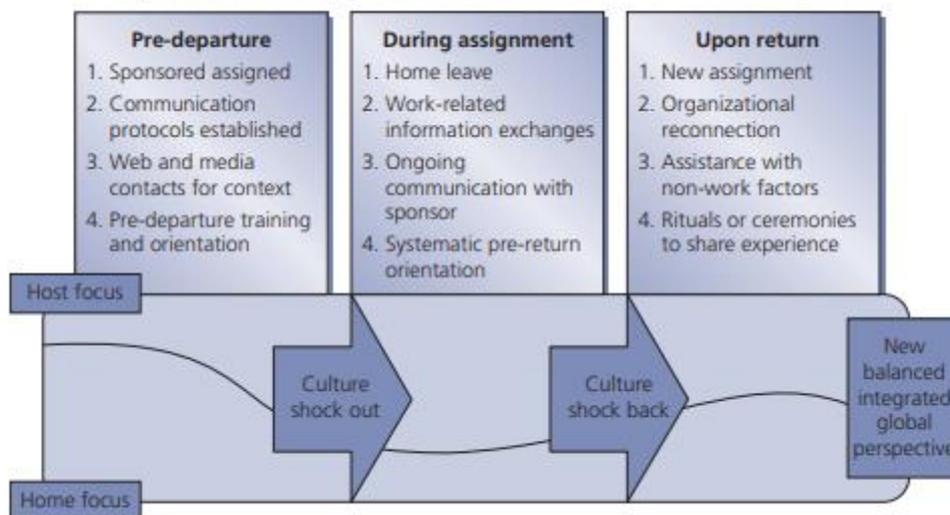


Figure 14.4 Repatriation activities and practices

14.8 The Repatriation Process

Typically, on completion of the international assignment the MNE brings the expatriate back to the home country, though not all international assignments end with a transfer home. Some expatriates may agree to become part of the multinational's international team of managers (as indicated by the dotted arrow in Figure 14.3) and thus have consecutive overseas assignments. In the event that one of these consecutive assignments involves the expatriate returning to the home-country operations, it will be

treated as 'just another posting' rather than re-entry or repatriation. For example, William Jones is moved from his home base in the US parent operations to Japan for two years. He then spends four years in China, followed by one year in headquarters in the USA before moving on to another position in the British operations. That one-year period spent at headquarters is not treated as re-entry back into the home-country operations.

In contrast, Mary Smith has spent three years working in China and is repatriated back to the USA into a defined position at headquarters.

As outlined in Figure 14.4, repatriation can be seen to encompass three phases. First, before the global assignment, MNEs may act to assign home sponsors or mentors and hold them responsible for keeping the expatriate in touch with changing conditions in the home country.

Ideally, such sponsors might have relevant expatriate assignments as part of their own work history. Web-based indices of relevant national, regional, industrial or firm websites may be provided. These ongoing communication protocols may be formal or informal.⁶⁶ Mercer⁶⁷ reports that 22 per cent of companies have put in place a mentoring program to assist assignees in the expatriation and repatriation process. But for over half of these, the mentor system is applied only in specific cases and not to the entire assignee population. By initially creating this network of personal and media links the expatriate may be able to keep up with the changes in the home country, work unit, the larger firm as well as changes in the local or regional community while on assignment. This more systematic updating may contribute to more realistic expectations on the part of the expatriate, reducing culture shock upon return.

Second, during the assignment, 'home leave', work-related information exchanges, sponsor communications and a systematic pre-return orientation process can all facilitate realistic expectations and ease the return. Allowing for periodic returns to the home country will help the expatriate and her/his family to reconnect with firm employees, family and friends and catch up with changing business, economic and political conditions. Some MNEs allow their expatriates to use their holidays to visit more exotic, once-in-a-lifetime locations closer to the host country. In some cases, this is not a wise policy for the employer as by doing this, some expatriates lose their perspective of how things may be changing in their home country and may develop a somewhat 'rose-colored' view of life back at home. The first author has over a number of years been given numerous examples by managers with international experience of expatriate families spending their holidays in other locations rather than returning to their home country and subsequently developing a rather unrealistic view of life in their home country which led to difficulties when the reality of subsequent repatriation resulted in adjustment difficulties. For this reason, ORC reports that 58 per cent of MNEs enforce a policy whereby expatriates are required to take home leave in their home country.

Work-related information exchanges are part of any expatriate assignment. Through these regular and ongoing task-related communications, a considerable amount of information about changes in home personnel, power politics, strategic developments and less work-related updates can be passed on to the expatriate. These activities may become more intense in the months or weeks immediately prior to the return. Upon return, a series of immediately practical and more long-term activities combine during what is normally a very restricted time frame.' MNEs can be less effective in their use of expatriates by either being

too vague and unfocused about repatriates, or they can try to be too efficient by expecting the returning expatriate to jump back into the home assignment before the issues and processes related to return are resolved – literally before their ‘bags are unpacked’. Immediate practical issues upon return include housing and schools for children. Returning expatriates need to be assigned office space and given an orientation to the new job assignment and local work group. On a broader scale, the repatriate must reconnect with the local social network of the MNE and personal and career dynamics may have to be adjusted in new and potentially unpredictable ways. Changes and adjustments for societal, firm and job dynamics on the personal, family, job, organizational and career levels are involved in this final stage.

Note the two stages of culture shock represented at the bottom in Figure 7.4. An overemphasis on the home focus, at the expense of a focus on the host assignment can lead to problems with performance while on assignment and premature return. At the same time, an overemphasis on host activities, at the expense of some awareness of changes at home can lead to a second culture shock upon return. The goal of any set of expatriation/repatriation practices should result in the successful integration of home and host experiences. Achieving this more balanced set of transitions is not always easy. For example, Harzing has conducted a comprehensive survey of 287 subsidiaries of nearly 100 different multinationals and reported that 52 per cent of sampled firms experienced repatriate re-entry problems.

14.8.1 Re-entry and repatriation problems

The problems outlined above and in the IHRM in Action Case 14.1 may lead to staff turnover, with repatriates opting to leave the organization. The GMAC-Global Relocation Services global surveys (referred to in previous chapters) provide valuable data on repatriate turnover.

Firms in the 2011 survey indicated that the average annual turnover for all employees was 8 per cent [page 56 of report] – lower than the historical average of 12 per cent. For expatriate attrition, respondents reported the following results for 2011:

22 per cent of expatriates left the company during an assignment (historical average 21 per cent);

28 per cent left within one year of returning from an assignment (historical average 31 per cent);

24 per cent left between the first and second year of returning from an assignment (historical average 24 per cent);

26 per cent left after two years of returning from an assignment (historical average 24 per cent).

Overall, in 2011, 4 per cent of international assignments resulted in failure. The leading causes of assignment failure cited by respondent firms were:

Spouse/partner dissatisfaction (18 per cent).

Poor candidate choice (16 per cent).

Poor job performance (13 per cent).

Inability to adapt (12 per cent).

Other family concerns (8 per cent).

In terms of annual change in expatriate attrition rate, 67 per cent of firms reported no change, 19 per cent an increase and 14 per cent a decrease (the historical averages are 71 per cent, 16 per cent and 13 per cent for these categories)

14.8.2 Individual Reactions To Re-Entry

As with cross-cultural adjustment, the re-entry process is a complex interaction of several factors. It is possible to group the major factors that have been identified as moderators of re-entry readjustment into two categories – job-related factors and social factors – as depicted in Figure 14.5, which we now discuss.

14.8.3 Job-related factors

These factors center around future employment prospects as a consequence of the international assignment, the value being placed on the person's international experience, coping with new role demands and the loss of status and financial benefits upon re-entry. We shall examine these factors in turn.

Career anxiety. When surveyed, expatriates consistently list two motivators for accepting an international assignment: career advancement and financial gain. The Brookfield 2010 Survey

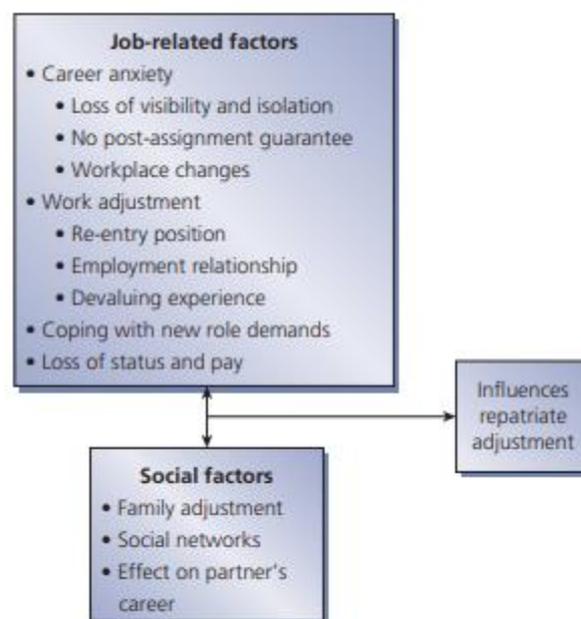


Figure 14.5 Factors influencing repatriate adjustment

asked about the value of international experience to an employee's career and respondents gave the following responses.

Another issue here is that restructuring can affect the host-country operations – such as closure of a plant, dissolving of a joint venture or merging of operations post-acquisition. This may leave the expatriate stranded, or force an early, unplanned repatriation. If similar changes are also occurring in the home country, then availability of suitable positions may be reduced.

14.8.4 The employment relationship

An individual's career expectations may be based on clear messages sent by top management to the effect that an international assignment is a condition for career progression. That is, verbal or written statements such as: 'We are an international company and we need internationally oriented people who have worked in our overseas facilities'. These pronouncements can be made in the context of the need for a global orientation or

mindset where a definite link is made between international experience and global managers. Perceptions regarding expected career outcomes also are influenced by comments made by HR or line managers during the recruitment and selection stage. For example, the line manager may suggest to a younger employee: 'You should volunteer for that international assignment. It would be a smart career move at this stage in your life'. If others have been promoted upon repatriation, it may be perceived to be the 'norm', thus reinforcing the perception that international assignments lead to promotion upon re-entry. For these reasons, the person believes promotion should follow based on successful performance while abroad and if the re-entry position does not eventuate within a reasonable time frame, then career anxiety is justified. A study by Lazarova and Caligiuri 85 of 58 repatriates from four North American-based companies found that repatriation support practices are positively related to perceptions of organizational support, and these affect repatriates' intention to stay or leave the organization. The psychological contract is a moderator of re-entry readjustment as well as on-assignment adjustment and performance. The repatriate may believe that the performance overseas warrants promotion: that signals were given by the organization that effective performance in the international assignment would result in career advancement. When the expected promotion does not eventuate, the repatriate may feel there is no option but to exit the organization. It is important to note that the psychological contract concerns perceptions and expectations, complicated by the fact that the MNE representative making statements about career outcomes prior to the international assignment is not necessarily the person who is responsible for re-entry decisions about job placement and promotion.

Fears surrounding future employment and career development can materialize. Peers are promoted ahead of the repatriated manager, and the repatriate sometimes is placed in a position that is, in effect, a demotion. The situation may be exacerbated if the repatriate had held a senior position in the foreign location and now finds himself (or herself) at a less senior level. As a consequence, the re-entry position is frequently judged by whether it matches the repatriate's career expectation, particularly when the international assignment has caused considerable family disruption; such as a forced break in the career of the accompanying partner, or difficulties experienced with the education of the children involved. Put simply, the repatriate wants the 'end to justify the means', so that the family unit is fully compensated for the sacrifices it has made in expectation of career advancement. Suutari and Brewster, in their study of Finnish expatriates, report that most repatriates left only after they felt that they had given the firm sufficient time to find more suitable positions.

These authors identified an 'external pull factor': external recruiters were actively 'head-hunting' repatriates either during the assignment or upon return. A question put to responding firms in the GMAC GRS surveys concerned the career impact of international experience. Firms were asked to compare the careers of expatriates with those of employees without international experience. Table 14.3 provides the following results.

It seems clear from the results in Table 14.3 that the value to employees of remaining with their firm after an international assignment is not particularly compelling, but it may well be that employees believe that their international experience may increase their marketability to other employers. Stroh found that the best predictors of repatriate turnover were whether the company had a career development plan; and whether the company was undergoing turbulence, such as downsizing. She argues that lower rates of repatriate turnover are more likely in organizations that planned for the repatriation of their employees and provided career development planning for them.

14.8.5 Devaluing the overseas experience

Career progression is important but to be promoted upon reentry signifies that international experience is important and valued by the organization. However, the re-entry position may be a less challenging job with reduced responsibility and status than that held either during the international assignment, or prior to the period overseas, in 'holding' positions such as a task force or project team, or in temporary positions engaged in duties that do not appear to exploit their newly gained international expertise. For some, the return position is frequently a lateral move rather than a promotion. The positions do not seem to be related, nor draw upon, experiences and skills the person may have acquired during the international assignment – that is, giving the impression that such experience is devalued.

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14.8.8 Effect on partner's career

Partners encounter difficulties in re-entering the workforce, particularly if the partner has not been able to work outside the home prior to, or during, the foreign assignment, but now desires to find outside employment; either as part of a re-entry coping strategy, or due to altered family circumstances. Negative experiences during the job search may affect the partner's self-worth, compounding the readjustment process and even causing tension in the relationship. For those who held positions prior to the overseas assignment, difficulties in re-entering the workforce may depend on occupation, length of time abroad, unemployment levels in the home country and personal characteristics such as age and gender.

There is limited research into the effects of the foreign assignment and repatriation upon the partner's career, and many questions surrounding this issue remain unexplored: Do new employers consider the value of the time overseas to 'compensate' for the forced career disruption?

Have those partners who were able to work during the foreign assignment found employment in career-related jobs, and been able to progress upon repatriation?

What effect does not working during an assignment have on partners' self-esteem and confidence to re-enter the workforce upon repatriation? McNulty⁹⁶ found that expatriate partners were quite distressed during assignments when they were unable to work, often leading to serious consequences:

I know for a fact a number of the female partners of my husband's male colleagues who have all relocated here have had serious problems adjusting due to their inability to work and make friends in this location. Many wish to return home, others are really stressed, and two are potential suicide cases ... should I not be able to obtain work after a reasonable amount of time, I will seriously consider breaking the contract because I can think of a half dozen expat wives who are on anti-depressants because of it and I won't be joining them.

Do male 'trailing' partners face different challenges upon repatriation than do females? In one of the few reported studies into dual-career expatriates, Harvey found a difference between female expatriate managers' expectations prior to and after expatriation, exposing the need for support for the male trailing partner. The overseas assignment was the focus of Harvey's study, but one could assume that the same results would hold true upon repatriation. More recently, Linehan and Scullion looked at the repatriation process of female expatriates working in various European companies but did not consider the career aspect of the accompanying spouse/partner.

Readjustment of the expatriate, whether male-led or female-led, may be linked with concerns about the effect that the foreign assignment might have on the partner's career. Given that dualcareer couples are on the increase, and that more females expect overseas assignments, the issue of the partner's career is likely to become a major factor determining staff availability for future overseas assignments. Yet ORC reported that while pre-assignment and on-assignment assistance to spouses was relatively good, the likelihood of multiple types of support was smaller upon repatriation. Our analysis has revealed how various factors influence re-entry and readjustment at the individual level. These moderating factors can combine in hard to predict ways, creating a volatile situation that may lead to the repatriate's unforeseen and debilitating exit from the multinational.

14.8.9 Responses By The MNE

The above sections have considered the re-entry and career issues from the perspective of the individual repatriate. We shall now examine the issues from the viewpoint of the multinational enterprise. Early studies into the issue of repatriation indicated that it was somewhat neglected by MNEs. For example, Mendenhall, Dunbar and Oddou¹⁰⁰ concluded that US human resource professionals may be unaware of the challenges facing repatriated managers. Commenting on the results of his 1989 study Harvey¹⁰¹ noted that: 'Even though many executives have experienced difficulties upon repatriation, [US] multinationals have seemingly not addressed the issues related to repatriation with the same level of interest as preparing executives for expatriation'.

However, it appears that there has been some recent progress on this issue. For example, the Brookfield data shows that in 2011, 95 per cent of responding firms held re-entry discussions, compared with a historical average of 92 per cent. The timing and formality of these re-entry discussions varies. For example, 23 per cent of respondents discussed repatriation before leaving on the assignment, 25 per cent did so at least six months before return and 47 per cent discussed repatriation less than six months before assignment completion. The Brookfield surveys do not report on spousal or family involvement in reentry discussions, but these aspects were raised in the ORC Worldwide 2005 report on dual-careers which reported job search assistance, re'sume' preparation and career counseling as the most common forms of assistance. However, the report does not indicate if this was negotiated before or during the international assignment or upon re-entry, and if it was part of a re-entry discussion.

Managing the process of repatriation should be of concern to MNEs that desire to maximize the benefits of international assignments and create a large internal labor market. A well-designed repatriation process is important in achieving these objectives, for three main reasons: staff availability, return on investment and knowledge transfer. These are now discussed.

14.8.10 Staff availability and career expectations

The way a multinational enterprise handles repatriation has an impact on staff availability for current and future needs, as indicated in Figure 7.6. Re-entry positions signal the importance given to international experience. If the repatriate is promoted or given a position that obviously capitalizes on international experience, other managers interpret this as evidence that international assignments are a positive career move. On the other hand, if a MNE does not reward expatriate performance, tolerates a high turnover among repatriates, or is seen to terminate a repatriate's employment upon re-entry, then it is likely that younger managers will conclude that acceptance of an international assignment is a relatively high-risk decision in terms of future career progression within the organization. The MNE's ability to attract high-caliber staff for international assignments is thereby lessened, and this can have a negative effect on the firm's international activities in the long term



Figure 14.6 Linking repatriation process to outcomes

Recently, there has been some discussion in the management literature about international assignments and boundary less careers. The term ‘boundary less career’ appears to have been coined in recognition of shifts occurring in the employment relationship, particularly in Western countries. The traditional hierarchical career path, with definable stages (such as junior, middle and senior manager), assumed long-term employment within one organization – the so-called job-for-life where one climbed the corporate ladder. Employees now tend to switch jobs more frequently, either voluntarily or involuntarily due to economic changes or organizational restructuring. ‘The boundaryless careerist ... is the highly qualified mobile professional who builds his or her career competencies and labor market value through transfers across boundaries.

14.9 Summary

Recently, there has been some discussion in the management literature about international assignments and boundary less careers. The term ‘boundary less career’ appears to have been coined in recognition of shifts occurring in the employment relationship, particularly in Western countries. The traditional hierarchical career path, with definable stages (such as junior, middle and senior manager), assumed long-term employment within one organization – the so-called job-for-life where one climbed the corporate ladder. Employees now tend to switch jobs more frequently, either voluntarily or involuntarily due to economic changes or organizational restructuring. ‘The boundaryless careerist ... is the highly qualified mobile professional who builds his or her career competencies and labor market value through transfers across boundaries.

14.10 Key words

Pre-Departure Training-The objective of pre-departure training is to assist the expatriate to adjust to the demands of living and working in a foreign location

International business travelers-Non-expatriates tend to be a forgotten group, yet for many firms they may comprise the largest contingent of employees involved in international business

Language training-Language training is a seemingly obvious, desirable component of a pre-departure program. However, it is consistently ranked below that of the desirability for cultural awareness training

Management development -Individuals gain international experience, which assists in

career progression, while the multinational gains through having a pool of experienced international operators on which to draw for future international assignments

Organizational development- International assignments also provide a MNE with a way of accumulating a stock of knowledge, skills and abilities upon which it can base its future growth.

14.11 Self Assessment Questions

- 1 Summarize the key challenges faced in training expatriate managers.
- 2 How does an international assignment assist in developing a 'cadre' of international operators? Why is it necessary to have such a 'cadre'?
- 3 Why do some MNEs appear reluctant to provide basic pre-departure training?
- 4 What factors contribute to re-entry shock?
- 5 What are the objectives of a good mentoring system for international assignees?
- 6 Placing value on the international assignment assists repatriate retention. Discuss this statement.
- 7 Why is it important to measure return on investment for international assignments? Which indicators can be used?

14.12 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON -15

GLOBAL MANAGERS AND FUTURE ORGANISATIONS

Learning objectives

- ✓ To Understand the Global Environment
- ✓ To Know the Managing Diversity at the work place
- ✓ To learn the Types of Organisational change
- ✓ To Identify the Basic Organisational Design

Structure

- 15.1 Introduction
- 15.2 Managing in a Global Environment
 - 15.2.1. The economic environment
 - 15.2.2. The political/legal environment
 - 15.2.3. The cultural environment
 - 15.2.4. Global Management in Today's World
- 15.3. Managing Diversity
 - 15.3.1. Diversity
 - 15.3.2. Types of Workplace Diversity
 - 15.3.3. Challenges in Managing Diversity
 - 15.3.4. Workplace Diversity Initiatives
- 15.4. Managing Social Responsibility and Ethics
 - 15.4.1. Social Responsibility
 - 15.4.2. Managers and Ethical Behavior
 - 15.4.3. Social Responsibility and Ethics Issues in Today's World
- 15.5. Managing Change and Innovation
 - 15.5.1. Types of Organizational Change
 - 15.5.2. Contemporary Issues in Managing Change
 - 15.5.3. Stimulating Innovation
- 15.6 . Planning
 - 15.6.1. Goals and Plans
 - 15.6.2 Corporate Strategies
 - 15.6.3. Competitive Strategies
 - 15.6.4. Current strategic Management Issues
 - 15.6.5. Organizing
- 15.7 Basic Organizational Design
 - 15.7.1. Designing Organizational Structure
 - 15.7.2. Traditional Organizational Design
 - 15.7.3. Adaptive Organizational Design
 - 15.7.4. Managing Human Resources
 - 15.7.5. Managing Teams
- 15.7. Leading
- 15.8 Attitudes and Job Performance
- 15.9 Personality
- 15.10 Perception
- 15.11 Learning
- 15.12 Social Learning
- 15.13. Managers and Communication
- 15.14 Managers as Leaders
 - 15.14.1 Early theories of leadership
 - 15.14.2. The three major contingency theories of leadership

15.15 Summary

15.16 Key words

15.17 Self Assessment Questions

15.18 Suggested Readings

15.1 Introduction

The first reason managers are important is that organizations need their managerial skills and abilities more than ever in these uncertain, complex, and chaotic times. As organizations deal with today's challenges—the worldwide economic climate, changing technology, ever increasing globalization, and so forth—managers play an important role in identifying critical issues and crafting responses. Another reason managers are important to organizations is that they're critical to getting things done. Finally, managers do matter to organizations!

How do we know that? The Gallup Organization, which has polled millions of employees and tens of thousands of managers, has found that the single most important variable in employee productivity and loyalty isn't pay or benefits or workplace environment; it's the quality of the relationship between employees and their direct supervisors.

A manager is someone who coordinates and oversees the work of other people so that organizational goals can be accomplished. A manager's job is not about personal achievement—it's about helping others do their work. Is there a way to classify managers in organizations? In traditionally structured organizations managers can be classified as first line, middle, or top

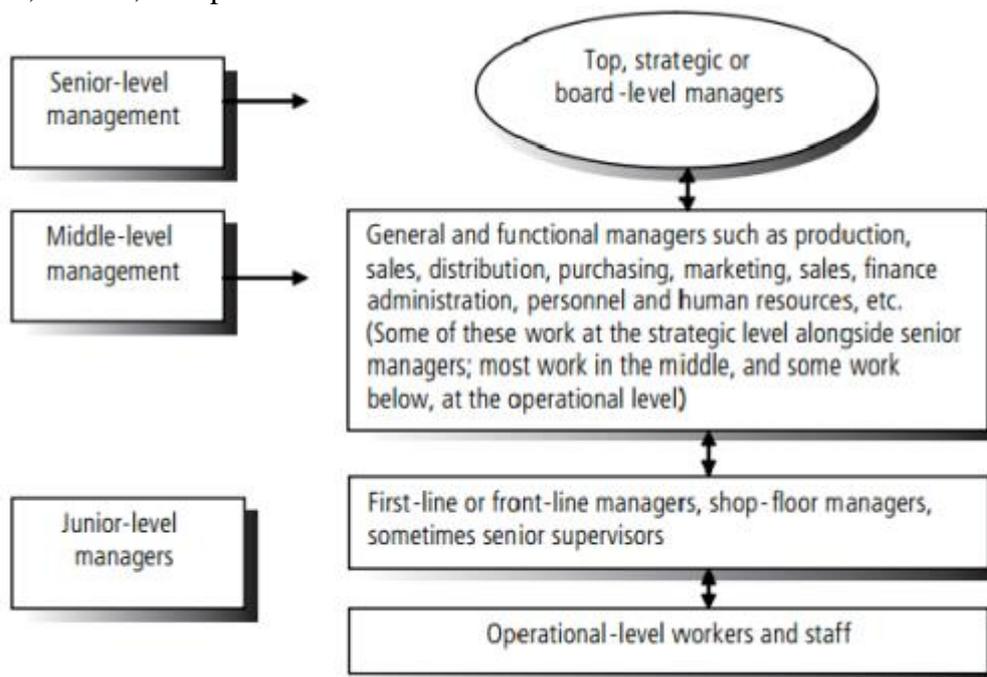


Figure 15.1 Managers in an organisational hierarchy

Figure 15.1. Common terms used to describe managers in an organisational hierarchy. It's obvious that managers do their work in organizations. But what is an organization? It's a deliberate arrangement of people to accomplish some specific purpose. Your college or university is an organization; so are fraternities and sororities, government departments, churches, Facebook, your neighborhood grocery store, the United Way, the St. Louis Cardinals baseball team, and the Mayo Clinic. All are considered organizations and have three common characteristics. First, an organization has a distinct purpose. Second, each organization is composed of people. Third, all organizations develop some deliberate

structure within which members do their work. That structure may be open and flexible, with no specific job duties or strict adherence to explicit job arrangements.

Management involves coordinating and overseeing the work activities of others so that their activities are completed efficiently and effectively. We already know that coordinating and overseeing the work of others is what distinguishes a managerial position from a non managerial one. However, this doesn't mean that managers can do what they want anytime, anywhere, or in any way. Instead, management involves ensuring that work activities are completed efficiently and effectively by the people responsible for doing them, or at least that's what managers aspire to do. Efficiency refers to getting the most output from the least amount of inputs. Management is also concerned with being effective, completing activities so that organizational goals are attained. Effectiveness is often described as "doing the right things"—that is, doing those work activities that will help the organization reach its goals.

1. Integrative Managerial Issues

One important feature of today's global environment is global trade which, if you remember history class, isn't new. Countries and organizations have been trading with each other for centuries. Global trade today is shaped by two forces: regional trading alliances and trade mechanisms that ensure that global trade can happen. When organizations do go international, they often use different approaches. Managers who want to get into a global market with minimal investment may start with global sourcing (also called global outsourcing), which is purchasing materials or labor from around the world wherever it is cheapest. The goal: take advantage of lower costs in order to be more competitive.



Figure 15.2 How organizations go global

15.2 Managing in a Global Environment

15.2.1. The economic environment

A global manager must be aware of economic issues when doing business in other countries. First, it's important to understand a country's type of economic system. The two major types are a free market economy and a planned economy. A free market economy is one in which resources are primarily owned and controlled by the private sector. A planned economy is one in which economic decisions are planned by a central government. Actually, no economy is purely free market or planned. For instance, the United States and United Kingdom are toward the free market end of the spectrum but do have governmental intervention and controls. The economies of Vietnam and North Korea are more planned. China is also a more planned economy, but until recently had been moving toward being

more free market. Why would managers need to know about a country's economic system? Because it, too, has the potential to constrain decisions. Other economic issues managers need to understand include currency exchange rates, inflation rates, and diverse tax policies.

15.2.2. The political/legal environment

U.S. managers are accustomed to a stable legal and political system. Changes tend to be slow, and legal and political procedures are well established. Elections are held at regular intervals, and even when the political party in power changes after an election, it's unlikely that anything too radical will happen. The stability of laws allows for accurate predictions. However, this certainly isn't true for all countries.

15.2.3. The cultural environment

Organizations have different cultures. Countries have cultures too. National culture includes the values and attitudes shared by individuals from a specific country that shape their behavior and their beliefs about what is important. Which is more important to a manager—national culture or organizational culture? Research indicates that national culture has a greater effect on employees than does their organization's culture.

15.2.4. Global Management in Today's World

Doing business globally today isn't easy! As we look at managing in today's global environment, we want to focus on two important aspects. The first aspect involves the challenges associated with globalization, especially in relation to the openness that's part of being global. The second aspect revolves around the challenges of managing a global workforce.

As globalization continues to be important for businesses, it's obvious that managers need to understand how to best manage that global workforce. Some researchers have suggested that managers need cultural intelligence or cultural awareness and sensitivity skills. Cultural intelligence encompasses three main dimensions: (1) knowledge of culture as a concept—how cultures vary and how they affect behavior; (2) mindfulness—the ability to pay attention to signals and reactions in different cross-cultural situations; and (3) behavioral skills—using one's knowledge and mindfulness to choose appropriate behaviors in those situations.

15.3. Managing Diversity

15.3.1. Diversity

Diversity has been "one of the most popular business topics over the last two decades. It ranks with modern business disciplines such as quality, leadership, and ethics. Despite this popularity, it's also one of the most controversial and least understood topics. What's our definition of workplace diversity? We're defining it as the ways in which people in an organization are different from and similar to one another. Notice that our definition not only focuses on the differences, but the similarities of employees.

15.3.2. Types of Workplace Diversity

As we've seen so far, diversity is a big issue, and an important issue, in today's workplaces. What types of dissimilarities—that is, diversity—do we find in those workplaces? Figure 15.2 shows several types of workplace diversity.

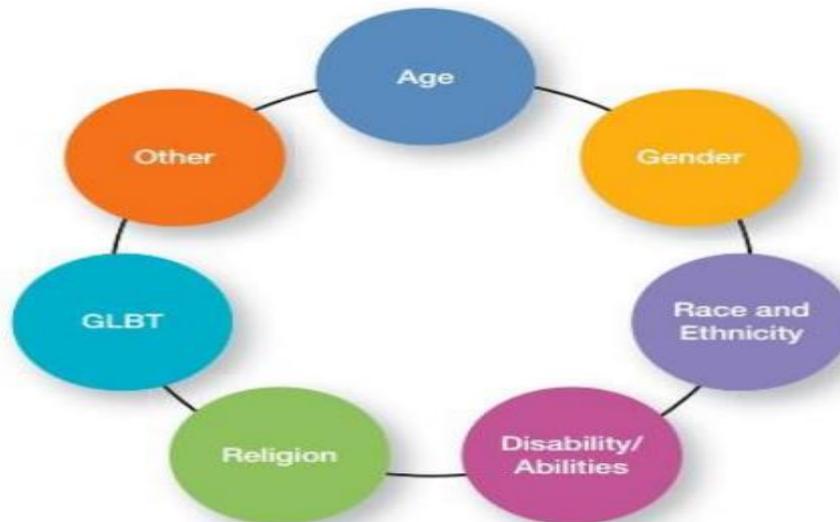


Figure 15.2 Types of Diversity found in work place

15.3.3. Challenges in Managing Diversity

Despite the benefits that we know workforce diversity brings to organizations, managers still face challenges in creating accommodating and safe work environments for diverse employees. In this section, we're going to look at two of those challenges: personal bias and the glass ceiling.

Bias is a term that describes a tendency or preference toward a particular perspective or ideology. It's generally seen as a "one-sided" perspective. Our personal biases cause us to have preconceived opinions about people or things. One outcome of our personal biases can be prejudice, a preconceived belief, opinion, or judgment toward a person or a group of people. Our prejudice can be based on all the types of diversity we discussed: race, gender, ethnicity, age, disability, religion, sexual orientation, or even other personal characteristics. A major factor in prejudice is stereotyping, which is judging a person on the basis of one's perception of a group to which he or she belongs. For instance, "Married persons are more stable employees than single persons" is an example of stereotyping. Both prejudice and stereotyping can lead to someone treating others who are members of a particular group unequally. That's what we call discrimination, which is when someone acts out their prejudicial attitudes toward people who are the targets of their prejudice. Discrimination, whether intentional or not, can lead to serious negative consequences for employers. But it's not just the potential financial consequences organizations and managers face for discriminatory actions. It's the reduced employee productivity, negative and disruptive interpersonal conflicts, increased employee turnover, and overall negative climate that can lead to serious problems for managers. Even if an organization has never had an employment discrimination lawsuit filed against it, managers need to aggressively work to eliminate unfair discrimination.

In the 1980s, the term glass ceiling, first used in a Wall Street Journal article, refers to the invisible barrier that separates women and minorities from top management positions.

Research on the glass ceiling has looked at identifying the organizational practices and interpersonal biases that have blocked women's advancement. Findings from those studies have ranged from lack of mentoring, sex stereotyping, views that associate masculine traits with leader effectiveness, and bosses' perceptions of family-work conflict

15.3.4. Workplace Diversity Initiatives

Workplace diversity management initiatives include top management commitment to diversity; mentoring, which is a process whereby an experienced organizational member provides advice and guidance to a less-experienced member; diversity skills training; and employee resource groups, which are groups made up of employees connected by some common dimension of diversity

15.4. Managing Social Responsibility and Ethics

15.4.1. Social Responsibility

Social obligation is when a firm engages in social actions because of its obligation to meet certain economic and legal responsibilities. The organization does what it's obligated to do and nothing more. This idea reflects the classical view of social responsibility, which says that management's only social responsibility is to maximize profits. We define social responsibility as a business's intention, beyond its legal and economic obligations, to do the right things and act in ways that are good for society. Our definition assumes that a business obeys the law and cares for its stockholders, but adds an ethical imperative to do those things that make society better and not to do those that make it worse. A socially responsible organization does what is right because it feels it has an ethical responsibility to do so.

15.4.2. Managers and Ethical Behavior

As managers plan, organize, lead, and control, they must consider ethical dimensions. What do we mean by ethics? We're defining it as the principles, values, and beliefs that define right and wrong decisions and behavior. Many decisions that managers make require them to consider both the process and who's affected by the result. An organization's managers do play an important role here. They're responsible for creating an environment that encourages employees to embrace the culture and the desired values as they do their jobs. In fact, research shows that the behavior of managers is the single most important influence on an individual's decision to act ethically or unethically. A strong culture exerts more influence on employees than a weak one. If a culture is strong and supports high ethical standards, it has a powerful and positive influence on the decision to act ethically or unethically.

15.4.3. Social Responsibility and Ethics Issues in Today's World

Managers can manage ethical lapses and social irresponsibility by being strong ethical leaders and by protecting employees who raise ethical issues. The example set by managers has a strong influence on whether employees behave ethically. Ethical leaders also are honest, share their values, stress important shared values, and use the reward system appropriately.

Managers can protect whistle-blowers (employees who raise ethical issues or concerns) by encouraging them to come forward, by setting up toll-free ethics hotlines, and by establishing a culture in which employees can complain and be heard without fear of reprisal. Social entrepreneurs play an important role in solving social problems by seeking out opportunities to improve society by using practical, innovative, and sustainable approaches. Social entrepreneurs want to make the world a better place and have a driving passion to make that happen. Businesses can promote positive social change through corporate philanthropy and employee volunteering efforts.

15.5. Managing Change and Innovation

15.5.1. Types of Organizational Change

We classify these changes as organizational change, which is any alteration of people, structure, or technology. Organizational changes often need someone to act as a catalyst and assume the responsibility for managing the change process—that is, a change agent. Change agents can be a manager within the organization, but could be a non-manager. Changing structure includes any change in structural variables such as reporting relationships, coordination mechanisms, employee empowerment, or job redesign. Changing technology encompasses modifications in the way work is performed or the methods and equipment that are used. Changing people refers to changes in attitudes, expectations, perceptions, and behavior of individuals or groups.

15.5.2. Contemporary Issues in Managing Change

The shared values that comprise an organization's culture are relatively stable, which makes it difficult to change. Managers can do so by being positive role models; creating new stories, symbols, and rituals; selecting, promoting, and supporting employees who adopt the new values; redesigning socialization processes; changing the reward system, clearly specifying expectations; shaking up current subcultures; and getting employees to participate in change. Stress is the adverse reaction people have to excessive pressure placed on them from extraordinary demands, constraints, or opportunities. To help employees deal with stress, managers can address job-related factors by making sure an employee's abilities match the job requirements, improve organizational communications, use a performance planning program, or redesign jobs. Addressing personal stress factors is trickier, but managers could offer employee counseling, time management programs, and wellness programs. Making change happen successfully involves focusing on making the organization change capable, making sure managers understand their own role in the process, and giving individual employees a role in the process.

15.5.3. Stimulating Innovation

Creativity is the ability to combine ideas in a unique way or to make unusual associations between ideas. Innovation is turning the outcomes of the creative process into useful products or work methods. Important structural variables include an organic-type structure, abundant resources, frequent communication between organizational units, minimal time pressure, and support. Important cultural variables include accepting ambiguity, tolerating the impractical, keeping external controls minimal, tolerating risk, tolerating conflict, focusing on ends not means, using an open-system focus, providing positive feedback, and being an empowering leader. Important human resource variables include high commitment to training and development, high job security, and encouraging individuals to be idea champions.



Figure 15.3 Innovation Variables

15.6 . Planning

Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal. It involves the creation and maintenance of a plan, such as psychological aspects that require conceptual skills. There are even a couple of tests to measure someone's capability of planning well. As such, planning is a fundamental property of intelligent behavior.

Also, planning has a specific process and is necessary for multiple occupations (particularly in fields such as management, business, etc.). In each field there are different types of plans that help companies achieve efficiency and effectiveness. An important, albeit often ignored aspect of planning, is the relationship it holds to forecasting. Forecasting can be described as predicting what the future will look like, whereas planning predicts what the future should look like for multiple scenarios. Planning combines forecasting with preparation of scenarios and how to react to them. Planning is one of the most important project management and time management techniques. Planning is preparing a sequence of action steps to achieve some specific goal. If a person does it effectively, he can reduce much the necessary time and effort of achieving the goal. A plan is like a map. When following a plan, he can always see how much he has progressed towards his project goal and how far he is from his destination.

15.6.1. Goals and Plans

Goals are desired outcomes. Plans are documents that outline how goals are going to be met. Goals might be strategic or financial and they might be stated or real. Strategic plans apply to the entire organization while operational plans encompass a particular functional area. Long term plans are those with a time frame beyond three years. Short-term plans cover one year or less. Specific plans are clearly defined and leave no room for interpretation. Directional plans are flexible and set out general guidelines. A single-use plan is a one-time plan designed to meet the needs of a unique situation. Standing plans are ongoing plans that provide guidance for activities performed repeatedly

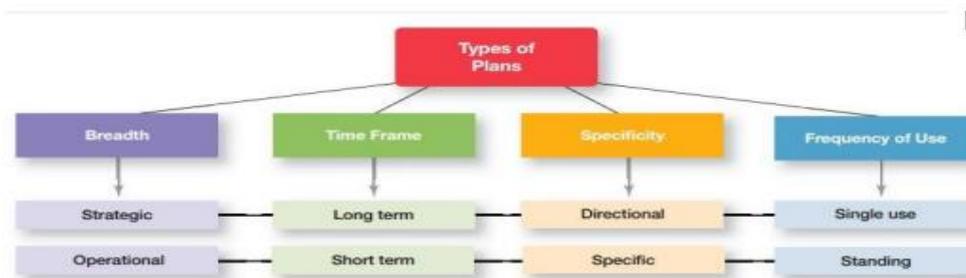


Figure 15.4 Types of Plans

15.6.2 Corporate Strategies

A growth strategy is when an organization expands the number of markets served or products offered, either through current or new businesses. The types of growth strategies include concentration, vertical integration (backward and forward), horizontal integration, and diversification (related and unrelated). A stability strategy is when an organization makes no significant changes in what it's doing. Both renewal strategies—retrenchment and turnaround—address organizational weaknesses that are leading to performance declines. The BCG matrix is a way to analyze a company's portfolio of businesses by looking at a business's market share and its industry's anticipated growth rate. The four categories of the BCG matrix are cash cows, stars, question marks, and dogs.

15.6.3. Competitive Strategies

An organization's competitive advantage is what sets it apart, its distinctive edge. A company's competitive advantage becomes the basis for choosing an appropriate competitive strategy. Porter's five forces model assesses the five competitive forces that dictate the rules of competition in an industry: threat of new entrants, threat of substitutes, bargaining power of buyers, bargaining power of suppliers, and current rivalry. Porter's three competitive strategies are as follows: cost leadership (competing on the basis of having the lowest costs in the industry), differentiation (competing on the basis of having unique products that are widely valued by customers), and focus (competing in a narrow segment with either a cost advantage or a differentiation advantage)

15.6.4. Current Strategic Management Issues

Managers face three current strategic management issues: strategic leadership, strategic flexibility, and important types of strategies for today's environment. Strategic leadership is the ability to anticipate, envision, maintain flexibility, think strategically, and work with others in the organization to initiate changes that will create a viable and valuable future for the organization and includes eight key dimensions. Strategic flexibility—that is, the ability to recognize major external environmental changes, to quickly commit resources, and to recognize when a strategic decision isn't working—is important because managers often face highly uncertain environments. Managers can use e-business strategies to reduce costs, to differentiate their firm's products and services, to target (focus on) specific customer groups, or to lower costs by standardizing certain office functions. Another important e-business strategy is the clicksand-bricks strategy, which combines online and traditional stand-alone locations. Strategies managers can use to become more customer oriented include giving customers what they want, communicating effectively with them, and having a culture that emphasizes customer service. Strategies managers can use to become more innovative include deciding their organization's innovation emphasis (basic scientific research, product development, or process development) and its innovation timing (first mover or follower).

15.6.5. Organizing

Organizing is a systematic process of structuring, integrating, co-ordinating task goals, and activities to resources in order to attain objectives.

15.7 Basic Organizational Design

15.7.1. Designing Organizational Structure

The key elements in organizational design are work specialization, chain of command, span of control, departmentalization, centralization-decentralization, and formalization. Traditionally, work specialization was viewed as a way to divide work activities into separate job tasks. Today's view is that it is an important organizing mechanism but it can lead to problems. The chain of command and its companion concepts—authority, responsibility, and unity of command—were viewed as important ways of maintaining control in organizations. The contemporary view is that they are less relevant in today's organizations. The traditional view of span of control was that managers should directly supervise no more than five to six individuals. The contemporary view is that the span of control depends on the skills and abilities of the manager and the employees and on the characteristics of the situation. The various forms of departmentalization are as follows: Functional groups jobs by functions performed; product groups jobs by product lines; geographical groups jobs by geographical region; process groups jobs on product or customer flow; and customer groups jobs on specific and unique customer groups. Authority refers to the rights inherent in a managerial position to tell people what to do and to expect them to do it. The acceptance view of authority says that authority comes from the willingness of subordinates to accept it. Line authority entitles a manager to direct the work of an employee. Staff authority refers to functions that support, assist, advise, and generally reduce some of managers' informational burdens. Responsibility is the obligation or expectation to perform assigned duties. Unity of command states that a person should report to only one manager. Centralization-decentralization is a structural decision about who makes decisions—upper-level managers or lower-level employees. Formalization concerns the organization's use of standardization and strict rules to provide consistency and control.

15.7.2. Traditional Organizational Design

A simple structure is one with low departmentalization, wide spans of control, authority centralized in a single person, and little formalization. A functional structure groups similar or related occupational specialties together. A divisional structure is made up of separate business units or divisions.

15.7.3. Adaptive Organizational Design

In a team structure, the entire organization is made up of work teams. The matrix structure assigns specialists from different functional departments to work on one or more projects being led by project managers. A project structure is one in which employees continuously work on projects. A virtual organization consists of a small core of fulltime employees and outside specialists temporarily hired as needed to work on projects. A network organization is an organization that uses its own employees to do some work activities and networks of outside suppliers to provide other needed product components or work processes. A learning organization is one that has developed the capacity to continuously learn, adapt, and change.

It has certain structural characteristics including an emphasis on sharing information and collaborating on work activities, minimal structural and physical barriers, and empowered work team.

Flexible work arrangements give organizations the flexibility to deploy employees when and where they're needed. Structural options include telecommuting, compressed workweeks, flextime, and job sharing. Telecommuting is a work arrangement in which employees work at home and are linked to the workplace by computer. A compressed workweek is one in which employees work longer hours per day but fewer days per week. Flextime is a scheduling system in which employees are required to work a specific number of hours a week but are free to vary those hours within certain limits. Job sharing is when two or more people split a full-time job.

15.7.4. Managing Human Resources

Human resource management is important for three reasons. First, it can be a significant source of competitive advantage. Second, it's an important part of organizational strategies.

Finally, the way organizations treat their people has been found to significantly impact organizational performance. The external factors that most directly affect the human resource management process are the economy, labor unions, legal environment, and demographic trends.

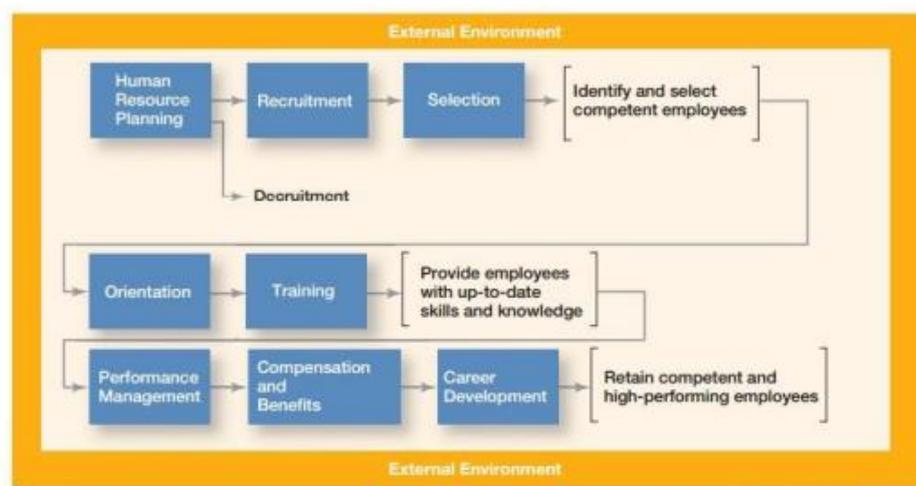


Figure Human Resource Management

15.7.5. Managing Teams

A group is two or more interacting and interdependent individuals who come together to achieve specific goals. Formal groups are work groups that are defined by the organization's structure and have designated work assignments and specific tasks directed at accomplishing organizational goals. Informal groups are social groups. The forming stage consists of two phases: joining the group and defining the group's purpose, structure, and leadership. The storming stage is one of intragroup conflict over who will control the group and what the group will be doing. The norming stage is when close relationships and cohesiveness develop as norms are determined. The performing stage is when group members began to work on the group's task. The adjourning stage is when the group prepares to disband.

The major components that determine group performance and satisfaction include external conditions, group member resources, group structure, group processes, and group tasks.

External conditions, such as availability of resources, organizational goals, and other factors, affect work groups. Group member resources (knowledge, skills, abilities, personality traits) can influence what members can do and how effectively they will perform in a group.

Group roles generally involve getting the work done or keeping group members happy. Group norms are powerful influences on a person's performance and dictate things such as work output, levels, absenteeism, and promptness. Pressures to conform can heavily influence a person's judgment and attitudes. If carried to extremes, groupthink can be a problem. Status systems can be a significant motivator with individual behavioral consequences, especially if incongruence is a factor. What size group is most effective and efficient depends on the task the group is supposed to accomplish. Cohesiveness is related to a group's productivity. Group decision making and conflict management are important group processes that play a role in performance and satisfaction. If accuracy, creativity, and degree of acceptance are important, a group decision may work best. Relationship conflicts are almost always dysfunctional. Low levels of process conflicts and low-to-moderate levels of task conflicts are functional.

Effective communication and controlled conflict are most relevant to group performance when tasks are complex and interdependent.

The challenges of managing global teams can be seen in the group member resources, especially the diverse cultural characteristics; group structure, especially conformity, status, social loafing, and cohesiveness; group processes, especially with communication and managing conflict; and the manager's role in making it all work. With the emphasis on teams in today's organizations, managers need to recognize that people don't automatically know how to be part of a team or to be an effective team member. Like any behavior, team members have to learn about the skill and then keep practicing and reinforcing it. In building team skills, managers must view their role as more of being a coach and developing others in order to create more committed, collaborative, and inclusive teams. Managers need to understand the patterns of informal connections among individuals within groups because those informal social relationships can help or hinder the group's effectiveness.

15.7. Leading

Understanding Individual Behavior

Just like an iceberg, it's the hidden organizational elements (attitudes, perceptions, norms, etc.) that make understanding individual behavior so challenging



Figure 15.5 Organisation as Iceberg

Organization behavior (OB) focuses on three areas: individual behavior, group behavior, and organizational aspects. The goals of OB are to explain, predict, and influence behavior.

Employee productivity is a performance measure of both efficiency and effectiveness. Absenteeism is the failure to report to work. Turnover is the voluntary and involuntary permanent withdrawal from an organization. Organizational citizenship behavior (OCB) is discretionary behavior that's not part of an employee's formal job requirements but it promotes the effective functioning of an organization. Job satisfaction is an individual's general attitude toward his or her job. Workplace misbehavior is any intentional employee behavior that is potentially harmful to the organization or individuals within the organization.

15.8 Attitudes and Job Performance

The cognitive component refers to the beliefs, opinions, knowledge, or information held by a person. The affective component is the emotional or feeling part of an attitude. The behavioral component refers to an intention to behave in a certain way toward someone or something. Job satisfaction refers to a person's general attitude toward his or her job. Job involvement is the degree to which an employee identifies with his or her job, actively participates in it, and considers his or her job performance to be important to his or her self-worth. Organizational commitment is the degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in that organization. Employee engagement is when employees are connected to, satisfied with, and enthusiastic about their jobs. Job satisfaction positively influences productivity, lowers absenteeism levels, lowers turnover rates, promotes positive customer satisfaction, moderately promotes OCB, and helps minimize workplace misbehavior. Individuals try to reconcile attitude and behavior inconsistencies by altering their attitudes, altering their behavior, or rationalizing the inconsistency.

15.9 Personality

The MBTI measures four dimensions: social interaction, preference for gathering data, preference for decision making, and style of making decisions. The Big Five Model consists of five personality traits: extraversion, agreeableness, conscientiousness, emotional stability, and openness to experience. The five personality traits that help explain individual behavior in organizations are locus of control, Machiavellianism, self-esteem, self-monitoring, and risktaking. Other personality traits include Type A/Type B personalities, proactive personality, and resilience. How a person responds emotionally and how they deal with their emotions is a function of personality. A person who is emotionally intelligent has the ability to notice and to manage emotional cues and information.

In recent years, research has shown that five basic personality dimensions underlie all others and encompass most of the significant variation in human personality. The five personality traits in the Big Five Model are:

1. Extraversion: The degree to which someone is sociable, talkative, assertive, and comfortable in relationships with others.
2. Agreeableness: The degree to which someone is good-natured, cooperative, and trusting.
3. Conscientiousness: The degree to which someone is reliable, responsible, dependable, persistent, and achievement oriented.
4. Emotional stability: The degree to which someone is calm, enthusiastic, and secure (positive) or tense, nervous, depressed, and insecure (negative).
5. Openness to experience: The degree to which someone has a wide range of interests and is imaginative, fascinated with novelty, artistically sensitive, and intellectual.

Because employees bring an emotional component with them to work every day, managers need to understand the role that emotions play in employee behavior. How many emotions are there? Although you could probably name several dozen, research has identified six universal emotions: anger, fear, sadness, happiness, disgust, and surprise. Do these emotions surface in the workplace? Absolutely! I get angry after receiving a poor performance appraisal. I fear that I could be laid off as a result of a company cutback. I'm sad about one of my coworkers leaving to take a new job in another city. I'm happy after being selected as employee-of-the-month. I'm disgusted with the way my supervisor treats women on our team. And I'm surprised to find out that management plans a complete restructuring of the company's retirement program.

15.10 Perception

Perception is how we give meaning to our environment by organizing and interpreting sensory impressions. Because people behave according to their perceptions, managers need to understand it. The characteristics of the target being observed can also affect what's perceived. Loud people are more likely than quiet people to be noticed in a group as are extremely attractive or unattractive individuals. The relationship of a target to its background also influences perception, as does our tendency to group close things and similar things together. You can experience these tendencies by looking at the visual perception examples shown in Figure 5.2. Notice how what you see changes as you look differently at each one



Figure 5.2. What Do You See?

Attribution theory depends on three factors. Distinctiveness is whether an individual displays different behaviors in different situations (that is, is the behavior unusual). Consensus is whether others facing a similar situation respond in the same way. Consistency is when a person engages in behaviors regularly and consistently. Whether these three factors are high or low helps managers determine whether employee behavior is attributed to external or internal causes. The fundamental attribution error is the tendency to underestimate the influence of external factors and overestimate the influence of internal factors. The self-serving bias is the tendency to attribute our own successes to internal factors and to put the blame for personal failure on external factors. Three shortcuts used in judging others are assumed similarity, stereotyping, and the halo effect.

Managers need to recognize that their employees react to perceptions, not to reality. So whether a manager's appraisal of an employee's performance is actually objective and unbiased or whether the organization's wage levels are among the highest in the community is less relevant than what employees perceive them to be. If individuals perceive appraisals to

be biased or wage levels as low, they'll behave as if those conditions actually exist. Employees organize and interpret what they see, so the potential for perceptual distortion is always present. The message is clear: Pay close attention to how employees perceive both their jobs and management actions.

15.11 Learning

Operant conditioning argues that behavior is a function of its consequences. Managers can use it to explain, predict, and influence behavior. Social learning theory says that individuals learn by observing what happens to other people and by directly experiencing something. Managers can shape behavior by using positive reinforcement (reinforcing a desired behavior by giving something pleasant), negative reinforcement (reinforcing a desired response by withdrawing something unpleasant), punishment (eliminating undesirable behavior by applying penalties), or extinction (not reinforcing a behavior to eliminate it).

15.12 Social Learning

Some 60 percent of the Radio City Rockettes have danced in prior seasons. The veterans help newcomers with "Rockette style"—where to place their hands, how to hold their hands, how to keep up stamina, and so forth. As the Rockettes are well aware, individuals can also learn by observing what happens to other people and just by being told about something as well as by direct experiences. Much of what we have learned comes from watching others (models)—parents, teachers, peers, television and movie actors, managers, and so forth. This view that we can learn both through observation and direct experience is called social learning theory. The influence of others is central to the social learning viewpoint. The amount of influence that these models have on an individual is determined by four processes: learning Any relatively permanent change in behavior that occurs as a result of experience operant conditioning A theory of learning that says behavior is a function of its consequences social learning theory A theory of learning that says people can learn through observation and direct experience shaping behavior The process of guiding learning in graduated steps using reinforcement or lack of reinforcement

1. Attentional processes. People learn from a model when they recognize and pay attention to its critical features. We're most influenced by models who are attractive, repeatedly available, thought to be important, or seen as similar to us.
2. Retention processes. A model's influence will depend on how well the individual remembers the model's action, even after the model is no longer readily available.
3. Motor reproduction processes. After a person has seen a new behavior by observing the model, the watching must become doing. This process then demonstrates that the individual can actually do the modeled activities.
4. Reinforcement processes. Individuals will be motivated to exhibit the modeled behavior if positive incentives or rewards are provided. Behaviors that are reinforced will be given more attention, learned better, and performed more often.
5. Shaping: A Managerial Tool Because learning takes place on the job as well as prior to it, managers are concerned with how they can teach employees to behave in ways that most benefit the organization. Thus, managers will often attempt to "mold" individuals by guiding their learning in graduated steps, through a method called shaping behavior. Consider the situation in which an employee's behavior is significantly different from that sought by a manager. If the manager reinforced the individual only when he or she showed desirable responses, the opportunity for reinforcement might occur too infrequently. Shaping offers a logical approach toward achieving the desired behavior. We shape behavior by systematically reinforcing each successive step that moves the individual closer to the desired behavior. If an employee who has

chronically been a half-hour late for work comes in only 20 minutes late, we can reinforce the improvement. Reinforcement would increase as an employee gets closer to the desired behavior. Four ways to shape behavior include positive reinforcement, negative reinforcement, punishment, and extinction. When a behavior is followed by something pleasant, such as praising an employee for a job well done, it's called positive reinforcement

15.13. Managers and Communication

Communication is the transfer and understanding of meaning. Interpersonal communication is communication between two or more people. Organizational communication includes all the patterns, networks, and systems of communication within an organization. The functions of communication include controlling employee behavior, motivating employees, providing a release for emotional expression of feelings and fulfillment of social needs, and providing information.

Methods of Interpersonal Communication

Before communication can take place, a purpose, expressed as a message to be conveyed, must exist. It passes between a source (the sender) and a receiver. The message is converted to symbolic form (called encoding) and passed by way of some medium (channel) to the receiver, who retranslates the sender's message (called decoding). The result is the transfer of meaning from one person to another.

The communication process contains seven elements. First, a sender has a message. A message is a purpose to be conveyed. Encoding converts a message into symbols. A channel is the medium a message travels along. Decoding happens when the receiver retranslates a sender's message. Finally, feedback occurs. Managers can evaluate the various communication methods according to their feedback, complexity capacity, breadth potential, confidentiality, encoding ease, decoding ease, time-space constraint, cost, interpersonal warmth, formality, scanability, and time of consumption. The communication methods include face-to-face, telephone, group meetings, formal presentations, memos, traditional mail, fax, employee publications, bulletin boards, other company publications, audio- and videotapes, hotlines, e-mail, computer conferencing, voice mail, teleconferences, and videoconferences.

Figure 15.3 illustrates the elements of the communication process. Note that the entire process is susceptible to noise—disturbances that interfere with the transmission, receipt, or feedback of a message. Typical examples of noise include illegible print, phone static, inattention by the receiver, or background sounds of machinery or coworkers. However, anything that interferes with understanding can be noise, and noise can create distortion at any point in the communication process.

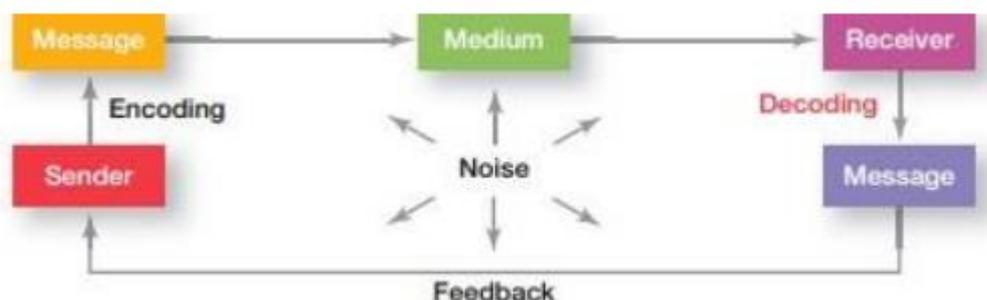


Figure 15.5 Interpersonal communication Process

Effective Interpersonal Communication

The barriers to effective communication include filtering, emotions, information overload, defensiveness, language, and national culture. Managers can overcome these barriers by using feedback, simplifying language, listening actively, constraining emotions, and watching for nonverbal clues.

Organizational Communication

Formal Versus Informal Communication Communication within an organization is described as formal or informal. Formal communication refers to communication that takes place within prescribed organizational work arrangements. For example, when a manager asks an employee to complete a task, that's formal communication. Another example of formal communication occurs when an employee communicates a problem to his or her manager.

Informal communication is organizational communication not defined by the organization's structural hierarchy. When employees talk with each other in the lunch room, as they pass in hallways, or as they're working out at the company wellness facility, they engage in informal communication. Employees form friendships and communicate with each other. The informal communication system fulfills two purposes in organizations: (1) it permits employees to satisfy their need for social interaction, and (2) it can improve an organization's performance by creating alternative, and frequently faster and more efficient, channels of communication.

Formal communication is communication that takes place within prescribed organizational work arrangements. Informal communication is not defined by the organization's structural hierarchy. Communication in an organization can flow downward, upward, laterally, and diagonally. The three communication networks include the chain, in which communication flows according to the formal chain of command; the wheel, in which communication flows between a clearly identifiable and strong leader and others in a work team; and the all channel, in which communication flows freely among all members of a work team. Managers should manage the grapevine as an important information network. The negative consequences of rumors can be minimized by communicating openly, fully, and honestly with employees. Workplace design also influences organizational communication. That design should support four types of employee work: focused work, collaboration, learning, and socialization. In each of these circumstances, communication must be considered.

Organizational Communication Networks

The vertical and horizontal flows of organizational communication can be combined into a variety of patterns called communication networks. Exhibit 15-4 illustrates three common communication networks

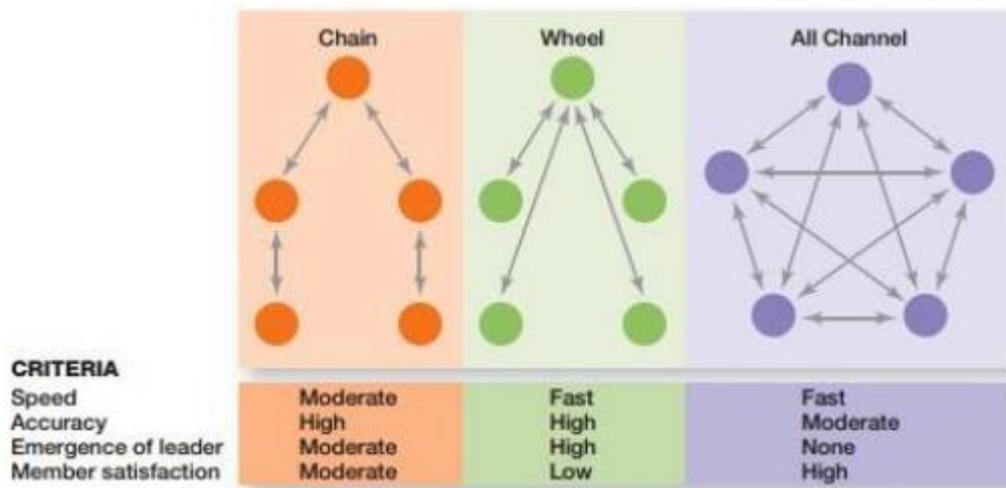


Figure 15.6 Organisational Communication Networks

Technology has radically changed the way organizational members communicate. It improves a manager's ability to monitor performance; it gives employees more complete information to make faster decisions; it has provided employees more opportunities to collaborate and share information; and it has made it possible for people to be fully accessible, anytime anywhere. IT affects organizations by influencing the way that organizational members communicate, share information, and do their work.

15.14 Managers as Leaders

A leader is someone who can influence others and who has managerial authority. Leadership is a process of leading a group and influencing that group to achieve its goals. Managers should be leaders because leading is one of the four management functions.

15.14.1 Early theories of leadership

Early attempts to define leader traits were unsuccessful although later attempts found seven traits associated with leadership. The University of Iowa studies explored three leadership styles. The only conclusion was that group members were more satisfied under a democratic leader than under an autocratic one. The Ohio State studies identified two dimensions of leader behavior initiating structure and consideration. A leader high in both those dimensions at times achieved high group task performance and high group member satisfaction, but not always. The University of Michigan studies looked at employee-oriented leaders and production-oriented leaders.

15.14.2. The three major contingency theories of leadership

Fiedler's model attempted to define the best style to use in particular situations. He measured leader style—relationship oriented or task oriented—using the least-preferred coworker questionnaire. Fiedler also assumed a leader's style was fixed. He measured three contingency dimensions: leader-member relations, task structure, and position power. The model suggests that task-oriented leaders performed best in very favorable and very unfavorable situations, and relationship-oriented leaders performed best in moderately favorable situations.

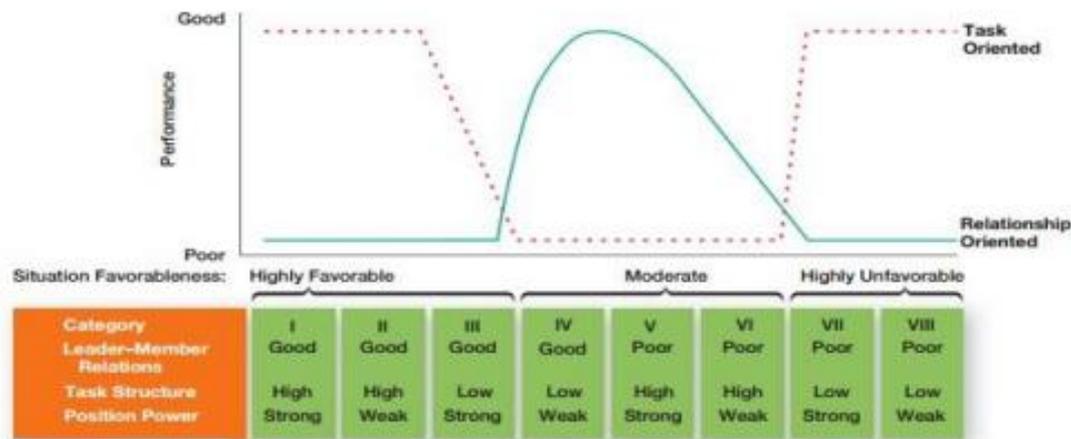


Figure 15.7 The Fielder Model

style), unable but willing (use selling style), able but unwilling (use participative style), and able and willing (use delegating style). The path-goal model developed by Robert House identified four leadership behaviors: directive, supportive, participative, and achievement oriented. He assumed that a leader can and should be able to use any of these styles. The two situational contingency variables were found in the environment and in the follower. Essentially the path-goal model says that a leader should provide direction and support as needed; that is, structure the path so the followers can achieve goals.

15.15 Summary

With globalization, what was once a domestic issue has now become in part an international issue and in turn raises public policy questions as to what health-care costs can US firms be expected to fund in a globalized economy. With continuing change impacting on MNEs due to globalization and the pressure to reduce costs by off shoring, the risks to corporate reputation inherent in failure to comply with internal and external codes of conduct are unlikely to diminish and these factors will be ongoing issues in the foreseeable future. They concluded that leaders who were employee oriented could get high group productivity and high group member satisfaction. The Managerial Grid looked at leaders' concern for production and concern for people and identified five leader styles. Although it suggested that a leader who was high in concern for production and high in concern for people was the best, there was no substantive evidence for that conclusion. As the behavioral studies showed, a leader's behavior has a dual nature: a focus on the task and a focus on the people.

15.16 Key words

Diversity

Diversity has been "one of the most popular business topics over the last two decades. It ranks with modern business disciplines such as quality, leadership, and ethics.

Social Responsibility

Social obligation is when a firm engages in social actions because of its obligation to meet certain economic and legal responsibilities

Stimulating Innovation

Creativity is the ability to combine ideas in a unique way or to make unusual associations between ideas. Innovation is turning the outcomes of the creative process into useful products or work methods

Planning

Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal.

Corporate Strategies

A growth strategy is when an organization expands the number of markets served or products offered, either through current or new businesses

Competitive Strategies

An organization's competitive advantage is what sets it apart, its distinctive edge. A company's competitive advantage becomes the basis for choosing an appropriate competitive strategy.

15.17 Self Assessment Questions

1. Briefly discuss the Global Environment?
2. Explain the Managing Diversity at the work place?
3. Discuss the Types of Organizational change?
4. Examine the Basic organizational Design?

15.18 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M. Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON -16

UNIVERSALISATION OF HR PRINCIPLES

Learning objectives

- ✓ To Understand the Techniques for recruiting TCNs vary
- ✓ To Learn the Type of entry by MNE into New Market
- ✓ To study the Equal Employment Opportunity Issues
- ✓ To focus on the Regional Integration: The European Union (EU)

Structure

- 16.1 Introduction
- 16.2 Techniques for recruiting TCNs vary
- 16.3 Selecting Host-Country Nationals
- 16.4 Staffing the Local Subsidiary
- 16.5 Type of entry by MNE into New Market
- 16.6 Selecting HCNs for transfer to headquarters
- 16.7 Equal Employment Opportunity Issues
- 16.8 Developing International Staff and Multinational Team
- 16.9 Regional Integration: The European Union (EU)
- 16.10 Disclosure of Information and European Works Councils
- 16.11 Social “Dumping”
- 16.12 Summary
- 16.13 Key words
- 16.14 Self Assessment questions

16.1 Introduction

Surprisingly, there is little in the literature regarding the selection process for this group of international employees. Apart from discussions surrounding the motives for the use of TCNs, and the advantages and disadvantages involved there is a paucity of information regarding specific TCN selection issues and policies. It is safe to assume, however, that much of what we have covered in our treatment of expatriate selection issues applies to both PCNs and TCNs.

Thus, when selecting TCNs from within its own operations, the individual factors identified in technical ability, cross cultural adaptability, and family requirements—would apply equally to PCNs and TCNs. Situational factors may dominate the selection decision—such as lack of suitably qualified or available PCNs. However, the issue of work permits may be crucial determinant in the ability to use TCNs, as governments would prefer to see their own nationals employed. It may be harder to justify the use of TCNs than PCNs. For companies developing a geocentric staffing policy, transferring subsidiary staff to other subsidiaries, as well as to headquarters, is an important part of creating an international team (or cadre). High profile transfers can provide a powerful signal. Creating the means for such transfers is not easy.

As Percy Barnevik, Chairman and former CEO of the Swedish- Swiss conglomerate Asea Brown Boveri (ABB) commented recently: The difficulty is that bosses tend to attract clusters of people from their own nationality around them. They do this not because they are racists, but because they feel comfortable with people they know best. You get a German cluster or a Swedish cluster. So you must make sure that when a boss selects managers, he considers people from other countries. And you must make sure good people from other

countries are available to him. Managers have to be asked to supply lists of potential candidates for work outside their countries. Then if a German manager selects four Germans for a task, you will be in a position to suggest an Italian or an American and ask him to think again.

Language ability as a selection criterion may be more critical because the TCN would need to be fluent in at least the common corporate language.

When recruiting and selecting external candidates for TCN positions, there may be a danger that the multinationals will place more emphasis on the potential candidate's ability to fit into the multinational's corporate culture rather than on cross cultural ability. Whether selection is from an international or external pool, it would be important for HRM staff in all locations to be aware of the debate surrounding the use of selection tests, particularly the culture-bound nature of psychometric tests designed for PCNs.

16.2 Techniques for recruiting TCNs vary:

Some U.S. multinationals recruit potential TCNs from among the foreign student body at various U.S. business schools. In Europe, for example, in October 1997, Nokia, the Finnish telecommunications multinational ran advertisements in local newspapers in Denmark and Netherlands for young graduates to take positions in its growing Asian operations. Stress was placed on technical skills and fluency in English (the company language).

For internal recruiting for TCN positions, companies which as IBM use their internal recruiting for TCN positions, companies such as IBM use their internal communication media, such as electronic bulletin boards, in-house journals, and so on, to advertise vacancies. An emerging trend is the use of foreign-born nationals, recruiting from ethnic groups living abroad. For example, a U.K multinational may select a Canadian-born Chinese to head up its Chinese facility. It was estimated that, in 1966, the majority of expatriate managers working in China were overseas Chinese from Malaysia, Singapore, Hong Kong, and Taiwan. The underlying assumption appears to be that such appointments will reduce cross-cultural difficulties. It is also a partial solution to the dearth of qualified local managers. Eastman-Kodak's HR director of the Greater China region regards this as a Band-Aid measure: "we could take everybody from our organizations in Hong Kong and Taiwan and put them in China and we still wouldn't come close to getting the number of managers we need." The company estimates that it will take at least 10 years to fully localize its Chinese management.

16.3 Selecting Host-Country Nationals:

When it comes to HCNs, we should distinguish between the selection of staff for positions in the local facility and the selection of staff for transfer into the parent's facilities in the home country.

16.4 Staffing the Local Subsidiary

We will begin with the issues surrounding recruiting and selecting HCNs for subsidiary operations. It is obvious that the multinationals must observe the host-country's legal requirements and social customs for hiring staff. In some countries, questions regarding a person's family, hobbies, parents, or religious convictions are unacceptable, since these are considered private areas.

In the absence of local hiring experience, the multinational may localize the HR function, or employ a local recruiting source. Appointing a HCN as the HR manager is

attractive when the strategy is to appear as localized as possible (part of a polycentric staffing policy). It is sometimes seen as a way of ensuring that the local operation conforms to local standards, thus avoiding the “bad press” that can result from non-adherence. The sexual harassment allegations at Mitsubishi Motor Manufacturing of America (MMMA), and at Astra USA, a Swedish subsidiary, in 1996 are cases in point.

There is a paucity of empirical studies on how the multinational approaches the recruitment and selection of local staff, though we can make some inferences from recent research that examines the standardization versus localization of HR practices. One such study, by Rosenzweig and Nohria, examined HRM practices in U.S. affiliates of foreign multinationals.

A high level of localization of HR practices (i.e. adoption of U.S. work-related practices), though the precise degree depended on various factors such as funding, nationality of parent company, presence of expatriates, and extent of communication of the parent has been found. Unfortunately, recruitment and selection activities were not specifically included in this study, nor was the nationality mix within the HR department revealed. Another study by Lu and Bjorkman examined the HRM localization issue in 65 Sino-Western international joint ventures (IJVs). They report a variety of approaches, depending on the mode of establishment, ownership and the contribution of critical resources to the venture.

The type of HR activity involved was also important

Recruitment and training were the two activities that were most likely to be localized: HR managers commented during follow up interviews that recruitment and training were the two activities that were most likely to be localized. HR managers commented during follow up interviews that recruitment in IJVs closely resembled the practices utilized by local firms. Both used job advertisements, job fairs, and job exchange centers, criteria for selection also were similar, with an emphasis on education background, skills, and work experience.

16.5 Type of entry by MNE into New Market

This is an Important Consideration. If the multinational establishes its own facility (i.e., builds its own plant-what is termed a “Greenfield site”), it may have more discretion in its hiring practices. Entry through acquisition generally means a ready-made workforce initially. South Korean multinationals have tended to follow a “growth through-acquisition” strategy, and have generally encountered more staffing and labor problems than have Japanese multinationals that preferred a “Greenfield sites” strategy.

An international joint ventures can be even more difficult, as the host-country partner will have specific goals regarding hiring. This is further complicated when the local joint venture partner is the host government. Some Western firms entering into China have found staffing to be Somewhat problematic, as State-owned partners often insist that all, or almost all, existing employees are utilized by the joint venture.

Monks took a slightly different approach in her study of Irish subsidiaries of foreign multinationals. While she was interested in the standardization-localization issue, Monks confined her sample to the HR department. In all of the nine companies, the HR managers were Irish, though other top subsidiary management positions were not necessarily localized. The Irish HR managers interviewed considered their control over local staffing issues as almost total. The exception was the Japanese firm in the sample-a finding which Monks considered consistent with Japanese subsidiary practices in other countries. Over-all, Monks

found that HCN selection remained in the domain of the Irish HR managers, but there was minimal input into HR decisions and strategies at the corporate level. None of the HR managers attended meetings at the headquarters. Controls were through the monitoring of financial implications of staffing decisions.

16.6 Selecting HCNs for transfer to headquarters:

The second issue is the selection of HCNs for international transfer into the parent-company's domestic operations. Motives for utilizing HCNs in this way tend to be for training and development purposes, which we will discuss a little later. Among the reasons for HCN transfers is that so-called "inpatriates" can assist in breaking down the uni-culture of the U.S. multinational. Related to this point, in a somewhat controversial article published in 1988, Kobrin argued that many U.S. firms have overdone the replacement of U.S. expatriates with HCNs, in response to the difficulties that Americans have had in adjusting to other cultural environments, rather than for reasons of effectiveness and efficiency. In doing so, Kobrin warned that U.S. multinationals could become composed primarily of employees who identify with the local subsidiary rather than the worldwide organization. An influx of "inpatriates" is one way of preventing or overcoming such a problem.

In their article, Harvey and Buckley advocate careful selection and management of "inpatriates" to ensure that the advantages of such transfers are obtained. Other types of HCN transfers into parent operations can be to facilitate subsidiary learning and integration. HCNs may be transferred for technical and operative skills training, as well as to acquire a sense of belonging part of building a global corporate culture. Of course, these transfers may be of a shorter duration than a general expatriate posting, and the reason for the transfer will affect selection.

Some South Korean MNEs have encountered problems finding and keeping local management, particularly in the United States. As a counter to this, HCN managers were transferred into South Korean facilities in an attempt to expose foreigners to the Korean way of doing business. Transfers of HCNs to the foreign partner's headquarters are playing an important training role in developing Chinese staff. As we will demonstrate in the later lessons, language becomes more important as a selection criterion for HCN transfers. Ability to communicate in the common corporate language, and the language of the parent company (where these are different), may determine a potential candidate's suitability.

16.7 Equal Employment Opportunity Issues:

In the recruitment and selection process, multinationals must address the issue of equal employment opportunity (EEO) for employees in all employment locations. The legal definition and coverage of relevant laws are immediate problems since the multinational must take into consideration the increasingly conflicting national laws on employment. For example, mandatory retirement and hiring ages are illegal in the United States and some other countries but remain a legal requirement in other countries.

Determining which law applies where, and which has precedence, is a problem without a specific solution. The United States has a comprehensive statute (Title VII of the Civil Rights Act of 1964) to cover many EEO situations. However, it should be noted here that the U.S. Supreme Court has held that this act does not apply outside the territorial borders of the United States. The case involved an American citizen who claimed that he had been illegally discriminated against while working abroad for a U.S. corporation. A naturalized citizen born in Lebanon, the plaintiff began working for Aramco Corporation in Texas in

1979 and was transferred by the company to work in Saudi Arabia in 1980, where he worked until 1984, when he was discharged. The Court rejected the person's claim that he had been harassed and ultimately discharged by Aramco Corporation on account of his race, religion, and national origin. The decision has important implications for the status and protection of Americans working abroad for U.S. firms. Equal employment opportunity laws are expressions of social values with regard to employment and reflect the values of a society or country.

In parts of the Middle East, Africa, Asia, and Latin America, women have tended to have a lower social status and are not universally employed. On the other hand, with the increasing rate of female entry into the workforce, many Western countries have introduced legislation to cover sex discrimination. Multinationals must be aware of legislation and ensure subsidiary compliance where appropriate. The selection procedures must be defended against illegality.

16.8 Developing International Staff and Multinational Team

Foreign assignments have long been recognized as an important mechanism for developing international expertise – for both management and organizational development. To establishing truly global operations means having a team of international managers (PCNs, HCNs, and TCNs) who are available to go anywhere in the world. To develop such teams, many multinationals are conscious that they need to provide international experience to many levels of managers (regardless of nationality) and not just to a small cadre of PCNs. One technique used to develop larger pools of employees with international experience is through short-term development assignments ranging from a few months to several years. However, some very successful multinationals, such as the Swedish-Swiss conglomerate ABB, have carried on the practice of developing a small cadre of international employees rather than internationalizing everyone. International job rotation, therefore, is one well-established technique for developing multinational teams and international operators.

It may be supported by PCN, TCN, and HCN attendance at common training and development programs held either in the parent country, or regional centers, or both. The Global Leadership Program at the University of Michigan is an example of externally provided training programs. For a period of five weeks, teams of American, Japanese, and European executives learn global business skills through action learning. To build cross-cultural teams, the program utilizes seminars and lectures, adventure-based exercises, and field trips to investigate business opportunities in countries such as Brazil, China, and India. The overall objective of the Global Leadership Program is to produce individual with a global perspective. The success of such programs depends on participants being able to apply these skills in their home location and assist in the development of multinational, cross border, cross functional teams. International meetings in various locations have also become important forums for fostering interaction and personal networks that also may be used later to build global teams. In line with a general trend towards an emphasis on work teams, there is a suggestion in the literature that multinationals would benefit from building on their inherent diversity to foster innovation, organizational learning, and the transfer of knowledge.

Fostering a sense of corporate identity and teamwork seems an important aspect of leverage resources and ideas from all parts of the multinational. The following remark from Jack Welch, CEO of GE, reflects this line of thinking. The aim in a global business is to get the best ideas from everywhere. Each team puts up its best ideas and process-constantly. That raises the bar. Our culture is designed around making a hero out of those who translate ideas

from one place to another, who help somebody else. They get an award, they get praised and promoted.

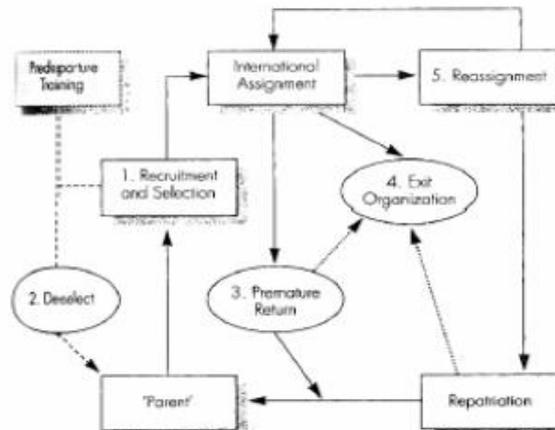


Exhibit 16.1: Expatriate Career Decision Points

Individual Career Development

The above discussion has been from the multinational's perspective. We now briefly look at the impact that an international assignment has on an individual's career. There is an implicit assumption that an international assignment has per se management development potential; perceived career advancement is often a primary motive for accepting such postings. However, there is a paucity of research that demonstrates the link between an international assignment and career advancement. Two exceptions are studied by Feldman and Thomas, and Naumann while these studies confirm career expectations as motives, the expatriates involved were taken from those currently on assignment. There is a need for research that examines career paths as a direct consequence of international assignments. It is possible to trace the typical assignment and identify critical decision points that may have career-related outcomes for a particular individual.

Exhibit 16.1 attempts to illustrate a sequence that may be common to all expatriates-PCNs as well as HCNs who accept assignments to either the parent operations, or to other subsidiaries (thus becoming TCNs). For ease of discussion, though, we will simply use the term expatriate and refer to the sending unit or subsidiary as parent. Exhibit 21.1 follows the stages of expatriation from recruitment and selection to completion of the particular assignment. The numerals are positioned at what have been identified as critical decision points. For example, Decision Point 1 occurs during recruitment and selection for a specific assignment, where the expatriate either applies, or is informally selected, for an international assignment. Further information about the host location during the recruitment and selection process (including pre departure training if that is available), or family considerations, may prompt the potential candidate to withdraw at this point. Hence Decision Point 2 is "deselect." There may be some career considerations as to whether a voluntary withdrawal at the point would have a negative consequence upon the person's future. Such a perception may influence the individual's decision to accept rather than reject the assignment. As we discussed earlier in terms of adjustment and performance overseas, the expatriate may decide to leave the international assignment (as indicated in Decision Point 3 – Premature Return).

The individual then is assigned a position back in the “parent” operation. The premature return may or may not have career advancement consequences. Alternatively, as indicated by Decision Point 4, the expatriate may decide to exit the organization—prompted by a perceived violation of the psychological contract, or perhaps as a result of another job offer that is perceived to be better in terms of the person’s career. This may be with a domestic firm back in the home country or with another foreign multinational.

Decision Point 5, Reassignment, can be either back into the “parent” organization or the person may accept another overseas assignment. Those, who elect to take a consecutive international assignment may, upon subsequent reassignment return to the “parent” operation, or become part of what is often referred to as the international “cadre”, or team. As we will discuss in later lessons, reassignment (or repatriation) back into the “parent” operation is a common ending to an international assignment and may or may not be a position that leads to career advancement.

There is a suggestion that turnover among repatriates may be as a consequence of a perceived lack of career advancement on the basis of the international experience. Decision Point 4 can be relevant at this stage, as indicated by the dotted arrow connecting “repatriation” with “exit organization.” These decision points are based on the issues we have discussed in the preceding lessons, as well as on the suggestions in the literature regarding the management development potential of international assignments. How individuals react at each point may vary according to the perceived value of the assignment; that is; whether the perceived benefits outweigh the costs in terms of family disruption (including a spouse or partner’s career) and the factors that we have identified as important to performance while on an international assignment. Of course, the actual benefits will also depend on the multinational’s willingness and ability to utilize the experiences the expatriate has gained during the international assignment.

16.9 Regional Integration: The European Union (EU)

Regional integration such as the development of the European Union (EU) has brought significant implications for international labor relations. In the Treaty of Rome (1957), some consideration was given to social policy issues related to the creation of the European Community. In the EU, the terms “social policy,” or “social dimension,” are used to cover a number of issues including, in particular, labor law and working conditions, aspects of employment and vocational training, and social security. There have been a number of significant developments in EU social policy over the past four decades. The Social Charter of the Council of Europe came into effect in 1965. In 1987, the major objective of the implementation of the Single European Act was to establish the Single European Market (SEM) on December 31, 1992, in order to enhance the free movement of goods, money, and people within the SEM. Hence, the social dimension aims to achieve a large labor market by eliminating the barriers that restrict the freedom of movement and the right of domicile within the SEM. The European Community Charter of the Fundamental Social Rights of Workers (often referred to simply as the Social Charter) was introduced in 1989, and has guided the development of social policy in the 1990s. Naturally, the social dimension has been the subject of much debate—proponents defend the social dimension as a means of achieving social justice and equal treatment for EU citizens, while critics see it as a kind of social engineering. At the signing of the Treaty on European Union in Maastricht in February 1992, Britain was allowed to opt out of the social policy agreements.

The other eleven member states were party to a protocol (The Social Policy Protocol), which allows them to agree their own directives without Britain's participation. With the election of the Blair Labor government in Britain in 1997, this anomaly was resolved when all members of the EU Signed the Treaty of Amsterdam on June 17, 1997. This means that there now exists a single coherent legal basis for action by the EU Member States with regard to social policy. The Social Chapter in the Treaty of Amsterdam opens with a general statement of objectives. Its first Article (Article 117 of the EC Treaty), drawn largely from Article 1 of the Maastricht Social Agreement, begins with a reference to fundamental social rights such as those in the European Social Charter of 1961 and the Social Charter of 1989. It then sets out the objectives for the EU: to support and complement the activities of the Member States in a number of listed areas. These include improvement of working conditions and of the working environment in the interest of workers' health and safety, information and consultation of workers, integration of persons excluded from the labor market, and equality of opportunity, and at work, between men and women.

16.10 Disclosure of Information and European Works Councils

The EU has introduced a range of directives related to the social dimension. Of the directives concerned with multinationals, the most contentious has been the Vredeling directive (associated with Henk Vredeling, a former Dutch member of the EU Commission). The Seventh (Vredeling) Directive's requirement of disclosure of company information to unions faced strong opposition led by the British government and employer representatives. They argued that employee involvement in consultation and decision making should be voluntary. More recently, the European Works Councils (EWC) Directive was approved on September 22, 1994, and implemented two Years later. Under the terms of the Treaty of Amsterdam, this directive applies to all EU member states. This is the first pan-European legislation that regulates collective relationships between Multinationals and employees. Based in Brussels and Luxembourg DG V is the European Commission department responsible for social policy. It is made up of six directorates responsible for different areas of social policy.

The directive requires EWC (European Works Council)s to be established in multinationals with at least 1,000 employees, having 100 or more employees in each of two member states. According to Chesters, more than 1,000 multi-nationals, including around 200 U.S.-based firms, are affected by the EWC directive. The directive is designed to provide coverage to all employees, whether unionized or not. The EWC directive aims to enhance employees' rights to information and consultation in general, and provide rights to information regarding international corporate decisions that would significantly affect workers' interests. Partly in response to the EWC directive, firms such as General Motors and Heinz have subsidized visits of worker representatives to other plants and provided information and forums for discussion at the European level. Obviously all firms will need to become familiar with EU directives and keep abreast of changes.

While harmonization of labor laws can be seen as the ultimate objective, Michon argues that the notion of a European social community does not mean unification of all social conditions and benefits or, for that matter, of all social systems. However, the EU does aim to establish minimal standards for social conditions that will safeguard the fundamental rights of workers.

16.11 Social “Dumping”

One of the concerns related to the formation of the SEM (Single European Market) was its impact on jobs. There was alarm that those member states that have relatively low social security costs would have a competitive edge and that firms would locate in those member states that have lower labor costs. The counter-alarm was that states with low-cost labor would have to increase their labor costs, to the detriment of their competitiveness. There are two industrial relations issues here: the movement of work from one region to another and its effect on employment levels; and the need for trade union solidarity to prevent workers in one region from accepting pay cuts to attract investment at the expense of workers in another region. There is some, although not as much as was expected, evidence of “social dumping” in the EU. It is likely that this issue will be a contentious one in Europe for some time and multinationals need to be aware of this debate when doing business in Europe.

Regional Integration

The North American Free Trade Agreement (NAFTA) Another important regional economic integration involves the formation of a free trade zone between the United States, Canada, and Mexico. The Canada—United States Free Trade Agreement (FTA) went into effect on January 1989, and a draft accord to create NAFTA, which brought Mexico into the trading bloc, was announced in August 1992. The NAFTA agreement was signed by the governments of the United States, Mexico, and Canada in December 1992, ratified by the U.S. Congress in November 1993, and came into force in January 1994. It is important to stress here that NAFTA differs from the Single European Market in that it is a free trade zone and not a common market. NAFTA deals only with the flow of goods, services, and investments among the three trading partners; it does not address labor mobility or other common policies of the SEM. However, in an effort to manage the social dimension of NAFTA, the North American Agreement on Labor Cooperation (NAALC) came into effect in 1993. Although it has been criticized as weak and ineffective, this accord has introduced new institutions to process complaints of violations of labor laws, and committed each of the three nations to introduce a set of 11 labor rights principles.

There are significant HR implications in NAFTA that must be considered by HR managers in North American firms. While NAFTA does not include workplace laws and their enforcement, as was discussed in the context of the SEM, the country with the least restrictive workplace laws will have a competitive advantage. Organized labor in the United States and Canada responded to the passage of NAFTA with substantial opposition, based on fear of job losses due to the transfer of production to Mexico to take advantage of lower wage rates and lax enforcement of social and labor legislation.

In other words, the concern about social dumping is similar to the concern at the formation of the SEM, but there is a difference. In the case of NAFTA, jobs are able to cross borders, but workers are not. Although there has been a general lack of coordination between labor organizations of the NAFTA countries, examples in telecommunications, trucking, and electrical industries show that NAFTA has stimulated some strategic cross border collaboration among individual labor unions and their allies. The EU and NAFTA provide examples of regional integration, which present many issues for international labor relations. As regional integration, and interregional integration, develops in other parts of the world, issues will continue to emerge for international labor relations.

16.12 Summary

Regional integration such as the development of the European Union (EU) has

brought significant implications for international labor relations. The EU has introduced a range of directives related to the social dimension. EU does aim to establish minimal standards for social conditions that will safeguard the fundamental rights of workers. One of the concerns related to the formation of the SEM (Single European Market) was its impact on jobs. There was alarm that those member states that have relatively low social security costs would have a competitive edge and that firms would locate in those member states that have lower labor costs. The counter alarm was that states with low-cost labor would have to increase their labor costs, to the detriment of their competitiveness. Another important regional economic integration involves the formation of a free trade zone between the United States, Canada, and Mexico. The Canada : United States Free Trade Agreement (FTA) went into effect on January 1989, and a draft accord to create NAFTA, which brought Mexico into the trading bloc, was announced in August 1992.

The international assignment emerges as an important way of training international operators, developing the international team, or “cadre,” as well as helping to build personal networks to support soft-control mechanisms. · In this sense, an international assignment is both training (gaining international experience and competence) and managerial and organizational development. · Thus, multinationals must address the growing need for international training and development and deal with controversial questions concerning which employees to train and the overall purpose of the training. · One technique used to develop larger pools of employees with international experience is through short-term development assignments ranging from a few months to several years.

16.13 Key words

Regional Integration- The North American Free Trade Agreement (NAFTA) Another important regional economic integration involves the formation of a free trade zone between the United States, Canada, and Mexico.

Parent Country National (PCN)- When a company of a country recruits employee from its own country is known as PCN. Here the country is called parent country.

Host Country National (HCN)- When a company of a country runs their business in another country and recruits employees from that country then it is known as HCN. Here the second country is the host country.

Third Country National (TCN)- They are the citizens of one country employed by a company from another country who worked in a third country.

Social “Dumping”-One of the concerns related to the formation of the SEM (Single European Market) was its impact on jobs. There was alarm that those member states that have relatively low social security costs would have a competitive edge and that firms would locate in those member states that have lower labor costs.

Regional integration -Regional integration such as the development of the European Union (EU) has brought significant implications for international labor relations. In the Treaty of Rome (1957), some consideration was given to social policy issues related to the creation of the European Community

16.13 Self Assessment questions

The questions that must prick your mind

1. What are the issues in selecting Third-Country Nationals (TCNs) and Host Country Nationals (TCNs) and how do you address them?
2. What are the issues related to transfer of HCNs to headquarters and how do you solve them?
3. How do you ensure equal employment opportunities to all employees?
4. What are covered under ‘ Social Policy’ and how does it determine labor relations?
5. What is “social dumping,” and why should unions be concerned about it?

16.14 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON-17

CHALLENGES OF GLOBALIZATION AND IMPLICATIONS OF MANAGING PEOPLE

Learning Objectives

- To Discuss about global HRM trends
- To List the challenges faced by GHRM
- To Elucidate on the significance of ethics for corporate
- To Describe strategies of IHRM

Structure

- 17.1 Introduction
- 17.2 Global HRM Trends and Future Challenges
 - 17.2.1 Talent management
 - 17.2.2 Working virtually
 - 17.2.3 Tentative global employee engagement
 - 17.2.4 The economic crisis and fewer existing business opportunities
- 17.3 Main Challenges in Global HRM
- 17.4 Barriers to women in GHRM
- 17.5 Ethics in International Business
 - 17.5.1 Global Values
 - 17.5.2 Role of HR in Operationalizing Corporate Ethics Programmes
- 17.6 Challenges for the HR Function of the Multinational Firm
 - 17.6.1 Global Developments on the Criminalization of Bribery
 - 17.6.2 MNC – Global and Good Corporate Citizen
 - 17.6.3 Social Responsibility of MNCs
- 17.7 Strategies of IHRM
 - 17.7.1 Break all the “local national” glass ceilings
 - 17.7.2 Make It Work
- 17.8 Summary
- 17.9 Keywords
- 17.10 Self Assessment Questions
- 17.11 Suggested Readings

17.1 Introduction

When business conducted across national and cultural borders, the operationalization of an enterprise's ethics programme takes on added layers of complexity. Especially, when multinationals operate in host countries that have different standards of business practice and are economically impoverished, whose legal infrastructure is inadequate, whose governments are corrupt and where human rights are habitually violated.

The question of ethical relativity arises where human rights are habitually violated. The question of ethical relativity arises not only in the context of different home- and host-country employment practices but also in the central operations and policies of multinationals. So, now we will Notes understand the developments of international business ethics and the challenges they raise for

HR professionals.

To exist in international environment, the HRM strategies need to be redefined, some of them are discussed in the unit.

17.2 Global HRM Trends and Future Challenges

The human resource functions in a global arena follows some trends and challenges as discussed below:

The importance of globalisation and integrating markets: Companies will become larger and more global in the coming years, handling operations in more countries than they do today. We're living in an increasingly borderless world.

17.2.1 Talent management

Finding and retaining quality talent continues to be essential to business sustainability. Finding and retaining quality talent continues to be essential to business sustainability, though its importance in relation to other challenges differs by location. There are more contingent workers, and the rationale behind work force investment is changing and moving in multiple directions.

Most industries and countries are to experience a widening talent gap, notably for highly skilled positions and for next generation of mid and senior leaders.

17.2.2 Working virtually

Working virtually across functions and geographies will intensify, with implications for intercultural communication, business ethics and organizational effectiveness.

Localising management of overseas operations is the key, but a global outlook is just as important as local knowledge. Businesses need to find new ways to connect people to each other and to information, both internally and externally. The expectation of having an "always-available" employee varies around the world.

17.2.3 Tentative global employee engagement

Companies that have implemented multiple layoffs have eroded a sense of security in the global work force. There is a disconnection between what companies currently have to offer employees and what employees really value.

Retaining valued talent is more important, but the drivers to retain that talent are different depending on the type of market (growth opportunity is paramount in growth markets; new or challenging responsibilities is paramount in mature markets).

The gap in creative leadership, executing for speed, and managing 'collective intelligence' must be addressed. Employee engagement has suffered; companies are now trying to restore pride and trust.

17.2.4 The economic crisis and fewer existing business opportunities

The crisis and fewer opportunities create a high demand on the global HR function to demonstrate greater adaptability.

Human Resource (HR) will be an important link between corporate headquarters and overseas operations. HR is conducting too many initiatives, with mediocre outcomes.

Companies need to reform their HR function and boost resources devoted to HR.

Economic uncertainties

They fundamentally change motivators that attract and retain employees. There is an

unbridged disparity between what companies have to offer employees and what employees really value.

Human capital protectionism

It may continue to increase in many countries in non-tariff, nationalistic forms.

Global mobility of high-value workers

It continues as multinational companies restrict new hires and relocate talented employees from within their existing work force.

Companies in emerging markets

Companies that originate in emerging economies will continue to succeed in the global marketplace.

Increased demand for HR metrics

It may bring about a widely accepted set of analytic measures and methods (global standards) to describe predict and evaluate the quality and impact of HR practices and the productivity of the work force. However, globalisation is also driving impetus toward the use of more metrics with greater cultural sensitivity.

17.3 Main Challenges in Global HRM

Some major challenges in GHRM have been summarised below:

1. High failure rates of expatriation and repatriation
2. Deployment-getting the right mix of skills in the organisation regardless of geographical location
3. Knowledge and innovation dissemination-managing critical knowledge and speed of information flow
4. Talent identification and development-identify capable people who are able to function effectively

17.4 Barriers to women in GHRM

1. International ethics
2. Language (example, spoken, written, body)
3. Different labour law
4. Different political climate
5. Different stage(s) of technological advancement
6. Different values and attitudes example, time, achievement, risk taking
7. Roles of religion example, sacred objects, prayer, taboos, holidays, etc.
8. Educational level attained
9. Social organisations example, social institutions, authority structures, interest groups, status system

17.5 Ethics in International Business

When business conducted across national and cultural borders, the operationalisation of an enterprise's ethics programme takes on added layers of complexity. Especially, when multinationals operate in host countries that have different standards of business practice and are economically impoverished, whose legal infrastructure is inadequate, whose governments are corrupt and where human rights are habitually violated.

The question of ethical relativity arises where human rights are habitually violated. The question of ethical relativity arises not only in the context of different home- and host-country employment practices but also in the central operations and policies of multinationals. So, now we will understand the developments of international business ethics and the challenges they raise for HR professionals.

17.5.1 Global Values

If a multinational has assigned a PCN to manage its operations in a host country where bribery is common, child labour is used and workplace safety is wanting, then it is difficult to determine whose standards should prevail i.e. those of the multinational's parent country or the host country?

17.5.2 Role of HR in Operationalizing Corporate Ethics Programmes

HR has a special role to play in the formulation, communication, monitoring and enforcement of an enterprise's ethics programme. The HR function along with finance and law is the appropriate locus of responsibility for an enterprise's ethics programme. HR is well positioned to make an important contribution to creating, implementing and sustaining ethical organisational behaviour within a strategic HR paradigm. HR professionals have specialized expertise in the areas of organisational culture, communication, training, performance management, leadership, motivation, group dynamics, organizational structured and change management—all of which are key factors for integrating responsibility for ethics into all aspects of organizational life.

17.6 Challenges for the HR Function of the Multinational Firm

People involved in international business activities face many of the same ethical issues as those in domestic business but the issues are made more complex because of the different social, economic, political and legal environments in which multinationals operate. So, multinationals will need to develop self-regulatory practices via codes of ethics and behavioural guidelines for expatriate, TCN and local HCN staff. Firms which opt consciously or by default to leave ethical considerations up to the individual not only contribute to the pressures of operating in a foreign environment but also allow internal inconsistencies that affect total global performance.

1. When selecting expatriates, their ability to manage with integrity could be a job-relevant criterion.
2. The pre-departure training of expatriates and their orientation programme should include an ethics component.
3. This might include formal studies in ethical theory and decision-making as well as interactive discussion and role playing around dilemmas that expatriates are likely to encounter.
4. In an effort to sensitize managers to cultural diversity and to accept the point that home practices are not necessarily the best or only practices, there has been an emphasis in international business training on adapting to the way in which other cultures do business.
5. In designing training programmes to meet the challenges of multinational business, HR professional must raise not only the issue of cultural relatives but also the extent to which moral imperatives transcend national and cultural boundaries.

6. It is also important for the HR department to monitor the social (ethical) performance of its expatriate managers to ensure that as managers become familiar with the customs and practices of competition in the host country, they do not backslide into the rationalization that “everybody else does it”.

7. To avoid temptation to cut ‘ethical corners’, expatriates must not be placed under unreasonable pressure to deliver good financial results and they must be given feedback and reinforcement.

17.6.1 Global Developments on the Criminalisation of Bribery

Bribery and corruption are the most frequent ethical problems encountered by international managers. The World Bank estimates that about US \$80 billion annually goes to corrupt government officials.

Bribery involves the payment of agents to do things that are inconsistent with the purpose of their position or office in order to gain an unfair advantage. It can be distinguished from so called gifts and ‘facilitating’ or ‘grease’ payments. The latter are payments to motivate agents to complete a task they would routinely do in the normal course of their duties. Bribery undermines equity, efficiency and integrity in the public service, undercuts public confidence in markets and aid programmes, adds to the cost of products and may affect the safety and economic well-being of the general public.

Internationally, the movement to criminalize the practice of bribery was started when in 1977, the USA enacted the Foreign Corrupt Practices Act (FCPA) to prohibit US-based firms and US nationals from making bribery payments to foreign government officials.

Payments to agents violate the Act if it is known that the agent will use those payments to bribe a government official. The Act was amended in 1988 to permit ‘facilitating’ payments but mandates record-keeping provisions to help ensure that those payments are not disguised as entertainment or business expenses.

2. In December 1996, the UN adopted the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, which committed UN members to criminalize bribery and deny tax deductibility for bribes. A year later, the Declaration was endorsed by 30 member nations and four non-member nations of the OECD adopting the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD) Convention.

17.6.2 MNC – Global and Good Corporate Citizen

A global world is an interconnected world. It presents a critical challenge to identify common ethical values that underline cultural, religious and philosophical differences. While there are important differences between Western and Eastern philosophical traditions, they share four fundamental core human values:

1. Good citizenship
2. Respect for human dignity
3. Respect for basic rights
4. Equity

Applications of core human values to specific duties of multinationals include the adoption of adequate workplace and environmental health and safety standards, the payment of basic living wages, equal employment opportunity, refraining from the use of child labour,

providing basic employee training and education, and allowing workers to organize and form unions.

The regulation of foreign investment is another area that has some implications for ethics and social responsibility. Many nations and their governments have disapproved the ethics of MNCs gaining an economic foothold and then taking the resources and profits back home. These concerns have led to regulation.

In order to be accepted as a good corporate citizen in the local community, a subsidiary must be prepared to abide by both the word and spirit of local laws. This is because the media is particularly harsh with them

17.6.3 Social Responsibility of MNCs

Ethics and the question of corporate social responsibility are complex and the source of much controversy.

Corporate social responsibility is a form of corporate self-regulation integrated into a business model. CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms.

Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. It is also known as corporate responsibility, corporate citizenship, responsible business, Sustainable Responsible Business (SRB), or corporate social performance.

Corporate Social Responsibility is becoming an increasingly prominent issue in Europe, North America and elsewhere. The main reasons for this growing interest are:

1. Globalisation and rapid advances in information technologies;
2. The greater importance of citizen-driven activities, best seen in the work;

17.7 Strategies of IHRM

Human resource is the most significant part of an organisation. With organisations going global, the functions and responsibilities of HRM have also enhanced. Below are described the strategies for IHRM with the steps towards them.

Steps to a Global Human Resources Strategy

The scarcity of qualified managers has become a major constraint on the speed with which multinational companies can expand their international sales. The growth of the knowledge based society, along with the pressures of opening up emerging markets, has led cutting-edge global companies to recognise now more than ever that human resources and intellectual capital are as significant as financial assets in building sustainable competitive advantage. To follow their lead, chief executives in other multinational companies will have to bridge the gap between their companies' human resources rhetoric and reality. HR must now be given a prominent seat in the boardroom.

Good HR management in a multinational company comes down to getting the right people in the right jobs in the right places at the right times and at the right cost. These international managers must then be meshed into a cohesive network in which they quickly identify and leverage good ideas worldwide.

Such an integrated network depends on executive continuity. This in turn requires career management to insure that internal qualified executives are readily available when vacancies occur around the world and that good managers do not jump ship because they have not been recognized

Very few companies come close to achieving this. Most multinational companies do not have the leadership capital they need to perform effectively in all their markets around the world.

One reason is the lack of managerial mobility. Neither companies nor individuals have come to terms with the role that managerial mobility now has to play in marrying business strategy with HR strategy and in insuring that careers are developed for both profitability and employability.

Ethnocentricity is another reason. In most multinationals, HR development policies have tended to concentrate on nationals of the headquarters country. Only the brightest local stars were given the career management skills and overseas assignments necessary to develop an international mindset.

HR directors rarely have extensive overseas experience and their managers often lack business knowledge. Also, most HR directors do not have adequate information about the brightest candidates coming through the ranks of the overseas subsidiaries. "HR managers also frequently lack a true commitment to the value of the multinational company experience," notes Brian Brooks, group director of human resources for the global advertising company WPP Group Plc.

The consequent lack of world-wide multi-cultural managerial talent bites into companies' bottom lines through high staff turnover, high training costs, stagnant market shares, failed joint ventures and mergers and the high opportunity costs that inevitably follow bad management selections around the globe.

Companies new to the global scene quickly discover that finding savvy, trustworthy managers for their overseas markets is one of their biggest challenges. This holds true for companies across the technology spectrum, from software manufacturers to textile companies that have to manage a global supply chain. The pressure is on these newly globalising companies to cut the trial-and-error time in building a cadre of global managers in order to shorten the leads of their larger, established competitors, but they are stymied as to how to do it.

The solution for multinationals is to find a way to emulate companies that have decades of experience in recruiting, training and retaining good employees across the globe. Example: Both Unilever and the International Business Machines Corporation, leverage their worldwide HR function as a source of competitive advantage.

Anglo-Dutch Unilever has long set a high priority on human resources. HR has a seat on the board's executive committee and an organisation that focuses on developing in-house talent and hot-housing future leaders in all markets. The result is that 95 percent of Unilever's top 300 managers are fully homegrown. Internationalisation is bred into its managers through job content as well as overseas assignments. Since 1989, Unilever has redefined 75 percent of its managerial posts as "international" and doubled its number of managers assigned abroad, its expatriates, or "expats."

The strategy demands global HR leadership with standard systems but local adaptation. The key underlying ideas are to satisfy your company's global human resources needs via feeder mechanisms at regional, national and local levels, and to leverage your current assets to the fullest extent by actively engaging people in developing their own careers.

Example: IBM, with 80 years' experience in overseas markets, reversed its HR policy in 1995 to deal with the new global gestalt and a new business strategy. Instead of cutting jobs abroad to reduce costs, IBM is now focusing on its customers' needs and increasing overseas assignments. "We are a growing service business — our people are what our customers are buying from us," explained Eileen Major, director of international mobility at IBM.

When managers sign on with these companies, they know from the start that overseas assignments are part of the deal if they wish to climb high on the corporate ladder. These multinational companies manage their HR talent through international databases that, within hours, can provide a choice of Grade-A in-house candidates for any assignment. Even allowing for company size, few United States-based multinationals come close to matching the bench strength of a Unilever or Nestlé. The Japanese multinationals are even farther behind.

By adopting the strategies mentioned below, a company should be able to put into place an effective global human resources program within three to four years.

17.7.1 Break all the "local national" glass ceilings

The first, and perhaps most fundamental, step toward building a global HR program is to end all favouritism toward managers who are nationals of the country in which the company is based. Companies tend to consider Multi-nationals of their headquarters country as potential expatriates and to regard everyone else as "local nationals." But in today's global markets, such "us-versus-them" distinctions can put companies at a clear disadvantage, and there are strong reasons to discard them:

Ethnocentric companies tend to be xenophobic — they put the most confidence in nationals of their headquarters country. This is why more nationals get the juicy assignments, climb the ranks and wind up sitting on the board — and why the company ends up with a skewed perception of the world. Relatively few multinational companies have more than token representation on their boards.

A.B.B. is one company that recognises the danger and now considers it a priority to move more executives from emerging countries in Eastern Europe and Asia into the higher levels of the company.

Big distinctions can be found between expatriate and local national pay, benefits and bonuses, and these differences send loud signals to the brightest local nationals to learn as much as they can and move on.

Less effort is put into recruiting top-notch young people in overseas markets than in the headquarters country. This leaves fast-growing developing markets with shallow bench strength.

Insufficient attention and budget are devoted to assessing, training and developing the careers of valuable local nationals already on the company payroll.

17.7.2 Make It Work

Above described IHRM strategies have the potential to affect every executive in every location.

Following business ethics is necessary at each step. This scale of culture change has to be led by a company's chief executive, with full commitment from the top management team. A task force of HR and business strategists will be needed to facilitate and implement the program, but its success in the end will depend on line managers.

17.8 Summary

When the business is conducted across national and cultural borders, the operationalisation of the enterprises ethics programme adds complexity.

Challenge in the international business lies in incorporating the core business values and aligning the staff to these values.

Challenges for the managers operating in diverse cultural environments is that different cultures will prioritise core ethical values differently and will translate values into specific behaviors differently.

Culture shock develops as a result of a person working within a different and unknown cultural or social environment.

Bribery and corruption are the most frequent ethical problems encountered by international managers.

Ethics and corporate social responsibility are important factors but complex issues. International managers must expect managers from other cultures to apply different criteria in making ethical decisions and that such choices are heavily influenced by each one's culture.

The scarcity of qualified managers has become a major constraint on the speed with which multinational companies can expand their international sales.

Good HR management in a multinational company comes down to getting the right people in the right jobs in the right places at the right times and at the right cost. These international managers must then be meshed into a cohesive network in which they quickly identify and leverage good ideas worldwide.

The consequent lack of world-wide multi-cultural managerial talent bites into companies' bottom lines through high staff turnover, high training costs, stagnant market shares, failed joint ventures and mergers and the high opportunity costs that inevitably follow bad management selections around the globe.

Based on the company's business strategy, activities should be identified that are essential to achieving success around the world and specify the positions that hold responsibility for performing them.

Overseas assignments and cross-border task forces are excellent ways to challenge, develop and retain good managers.

17.9 Keywords

Corporate Ethics: It refers to the formulation of the internal policies pertaining to the ethical conduct of employees.

CSR: It is a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms.

Culture: It is the organisation's personality revealing the shared values, beliefs and habits of its members.

Culture Shock: It is the anxiety and feelings of surprise, disorientation, uncertainty; confusion, etc. felt when people have to operate within a different and unknown cultural or social environment.

Ethical Absolutists: They believe in the primacy of one's own culture values.

Ethical Consumerism: It is the intentional purchase of products and services that the customer considers to be made ethically with a minimal harm to or exploitation of humans, animals and/or the natural environment.

Ethical Relativists: They believe that there are no universal or international rights and wrongs.

Glass Ceiling: It is an unofficially acknowledged barrier to advancement in a profession, especially affecting women and members of minorities.

Strategy: It is a plan of action designed to achieve a particular goal.

Talent Management: Finding and retaining quality talent continues to be essential to business Sustainability

17.10 Self Assessment Questions

1. Analyse the areas of developments of international business ethics and the challenges they raise for HR professionals.
2. Being an HR manager, develop the strategies for the international HRM of an Indian subsidiary operating abroad.
3. Examine the emerging role of HR in operationalising corporate ethics programme.

4. Why nowadays corporates are becoming socially responsible? Explain by giving example of a big corporates.
5. Analyse the challenges for the HR formation of the international firm.
6. When a firm operates abroad, what are the ways in which a firm can create an image of the good and responsible corporate in the mind of the local community?
7. Develop the detailed HR plan which a manager should consider when sending his employees abroad for work in the subsidiaries.
8. How do you think that the problem of bribery and corruption leads to ethical dilemmas? Suggest the measures taken to deals with them.
9. Consider that your company has decided to send you abroad to manage its operations in a host country where bribery and corruption is common. Analyse the global values which you will follow.
10. Analyse the role and responsibilities of HR managers in achieving the corporate social responsibility for subsidiary operating abroad.
11. Describe in detail the IHRM strategies and how can these be made to work.

17.11 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON-18

LEVERAGING HUMAN RESOURCES FOR COMPETITIVE ADVANTAGE

Learning Objectives

Describe standardization and adaptation of work practices

Explain retaining, developing and retrenching staff

Discuss about language standardization

Describe monitoring HR practices

Structure

18.1 Introduction

18.2 Standardization and Adaptation of Work Practices

18.3 Host-country Culture and Workplace Environment

18.4 Expatriate regulations

18.4.1 Mode of Operation

18.4.2 Mode of operation can inhibit or facilitate standardization

18.4.3 Firm Size, Maturity and International Experience

18.4.4 Subsidiary Mandate

18.4.5 Global or Local Work Practices and HRM

18.5 Factors

18.5.1 Retaining, Developing and Retrenching Staff

18.5.2 Language retention helps maintain feelings of cultural kinship

18.5.3 Monitoring HR Practices Internationally

18.6 Approaches to Measuring HR Performance

18.7 International Joint Ventures and HR Practices

18.8 Summary

18.9 Keywords

18.10 Review Questions

18.11 Suggested Readings

18.1 Introduction

A multinational's approach to its subsidiary operations centres around the process, procedures and practices that can be and should be transferred, and to degree to which they require adaptation, so as to be effectively implemented at the local level. Transferring technology, systems and know-how are seen as significant aspects, and the role of people in the process is a critical part.

18.2 Standardization and Adaptation of Work Practices

Expatriates are used to oversee the successful implementation of appropriate work practices, and there is a link between the number of expatriates and the transfer of multinational work practices.

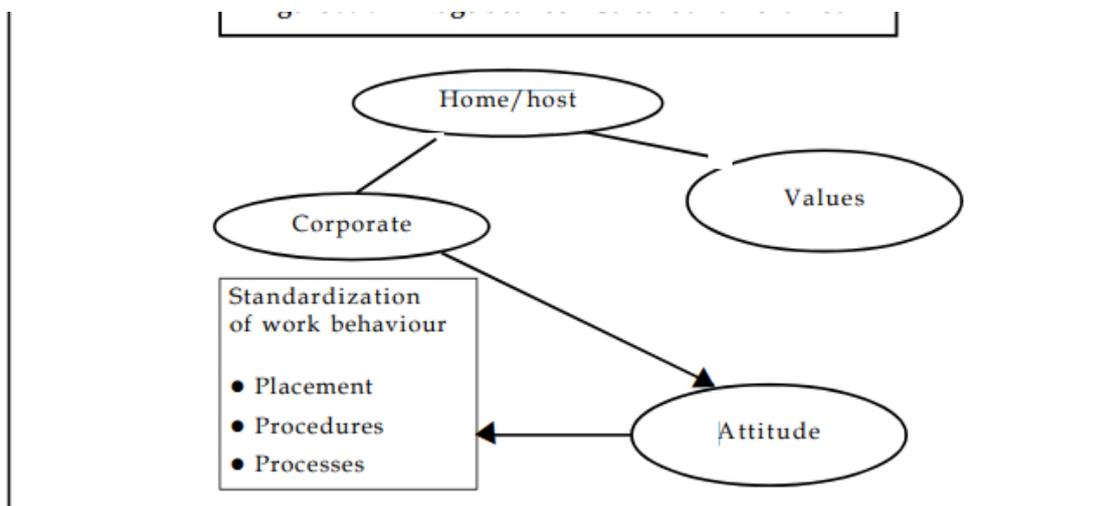
At some point, multinational management replaces expatriates with local staff with the expectation that these work practices will continue as planned. This approach is based on assumptions that appropriate behaviour will have been instilled in the local workforce through training programmes and hiring practices, and that the multinational's way of operating has been accepted in the manner intended. In this way, the multinational's corporate culture will operate as a subtle, informal control mechanism—a substitution of direct supervision.

This depends on receptivity of the local workforce to adhere to corporate norms of behaviour, the effectiveness of expatriates as agents of socialization and whether cost considerations have led the multinational to localize management prematurely. Thus, the standardization/adaptation choice that confronts the multinational in other areas of its operations applies to the management of the global workforce. Factors that influence standardization are:

1. Host-country culture and workplace environment,
2. The mode of operation involved,
3. The size and maturity of the firm, and
4. The relative importance of the subsidiary.

18.3 Host-country Culture and Workplace Environment

National culture is a moderating variable in international HRM. Members of a group or society share a distinct way of life with common values, attitudes and behaviours that are transmitted over time in a gradual process. Values and attitudes towards behaviour are affected by culture.



Source: International Dimensions of Organisational Behaviour, 3rd (1997), p. 16

Figure 19.1 Linkage between culture and behavior

Work behaviour is culturally determined to the extent that it is contained in role definition and expectations. For a multinational with subsidiary operations in 70 countries, establishing a common corporate culture may be important for cohesion, but whether that corporate culture can supersede or supplant other 'cultures' is a question. The managerial attitudes towards subsidiary management may include a firm belief in the power of a strong corporate culture and expectations that employees internalize or 'buy into' corporate values.

Standardization of work practices involves behavior modification through corporate training programmes, staff rotation, rewards and promotion, most of which fall into ambit of the human resource function. These activities concentrate on developing and maintaining corporate-defined behavioral standards and processes that ensure their adherence. A corporate code of conduct is a good example of this. Corporate identity is important and it is possible to generate a sense of pride and belongingness that enable unity of purpose to be achieved. Subsidiary staff may have strong identity with the local unit, but the challenge is to foster employee identification with the global level.

People may be prepared to adopt certain work behaviours to retain their employment, but that does not necessarily mean that they ascribe to the corporate values that shape required behavioural outcomes.

Example: Chinese working in Japanese plants in China perceived team briefings and other such forums as a new form of rhetoric, replacing nationalist and Communist party propaganda of the past, and consequently were considered of little value by workers and managers.

Cultural distance also affects the degree to which work practices require adaptation. One can expect hiring practices to be more between the US and India. As more multinationals set up operations in countries previously closed to foreign direct investment on a large scale, one can expect some convergence of HR practices.

The presence of expatriates and their ability to encourage and impose appropriate work behavior also affects the work culture. A preference is given to HCN in key positions by multinationals operating in India because they could learn easily in his years spent on the job. Localisation of HR staff positions is more likely to ensure that local customs and host-government employment regulations are followed.

18.4 Expatriate regulations

18.4.1 Mode of Operation

A multinational ability to impose standardized work practices is not only affected by cultural differences that may create resistance to change from subsidiary staff. It is affected by the form of operation that the multinational uses.

Entering via an acquisition may provide the multinational with market advantages, but its ability to transfer technical knowledge, systems and HR practices may be restricted. Plant and equipment may need upgrading along with the skills of the work that the purchaser inherits. It is called Brownfield – where the multinational acquires an existing local firm as part of the establishment of a local operation, but the multinational effectively replaces many of the resources and capabilities.

The local company requires considerable investment and restructuring to make it operational, and this will include human resources, with a high demand on expatriates initially. Investment in training programmes has been a critical factor. This type acquisition is more common in emerging markets, such as those of Eastern Europe.

18.4.2 Mode of operation can inhibit or facilitate standardization.

There are two examples that can be used to prove that. In late 1978, the Chinese government announced an open-door policy and commenced economic reforms aimed at moving the country from a centrally planned to a market economy. Western firms that entered China early were more or less forced to enter into joint ventures with State Owned Enterprises (SOEs), whereas those entering later have been able to establish wholly owned operations.

Example:

1. Shanghai Bell-a joint venture formed in 1983 between a Belgian telecommunication firm, the Belgian government and the Chinese Postal and Telecommunications Industries Corporation (PTIC). There was a gradual transfer of relevant technology by the Belgian firm with a long-term reliance on Belgian expatriates. The Belgian firm

had limited control over the Chinese employees in the joint venture and was constrained by its partner's expectations and differing goals

2. The US telecommunications firm Motorola established a wholly owned operation in Tianjin, China, in 1992. Changing conditions in China meant that Motorola could effectively build a 'transplant factory': importing production equipment, organizational processes and practices from either the parent or other subsidiaries in its global network. This enabled Motorola to integrate the Chinese operations into the broader corporate network, and to localise management. These have been supported by HR initiatives such as a special management training programme (CAMP – China Accelerated Management Programme). English language training and transfer of Chinese employees into US operations. Motorola has been able to transfer its processes and systems, such as Six Sigma quality control, bringing its technology, knowledge and work practices, supported by HR activities, into the new facilities in China relatively quickly.

Ownership and control are factors that need to be taken into consideration while MNCs opt for the standardisation of work practices. The autonomy to implement processes and procedures is naturally higher in wholly owned subsidiaries. Complementarities between International JV partners and the degree of interdependence between the International JV and multinational are important influences on effective JV operation and transfer of work practices. The importance of a strategic objective for the International JV in determining work practices in China has been studied. Those firms pursuing a strategic position in China were more likely to seek to diffuse task related work practices compared with those who were more short-term. The task-related influence in an International JV plays important role in directly shaping HRM practices.

The management contract involves the heavy use of expatriate staff. External recruitment for the majority of management staff requires the contract filling. The purpose is to buy management expertise that expatriates bring to the situation. There is a large component of training of HCNs involved. Management may not have the same degree of discretionary power that full owner shipbrings.

Example: The US hotel chain Holiday Inn had a 10-year contract with a Tibetan hotel. The expatriate managers were precluded from giving incentives to or disciplining its staff. This created some difficulties when hotel employees took their breaks at the same time – which happened to be when guests arrived expecting lunch. Management contracts are used extensively in the hotel industry.

Franchising refers to the methods of practicing and using another person's business philosophy. The franchiser grants the independent operator the right to distribute its products, techniques, and trademarks for a percentage of gross monthly sales and a royalty fee. Various tangibles and intangibles such as national or international advertising, training, and other support services are commonly made available by the franchiser. Agreements typically last from five to thirty years, with premature cancellations or terminations of most contracts bearing serious consequences for franchisees.

18.4.3 Firm Size, Maturity and International Experience

Key factors influencing international operations are the size and maturity of the multinational. Motorola's experience in China reflects its large size and the fact that it had a wealth of international experience upon which Motorola management could draw when

considering entering a transitional economy such as China.

A smaller multinational who is a relative newcomer to international business, may not have the same level of ability or resources and an alternative mode of operation such as a joint venture would be an attractive proposition.

18.4.4 Subsidiary Mandate

The position of the subsidiary is related to the size and maturity of the multinational. Subsidiaries roles and positions alter over time and related to subsidiary initiative-taking, power and resource relationships, host-country environment, and the predisposition of top management and the active championing of subsidiary managers. This proves that subsidiaries may be both initiators and producers of critical competencies and capability that contribute to competitive advantage.

Centres of excellence at the subsidiary level can be viewed as an indication of MNCs recognizing the levels of expertise that differs across the organization and that not all innovation and best practice originate from headquarters.

Example: General Electric's establishment of a centre of excellence in Hungary affected the subsidiary's mandate, changing it from being a miniature replica of the parent to being strategically independent or a product specialist.

Staff movements across subsidiary operations are one way to break down these barriers and produce corporate rather than subsidiary champions who are prepared to disseminate information about subsidiary initiatives and capabilities and recommend adoption in other parts of the organisation where appropriate.

Personal relationships are built up by when key staff visits to other units, facilitated information sharing and the eventual adoption of new products by other subsidiaries. Face-to-face meetings are important in building trust and exchanges of tacit knowledge. Project teams where members are drawn from various business and functional units are used.

18.4.5 Global or Local Work Practices and HRM

Forces for standardization are mainly internal to the multinational driven by the need for control and to sustain competitive advantage. Host governments may encourage standardization through the transfer of foreign work practices, processes and management techniques if such moves are aligned with political and economic imperatives.

Forces for adaptation come from external constraints that the multinational confronts in its various markets. People across borders contain elements of both standardization and adaptation and multinational transfer of managerial and HR practices both influence and inhibit convergence.

A key factor here is time. Organizations are not static.

Example: In China, early entrants localized their HRM practices, however, during 1990s there seems to have been a trend towards introducing more Western HRM policies in China. There are many cases where multinationals have successfully replicated work practices in their foreign subsidiaries through intensive training programmes designed and implemented by headquarters. This is particularly true regarding technical training for operating employees in areas where certain skills and work practices are regarded as strategically essential.

Example: Japanese multinationals such as Nissan and Honda have been able to train substantial numbers of HCNs in their US, UK and European subsidiaries with reasonable success. The conduct or delivery of training programmes may have been modified to cater for local differences but the outcome is similar

18.5 Factors

18.5.1 Retaining, Developing and Retrenching Staff

Cost considerations by multinationals have resulted in development of mobile factories as they move in and out of countries as changing circumstances dictate.

Example: The US-based data technology company Seagate closed one of its Irish plants in 1997 despite having been in operation for only 1 year. Seagate repaid the Irish government the \$16 million it had received in grants to establish the Irish plant instead. It increased the size of its Malaysian plant to capitalize on the fall in value of the Malaysian currency. At the time Seagate had 30% of world disk drive market, employing 108,000 people worldwide. Unit labour costs and skilled labour are important considerations and markets that provide a large pool of highly skilled, yet relatively cheap labor are doubly attractive. India is one such market.

Example: Despite a recent slump due to the collapse of the 'dotcom' boom, the information technology industry in India is regarded as attractive owing to its workforce composition—highly educated, skilled programmers and software engineers who earn a fraction of the salaries of their US counterparts. To capitalize on this cost advantage, US firms such as IBM, Hewlett-Packard and Electronic Data Systems have outsourced software development to Indian suppliers.

Other multinationals, such as General Electric, have used the availability to speak English with accents and idioms so that US, UK and Australian customers are often unaware that their 'local' call has been diverted to a call centre in India.

9.3 Language Standardization in International Business

Language is a vital tool. It is a means of communicating thoughts and ideas and it forges friendships, cultural ties, and economic relationships. Language is not only a vehicle for the expression of thoughts, perceptions, sentiments and values characteristic of a community but also represents a fundamental expression of social identity. It is the common speech which serves as a peculiar potent symbol of the social solidarity of those who speak the language.

18.5.2 Language retention helps maintain feelings of cultural kinship.

The adoption of official bilingualism has provided the younger generation managers with tools and knowledge to excel not only at home but beyond the national borders. This has allowed them to reach for the dreams and succeed in areas they may not have otherwise. The knowledge of the English language is one of the most important tools. It is one of the international languages, a tool of communication between countries, cultural groups, various companies and organizations, communities and friends.

Language is knowledge and one of the key factors in competitiveness. Brains and knowledge creates the prosperity and growth. In an advanced industrial society in an increasingly interdependent world, the knowledge of other languages becomes indispensable.

18.5.3 Monitoring HR Practices Internationally

Humanism is defined in regard for people as an end in themselves, and as having a value in themselves within an organizational context. Hence the locus of value, or the worth attributed to persons in a work organization is orientated towards those persons in themselves rather than towards organizational objectives as appropriate ends. 'Instrumentalism' is defined as a regard for people as a means to an ends (objectives) of the organization. Despite the complex socio-cultural concepts of people in organizations, an understanding of the way people are seen, and see themselves, in organizations, is fundamental to effective people management across different cultures. In developing effective international and cross-cultural systems, managers should learn to think outside the parochial box of HRM. Developing lateral flexibility across cultures may be one approach to this.

Working across borders and cultures there is a need for lateral flexibility and to adapt work practices and organizational forms appropriately. So, the interplay of the need to differentiate across cultures and to integrate through international strategizing comes to the fore. This is especially the case in international joint ventures.

18.6 Approaches to Measuring HR Performance

How can a forward-thinking organization develop an effective performance monitoring system in the area of human resource management? According to Morgan (1992), there are three approaches.

One is to adopt a step-wise procedure, similar to the scientific method, in which meaningful and reliable variables are identified. The process begins by developing as many measures as possible, particularly in the HR areas of greatest concern. Second, measures whose potential benefit is outweighed by the expense or difficulty of data collection are eliminated. Third, systems are developed which regularly collect the necessary information, preferably devolved to line management, and a commitment is made to the time and effort needed for analyzing the data and interpreting its meaning in the realm of HR strategy.

After two or three years (often the time required to realize the impact of an HR activity) it becomes possible to reduce the number of measures to four or five key indicators by eliminating those which only confirm the results of others. For example, if employee turnover, job satisfaction, absenteeism and so forth were all perfectly correlated with one another, only one of the measures is necessary; by examining this single measure a manager would know the company's performance for all the others. The relationship between performance measures is often complicated and non-linear, however, making multiple measures a virtual necessity.

Although this approach is laudable in its attempt to capture all measurable aspects of HR performance, there is the risk that the task of collecting data, analysing them and interpreting the results will be costly, time-consuming and result in no clear guidelines for action. There is also the danger of what Eccles and Nohria (1992:160) called creeping numeration, which refers to "the temptation to turn every measure deemed relevant into a crucial part of an official measurement system". Indeed, once the decision is made to expand the class of measures from a single (financial) category to three or four, and four or five measures are developed for each category, a company can quickly have twenty or more 'key' performance indicators.

Second, a recent approach to performance management involves the identification of key performance indicators that are associated with a specific HR practice, such as recruitment and selection. From this perspective the wisdom lies in keeping things simple and avoiding information overload, and the implication is that only a few measures are needed to help line managers or HR professionals gauge the current state of affairs.

18.7 International Joint Ventures and HR Practices

The motives for entering into an IJV arrangement are many but a major reason is to spread risks. Success seems to depend on an ability to balance the desire and need to control the venture on the one hand and the need to maintain harmonious relations with the partner on the other hand.

The factors attributed to the failure of a joint venture are mostly human-related—poor decisions, behavioural errors or unanticipated staffing events. So, an IJV presents a major management challenge, particularly so when a foreign firm has been forced into the IJV by necessity rather than choice – as is often the case in both China and India. HRM plays an important role in assisting foreign firms to achieve their goals for their Indian IJVs.

Staffing: In a complex cultural context like India, it may be more advantageous to use local managers. A major reason for HCN preference is the belief that the right Indian will know more than what an expatriate manager can learn in years on the job. The success of some foreign firms in India may be attributed to effective integration of the local IJV managers into the “global family”.

18.8 Summary

Standardization of work practices involves behaviour modification through corporate training programmes, staff rotation, rewards and promotion, most of which fall into ambit of the human resource function.

Ownership and control are factors that need to be taken into consideration while MNCs opt for the standardization of work practices.

Mode of operation is a consideration for HCN employment

English is automatically the chosen corporate language.

Language skills become an important aspect to do business internationally.

The ability to speak the local language different from their home country was as important as cultural awareness in their ability to adapt and perform on assignment.

Language carries with it cultural coding.

Due to difference in the culture, there is variation in HR practices across globe.

18.9 Keywords

Brownfield: When the multinational acquires an existing local firm as part of the establishment of a local operation, but the multinational effectively replaces many of the resources and capabilities.

Culture: It is the set of shared attitudes, values, goals, and practices that characterizes an institution, organization or group.

Expatriate: It is a person temporarily or permanently residing in a country and culture other than that of the person’s upbringing or legal residence.

Franchising: It is the method of practicing and using another persons business philosophy.

Instrumentalism: It is defined as a regard for people as a means to an ends of the organization.

Intercultural Pragmatics: It is the contrastive or comparative study of such communicative norms aiming to reach a better understanding of the cultural value.

Retrenchment: It is a corporate-level strategy that seeks to reduce the size or diversity of an organization's operations.

Subsidiary: A company for which a majority of the voting stock is owned by a holding company.

18.10 Review Questions

1. Critically analyse the HR practices in Indian organizations giving examples.
2. "Joint ventures abroad results in the intermixing of the different culture groups." Do you agree? Justify.
3. "Language and culture of a country are interrelated." Justify the statement giving suitable examples.
4. Examine the differences in the HR practices followed in Indian companies with those of US and China. Give examples.
5. Examine the factors that play a key role in retaining and retrenching the staff abroad. Give examples in support of your answer.
6. Critically examines the factors that led to the standardization of the work practices.
7. Analyze the relationship between the countries culture to the organizational environment, discussing the effect of both on employees.
8. "HRM strategies are not solely determined by national cultural differences." Comment on the statement.
9. Analyze the Japanese HRM management system giving examples.
10. Does language has a significant effect on doing the business internationally? Justify

18.12 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON-19

WOMEN EXPATRIATES AND THEIR PROBLEMS

Learning objectives

- To Understand the Repatriation process
- To Discuss the Female International Managers
- To Study about the Female Expatriates

Structure

- 19.1 Introduction
- 19.2 Repatriation Process
- 19.3 Factors Adding Complexity to Re-entry Process
 - 19.3.1. Job-related Factors
 - 19.3.2 Re-entry position
 - 19.3.3 Devaluing the overseas experience
 - 19.3.4 Coping with new role demands
 - 19.3.5 Loss of status and pay
- 19.4 Multinational Responses
 - 19.4.1 Staff Availability
 - 19.4.2 Return on Investment (ROI)
 - 19.4.3 Knowledge Transfer
 - 19.4.4 Designing a Repatriation Programme
- 19.5 Female International Managers
- 19.6 Work Permit Refused
- 19.7 Selecting TCNs
- 19.8 Selecting HCNs
- 19.9 Female Expatriates
- 19.10 Summary
- 19.11 Self Assessment questions
- 19.12 Suggested Readings

19.1 Introduction

There have been considerable advances in our understanding and knowledge of the issues surrounding the management and support of expatriates in international assignments. Expatriation process also includes repatriation. It is the activity of bringing the expatriate back to the home country. Managers understand repatriation needs careful managing the people returning back to their home country. For returning expatriates, re-entry typically is associated with a great deal of emotion. Sadness, excitement, and trepidation are mixed together. Expectations of a smooth resettlement often lead the way.

Repatriation

The central tenet of an individual's re-entry challenge is psychological. The word "re-entry" implies going back, returning to something that is known from prior experience. But to what? Perhaps to the broad fabric of one's home country, the actual home or neighborhood one lived in before the international assignment, or the lives of friends and family, or a school system.

There is a tendency for repatriates to expect several things:

1. Although people and places change, relationships that were once vital will continue to be so;
2. Family and friends will be as eager and excited to hear about their adventures as they are to speak about them;
3. Activities and/or job responsibilities that inspired them before they left will continue to do so;
4. They will feel relaxed, at ease, and “at home” because they are once again in a familiar cultural and physical environment; and
5. Their broader perspective on life, abilities to deal effectively with diversity, and their understanding of the global nature of the human condition will be acknowledged and valued.

The actual experience of return proves, however, that to varying degrees all of the above assumptions are false.

Returnees often are surprised to experience a re-entry cycle similar in form, but often more intense, to the one they encountered during their experience abroad, this is termed as Re-entry Shock. Intercultural practitioners know that professional integration is a key during repatriation. Issues of career development and job effectiveness have been in the limelight of re-entry training. Career advancement often is cited as a major reason for accepting an international assignment.

It follows that expatriate returnees wish to be kept abreast of changes in the home office. They want to stay closely in communication with the major players while they are away, and they are concerned about the timing of and their job responsibilities on return.

The perception of having job responsibilities that are a “good fit” with capabilities developed overseas has an important influence on the employee. This may be rated as more important than a salary increase in contributing to repatriates’ satisfaction with the new domestic assignment.

Finding such a good fit is complicated by several factors, one of which is the expectation of colleagues who have not been abroad.

19.2 Repatriation Process

On completion of the foreign assignment, the multinational brings the expatriate back to the home country. But all international assignments do not end with a transfer home—rather; the expatriate is re-assigned to another international post. Expatriation and repatriation are interrelated.

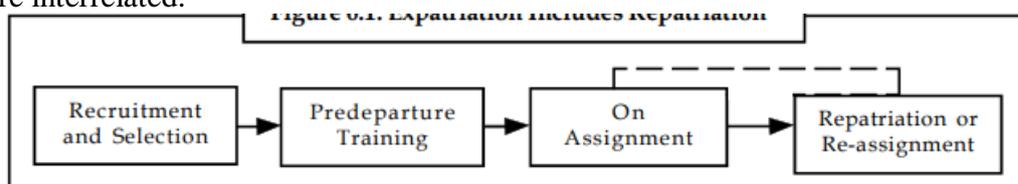


Figure 19.1 Expatriation includes Repatriation

Re-entry into the home country presents new challenges as the repatriate (returning person) copes with re-entry shock, or reverse culture shock. While people frequently expect life in a new country to be different, they may be less prepared for homecoming to present problems of adjustment. As a consequence, it can be a traumatic experience for some even

more than what was encountered in the foreign location. From the multinational's perspective, repatriation is frequently considered as the final stage in the expatriation process but the multinational's ability to attract future expatriates is affected by the manner in which it handles repatriation. Some expatriates may agree to become part of the multinational's international team of managers, and thus have consecutive international assignments. But at some point, members of this international team or cadre will face repatriation, so there are different concerns that need to be addressed.

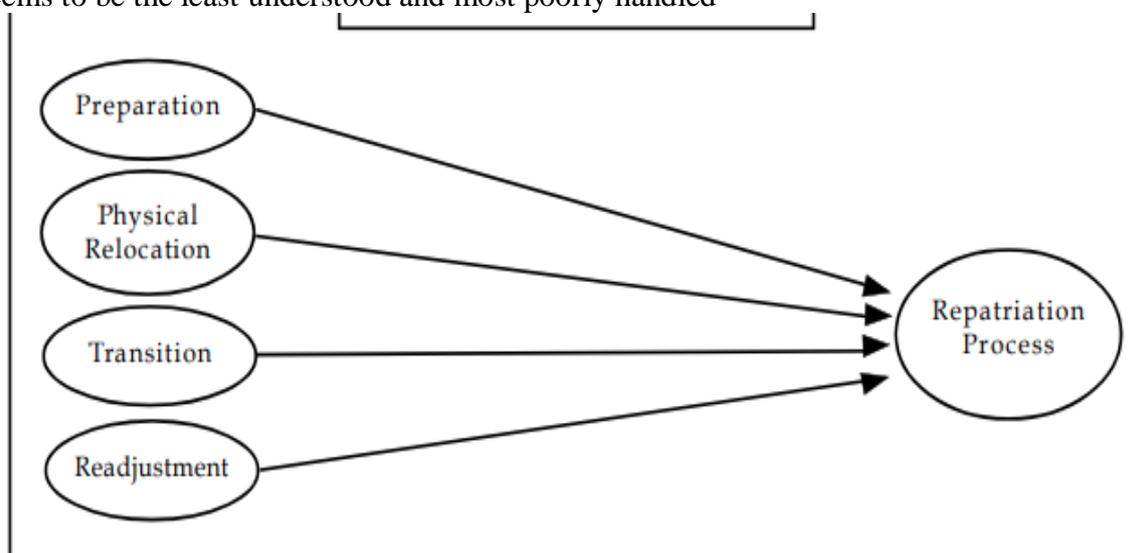
It is possible to divide repatriation into four related phases:

1. Preparation involves developing plans for the future and gathering information about the new position. The firm may provide a checklist of items to be considered before they turn home (e.g., closure of bank accounts and settling bills) or a thorough preparation of employee and family for the transfer home.

2. Physical relocation refers to removing personal effects, breaking ties with colleagues and friends, and travelling to the next posting, usually the home country. Most multinationals use removal firms or relocation consultants to handle the physical relocation, both for the movement out and the return home of the employee and family, and this may be formalized in their HR policies. Comprehensive and personalized relocation assistance reduces the amount of uncertainty, stress, and disruption experienced by the repatriate and family.

3. Transition means settling into temporary accommodation where necessary, making arrangements for housing and schooling, and carrying out other administrative tasks (e.g., renewing driver's license, applying for medical insurance, opening bank account).

4. Readjustment involves coping with reverse culture shock and career demands. This phase seems to be the least understood and most poorly handled



Source: P J Dowling, International HRM (2001) p. 206

Figure 19.2 Repatriation Process

19.3 Factors Adding Complexity to R-entry Process

The re-entry process is a complex interaction of several factors and grouped the major factors under two headings: Job-related Factors and Social Factors.

19.3.1. Job-related Factors

These focus around future employment prospects as a consequence of the international assignment, value being placed on the person's international experience, coping with new role demands and the loss of status and financial benefits upon re-entry. They are:

(a) Career Anxiety: Expatriates are motivated to accept an international assignment due to career advancement and financial gain. The prime factor in re-entry is career anxiety. This can emerge prior to the physical relocation and can affect productivity during the last couple of months of the international assignment as the person contemplates the re-entry process. The causes for career anxiety are:

(i) No post-assignment guarantee of employment

This is becoming a harsh reality for the majority of those on international assignments. Repatriation more often leads to redundancy, as the 1990s trend away from re-entry job guarantees continues.

Majority of expatriates did not guarantee a position at home upon successful completion of the overseas assignment. Lack of job security results in career anxiety which commences prior to homecoming, and acts as a readjustment moderator upon re-entry if career outcomes are not realized.

Example: In International HR practices in German and UK firms, it is found that the majority of German firms offered a guaranteed job upon return from the foreign assignment, whereas the majority of UK firms admitted that they were not able to offer jobs upon repatriation.

(ii) Fear of out of sight, out of mind

It is the fear associated with the expatriate that the period overseas has caused a loss of visibility and isolation, which brood over the end of the international assignment as the person begins to consider the re-entry process and depends on various elements: the amount of contact that the person has had with the home organization, the position level concerned and whether the person is aware well in advance of the type of reentry job awaiting in the home country. Lack of information may increase the level of anxiety, leaving the person with a decided impression that the company has not planned adequately. If there is no post-assignment job guarantee, the anxiety level will be exceptionally high.

(iii) Change in the home workplace

Anxiety can be exacerbated by informal communication from home-based colleagues about organizational changes like MNC is in the process of a major restructuring, the aftermath of a merger or acquisition, or sale of divisions or business units. These changes are usually accompanied by job-shedding. Knowledge of such changes and potential or real job loss naturally will add to the level of anxiety, particularly if the expatriate does not have a guaranteed job upon repatriation.

(b) Work adjustment:

Work adjustment has an important impact on a person's intent to stay with the organization. Career anxiety is the moderating factor but others may lead to readjustment problems. They are:

(i) Employment relationship

a. An individual's career expectations are based on clear messages sent by the top

management to the effect that an international assignment is a condition for career progression. These pronouncements can be made in the context of the need for a global orientation or mindset where a definite link is made between international experience and global managers.

Perceptions regarding expected career outcomes also are influenced by comments made by HR or line managers during the recruitment and selection stage.

Unmet expectations or unfulfilled promises can provoke intense feelings of betrayal and violation of the psychological contract. The psychological contract is a moderator of re-entry readjustment as well as on-assignment adjustment and performance in the international assignment would result in career advancement. When the expected promotion does not eventuate, the repatriate may feel there is no option but to leave the organization.

19.3.2 Re-entry position

Fears surrounding future employment and career development can materialize. Peers are promoted ahead of the repatriated manager, and the repatriate sometimes is placed in a position that is, in effect, a demotion. The situation may be exacerbated if the repatriate had held a senior position in the foreign location and now finds himself at a less senior level. As a consequence, the re-entry position is frequently judged by whether it matches the repatriate's career expectation, particularly when the international assignment has caused considerable family disruption, such as forced break in the career of the accompanying partner or difficulties experienced with the education of the children involved.

19.3.3 Devaluing the overseas experience

Career progression is important but to be promoted upon re-entry signifies that international experience is important and valued by the organization. Career anxiety is compounded if the re-entry position does not appear to be connected with the person's international experience. Repatriates find themselves in 'holding' positions, such as a taskforce or project team, in temporary positions, engaged in duties that do not appear to exploit their newly gained, international expertise.

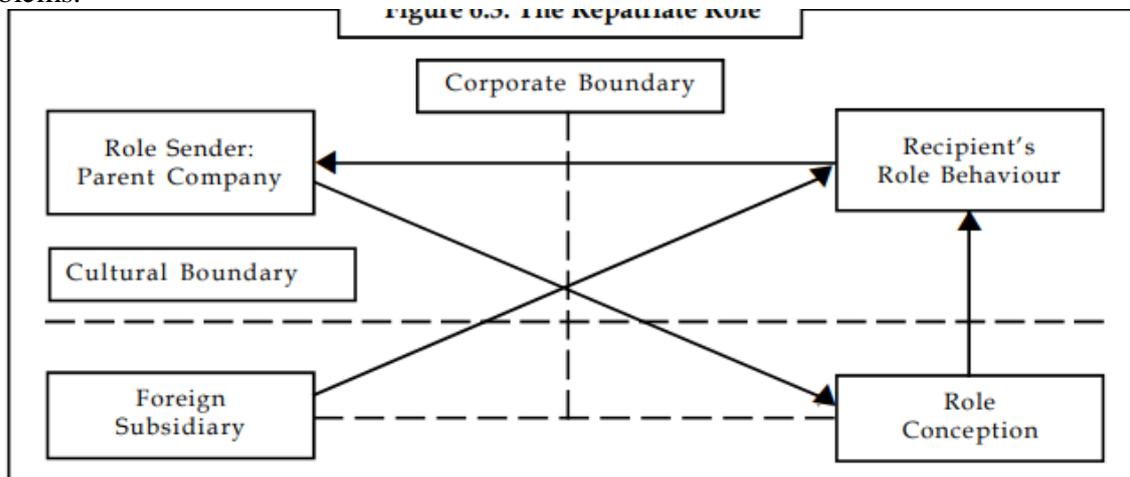
The perceived degrading of the repatriate's recent experience may be coupled with negative career progression. The re-entry position is a less challenging job with reduced responsibility and status than that held either during the international assignment or prior to the period abroad. This combination can have a demotivating effect on the repatriate, as well as affect the multinational's ability to attract potential expatriates.

19.3.4 Coping with new role demands

Re-entry poses a challenge for the repatriate and frequently reveals a mismatch of expectations which affect the repatriate's perception of the new role, especially if an anticipated promotion doesn't materialise. Effective role behaviour is an interaction between the concept of the role, the interpretation of the expectations, the person's ambitions, and the norms inherent in the role.

Readjustment problems occur because, although the repatriate is attempting to function back in the home country, his role conception remains influenced by that of the foreign assignment. While the repatriate may retain the role conception, and the cultural norms regarding behaviour appropriate to that role, the foreign subsidiary's influence may linger. As shown by the broken line between the role sender and role recipient boxes at the

top, there is a 'corporate boundary' to be crossed in the communication of the role conception between the role recipient (the repatriate) and the role sender (the home company). The role sender may not recognise the cultural and corporate boundaries that affect the repatriate's role conception and role behaviour, and thus unwittingly contribute to readjustment problems.

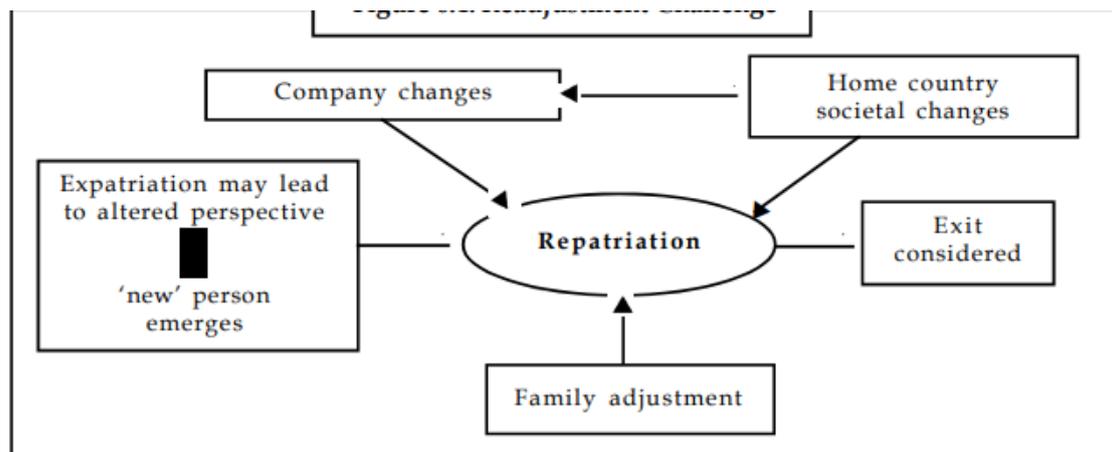


Source: International Studies of Management and Organisation, vol. 15, no. 1, p. 69

Figure 6.3 The Repatriate Role

The period abroad does alter the person.

The experiences of living and working in another country can alter the person's self-efficacy. The expatriate position commonly involves a more demanding job position. Learning how to successfully cope with the various challenges encountered during the foreign assignment may give the person more self-confidence, along with a broader perspective. These changes may be subtle for some people, for others they can be profound – and are influenced by factors such as length of time spent abroad, country of assignment, and individual differences such as age and personality. The re-entry shock experienced by the repatriate may be as much a function of the degree to which the person has altered.



Source: Dowling et al., International HRM (2005), p. 168

Figure 6.4 Readjustment Challenge

The repatriate encounters changes in the formal and informal information channels in the home organization, particularly if there has been widespread restructuring and downsizing. Technological advances in the multinational may render the repatriate's

functional skills and knowledge out dated. When coupled with other Job-related problems, these changes make work adjustment a difficult process.

19.3.5 Loss of status and pay

The international assignment is a form of promotion. It carries greater autonomy, a broader area of responsibility and, at the top management level, a prominent role in the local community. The result is higher status. Some expatriates use the term kingpin to describe their positions abroad. Upon return, the repatriate is expected to resume his position within the home company – with the loss of status and autonomy. So, the repatriate is treated as just another company executive. This shift may cause readjustment problems.

19.4 Multinational Responses

Managing the process of repatriation should be of concern to multinationals that desire to maximise the benefits of international assignments and create a large internal labour market. A well-designed repatriation process is important in achieving these objectives, for three main reasons: staff availability, return on investment and knowledge transfer.

19.4.1 Staff Availability

The way in which the multinational handles repatriation has an impact on staff availability for future needs. Re-entry positions signal the importance given to international experience. If the repatriate is promoted or given a position that obviously capitalises on international experience, other members of the multinational interpret international as a positive career move.

If the multinational does not reward expatriate performance, tolerates a high turnover among repatriates or is seen to terminate a repatriate's employment upon re-entry, then the workforce may interpret the acceptance of an international assignment as a high-risk decision in terms of future career progression within the organization. The multinational's ability to attract high-calibre staff for international assignments is thereby lessened, and this can have a negative effect on the multinational's activities in the long-term.

19.4.2 Return on Investment (ROI)

Expatriates are expensive. Multinationals try to localize positions through the employment of HCNs but not all positions can be localized. The alternative is a short-term or non-standard assignment to replace the traditional expatriate form. Cost containment is the drive here along with staff immobility.

Example: US multinational spends around one million dollars on each expatriate over the duration of a foreign assignment. And if approximately one in four repatriates exits the firm within 1 year of repatriation, it is a substantial financial and human capital loss to the firm, especially if the skills, knowledge, and experience that the individual gains are important to the firm and scarce in the internal or external labour markets.

Getting a return on this investment would appear to be an important objective, but not easy to achieve. ROI concentrates on the international assignment period, and can be substituted by a cost-benefit analysis to justify a decision to replace expatriates with HCNs, rather than considering gains that accrue to the organization through repatriated staff.

19.4.3 Knowledge Transfer

Common theme in international business that is stressed by company managers is the need for cross-fertilization of ideas and practices that assist in developing and maintaining competitive advantage. International assignments are a primary method of achieving this objective. Organizations need to make sure that their business, strategies are supported by sound mobility strategies regardless of national boundaries will be increasingly vital to the success of a global organization.

Given the roles played by expatriates, along with their cost, it is reasonable to expect that multinationals would Endeavour to retain key staff and to extract and build upon their= international experience.

Several conclusions regarding repatriate attrition rates can be drawn:

1. Knowledge transfer is treated as a one-way activity.
2. Expatriates are sent on international assignments and effectiveness is determined on the performance of their ascribed roles and work responsibilities.
3. Any transfer of knowledge and competence occurs there in the host location, and remains there. Expatriates return to their home base and are reassigned or resign.
4. While performing their tasks in the host location, expatriates develop skills and gain experience, knowledge and network relationships that can then be used upon repatriation in some way or another.

Example: A project manager working in Russia can report, on re-entry to his UK home base, technical problems encountered and solutions that were developed to overcome these problems, thus sharing the experience. However, not all of the knowledge about that project is explicit. Much will remain tacit and person-bound. What is codified and made explicit often is retained could be applicable to other projects or types of business concerning Russia, such as important contacts, management styles and some technical solutions.

19.4.4 Designing a Repatriation Programme

While there is no simple and quick solution needed to prepare the repatriate and family for re-entry. The potential for mismatch of expectations regarding the future may be addressed as part of pre-repatriation training before the return, and discussed during re-entry counseling session(sometimes referred to as debriefing) between the receiving organization in the home country and the repatriate.

A list of topics covered in formal repatriation programme is:

1. Preparing, physical relocation, and transition information, what the company will helpwith.
2. Financial and tax assistance, including benefit and tax changes, loss of overseas allowance.
3. Re-entry position and career path assistance.
4. Reverse culture shock, including family disorientation.
5. School systems and children's education, including adaptation.
6. Workplace changes, such as corporate culture, structure, and decentralisation.
7. Stress management, communication-related training.
8. Establishing networking opportunities.
9. Help in forming new social contacts.

19.5 Female International Managers

The selection of female for international postings is a related issue in staff selection

because multinationals are concerned with the various social norms with regard to women, which prevail in many countries.

Example: Some Middle Eastern countries would not issue a work visa to a female expatriate even if the multinational selected her. In many countries, social norms regarding the role of women do not apply to female expatriates because locals regard them as foreigners. This did appear to be the situation for female members of the U.S. armed forces station in Saudi Arabia during the Gulf War.

Men in some cultures, such as certain Asian countries, do not like reporting to female managers, particularly foreign women, and therefore women should not be posted abroad. Such belief help create the glass border that supports the glass ceiling. It is found that only 3% of U.S. expatriates were women. This shortage of women expatriates is found to exist because:

- (a) U.S. MNC executives believe that women are ineffective, unqualified, and uninterested in foreign assignments.
- (b) Corporations resist the idea of sending women abroad.
- (c) Foreign prejudices against women like prejudice of being a foreigner, dual-career families ,etc. would tend to make them ineffective.
- (d) Many foreign clients refuse to do business with women.
- (e) Men must be assigned in many locales to provide the required conservative corporate image.

(f) It is unreasonable to send women into some countries, such as Pakistan or Saudi Arabia Indian women have a track record holding important political positions too few have achieved similar success in ranks of business management like Indira Nooyi, Kiran Majhumdar, Chanda Kocchar, etc. Progress in this area is still held back by traditional beliefs that women are second class citizens whose place is in the home. More women excel in politics and in elected offices; their acceptance and interest in corporate boardrooms are increasing gradually Family Considerations: Apart from the accompanying partner's career, there are family considerations that can cause a potential expatriate to decline the international assignment .Disruption to children's education is an important consideration, and the selected candidate may reject the offered assignment on the grounds that a move at this particular stage in his child's life is inappropriate. The care of aging or invalid parents is another consideration.

19.6 Work Permit Refused

Some countries, such as the United States, are changing their legislation to facilitate employment related immigration, which will make international transfers some easier. The Social Charter allows for free movement of citizens of member countries within the European Union. It is therefore important that HR staff keep up-to- date with changing legislation in the countries in which the multinational is involved.

Generally a work permit is granted to the expatriate only. The accompanying spouse or partner may not be permitted to work in the host country. Increasingly, multinationals are finding that the inability of the spouse to work in the host country may cause the selected candidate to reject the offer of an international assignment.

19.7 Selecting TCNs

When selecting TCNs from within its own operations, the individual factors identified – technical ability, cross-cultural adaptability, and family requirements influence their selection. Situational factors may dominate the selection decision – such a slack of suitably qualified or available PCNs. The issue of work permits may be crucial determinate in the ability to use TCNs, as governments would prefer to see their own nationals employed. It may be harder to justify the use of TCNs than PCNs.

For companies developing a geocentric staffing policy, transferring subsidiary staff too their subsidiaries, as well as to headquarters, is an important part of creating an international team.

When recruiting and selecting external candidates for TCN positions, there may be a danger that the multinational will place more emphasis on the potential candidate's ability to fit into the multinational's corporate culture rather than on cross cultural ability.

An emerging trend is the use of foreign-born nationals, recruiting from ethnic groups living abroad.

Example: U.K. multinational may select a Canadian-born Chinese to head up its Chinese facility. The majority of expatriate managers working in China were overseas Chinese from Malaysia, Singapore, Hong Kong and Taiwan. The underlying assumption appears to be that such appointments will reduce cross-cultural difficulties.

19.8 Selecting HCNs

The multinational must observe the host-country's legal requirements and social customs for hiring staff. Appointing a HCN as the HR manager is attractive when the strategy is to appear as localised as possible. It is a way of ensuring that the local operation conforms to local standards, thus avoiding the "bad press" that can result from non-adherence.

Mode of entry is an important consideration. If the multinational establishes its own facility, it has more discretion in its hiring practices. Entry through acquisition generally means a ready-made workforce initially.

Example: South Korean multinationals have tended to follow a "growth-through acquisition" strategy, and have generally encountered more staffing and labour problems than have Japanese multinationals that preferred a "green field sites" strategy. Some Western firms entering China have found staffing to be somewhat problematical, as state-owned partners often insist that all, or almost all, existing employees are utilized by the joint venture.

In the recruitment and selection process, multinationals must address the issue of Equal Employment Opportunity (EEO) for employees in all employment locations. Example: Mandatory retirement and hiring ages are illegal in the United States and some other countries, but remain a legal requirement in other countries.

Equal employment opportunity laws are expressions of social values with regard to employment and reflect the values of a society or country. In parts of the Middle East, Africa, Asia, and Latin America, women have tended to have a lower social status and are not universally employed.

Multinationals must be aware of legislation and ensure subsidiary compliance where

appropriate. Obeying Local EEO Laws: In 1993, one of the Hyatt hotels in Australia had to explain to the Equal

Employment Opportunity Commissioner on national television that why it was circulating an internal memo that violated Australian Equal Employment (EE) legislation. The internal memo concerned was from a Japanese Hyatt hotel that had vacancies for two young single males. Under Australian EE law, these constitute age, marital status, and sex discrimination respectively, so the memo violated Australian law on three counts. The hotel's defence that such circulation of internal job vacancies was normal company practice was not acceptable. The EE Commissioner did recognise that special circumstances may have been behind the internal memo—that the positions were traineeships and that the persons would share accommodation in a male-only dormitory.

19.9 Female Expatriates

The selection of female for international postings is a related issue.

Many multinationals are concerned with the various social norms with regard to women, which prevail in many countries. For example, some Middle Eastern countries would not issue a work visa to a female expatriate even if the multinational selected her. In many countries, social norms regarding the role of women do not apply to female expatriates because locals regard them as foreigners. This did appear to be the situation for female members of the U.S. armed forces station in Saudi Arabia during the Gulf War.

Men in some cultures, such as certain Asian countries, do not like reporting to female managers, particularly foreign women, and therefore women should not be posted abroad. Such beliefs help create what has been termed the glass border that supports the glass ceiling.

There is no question that women receive fewer opportunities for overseas postings, and what foreign assignments they get are usually short ones, with two-week projects being most common for women. A study by Adler (1984) reported that only 3% of U.S. expatriates were women. This shortage of women expatriates is found to exist because:

- (1) U.S. MNC executives believe that women are ineffective, unqualified, and uninterested in foreign assignments;
- (2) Corporations resist the idea of sending women abroad; and
- (3) Foreign prejudices against women would tend to make them ineffective. Adler refutes the first argument, finding no difference between male and female MBA graduates with respect to their attitudes toward overseas assignments. She found validity to the second point, citing reasons such as the prejudices of foreigners, dual-career families, and concerns over the potential danger inherent in some overseas postings. She also found support for foreign prejudices that would make women less effective—especially in Middle Eastern nations. In 1989, six years after Alder's study, a survey by Moran Stahl and Boyer Inc. reported (Solmon,1989) that women received 5% of U.S. expatriate assignments, but 80% of the respondents noted the following disadvantages to posting women in foreign lands:

- (1) many foreign clients refuse to do business with women;
- (2) men must be assigned in many locales to provide the required conservative corporate image; and

- (3) it is unreasonable to send women into some countries, such as Pakistan or Saudi Arabia. Although there is paucity of research on the subject, it appears that women are making some

gains in the expatriate area, but significant improvements are constrained by moderate prejudice at home and cases of extreme prejudice abroad. Even in places such as the U.S., where women are becoming more accepted at the workplace, the pay gap between male and female workers still exists (Fortune, 1994).

19.10 Summary

The four approaches to multinational staffing decisions—ethnocentric, polycentric, geocentric, and region centric—tend to reflect the managerial philosophy towards international operations held by top management at headquarters.

In the human resource cycle, recruitment and selection process are the main variables influencing directly the 'performance' as also the 'employee development processes'.

Recruitment is defined as the process of identifying and attracting the potential candidate from within and outside an organisation to begin evaluating them for future employment.

The four generic processes: selection, performance appraisal, rewards management and human resource development reflect sequential managerial tasks.

Human Resource Management is crucial to organizational competitiveness and productivity due to the growing diversity of the world's workforce and its increasing importance. The need to manage this diversity better has become a major challenge to the international manager. There are various issues which have to be taken care before selecting the expatriates for an international assignment.

Indian women have a track record holding important political positions too few have achieved similar success in ranks of business management like Indira Nooyi, Kiran Majhumdar, Chanda Kocchar, etc.

For companies developing a geocentric staffing policy, transferring subsidiary staff too their subsidiaries, as well as to headquarters, is an important part of creating an international team. Selection is the process by which the organisation chooses from among the applicants, those people who are perceived the best meet the job requirements.

19.11 Self Assessment questions

1. What factors do you think plays a dominant role in failure of the expatriates?
2. Analyze the general and specific factors contributing to the success of expatriates.
3. Critically examine the factors that lead to the modification of the expatriate performance in international assignments.
4. Outline the reasons for the shortage of the women expatriates in international assignments.
5. Justify giving examples.

19.12 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

LESSON -20

EXIT POLICY ISSUES

Learning Objectives

- To Discuss on mergers and acquisitions
- To Describe the motives behind mergers and acquisitions
- To Identify the risks involved in mergers and acquisitions
- To Explain the HR interventions

Structure

- 20.1 Introduction
- 20.2 Basics of International Human resource management
- 20.3 Mergers and Acquisitions (M&A)
- 20.4 Motives behind M&A
- 20.5 Risks Involved in M&A
- 20.6 Indian Joint Ventures
- 20.7 HR Notes Interventions in M&A
- 20.8 HRM Issues in Cross-border M&A
- 20.9 Role Prior to Deal-(Pre-deal)
- 20.10 Integration Planning
- 20.11 Implementation
- 20.12 Summary
- 20.13 Keywords
- 20.14 Self Assessment Questions
- 20.15 Suggested Readings

20.1 Introduction

Globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. According to the Levin Institute, the term globalization refers to the increasing connections people, companies and states are forming around the world. The process of forming social and economic ties across vast distances is nothing new historically; however, technological improvements and liberal trade agreements have increased these connections greatly in contemporary times. Advances in transportation and telecommunications infrastructure, including the rise of the Internet, are major factors in globalization, generating further interdependence of economic and cultural activities. With globalization, companies moving out of political boundaries have also enhanced the need for human resource functions to go global.

HRM is set of organizational activities aimed at effectively managing and directing human resources/labour towards achieving organizational goals. Typical functions performed by HRM staff would be recruitment, selection, training and development, performance appraisal, dismissal, managing promotions and so on.

IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level. IHRM includes typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at international level and additional activities such as global skills management, expatriate management and so on.

In simple terms, IHRM is concerned about managing human resources at Multinational Companies (MNC) and it involves managing 03 types of employees namely,

1. Home country employees- Employees belonging to home country of the firm where the corporate head quarter is situated.

2. Host country employees- Employees belonging to the nation in which the subsidiary is situated.

3. Third country employees- These are the employees who are not from home country/host country but are employed at subsidiary or corporate head quarters. As an example a American MNC which has a subsidiary at India may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.

20.2 Basics of International Human resource management

International Human resource management is the process of procuring allocating and effectively utilizing the human resources in a multinational corporation. While HR Managers in these organization have to integrate HR policies and practices across a number of subsidiaries spread in several countries so that the organization goals can be achieve at the same time they have to make these policies and practices sufficiently flexible to allow significant differences in these policies in different countries.

International HRM is concerned with identifying and understanding how the MNC's manage their geographically dispersed worked force in order to leverage their HR resources for obtaining local as well as global competitive advantage.

The rise of globalization has exponentially increased the market for cross border M&A. In 1996 alone there were over 2000 cross border transactions worth a total of approximately \$256 billion.

Due to the complicated nature of cross border mergers and acquisitions (M&A), the vast majority of cross border actions have unsuccessful companies seek to expand their global footprint and become more agile at creating high-performing businesses and cultures across national boundaries. Mergers of companies with headquarters in the same country are also a type of cross-border Merger.

For example, when Boeing acquires McDonnell Douglas, the two American companies must integrate operations in dozens of countries around the world. This is just as true for others Supposedly "single country" mergers, such as the \$27 billion dollar merger of Swiss drug makers Sandoz and Ciba-Geigy (now Novartis).

20.3 Mergers and Acquisitions (M&A)

Mergers and acquisitions refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity.

An acquisition is the buying of one company (the 'target') by another. It is also known as a takeover or a buyout. An acquisition may be friendly or hostile.

1. In friendly, the companies cooperate in negotiations.

2. In hostile acquisition, the takeover target is unwilling to be bought or the target's board has no prior knowledge of the offer.

3. When a smaller firm will acquire management control of a larger or longer established company and keep its name for the combined entity, it is called reverse takeover.
4. When a deal enables a private company that has strong prospects and is eager to raise financing buys a publicly listed shell company, usually one with no business and limited assets to get publicly listed in a short time period, it is called reverse merger.

Achieving acquisition success has proven to be very difficult as it is a complex process with any dimensions influencing its outcome:

1. The buyer buys the shares and control of the target company it purchases. Ownership control of the company conveys effective control over the assets of the company. Simultaneously, it carries with it all of the liabilities accrued by that business over its past and all of the risks that company faces in its commercial environment.
2. The buyer buys the assets of the target company for which they pay cash to the target company. The cash the target receives from the sell-off is paid back to its shareholders by dividend or through liquidation. This type of transaction leaves the target company as an empty shell, if the buyer buys out the entire assets.
3. A buyer often structures the transaction as an asset purchase to “cherry-pick” the assets that it wants and leave out the assets and liabilities that it does not. This can be particularly important where foreseeable liabilities may include future, un quantified damage awards such as those that could arise from litigation over defective products, employee benefits or terminations, or environmental damage.
4. A disadvantage of this structure is the tax that many jurisdictions, particularly outside the United States, impose on transfers of the individual assets, whereas stock transactions can frequently be structured as like-kind exchanges or other arrangements that are tax-free or tax-neutral, both to the buyer and to the seller’s shareholders.

Merger is a combination of two companies into one larger company. It is commonly voluntary and involves stock swap or cash payment to the target. A merger can resemble a takeover but result in a new company name (often combining the names of the original companies) and in new branding.

There are various types of mergers:

- 1. Horizontal merger:** Two companies that are in direct competition and share similar product lines and markets (example: Sirius/XM)
- 2. Vertical merger:** A customer and company or a supplier and company. (Example: an ice cream maker merges with the dairy farm whom they previously purchased milk from; now, the milk is ‘free’) **Market-extension merger:** Two companies that sell the same products in different markets (example: GTE and Bell Atlantic into Verizon).
- 4. Product-extension merger:** Two companies selling different but related products in the same market (example: a cone supplier merging with an ice cream maker).
- 5. Co generic:** Mergers in the same industries and taking place at the same level of economic activity-exploration, production or manufacturing wholesale distribution or retail distribution

to the ultimate consumer. Example, Prudential's acquisition of Bache and Company

6. Conglomerate: Mergers between the unrelated business or two companies that have no common business areas.

20.4 Motives behind M&A The following motives are considered to improve financial performance:

1. In order to gain access to global markets like Ranbaxy buyout of Terepia has given the buyer access to high growth markets like Romania and Eastern Europe.

2. To gain economies of scale in operations which means the combined company can reduce its fixed costs by removing duplicate departments or operations, lowering the costs of the company relative to the same revenue stream, thus increasing profit margins.

3. To increase their market share, this in turn increases their revenue. The buyer by absorbing a major competitor will be able to increase its market power by capturing increased market share to set prices.

4. To gain synergy with the existing business of the buyer

Example: Videocon's acquisition of Thompson gave it a strong presence in the color picture tubes market. That will be complemented by the Daewoo's presence in areas like high definition television and digital television.

5. To strengthen the buyers presence.

Example: Tata Tea's buyout of Tetley gave it a foothold in the UK market. The deal with Claceau will allow Tetley to enter the US market and gave Claceau a change to tap the UK market.

6. To reduce the levels of vulnerability.

Example: Tata Steel's buyout of Corus makes it a global top 5 player and reduces its risk to fluctuating prices. Rather it could also control the prices now.

7. Chances to be a global company through mergers and acquisitions is the motive for most of the firms.

Example: ONGC with the acquisitions of the oil-fields in Brazil and Syria is now a serious contender in the global oil and gas space.

8. Resources are unevenly distributed across firms and the interaction of target and acquiring firm resources can create value through either overcoming information asymmetry or by combining scarce resources.

9. Vertical integration occurs when an upstream and downstream firm merges (or one acquires the other). It internalises an externality problem.

20.5 Risks Involved in M&A

M&A are very risky when done internationally as here are various reasons for the same:

1. It takes time to understand the global markets and companies often have to rely on the information provided by the secondary sources which may not be necessarily authentic.

2. Regulations in the global markets could be a dampener. Industries like healthcare, pharmaceuticals and energy are often regulated very closely by the foreign laws and regulations.
3. There is a danger of making acquisitions when an industry is on an upswing as the buyer could take a long time to recover investments if the cycle turns.
4. There are cultural integration issues which play a major role in adding risks to the international M&A different languages and sellers employees having new owners could be major hurdles.
5. Economic downturn in the global markets plays havoc with the buyers and will severely affect the business prospects and forecasts

20.6 Indian Joint Ventures

JV is a strategic business alliance for conducting the business globally. It is a separate legal organisational entity, controlled jointly by its partners and created by the investment of two or more parent firms.

Example: Ranbaxy has several JVs across the world in countries like Japan and South Africa.

HCL Technologies still take the JV route, one of the few large IT services around such collaborations. The Delhi-headquarter IT services giant has had several JVs with companies like Deutsche Bank, Jones Apparel and NEC.

The crucial factors for the success of a JV are what each partner brings to the table, how complementary their respective skills are, and the understanding that the partners have about each other's needs. Factors that lead to the success of the joint ventures are:

1. It is a low-risk strategy where partners share the risk of a new venture.
2. It helps the company to enter into new domains. An Indian player can enter or beef up his domain expertise with the help of a foreign partner who has been in the space. JVs are a back door route to client acquisitions.
3. Easy to acquire the local knowledge. Instead of reinventing the wheel, companies can ride on the experience of a local player who knows the ropes in foreign markets.
4. Hiring people is an easier proposition in a joint venture if the local company has a good reputation in the foreign market.
4. Hiring people is an easier proposition in a joint venture if the local company has a good reputation in the foreign market.

20.7 HR Notes Interventions in M&A

Despite the goal of performance improvement, results from mergers and acquisitions (M&A) are often disappointing. M&A performance is a multi-dimensional function. For a successful deal, the following key success factors should be taken into account:

1. Strategic logic which is reflected by six determinants – market similarities, market complementarities, operational similarities, operational complementarities, market power, and purchasing power.
2. Organisational integration which is reflected by three determinants – acquisition experience, relative size, cultural compatibility.

3. Financial/price perspective which is reflected by three determinants – acquisition premium, bidding process, and due diligence.

Post-M&A performance is measured by synergy realisation, relative performance (compared to competition), and absolute performance.

Since, M&A involves cross-border deals which vary in national cultures, work behaviour of employees, their attitude, perception, expectation and relationship dynamics which are modified and altered. So, whenever a company plans out a cross-cultural deal, it has to take in account the cultural differences of the concerned company and thus, the cultural pre-disposition of the employees therein. In such deals, the organisational and corporate culture plays a major role in designing the managerial attitude, decision-making styles, hierarchy pattern in the organisation, the policies and procedures in the company, etc.

The four dimensions of the national culture – Power distance, uncertainty avoidance, individualism and masculinity plays a grate role in determining the employee behaviour in across border deal. Power dimensions determine the nationality on certain issues like preference for centralisation, hierarchical level for the decision making, etc. Uncertainty avoidance guides the preference for the number of hierarchical levels and rigidity of the organizational systems.

Individualism is the tendency of the people to look themselves and their immediate families only. This trait is very high in Americans where they value the individual decision over group decision. These cultural differences led to the failure on the part of the companies to understand each other, respect the differences in culture which ultimately leads to the failure of the cross border deals. So, based on these traits, the HR policy in international deals is affected.

In order to contribute to the success of any M&A deal, HR must be involved in business critical decisions at the onset and contribute thoughts on likely issues or integration strategies. HR professionals understand the value they bring to the deal. Therefore, HR executives need to be able to speak the same language as the deal-makers, and demonstrate a clear understanding of the M&A process and the logic behind different types of deals. HR needs to be able to develop a people strategy that supports the deal structure.

Example: An organisation that typically doesn't communicate frequently or effectively will likely be less inclined to take the time to clearly articulate and share the real context of the deal beyond what goes to the market or the press.

Cultural integration is often the key to making the deal work. It is apparent that failed cultural integrations are often at the heart of merger difficulties. A 2004 Mercer transatlantic study of executives involved in M&A deals found that 75 percent of the executives cited “harmonizing culture and communicating with employees” as the most important factors for successful post merger integration. There is a need for the HR to take care of the national differences and regional information while designing the HR policies and facilitating the integration of the cultures between two companies in M&A deals

20.8 HRM Issues in Cross-border M&A

Following are the cross-border HRM issues which may arise in M&A:

1. Employee recruitment is a major issue in the cross-border deal. It include issues like rapid wage increase, staff turnover rate is high, poaching of the staff due to shortage labour markets for the skilled workers and talented staff.
2. Reward system as there may be wage disparity between skilled and unskilled labour. Complex reward packages because if the social benefits, difficulty in introducing the pay differentials for the workers of similar status.
3. Difficulty in employee retention because of the shortage of the well-trained local staff which is now overcome by the control on the compensation and motivational techniques.
4. Management employee relations as the right to join trade unions, trade unions not adversarial and help to facilitate the operations by arranging courses and cultural activities.
5. Most important is the cross-cultural training and development programmes designing for the managers and the skilled staff to get the insight for the working of the objectives. M&A's are the intensive activities that require the involvement of HR since the beginning. The key areas for the HR involvement are effective communication, cultural alignment, and change management plan, developing the staff model and developing the reward strategy for the new organization. If not handled well, M&A can lead to the failures and wastage of the valuable resources. Issues which need to be addressed pertaining to the inadequate human capital assessment, identifying the key members of the management and bestowing the special attention to them. It is important to clearly communicate with all the employees about the merger and its implications on them due to the change in the management.

Issues like defining the specifications for the key roles and responsibilities, designing the adequate compensation and benefit strategies and managing the conflicts among managers also needs to be addressed. Managing the people in the international context is one of the biggest challenges which the companies and HR has to bear during the cross-border deals. Retention of the leadership and key talent, organizational restructuring, alignment of the compensation and benefit plans to ensure a cultural fit needs to be addressed in the first go without bearing a second thought in the mind by HR and corporates. So, HR can add value to the M&A cycle in following ways:

20.9 Role Prior to Deal-(Pre-deal)

HR can support in following ways:

1. Help to identify issues/planning due diligence.
2. Plan due diligence for people/organisation cultural fit.
3. Help to educate the "deal" team.
4. Help to develop acquisition guidelines.
5. Due diligence.
6. Estimate people-related transaction costs.
7. Estimate people-related ongoing costs.
8. Identify/assess cultural differences.
9. Estimate people-related savings. Notes
- 10 Recommend HR policies and programs.

20.10 Integration Planning

Role of HR managers in integration planning:

1. Develop strategies for employee communications.

2. Design programs to retain key talent.
3. Plan and lead the integration effort.
4. Develop total rewards strategy for new entity.
5. Help new organisation cope with change.
6. Define organisation blueprint and staffing plan.
7. Monitor employee attitudes and engagement.
8. Manage selection and placement process.
9. Form people-integration teams.
10. Help to manage labour relations.
11. Advise on productivity/workforce synergies.
12. Recommend assessment/selection method.

20.11 Implementation

HR manager can facilitate the process of mergers and acquisitions by:

1. Aligning HR policies, programs, and practices with business practices.
2. Monitoring progress of people-related synergies and ensuring workforce momentum is sustained.
3. Ensuring incentive programs are designed to reward executives and key employees for achieving the goals of the merger.

HR should also encourage the new company's leaders to do the following:

1. Recognise and reward behaviours that support the new culture.
2. Consider cultural behaviours that support the new culture.
3. Align culture with the vision and business strategy of the combined organisation.
4. Identify the desired culture and gain agreement from senior management and opinion leaders of both organisations.
5. Employee dissatisfaction to be avoided.
6. Conduct common understanding programmes with the executive level employees of the company which is taken-over.
7. Negotiate and make the Union Leaders understand about the entire issue and their future positions after M&A.
8. Understand the Organizational Structure/Salary Structure and try to reduce the parity between the two companies Understand all the legal cases pending with the acquiring company and take full accreditation of the cases to take next steps.
9. Proper retrenchment policy to be implemented for excess staff

20.12 Summary

1. Mergers and acquisitions are the market strategies adopted by the companies to enter the foreign markets.
2. M&A deals help the companies to develop a global foothold.
3. Acquisitions also give size and a readymade platform to scale up the operations for the firms. Tata is the best example among the Indian companies to perform a large number of cross border deals and establish a global footing.
4. In the cross border deals, HR plays a major role in making the success of such deals.
5. Cultural differences add to the difficulty in M&A deals.
6. M&A's are the intensive activities that require the involvement of HR since the beginning.
7. The key areas for the HR involvement are effective communication, cultural alignment, and change management plan, developing the staff model and developing the reward strategy for the new organization.

20.13 Keywords

Acquisition: It is the buying of one company (the 'target') by another.

Co-generic: It is the merger taking place in the same industry and at the same economic level.

Concentric Mergers: It is a where two merging firms are in the same general industry, but they have no mutual buyer/customer or supplier relationship.

Conglomerate: It is the merger between the unrelated business or two companies that have no common business areas.

Consolidation Mergers: With this merger, a brand new company is formed and both companies are bought and combined under the new entity. The tax terms are the same as those of a purchase merger.

20.14 Self Assessment Questions

1. Describe the Exit policy issues in Mergers and Acquisitions
2. Explain HR Interventions in Exit Policy
3. Explain the HRM Issues in Cross-border M&A

20.15 Suggested Readings

1. International Human Resource Management (2008), PL Rao Excel Books.
2. International Human Resource Management (2013) Miguel Martine Lucio, Sage Publications.
3. Managing Global Work force (2013), Charles M.Vance, Eastern Economy Edition
4. International Human Resource Management (2018) Annamalo & Murugan, Discover Publishing House.

MA (HRM) DEGREE EXAMINATION

Second Year – Semester- IV

Paper – I - INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Time: Three hours

Maximum : 70 marks

SECTION A — (5 x 4 = 20 marks)

Answer any FIVE of the following

- 1 (a). IHRM
- (b). International Recruitment
- (c). International Selection
- (d). Cross culture
- (e). Virtual Organization
- (f). Globalization
- (g). Cross Convergence
- (h). Women Expatriate
- (i). Exit Policy
- (j). Ethical Issues

SECTION B — (2 X 10 = 20 marks)

Answer any TWO of the following

- 2). Explain the Nature and scope of International Human Resource Management?
- 3). Explain the Difference between Domestic and International HRM?
- 4). Explain the Approaches of International Recruitment?
- 5). Discuss the IHRM Practices in USA, UK, Japan?

SECTION C — (2 X 15 = 30 marks)

Answer any TWO of the following

- 6). Explain the Globalization Issues on Employment?
- 7). Discuss the Advantages and Disadvantages of Virtual Organization ?
- 8). Explain the Training and Development process in IHRM for global managers?
- 9). Discuss the challenges of Globalization and Implications of Managing people?