

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

PGDHR-204

BLOCK 1: INTRODUCTION TO IHRM

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INTERNATIONAL HUMAN RESOURCE MANAGEMENT



Knowledge Management and
Research Organization
Pune



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



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INTERNATIONAL HUMAN RESOURCE MANAGEMENT

BLOCK 1: INTRODUCTION TO IHRM

UNIT 1

THE EVERLASTING ENVIRONMENT OF INTERNATIONAL
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BLOCK 1: INTRODUCTION TO IHRM

Block Introduction

The evolution of Human Resource Management can be found around late 20th century. During these years there have been tremendous changes in handling business operations. The wave of globalisation has opened new avenues for businesses thereby expanding the horizons and making world a global village. With companies expanding their operations across borders, the management has to bear challenges posed by social, economic, political and cultural factors. The origins of IHRM can be traced back to the growth of international business operations and the development of multinational enterprises (MNEs) with their formal and informal approaches to staffing, personnel administration and personnel management. The global competition and varied organisational cultures has developed the need to upgrade the HRM functions strategies. While going international, an organisation mainly relies on the human resources and therefore it is necessary to understand the needs, wants and background of the people. The human factor has to be considered while developing international business strategies.

Unit 1 of this block examines the environment for international Human Resource management thereby deriving its definition. The unit also explains how HRM is different from its international version. Further we tend to explore the variables that either reduce or raise the difference between the two HRMs.

Unit 2 describes the internationalisation of business and different types of business operations. The unit explains the technical differences in the organisational structures in case of MNCs as well as the Control & Operational Mechanisms.

Block Objective

After learning this block, you will be able to understand:

- The factors governing Environment for IHRM.
- To define International Human Resource Management and understand how it differs from Domestic HRM.
- To differentiate between Domestic and International HRM.
- To identify the moderating variables.

Block Structure

Unit 1: The Everlasting Environment of International Human Resource Management

Unit 2: The Organization Context

UNIT 1: THE EVERLASTING ENVIRONMENT OF INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Unit Structure

1.0 Learning Objectives

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1.2 The Environment

1.2.1 Meaning of IHRM and Objectives

1.3 Domestic Vs International HRM

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1.4 The Enduring Context of IHRM

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1.0 Learning Objectives

After learning this unit, you will be able to understand:

- IHRM and discuss its purpose.
- Analyse the components that form the IHRM environment.
- Differentiate between domestic & international HRM and enlist the variable that affects these differences.

1.1 Introduction

As an increasing number of organisations conduct business beyond borders they confront the challenges of managing a global human resource. The global competition and the difference in the organisational environment across nations require organisations to develop international strategies. Companies like Honda, General Electric, and P&G have upgraded their international HR strategies to suit the environment of the host country. This unit will clarify on the scope, objectives of HR managers while working on international employees. Further, this unit will explain the components and the moderating variables that set the difference between domestic and the international HRM.

1.2 The Environment

Trends like globalisation and technological innovation are changing the way firms are managed. It is mandatory for an organisation to seize the revolutionary trends towards Information technology, competition, demographic variation and technological changes. Production is becoming globalised for search of the best deals in terms of manpower, technology, raw material and industrial relations. To successfully handle all these issues an organisation relies heavily on its people as it is they who can drive the company towards development and success. There a major difference is the setting that comprise of international setup. Though IHRM involves the same HR activities domestic HRM (staffing, performance management, training & development, reward and remuneration etc) the two differ in the way they are executed. That is the policies and structures vary depending on the socio-political and industrial norms of the guest country.

The management of international human resources is highly complex. Following are the main elements of International HRM environment:

1. **Communication Barriers:** The language becomes a big barrier in fulfilling the day to day tasks that leaves the expats and the managers travelling to host country feeling isolated. They find it difficult to interact with the lower level workers thereby leaving a space between the two that reflects in the performance.
2. **Labour markets:** Different countries have different types of labour in terms of skills, cost and availability. This makes the recruitment process from international sources a difficult task. For e.g., Companies from UK, US etc.,

prefer to set up their manufacturing units in Asian countries as they get low cost labour. Whereas, in case of skilled labour the choice of place will become difficult.

3. **Industrial Relations and Unions:** Every country has their own norms related to social security measures, employment, welfare, grievances etc. The policies need to be customised for every different host country.
4. **Broader Job profile for managers:** Foreign operations largely depend on the political relationships between the home and the host country. Therefore managers deputed in the subsidiary companies have to fulfil additional responsibilities of dealing with top government officials and politicians along with customers, general public etc.

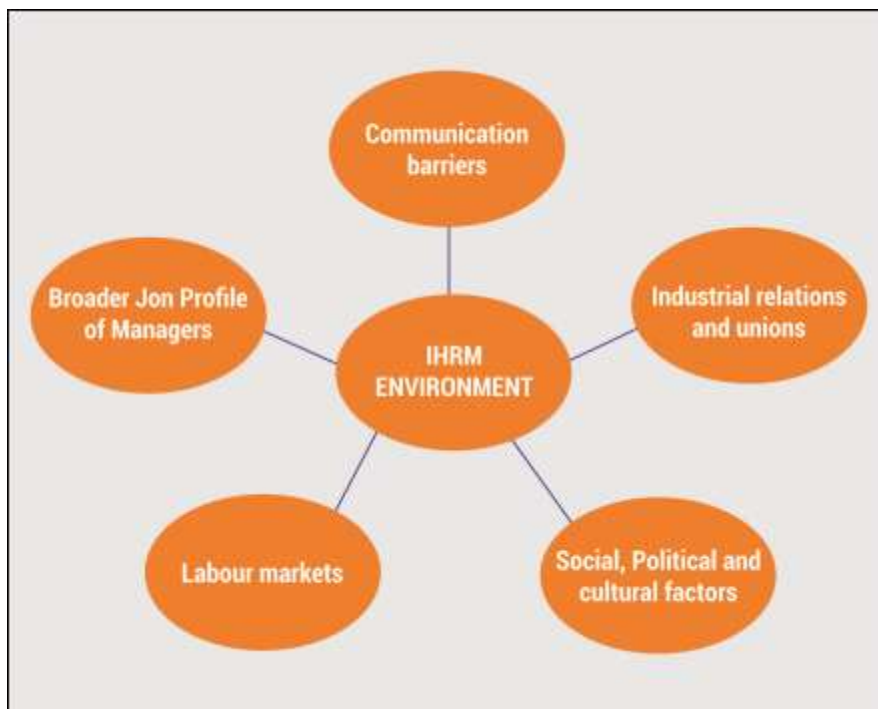


Fig 1.1 Elements of IHRM Environment

5. **Social, political and cultural factors:** The Main factors that affect the operation of HRM in foreign markets are related to the socio-cultural issues. The difference in behaviours working style, norms and policies reflect the ideologies of the specific country. Similarly the political environment that includes, the policies regarding employment of foreign nations, compliances etc impact the international strategies.

1.2.1 Meaning of IHRM and Objectives

As we all know that HRM is a process concerned broadly with recruitment and training of persons so as to make them most productive. HRM therefore involves those activities of an organisation that effectively utilises the potential of its people. Some of the major activities are:

1. Human Resource Planning
2. Staffing
3. Training & Development
4. Compensation Management Industrial Relations
5. Performance Management

In case of International operations, the above HRM functions changes to some extent. A model developed by P.V. Morgan describes these changes in an easy manner:

He has presented IHRM on three dimensions:

1. Procurement, allocation and utilisation of Human Resources.
2. Categorisation of nations or countries involved in HRM activities
 - a. Host Country where the subsidiary is located
 - b. Home Country where the Headquarters are located
 - c. Other Country from various resources like labour, material etc. is sourced.
3. The 3 categories of employee in an international company:
 - a. Parent Country Nationals (PCNs)
 - b. Host Country Nationals (HCNs)
 - c. Third Country Nationals(THNs)

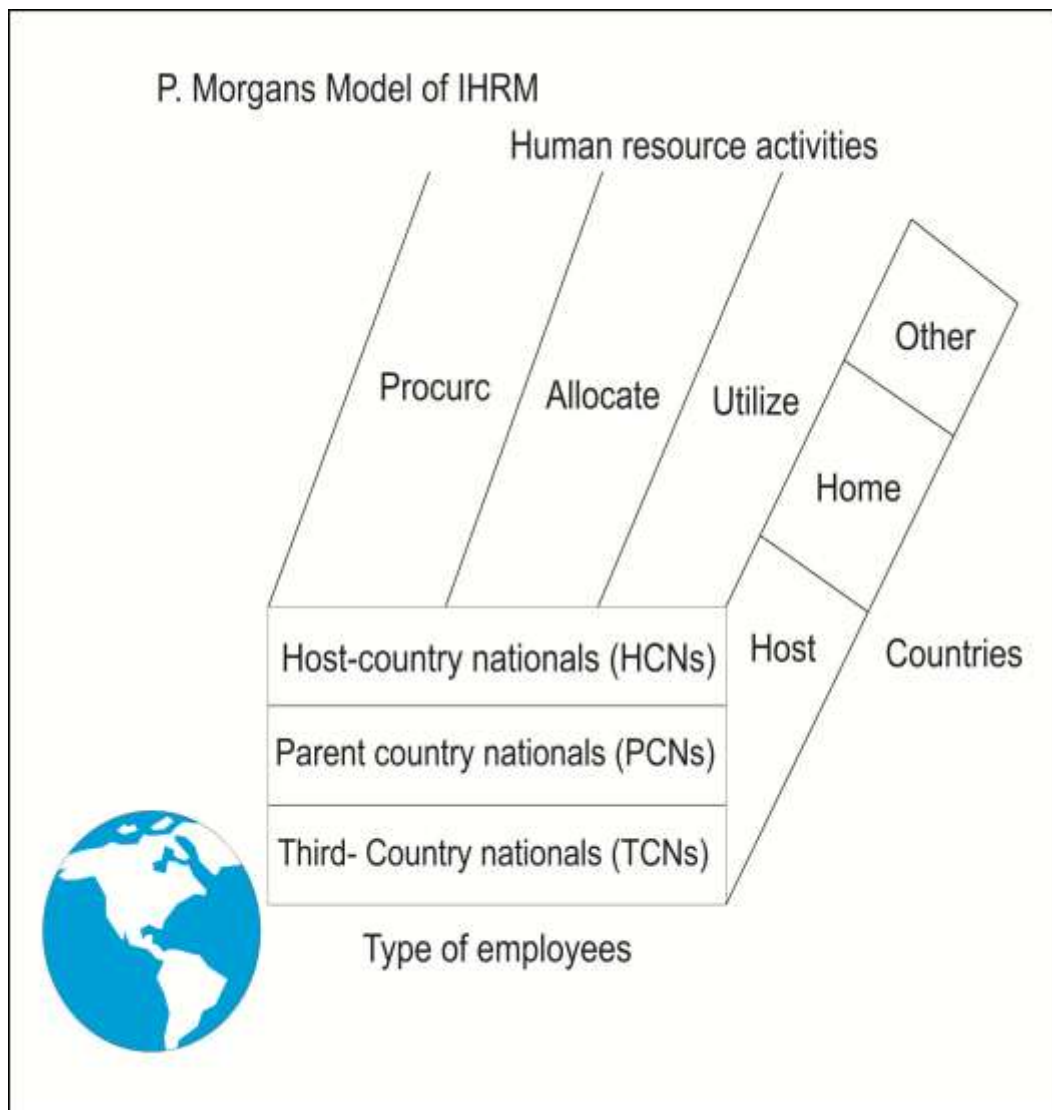


Fig 1.2 P.V. Morgan Model of IHRM

The above dimensions are the key drivers of managing human resources in an international context. Lets understand this by an example: The US Multinational IBM employees, Australian citizens in its Australian operations (HCNs) often sends US citizens to Asia Pacific countries on assignments and may send some of its Singapore clients on an operation to its Japanese assignment (TCNs). The nationality of employees is the key factor in establishing his category that further affects the compensation, staffing and training decisions.

International human resource management is therefore an offshoot of the general HRM subject and involves its application in an International setting. It is the interplay among the dimensions listed above. Sycllion (1995) defined IHRM as “The HRM issues and problems arising from the internationalisation of

business and the HRM strategies policies and practices which firms pursue in response to the internationalisation process.” IHRM is thus the management of Human Resources in at least two nations and focuses on employees who are either on an international assignment or at an international location/posting.

Objectives of IHRM

Unlike HRM, the International Human Resource emphasise more on workforce diversity, cross cultural issues and management, technological and communication innovation. The objectives of IHRM therefore vary on the basis of the company’s vision along with the nature of environmental factors in the host country.

Based on these facts, IHRM objectives can be enumerated as below:

1. Developing flexible organisational culture to accommodate locals as well the FCNs.
2. Avoidance of regional disparities.
3. Management of diversified workforce.
4. Adherence to rules and regulations of both the host and the domestic country.

Check your progress 1

1. Which of the following is not a function of IHRM?
 - a. Staffing
 - b. Training & Development
 - c. Financial Audit
 - d. Compensation Management Industrial Relations
2. What makes interaction of Expatriates with their lower level workers difficult?
 - a. Compensation Issues
 - b. Location issues
 - c. Legal Issues
 - d. Communication

3. Categorisation of National or Countries Involved in HRM activities is one of the dimensions of the IHRM model developed by:
- a. P. J. Morgan
 - b. J. P. Morgan
 - c. P. M. Jordon
 - d. Adam Smith

1.3 Domestic Vs International HRM

Domestic HRM differs from international HRM in many ways. The management style that is effective in the Host country may not bring same results in the domestic country. Proper modifications based on the foreign environment are necessary to make it work. HRM is much simpler to work rather than IHRM owing to the complexities of different cultures and countries. International human resource management- emphasises on activities like relocation, orientation and translation services so that employees can adapt to the new environment and does not isolated in the new country. The selection process in case of IHRM should equip the candidates with the actual picture of personal and professional life. The job description should be an elaborate one to avoid any confusion.

The table given below depicts the differences between the two types of HRM Table

DOMESTIC HRM	INTERNATIONAL HRM
Limited risks in domestic assignments	Higher risks in terms of human and finances
Addresses a narrow range of HR activities	Number of HR activities are Broad
Limited external factors to deal with	The number of external factors is high and of prime importance.
HR manager is less involved in the personal life of employees	Involvement of HR Manager in employees life is High

Let us take the above points one by one:

1. **High vs. Limited Risk:** International HRM involves long process of staffing and selecting the appropriate candidate. The candidates are further trained on language, communications, technical and political aspects. Their relocation involves huge expenditure on travelling, insurance and accommodation. The time and cost (direct & indirect costs) involved in these activities are at risk in case the project ceases or the employee returns prematurely. Other than these risks of health and safety amidst growing terrorism is also a prime concern. Domestic HRM involves simpler activities limited to one geographical location only.
2. **Narrow vs. Wide range of activities:** International HR management is a tedious task due to additional activities like personal involvement of the HR manager in the employee's personal life, continuous mentoring and monitoring of employee to fit the new environment. The compensation management function for example requires fulfilling the regulations of the host country. At the same time they have to be aligned to the organisational policies as well. International taxation, coordinating foreign currencies and exchange rates, international relocation etc., apart from these they also need to analyse the attitudes, preferences etc of the customer and natives employees. Thus IHRM has a wider scope of work activities including external duties
3. **External Factors:** Domestic HRM is the fulfilment of general HR functions like recruitment, trainings, PMS etc. in the domestic country. The HR department is concerned with executing the day to day jobs in a well known set up. In case of international HRM, the HR has the additional responsibility of developing sync with the political and industrial rules and regulations of the host country. In context of staffing, local code of conduct like giving gifts etc. If an American Company is sanctioned a license by the Indian Government to set up its subsidiary in India, the American Company is under an obligation to provide employment to local residents.
4. **International HRM requires greater involvement:** International HR Managers have to invest more time with the employees in order to accommodate them to the new place and its procedures. Some of the major activities of the HR Manager in an MNC are as follows:

- a. To assess the readiness of the employee's family to relocate.
- b. Provide support to the family to accommodate to the foreign culture.
- c. Describe all aspects of compensation for foreign assignments.
- d. Take responsibility of dependent family members left behind by the employees like children, parents etc.

The role of an HR manager in a domestic environment is limited to jobs like providing family insurance programs, transport, and other basic facilities.

Due to an increase in the importance of IHRM, many companies like McDonalds, Coca Cola and TCS employ full time HR managers dedicated to equip the organisation for globalisation. Coca Cola organises a two week orientation programme twice a year for its international HR staff. The program gives international HR managers an opportunity to share information on successful HR programs adopted in any of its subsidiary across the world.

1.3.1 Variable That Moderate differences between Domestic and International HRM

It is so far believed that the key difference between Domestic and IHRM lies in the mode of operation i.e., operating in more than two countries and employing people of varied nationalities. But recent studies and research of organisations that failed in their international operations focuses on areas that have so far been avoided by the management of such companies. Business failures are often linked to poor management of the human resources. There are four variables that moderate (diminishes or increase) the difference between domestic and International HRM.

The 5 moderating variables consisting of international and domestic activities are:

1. The industry within which the multinational is primarily received for example, Information technology, manufacturing, finance etc.
2. The extent of reliance of the MNC on its home or domestic market.
3. Attitudes Senior Management.
4. The Cultural Environment.

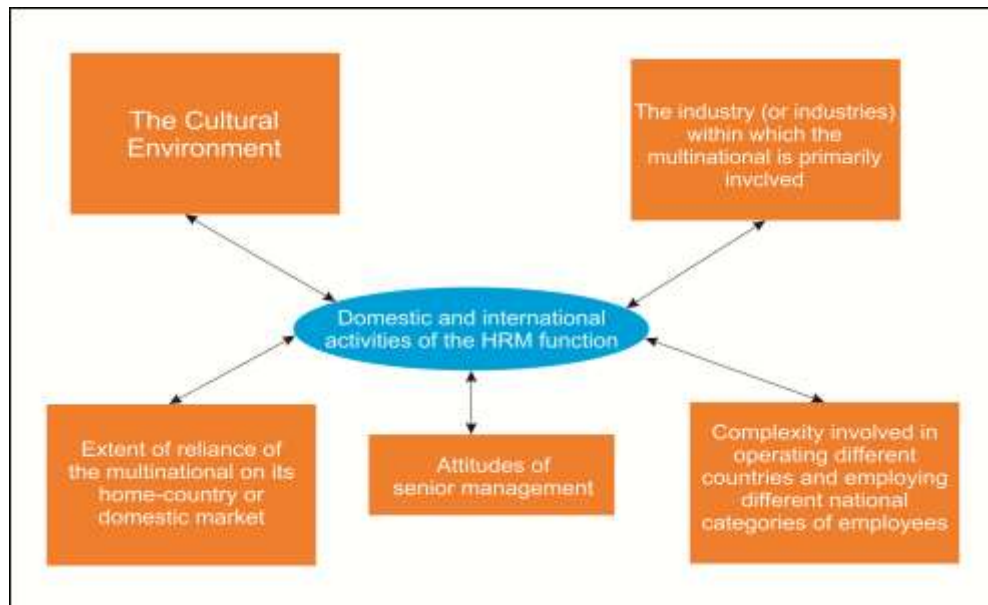


Fig 1.3 Model of Variables showing domestic and international activities of the IHRM function.

The complexities involved in operating different countries and employ in different national categories of employees.

These variables play a significant role in making the international operations easy or difficult. This variable exists within the management policies, structures, attitudes and working style.

The cultural environment depicts the behavioural norms, patterns of behaviour, attitudes etc that forms the organisational environment. In case of international HRM, culture is an important dimension that needs to be explained to the employees. This is because an employee has to confront cultural differences in foods, language, hygiene, dress etc. If the culture of the host nation is not learnt properly this can result in cultural shock for the natives of that place. This shock causes a negative feeling for the traveller and may feel psychologically stressed in the new environment, that many times end up with the employee returning back. HR functions like Recruitment, Trainings, Promotions, and Dismissals are usually based on the practices of the host country. For example in developing countries local employees feel an obligation to employ their extended families irrespective of the eligibility and capability of the candidates. This practice may have different interpretation by different countries. For the US, it can be favouritism, and for Indonesia it can be etiquette and social customs.

<p>American National Culture</p> <p>Highly individualistic: self-focused Masculine: competitive, ambitious, goal-oriented Small power distance Readiness to change: try new things Future-oriented: strong belief that present ways of doing things are to be replaced by better way Low uncertainty avoidance, risk-takers</p>	<p>Japanese National Culture</p> <p>Collectivism: a strong sense of community Masculine: competitive, ambitious Observance of social status Endurance: acceptance of hardship without complaint Strong sense of duty and obligation Harmony: preference for consensus over conflict High uncertainty avoidance</p>
<p>American HRM</p> <p>Contractual employee relationship Subordinates are willing to question authority Status based on how well people perform their functions Performance-oriented, Result-oriented More concerned with their own careers and personal success than about the welfare of the organization Rank-in-job system</p>	<p>Japanese HRM</p> <p>Emotional and dependent relation between company and employee Implicit discreet performance appraisal Life-time employment for regular core employees Process-oriented A strong sense of obligation to colleagues and supervisors Rank-in-person system</p>

Fig 1.4 Comparative HRMs of US and Japan based on their respective cultures.

The role of HRM in multi domestic and global industries can be analysed through Porter's value chain model. The model establishes HRM as one of the 4 main support functions of an organisation. If the firm is multi-domestic, its structure and ideologies will be governed by the local systems. Timely demands for international functions in HRM may be managed by outsourcing etc.

The main role of HRM will be to support the primary activity of the domestic market to ensure profitability. As per Lauren White the global nature of business may demand increased consistency in managing global workforce, the variety of cultural environments may be calling for differentiation to be effective locally.

The reliance of multinationals on its home country domestic market:

It is generally believed that a large multinational company will have a culture and beliefs based on the global size of business. However, it has been found that companies that find a place in Forbes also consider their extent of reliance on domestic market. Big firms like Thomson, McDonalds etc., consider their domestic market size while formulating international structures, policies and culture.

A large domestic market:

- Influences the organisation of multinational activities
- Influence attitudes of senior managers in developing international activities like Global staffing,
- Influence will generate a large number of managers with an experience base of predominantly or even exclusively domestic market experience. Thus, multinationals from small advanced economies like Switzerland (population 7.5 million), Ireland (4 million) Australia (20 million) and The Netherlands (16.5 million) and medium-size advanced economies like Canada (33 million), the United Kingdom (60 million) and France (61 million) are in a quite different position compared to multinationals based in the USA which is the largest advanced economy in the world with a population of 300 million. For similar reasons US Companies, senior managers and schools are criticised for their inward and ethnocentric outlook but it is equally true that a focus on domestic US sales and revenue is also an entirely rational response to the overwhelming importance of the North American market for many of these businesses.

Attitude of Senior Management towards International Operations:

Expanding the work to foreign lands require deep understanding on both the Internal and the external environment of the company. Internal environment signifies the ideas, beliefs and culture whereas the external here deals with the cultures, rules and policies of the host country. It is also an established fact that while going global a company heavily relies on its senior management to design and formulate policies that suit the needs of both the countries.

To fulfil this expectation senior managers should:

- Be flexible in adopting local culture
- Possess a broad outlook
- Have strong internationally orientation.
- Encourage a global mind-set among people and processes.

Therefore a corporate HR manager who wishes to contribute to the internationalization of their firm should work with top management in developing a 'global mindset'. And for this an ideal HR manager will be one who is able to

think globally and formulate and implement HR policies that facilitate the development of globally oriented staff.

Check your progress 2

1. The Country where the Headquarters are located is called:
 - a. Host country
 - b. Third Country
 - c. Home country
 - d. Parent Country
2. _____causes a negative feeling for the expatriates who may feel psychologically stressed leading to his returning back.
 - a. After Shock
 - b. Country shock
 - c. Culture shock
 - d. Reverse shock
3. IHRM aims at _____regional disparities.
 - a. Enhancing
 - b. Maintaining
 - c. Removing
 - d. Creating

1.4 The Enduring Environment of IHRM

The situations affecting internationalisation of business are much more complex and vague as compared to domestic operations. This poses greater challenges for the management. To be successful in such a critical environment, an organisation needs two very essential supports. They are:

- Appropriate people and,
- Suitable HR Practices.

An international HR manager has this responsibility of staffing the right candidate and practicing a human approach while devising HR policies. It is not sure that the management strategies and philosophies that proved successful in the domestic environment will bring similar results in the foreign environment too. In fact such mistakes lead to low morale, frustration and underachievement. It has been proven time again that HR practices need to be revised as per the host country norms rather than following the procedures of domestic organisations.

Companies that accept this fact survive and succeed and the companies that don't, fails.

Check your progress 3

1. An international HR manager has this responsibility of _____the right candidate and practicing a human approach while devising HR policies.
- | | |
|-------------|------------------|
| a. Staffing | c. Retrenching |
| b. Removing | d. None of these |

1.5 Let Us Sum Up

Human Resource Management in an international firm is highly complex in view of the different labour mix in different countries. Inter country differences impact a country's HR management process.

Along with the HR, the senior management has a significant role in establishing international HRM practices. In this Unit we have defined the International Human Resource Management and terms like HCNs, TCNs etc were examined through the model given by JP Morgan. The difference between domestic and international HRM has been examined along with understanding the concept of moderating variables like: reliance on domestic market, attitudes of senior management, cultural environment etc. The unit concluded with outlining the complex environment of IHRM and the expectations from the HR managers.

1.6 Answers for Check Your Progress

Check your progress 1

Answer: (1-c), (2-d), (3-b)

Check your progress 2

Answer: (1-d), (2-c), (3-c)

Check your progress 3

Answer: (1-a), (2-b)

1.7 Glossary

1. **IHRM** - International Human Resource Management involves the process of procurement and allocation of human resources in a multinational corporation.
2. **HCNs Host Country Nationals** - are the employees who belong to the same country in which they work.
3. **Home Country or Parent Country Nationals(PCNs)** - are the citizens of the country in which the headquarters of an MNC is located.
4. **Host country** - is the place where new subsidiary is being opened.
5. **Cultural Shock** - It is a condition of uneasiness faced by employees in host country due to change of culture, beliefs and lifestyle etc.
6. **Reverse Cultural Shock** - It refers to the problems faced by international employees on returning back from foreign country job. It usually includes problems in adjustments to time, working style, reporting etc.

1.8 Assignment

Assume you are the HR Manager of the Indian subsidiary of a large MNC headquartered in the US. The organization has recently set up a subsidiary in China. You have been assigned the responsibility of developing an HR manual for the international employees. List the factors you will consider while framing HR policies. Develop the manual mentioning various functions of IHRM.

1.9 Activities

Visit the library or the internet and collect examples of cultural differences in work environment of 5 different countries from across the worlds.

1.10 Case Study

Meet any two HR managers of an MNC and find out activities in which a Multinational must engage that would not be required in a domestic environment. Prepare a detailed list and highlight the moderating variables.

1.11 Further Readings

1. Dowling, P.J. and R.S. Schuler, International Dimensions of Human Resource Management (Boston: PWS-Kent).
2. Vyuptakesh Sharan, International Business, Second Edition (Pearson Education).

UNIT 2: THE ORGANIZATIONAL CONTEXT

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Meaning of Internationalisation

2.2.1 Types of International organisation

2.2.2 Organisational Structure in MNCs

2.3 Control Mechanisms

2.3.1 Features of an Effective Control System:

2.3.2 Techniques of Control

2.4 Mode of Operations

2.5 Let Us Sum Up

2.6 Answers for Check Your Progress

2.7 Glossary

2.8 Assignment

2.9 Activities

2.10 Case Study

2.11 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- Define Internationalization and indicate various business models for going global.
- Distinguish between various types of International organizations.
- Explain different types of structure in international organizations.
- Discuss the importance of Control mechanism for international operations.
- Analyze different techniques of control.

2.1 Introduction

Global competition has forced the firms to expand the work internationally. Companies evolve in global business in one of the ways like franchising, export, licensing or FDI's. International organisations vary on the basis of their structures, span of control and business operations. Organisational structure is the flow of hierarchy and decision making that decides the job design of the employees. With business expansion overseas there is a need to establish systematic models of operations and the control mechanisms. Modes of operations are based on the business models that include, conglomerates, single line business etc. Modes of operations are based on models that are referred as a blueprint of flow of work and processes from one department to other and from one country to other. These are living set of documents that are continually changing, like an organization chart.

2.2 Meaning of Internationalisation

Companies in search of broader reach and markets start extending their operations outside the Domestic Market. This is generally in different ways either by increasing export, or by granting licence to foreign firms etc. This process of expanding the business operations in other countries is called as Internationalisation of Businesses. In other words, internationalization is the process by which a firm gradually changes in response to international competition, domestic market saturation, and the desire for expansion, new markets, and diversification. There are many options available for companies to start there global operations. Moreover most of the firms don't start full-fledged International operations at a single go instead they follow the following patters depending on their business size, returns and investments.

Following are the types of business models for international expansion:

1. **Franchising:** In this the parent company grants another firm the right to do business as per company norms. Dominos Pizza is operating on this business model in India and other countries.
2. **Licensing:** It is an arrangement in which a firm also called Licensor grants the right to a foreign firm to use intangible (Intellectual) properties like manufacturing process, trade names, etc. The Licensor in returns gets a predetermined royalty for such usage.

3. **Exporting:** Usually this is the first choice of business style for starting expansion in overseas markets. Usually it involves selling the products or services directly or through foreign sales agents and distributors.

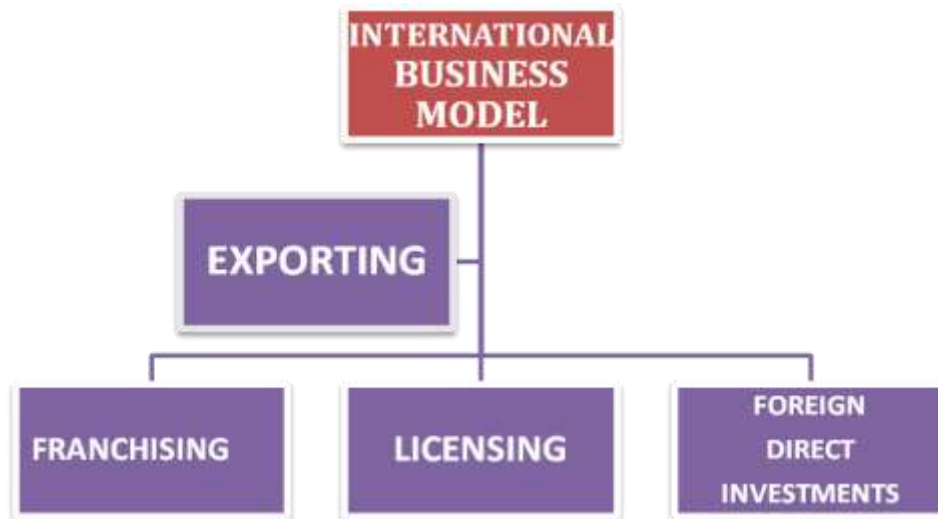


Fig 2.1 Business Models For International Expansion

4. **Foreign Direct Investment:** Companies that have established their goodwill in the foreign markets usually goes for this system. The above 3 types are usually done without investing their own funds, but in order to capture the full market potential the companies decide to invest in their own funds in host country. It refers to the operations in one country that are controlled by entities in a foreign country and involves actions like building new units in that country. Joint Ventures and Wholly Owned subsidiary are examples of FDIs. For examples, Toyota built its company manufacturing plant in Georgetown, Kentucky.

In fact most firms passes through various stages based on the growth of their activities. Some firms through these stages at a fast pace while others evolve slowly. Many companies are formed with intentions of going international from the beginning. Such firms fit the slogan “born global”. These evolutionary stages have a direct impact on the development of organisational structures, policies and procedures and the control mechanisms.

2.2.1 Types of International Organisations

Organisations with operations in different countries can be classified into the following categories:

1. **International Operation:** It is a domestic company that leverages on its strength of overseas markets. Honda, P&G are among companies that used this style of entering the European markets. The products of such companies are changed to suit the needs of the overseas markets but the normal operations, and the processes are kept unchanged.
2. **Transnational Corporation:** In this type of organisational structure there is autonomy in running the country operations independently but these operations are finally combined through structured networks. Such organisations combine the local responsiveness of an MNC and the efficiency of a global corporation. The term transnational signifies the interdependence of units for resources as well as responsibilities irrespective of geographical boundaries. Such organisations are characterised by transnational capabilities that means they can manage across boundaries retaining local flexibility and achievement of international integration.
3. **Global Corporations:** These companies control the working operations of its various subsidiaries through a centralised office. These companies follow a standardised procedure for all its operations, like marketing, production process across different locations. This means that all the subsidiaries will have the same quality standards, similar management styles etc.
4. **Multinational Corporations (MNCs):** When companies open their fully autonomous units in foreign lands these are called MNCs. The subsidiary companies operate individually as decentralised units. They are well versed in handling operational, and management problems without the interference of the centralised hub or the parent company. Phillips, Xerox is good examples of MNCs set up having its decentralised units working in different parts of the world. The units are capable of analysing and responding to the market changes independently.

2.2.2 Organisational Structure of an MNCs

Organisational Structure is a linkage of the various parts of a firm that helps in establishing the hierarchies and route for decision making. International organisations like MNCs have relatively different organisational structures as compared to Local companies. As Robert C. Goizueta, (Former) Chairman and CEO, Coca-Cola Company has said- “There is no permanent organization chart for the world. It is of supreme importance to be ready at all times to take advantage of new opportunities.” However the operations of different units, locations are aligned to the parent company based on the level of involvement and interdependence.

An MNC can have various organisational hierarchies. The basic structures are as follows:

- a. **Global Product Division:** This is a type of structure in which each division indicates a product line (single product) that is headed by their respective heads of department. These HODs or general managers are responsible for production and sales functions of this division only.

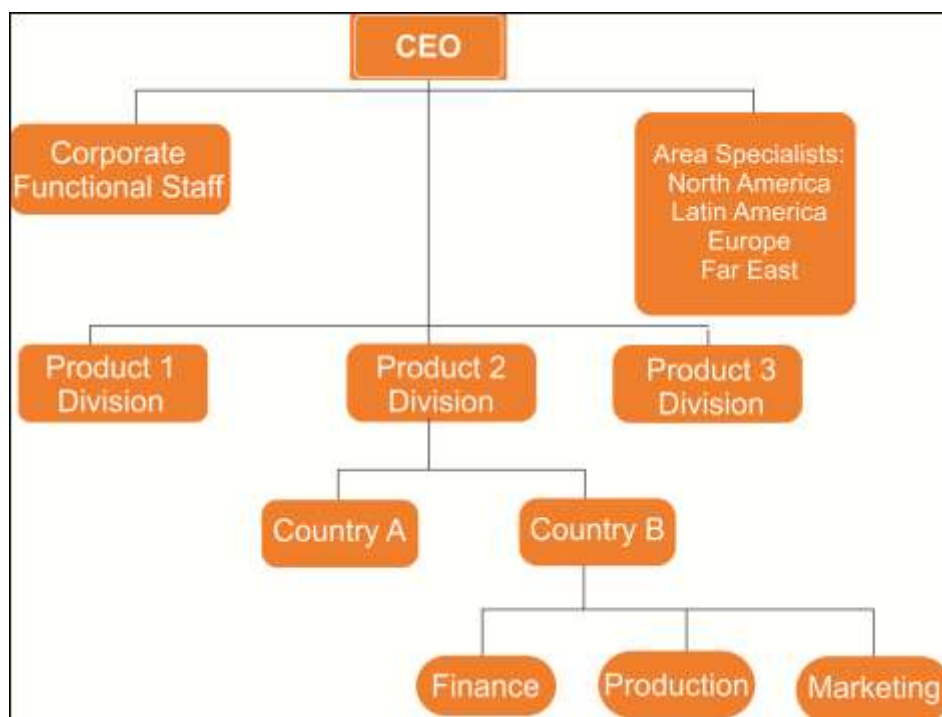


Fig 2.2 Organisational hierarchy for Global Product division

- b. **Global Area Division:** In this type of structure there is one regional manager deputed for a specific area or geographical location. The RM is

responsible for the countries that fall under that area like; Asia Pacific includes Asian Countries like Singapore, Sri Lanka, India, etc. This type of structure is useful when knowledge of local market is required. More than the product. These are more favourable for business that rely more on markets than products differentiation.

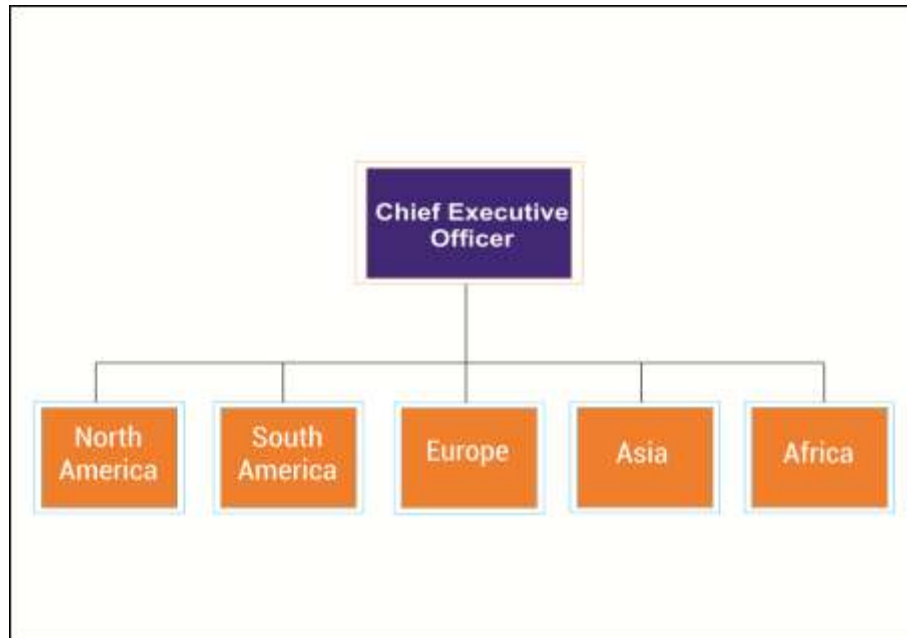


Fig 2.3 Organisational hierarchy for Global Area Division

- c. **Global Functional Division:** It emphasises on specific functions such as manufacturing, marketing finance etc. This type of structure is applied when there are fewer products and the customers that are homogeneous in nature.



Fig 2.4 Organisational hierarchy for Global functional division

- d. **Matrix Organisation Structure:** In this structure, the idea is to make both the area as well the Product Managers responsible for each other. It is a combination of product, area and functional areas. The idea behind this is to ensure rapid decision making. This is because both the area and product managers have authority to make decisions and interference of each other will avoid any delays. Matrix structure is not used commonly due to its high implementation cost and also because it requires complete involvement of top management. This structure usually has dual reporting to VP-Products and VP-Areas.

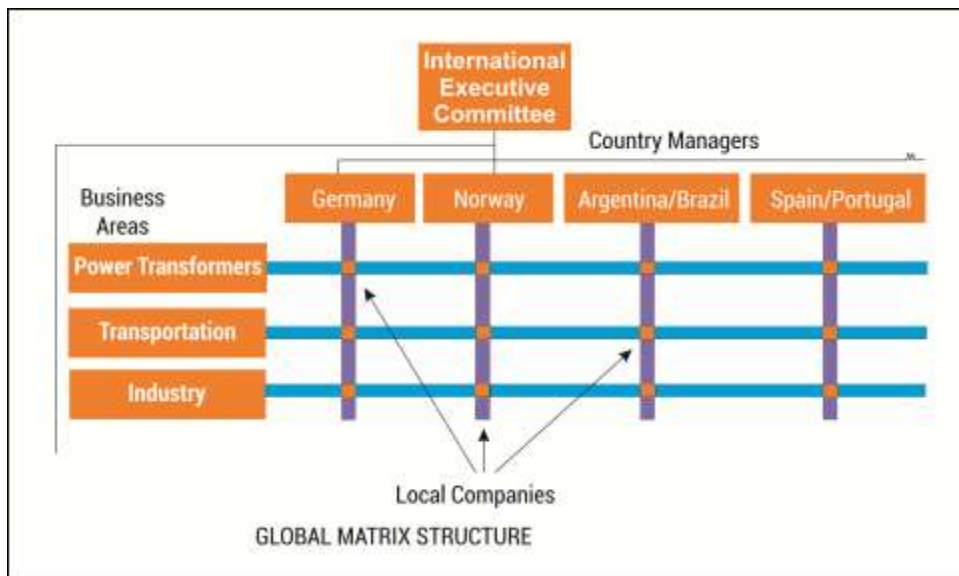


Fig 2.5 Organisational hierarchy for Matrix Organisation Structure

Check your progress 1

1. A _____ is a flow of work and processes.
 - a. Blueprint
 - b. Matrix
 - c. Organisational structure
 - d. None of these

2. _____ Structure is one in which each division indicates a product line.
 - a. Global Product Division
 - b. Matrix division
 - c. Global Area Division
 - d. Global functional division

3. _____ is an arrangement in which a firm grant right to a foreign firm to use Intangible (Intellectual) properties like manufacturing process, trade Names etc.
- | | |
|-----------------------|---------------------|
| a. FDI | c. Licensing |
| b. Global corporation | d. Matrix structure |

2.3 Control Mechanisms

As a firm grows geographically in its operations it leads to greater stress on systematic control of all activities. The set goals for the subsidiaries, regional and local business have to be checked. Since the operations of a MNC are more complex in nature, it becomes essential to keep a check on the activities. As per ACCOR, the French Hotel & Travel Company, one important issue is to get the support of the local management with regard to Group's philosophies and policies. Globalisation therefore brings considerable challenges that are under estimated. Considering the level of operations and the technicalities involved a proper control system is essential for International organisations.

2.3.1 Features of an Effective Control System:

Since an international firm has broader structures, and longer processes, a control structure that can embraces all the aspects of management should be developed. Following are the features of an effective control system:

1. **Setting Standards for Performance Management:** Since international firms vary in people, processes, currencies and working norms, it is essential to set up standards including Group's ideologies, goals as well as the local variations like customer needs motivators etc.
2. **Availability of Timely Information:** This is a significant feature of international firms. The reason being the geographically dispersed units and subsidiaries and varying time zones. Even Cultural differences to untimely fulfilment of work. For example US, UK are very specific about time, but it is not so in Asia and Latin America. Moreover for proper control, timely availability of information is very necessary otherwise it loses its relevance.

3. **Objective type Information:** Elaborate information is of no use for controlling things rather an objective representation of facts is easy to understand and derive results. Another reason for advocating objective information in control mechanisms is their unbiased results.
4. **Cost Effectiveness:** The prime importance is expenditure laid on these control system. It is to be understood that international firms already make huge investment for setting up its business in foreign lands. Thus efforts should be made to incur minim cost on the control systems. Frequent appraisals of the systems should be made to check its validity and cost effectiveness.

2.3.2 Techniques of Control

Following are the Control Techniques adopted by International Firms:

1. **Formal Control Systems:** Also called Traditional Bureaucratic systems they are characterised by long hierarchies, written job descriptions, functional authority, etc. There are formal relationships and HR department have the responsibility of implementing these procedures. Performances are based on clearly set targets. Communication system in this technique are prescribed and followed strictly as per the hierarchical structures.

The policies and procedures under this system are formalised for the entire firm including the units based in foreign countries. Such arrangements help in better coordination of activities and the employees.
2. **Clan Control Systems:** The word Clan depicts Social systems of an organisation that involves people, their personal relationships and social networks within an organisation. Contrary to the traditional techniques, Clan control lays stress on the skills and competencies of its people rather than on job design. More emphasis is laid on developing a corporate culture and investment on Human Capital of the Company. For Example, working in cross border teams and attending training and development activities at other locations of the company like headquarters or regional offices help in building personal networks and informal channels of communications called “Grapevines”.
3. **Audit Control:** This is an effective control mechanism being fitted in the very process of the organisation. Audit means verification of facts and figures. Thus companies have full-fledged audit departments that are

responsible for verification of facts related with processes, policy adherence etc.

4. **Cultural Control:** Many firms use Culture as a tool to control the organisational activities. It is an informal way of imbuing standardised norms in organisations. Culture is the set of beliefs, norms and behaviours that drives action of a place or a community.

International firms develop this culture mainly with the help of its HR managers. HR departments create an organisational environment through:

- a. Trainings
- b. Recruitments and
- c. Performance Management

For example, while selecting a Country Manager for a certain location an MNC will look for attributes and behaviours that matches the company's beliefs. In case the employee needs grooming this will be done through training programs including Inductions and Socialisation process. Usually such programs are for 2- 7 days. After some months of working, the performance of the new recruit shall be assessed to check for deviation and if it arises, employee has to undergo training programs. With this method employees tend to align their behaviours with the companies culture thereby forming a common set of values and beliefs. This is helpful in developing uniformly perspectives and behaviours.

5. **Centralised vs. Decentralised Control:** Centralised control means the authority of taking decisions for any sort of matters lies in the hand of the parent company. The subsidiary companies and units are required to take permission from the parent company for issues related to any department like, process, operations, HR, marketing, production etc. The opposite of this type of control is Decentralised system in which the subsidiaries have freedom of decision making. This is helpful where decisions have to be taken considering the local markets, norms and policies. In real life usually a combination of both types of control can be seen in companies that is also termed as Coordinated Decentralisation.

Below is the comparative analysis of situations suitable for each type of control:

Centralised Control	Decentralised Control
Useful in case of threats from global competition	Better insights of market behaviours with the subsidiary company
Suitable in case the Parent and Host countries have similar Cultures	Helpful in fast reaction to market changes
In case the products have set features, quality etc	In case the product offering is consumer centric
When the decision making is controlled by top management of parent company	When the HR of the subsidiary is capable of taking independent decisions.

Check your progress 2

1. _____ means the authority of taking decisions for any sort of matters lies in the hand of the Parent company.
 - a. Organization structure
 - b. Centralized control
 - c. Decentralized control
 - d. Audit control

2. Traditional Bureaucratic systems are characterized by _____ hierarchies, written job descriptions, functional authorities, etc.
 - a. Long
 - b. Short
 - c. Flat
 - d. None of these

2.4 Mode of Operations

Management of business operations is basically done on the basis of various models. These models are constructed to clarify the flow of work and order. Also called operating models, these are precise conceptual representation of how an organization operates across a range of departments and functions in order to accomplish its function.

There are mainly three domains that are used to understand the operations style these are people, processes and technology. Nowadays organisation as a whole also becomes one of the domains.

Andrew Campbell of Ashridge Business School refers to the following five domains:

1. Process
2. Information systems
3. Locations and buildings
4. Organization and people
5. Suppliers and business partners

An operating model is like the blueprint for a building. It communicates the vision of how an operation would like to work in the future. Most typically, an operating model is a living set of documents that are continually changing.

The term operating model is used in corporate-level strategy (see History below) to describe the way in which an organisation is structured into business divisions and what activities are centralized or decentralized. It can also be used at a much more micro level to describe how the IT department operates, how a factory is laid out or how a single business works. This article does not cover the latter use an organization chart.

Modes of Operations refer to various processes by which a company works on its business strategies. It is a part of the corporate strategy that grew out of the research of Harvard Business School professor Bruce R. Scott. He developed the following four modes of operations:

1. **Single Line business** - It deals with operating only one type of business. Operating only one line of business. All the strategies and planning is concentrated on this business as it is the only source of revenue.
2. **Related businesses** - where diversification is achieved by adding businesses that complement the original activity;
3. **Diversified firm** - Combining two unrelated businesses such as an oil company and a fertilizer business.
4. **Conglomerates** – diversification is achieved without regard to complementary or synergistic effects. Like TATA, Reliance etc.

The categories of modes of operating business in international arena are as follows:

- **Integrated:** Comprises of single business following a single strategy for competitive advantage. Business concerns are formulated centrally and tailored for local needs. In such models sales is defined by increase in global numbers. For example McDonalds, Harley Davidson.
- **Allied-Related:** In this model each business is capable of independently creating its USP. Common interests are mutually handles and support is provided whenever needed. Canon and Procter & Gamble are good example of this model.
- **Allied-unrelated:** here each business contains the core work required to create advantage autonomously. Capabilities that can be transferred are shared with other business. For example, Avery Dennison's pressure-sensitive technology and self-adhesive base technologies are used in Roll Materials medical group for single-use medical products.
- **Holding company:** In this unrelated businesses are included that have varied strategies suitable for each type of business. Each business has self-contained brands/businesses with independent functional groups. The units are tied together only by ownership. Examples include Tyco International.

Check your progress 3

1. In s _____ system each business is capable of independently creating its USP.

a. Allied related	c. Model
b. Integrated	d. Holding company
2. Modes of Operations refers to various process by which a company works on its business _____.

a. Locations	c. Structures
b. Strategies	d. Costs

3. Combination of two unrelated businesses forms a _____ .
- | | |
|---------------------|---------------------|
| a. Conglomerate | c. Matrix structure |
| b. Diversified firm | d. Holding company |

2.5 Let Us Sum Up

With massive growth in export, when the export department is unable to handle export an international division is created independent of the domestic market. When the forms beings international operations the structure of the organisation also becomes global. The emphasis is on the area structure. Product or the functional structure. The organisational structure has evolved in different shapes in different countries. The locations of subsidiary in different countries pose another problem. This is about controlling the operations in a standardised manner. This calls for coordination of activities between the Parent and subsidiary companies. There are various techniques for contrail like accounting, audition, etc. these are for controlling the finances. Another ways include culture control or clan control. These techniques emphases coordination in policies, procedures etc.

2.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a), (3-c)

Check your progress 2

Answers: (1-b), (2-a), (3-a)

Check your progress 3

Answers: (1-a), (2-b), (3-b)

2.7 Glossary

1. **Joint Ventures** - It is one type of business agreement under which two companies come together to work in collaboration by sharing the expenses in form of equity. They also share the revenues, assets etc.
2. **Socialisation Process** - It is a process in which a new employee tries to understand the culture; ideologies value systems of a new workplace. It is specifically important for expats coming to new country.
3. **Diversification** - It's a corporate business strategy of minimising risk by entering new markets in different areas of business that can react differently in similar situations.
4. **Audit Control** - It is the process of assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.
5. **Transnational Organizations** - These are one type of multinational corporations that operate globally with different offices in different countries. However the headquarter of such type of company is based in one country.

2.8 Assignment

“The nature of organizational structure depends on the extent of the firm’s involvement in international business”. Discuss

2.9 Activities

As an HR manager of an MNC you are required to prepare a presentation on various dimensions to be considered while setting UPA manufacturing unit in South Africa. Highlight the various points that you will include in your presentation keeping in mind the management and the operations functions.

2.10 Case Study

Select any five international organizations of your choice (preferably from different industries). Prepare a tabular representation of the different modes of operations, hierarchical structures and business models followed by them.

2.11 Further Readings

1. Franklo L.G. "Who manages Multinational enterprises"? Columbia journal of world business, VIII.

Block Summary

International Human Resource management is a dynamic function that is driven by diverse environmental and strategic forces. It is an important business function that affects the success of an international operation. In this block you have learnt various dimensions of international Human resource management. The block explained the difference between the ideologies that govern national and international projects. An in depth discussion was made on the barriers of communication in foreign countries along with highlighting issues of workforce diversity and cultural differences. You also learnt about the various factors that make domestic HR different from international HRM like; employees are differentiated on the basis of their nationality and organisations are defined in terms of their location like host or home country. Scope of work is different in case of international HRM as it has to deal with issues like diversity management cultural complications and compensation differences. Apart from this the factors include attitude of senior managers as it plays a significant role in success or failure of international assignments. The block elaborated on important terms that are essential for you to know and understand as like franchising, licensing models, conglomerate, matrix structure, internationalization. You learn about the important business tactics while operating in foreign countries like control of business that depends on the ideologies of management and their vision about the organizational culture and growth.

The block covered all the essential topics that are expected to be known by an IHRM students. The inputs are explained in practical manner so that you can use them at work. This unit provided basic knowledge of international operations so as to create an understanding of emerging roles of international HR managers.

Block Assignment

Short Answer Questions

1. Explain any two complexities of international human resource management.
2. Explain broader job profile of international HR managers.
3. Give two differences between domestic and international HRM.
4. Mention any two objectives of IHRM.
5. How is licensing different from franchising.
6. Give two examples of companies that have adopted Foreign Direct investments model.
7. Explain the importance of control system.

Long Answer Questions

1. Find out the control mechanisms for companies of the following countries:
 - The US
 - JAPAN
 - CHINA
 - INDIA
 - UK
2. What is meant by Internationalization of business? What factors will you consider while planning for this expansion?
3. Is there any difference between the functions of Domestic and international human resource? Explain in details with examples.

Enrolment No.

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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“

*Education is something
which ought to be
brought within
the reach of every one.*

”

- Dr. B. R. Ambedkar



Dr. Babasaheb Ambedkar Open University
Jyotirmay' Parisar, Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,
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INTERNATIONAL HUMAN RESOURCE MANAGEMENT

PGDHR-204

BLOCK 2: BUSINESS OPERATIONS AND STAFFING IN IHRM

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INTERNATIONAL HUMAN RESOURCE MANAGEMENT



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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Country Employees



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PGDHR-204

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

BLOCK 2: BUSINESS OPERATIONS AND STAFFING IN IHRM

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BLOCK 2: BUSINESS OPERATIONS AND STAFFING IN IHRM

Block Introduction

There are a lot of reasons for an organisation to start international operation. The level of exposure gained by the company while working in foreign countries not only enhances its business models but also strengthens its internal structures and people. The roles and responsibilities of a human resource manager in case of working for international assignments varies considerably. Some of the major challenges are to source relevant candidates who can fit in foreign cultures, understanding their needs and using their skills for the benefits of the company. For this recruitment and selection procedures need to be strategically designed keeping in mind the international business goals, employees' needs and global environment.

Unit 1 explains the various types of assignments that are prevalent in the international business. A differentiation of employees is done on the basis of their tenure, and characteristics. You will get to learn the meaning of an expatriate- the term used to denote the employee working in foreign countries for employers of their own country. The block also discusses the issues and concerns while managing them.

Unit 2 and 3 outline the various approaches of staffing international employees as well as the current trends and techniques of managing HR. The changing trends in HR objectives, policies and procedures are also elaborated with the help of real examples of global companies. You will also get to learn the difference between HR and HRD, the concept of a dual career couples and strategies for their recruitment and retention.

Block Objective

After learning this block you should be able to understand:

- The need for international assignments.
- Staffing policies and factors influencing them.
- Gender issues concerning IHRM.
- What are good HR practices and their role in an organisation?

Block Structure

Unit 1: Sustaining International Business Operation

Unit 2: Staffing For International Assignments

Unit 3: Good HR Practices Can Make a Difference

UNIT 1: SUSTAINING INTERNATIONAL BUSINESS OPERATION

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Linking International Assignments with Organisation Strategy

1.2.1 Reasons for International Assignments

1.2.2 Types of International Assignments

1.3 Meaning and Role of an Expatriate

1.3.1 Role of an Expatriate

1.3.2 Role of a Non-Expatriate

1.4 The Role of IHRM Functions

1.5 Let Us Sum Up

1.6 Answers for Check Your Progress

1.7 Glossary

1.8 Assignment

1.9 Activities

1.10 Case Study

1.11 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- The relationship between HR policies and organisational strategy.
- Why international assignments are needed.
- Types of international assignments.
- The difference between expatriates and local employees.

1.1 Introduction

The dynamic business environment has made it essential for companies to expand Global. The advent of information technology has made business operation easy and convenient. Companies therefore continuously strive to expand their business across border. International assignments play a significant role in expanding business operation; the expatriates get an opportunity for networking and socialising that helps in creating a brand image for the company at higher levels. The Company's organisational strategies are also related to such foreign assignments, as various changes may be brought about in the company's outlook, culture and processes. While business planning company considers different types of International assignments that should be deputed to employee. This choice is based on factors like cost, availability of talent, political and legal factors etc. Companies choose between relocating employees to another location and arranging periodic trips. There are different types of work assignments based non company's organisational policies related with centralisation and decentralisation of control and decision making. This unit will discuss at length the various considerations and approaches for hiring people for international assignments.

1.2 Linking International Assignments with Organisation Strategy

The process of expansion of business in foreign countries is usually in forms of subsidiary companies. Usually an organisation looks towards creating goodwill for the brand and earn profits through this internationalisation. In the previous chapters we had discussed the importance of human resource in establishing a company's structure and process in foreign land. Many times the company sends HCNs to their subsidiary units so that the organisational strategies, norms can be aligned in the new culture. International assignments are projects involving special tasks and responsibilities to be fulfilled in the foreign country. Through international assignments a company is able to develop a pool of global managers who can help in formulating business strategies based on market demands. As we discussed in the previous unit, control is an essential factor thus international assignments also help in coordinating and controlling environmental forces that have direct effect on the success of an international organisation. Sending employees and managers is an expensive arrangement and costs almost double or triple the cost in home country. Moreover there are chances of repatriation of

employees if they are unable to adjust in the new surroundings. Around 10 to 20 percent of the employees come back before the end of the contract. And those who stay sometimes fail to perform as per expectations of their supervisors. International managers are therefore a competitive resource to the multinationals that need to be managed continuously. Value created by international assignments completely depends on their management.

HR managers therefore need to develop various strategies for management of international assignments. Today the HR department is considered as the Strategic partner of a company. This is because they have the capability of aligning individual goals with business objectives. Coca Cola, IBM, have HR departments that formulate and implement HR policies in their Headquarters at Home office. The responsibilities include selection, training and transferring the parent company Personnel's abroad and formulating HR policies for the form as a whole and for its foreign operations.

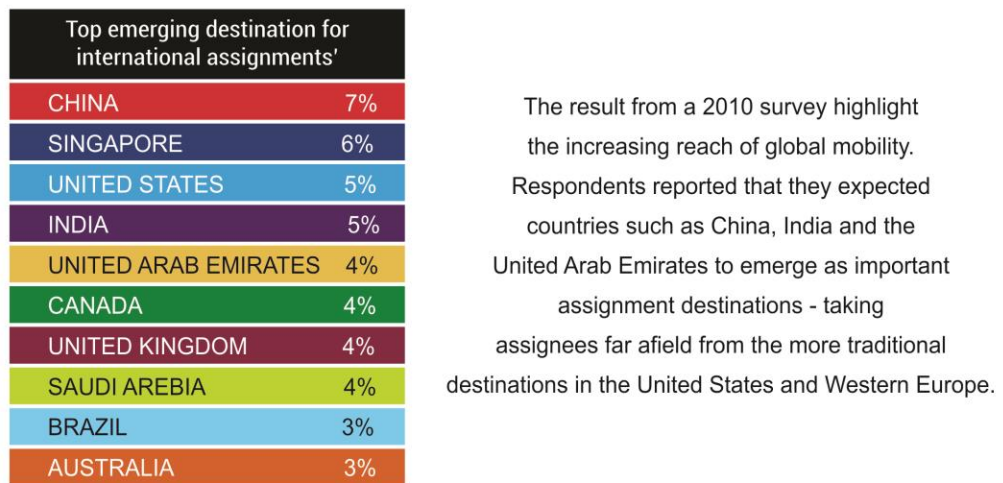
1.2.1 Reasons for International Assignments

Following are the three organisational reasons identified by researchers and International management:

1. **Filling the Vacant positions:** When companies identify a skill gap they prefer to send employees with prior knowledge and expertise on the required knowledge. In case of short term projects or job, companies prefer to send expatriates rather than recruiting HCNs. More cost is also one reason for sending expatriates especially in case of European countries where the local labour cost is comparatively higher. International assignments also arise when a company plans to launch new projects. Since this requires employees with prior experience of handling similar assignments, sending expats is a right decision. In the early days of globalisation, staff unavailability was a prime concern but this problem is now getting solved.
2. **Management Development:** Globalisation has changed the role of employees in business strategy. Today managers and senior executives are recruited as Business Partners as they are capable of driving the organisation to development. This fact is of significance in international assignments. MNCs follow various practices to develop its human resource. These include transfers from headquarters to subsidiaries for different periods. The staffs selected for such transfers feel motivated as they find opportunities for career development and explore new opportunities.

3. **Organisational Development:** Sending PCNs to foreign subsidiaries help in:-
 - a. Establishing control
 - b. Explore new opportunities
 - c. Transfer of knowledge
 - d. Raising Competencies

THE CHANGING FACE OF GLOBAL MOBILITY



Figures represent the percentage of respondent identifying that country as an emerging destination

Fig 1.1 A view of countries that have become preferred destinations for global operations.

International assignments provide a broader approach. Companies therefore should include cross border mobility as one of their policies. This further helps in cross fertilisation of ideas and operations thereby introducing novel business practices. The above reasons are interconnected and useful in achieving multiple organisational objectives.

1.2.2 Types of International Assignments

Parent company nationals are assigned with different types of international assignments that vary in durations and roles and responsibilities. Following are the various categories International of assignments:

1. **Expatriation or Long term assignments:** Expatriation is an assignment that ranges between 2-5 years and involves relocating the employee along

with the family to the host country. These long term assignments have their own drawbacks like high cost, dual career couples, and unwillingness of employees to go to less attractive locations. Long term assignments are usually helpful in case of:-

- Establishing Control system
- Transfer of knowledge and expertise
- Management development

2. **Short Term Assignments:** These are usually for a period of 1-12 months. Following are the features of Short Term Assignments-

- Employees are paid mobility bonus.
- Performance management is done in coordination of both parent company and the subsidiary.
- Taxation and Compensation are complicated
- Employees face stress due to irregularities in fulfilling personal responsibilities.

Short term Assignments have two more variations:

- a. International Commuters.
- b. Frequent Flyers

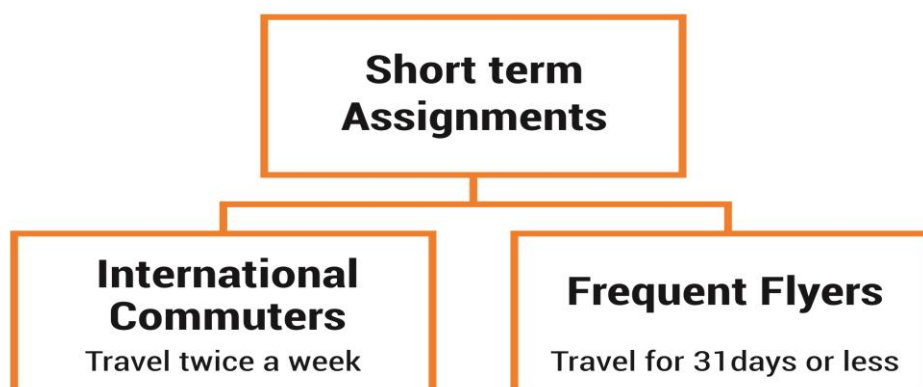


Fig 1.2 depicting two types of short term assignments

3. **Global Managers:** These employees are well versed in international operations and spend their time on expatriation for a life time. Though their careers are managed from the Headquarters, they keep moving at different

locations. Global Managers are motivated by the international lifestyle and are capable of adjusting in different cultures. These managers have very good communications skills, and usually know more than 2 languages other their native and have an open mindset.

4. **International Junior Managers:** They are freshly recruited executives at trainee positions and are sent on international assignments for grooming and development purposes. The basis of their selection for such assignments is solely their potential and capability to handle the global environment and culture.

Thus, International Assignments can be characterised on the basis of its duration, level of employee and purpose of assignments. Different types of assignments have different contracts based on the scope of responsibility on the headquarters. The scope is defined by various political and industrial policies of Host and Home countries.

Check your progress 1

1. International _____ enable a company to develop a pool of global managers who can help in formulating business strategies based on market demands.
 - a. Relations
 - b. HRM
 - c. Assignments
 - d. Expatriates
2. _____ are freshly recruited executives at trainees positions and are sent on international assignments for grooming and development.
 - a. Global Managers
 - b. Frequent fliers
 - c. International junior mangers
 - d. International commuters.
3. Short term assignments are for a period of:
 - a. 2-3 years
 - b. 0-6 months
 - c. 1-12 months
 - d. 5 years

1.3 Meaning and Role of an Expatriate

Generally there are 3 categories of employees based on their nationality, PCNs, HCNs and TCNs. We have already discussed this in the previous unit.

An Expatriate is an employee of the parent company sent on an assignment to the subsidiary company in another country. For example: a Chinese National working with its French subsidiary is called an Expatriate. They are also known as PCNs or Parent Country Nationals.

On the Contrary, if an employee of a subsidiary company works with the Parent company he is called an “Impatriate”. Such type of transfers of Host Country Nationals to Headquarters is usually done to enhance their competencies as well as ensure smooth integration between the two cultures. The duration of Impatriates is comparatively shorter than that of Expatriates therefore; this is also a strategy to reduce expatriate assignments. Similarly a manual labourer who has moved to another country to earn more money is termed as an Immigrant.

The decision to select from among these types for international assignments rests on six parameters:

1. Knowledge of the Local Environment
2. Knowledge of the Organisation
3. Cost
4. Cultural proximity
5. Attitude of the foreign Government
6. Promo ability of the local employees.

1.3.1 Role of an Expatriate

Employees sent to the host country have different roles and responsibilities. Although their costs are comparatively higher they play a significant role in internationalisation of business. Following are the roles of an expatriate:

1. **Agent of Socialization:** Expatriates ensure better understanding of culture among the employees of two countries. They are often termed as Bumble-Bees, as they transfer corporate values. Due to the knowledge of the organisation and its culture, they are able to spread common work culture and shared values. Expatriates encourage competence sharing and are also exposed to different viewpoints that enhance their competences and perspectives.
2. **Agent of Direct control:** Since expatriates are basically PCNs they are useful in establishing control over the culture, norms and policies in the

subsidiary unit. Germany for example is a country that practices this. The expats are called as Bears, due to their dominant nature. Staff transfers are a Bureaucratic mechanism of control and reflect an ethnocentric tendency.

3. **Network builder:** As we discussed that Socialisation is one of the roles of Expats, therefore, they tend to create a web of networks with the HCNs, Government officials, etc. With their good networking skills these people create a circle of contacts from different departments. They are also called as “spiders.” An important aspect of this role is its personal ability. The creation of contacts and maintaining them solely depends on an individual expat and may not be transferred. This poses a threat that once the expat has returned; the contacts may not be of any use. For instance, Mary an American National, visited China for international assignments and during her course of stay, she developed good relations with HCNs, Key Officials of Host country, clients and subsidiary staff. On her completion of stay she was replaced by Agnesia from UK. In this case it is not certain that the contacts created by Mary will also entertain Agnesia in similar way. This is a shortcoming of this role.
4. **Language Node:** Having spent a long time in foreign country, expats tend to learn their language also. This becomes their strength once they return to their Parent Country. Their understanding of the foreign language makes them a preferred choice for international communication. They are being referred for any type of queries, explanations etc., of the Host country. Since they become the communication medium between local and foreign executives they are also called as node.

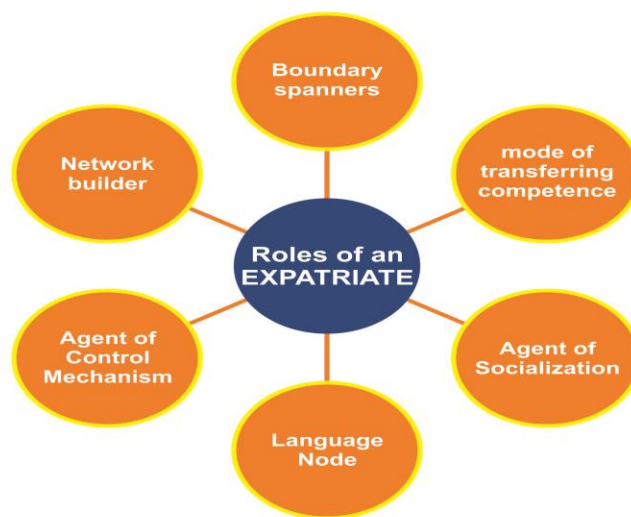


Fig. 1.3 depicting roles of expatriates in international assignments

5. **Boundary Spanner:** This refers to an activity like gathering information that bridge the internal and external organisational contexts. Expats can collect host country information, acts as representatives of their firms in the host country and influence agents. For example, while attending a social function at the foreign embassy expats have an opportunity to socialise and gather market information that can be further used to promote a firm at higher levels.
6. **Mode of transferring Competence and Capability:** Transfers of the skills and competencies from one company to its subsidiary or vice versa can be done through expatriates. Their sharp knowledge of parent country culture and strategic objectives help in guiding the HCNs. They are able to acquire the competencies needed to fulfil the organisational goals.

1.3.2 The Role of a Non-Expatriate:

Non-Expatriates are people who travel to another countries frequently on international assignments but do not re-locate. They are often called as “Globetrotters”, “Frequent fliers” or “Road warriors”. Their responsibilities include

- Sales and Marketing
- Represent company during trade fairs, Negotiation deals, Renewal of contracts.
- Interact face to face with clients, distributors and other stakeholders.

Since these people are constantly travelling, their management has to be done differently. Their job is considered a part of their normal duties and travelling abroad does not get them treated differently. Such employees also reflect signs of stress. The reasons of stress are:

- Health Concerns.
- Personal issues like home and family.
- Role conflicts.
- Host culture issues
- Travel logistics like flights timings, accommodation etc.

Check your progress 2

1. _____ is an employee of a subsidiary company who works with the Parent company.
 - a. Expatriate
 - b. Impatriate
 - c. Local national
 - d. None of these
2. _____ are useful in establishing control over the culture, norms and policies in the subsidiary unit.
 - a. Non Expatriate
 - b. Agent of Direct Control
 - c. Boundary spanners
 - d. Non-Expatriates

1.4 The Role of IHRM Functions

Globalisation has raised the standard of HR department from general people's management to providing critical partnership in achieving organisational objectives. The role of IHRM in international assignments varies on the basis of organisational structure. As we had discussed organisations generally have Centralise or decentralised structures. Thus, the HR role is also based on this.

- **Centralised HR Companies:** The key role of HRM in centralized companies is to manage all High grade management positions worldwide involving activities like identifying global workforce with required skills, planning international assignments and performance management.
- **Decentralized HR Companies:** In this the key role is to manage elite corporate managers. The key activity is to influence operating units to support international assignments.

Transition HR Companies. Here, the HR is responsible for the career development of the expatriates as well as the senior managers. For this they work on persuading divisional managers and pursue strategic staffing. Corporate HR therefore should redefine their bureaucratic administration culture and become influencers over area of subsidiary practices.

An important role is to provide uninterrupted supply of skilled manpower at all the global locations. This requires deep planning and understanding of each location. HR managers should play the role of Influencers to organisational culture. They can substantially help in synchronising the work and outlook of

employees at different locations. For this extensive training programs and developmental opportunities have to be created for local and expats. HR can act as career ladders for employees by creative job design and providing ample opportunities. HR in global companies should:

- Design literally integrated compensation and Performance Management systems,
- Enhance homogeneity.
- Attracting global teams with requisite skills,
- Managing cultural diversity by appreciating differing perspectives and ideas that individuals bring to the workplace. Diversity is also regarded as an invaluable contributor to innovation and problem-solving success
- Specialisation in Outsourcing, In sourcing, off shoring.
- Business partner.

Developing an effective international workforce is much more difficult for a competitor to emulate than buying technology or securing capital. Dennis R. Briscoe, Randall S. Schuler, and Lisbeth Claus, *International Human Resource Management*, 3rd ed. (New York: Routledge, 2009). Besides, how well companies manage their HR around the world can mean the difference between success and failure. In a nutshell, firms that effectively manage their international HR typically outperform competitors in terms of identifying new international business opportunities, adapting to changing conditions worldwide, sharing innovation knowledge throughout the firm, effectively coordinating subsidiary operations, conducting successful cross-border acquisitions, and maintaining a high-performing, committed overseas workforce. When organizations enable, develop, and motivate human capital, they improve accounting profits as well as shareholder value in the process.

Check your progress 3

1. Which of the following are responsible for the career development of the expatriates as well as the senior managers:
 - a. Centralized HR companies
 - b. Business Partners
 - c. Transition HR Companies
 - d. None of these

2. HR can act as _____ ladders for employees by creative job design and providing ample opportunities.
- a. Strong
 - b. personal
 - c. Career
 - d. Strategic

1.5 Let Us Sum Up

The popularity of international assignments is certainly on the rise. Companies from almost all industries are recognizing that international assignments do more than fill talent gaps or transfer corporate culture to international offices. Global assignments contribute to building a flexible, culturally competent workforce better able to support the future growth of the organization. Many companies are now opting to send employees on short-term assignments as an investment in developing global talent. In this unit we get to learn the importance of international employees in organisational strategy as well as the role of HRM in fulfilling the company's international goals. We also understood the meaning of expatriates and other similar terminologies related with staffing. The unit developed an understanding of the staffing scenario in International business.

1.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-c), (2-c), (3-c)

Check your progress 2

Answers: (1-c), (2-c), (3-c)

Check your progress 3

Answers: (1-c), (2-c), (3-c)

1.7 Glossary

1. **Dual Career Couples** - Here both partners pursue careers while maintaining separate residences in different geographic locations.
2. **Impatriates** - An impatriate is an employee who is transferred from the foreign subsidiary to the country where the corporation has its headquarters.
3. **Long term assignments** - International work assignments that are for a period of 2-5 years. The employee usually has to relocate to the new country of work.
4. **Centralised HR** - When the decision making and control functions of HR Functions are managed from the headquarters it is called as Centralised HR.
5. **Role conflicts** - When a single employees has to report to dual authorities, it causes conflict of role. The employee get confused about his roles and responsibilities expected by both the authorities.

1.8 Assignment

What are the merits and demerits of employing expatriates? What are factors influencing the employment of expatriates?

1.9 Activities

You are required to recruit a senior manager in HR department to be based at the headquarter of a multinational firm in India. Design a detailed job profile for this position specifying the job description, job specifications, roles and responsibilities.

1.10 Case Study

You are the HR managers of Coca Cola, US. You have recently hired 10 persons as Expatriates to be sent to different regions of the world except US and before sending them broad you have to brief them on their expected roles and responsibilities. List down various points that you will include in you 2 days training program for expatriates.

1.11 Further Readings

1. International Business-Concepts, Environment and strategy by Vyuptakesh Sharan.
2. Global Journals of Human Resource Management.

UNIT 2: STAFFING FOR INTERNATIONAL ASSIGNMENTS

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Major Considerations for Selecting Expatriates

2.2.1 Factors Influencing Staffing Choices

2.3 Recruitment and Selection

2.3.1 Sources of Recruitments

2.3.2 Selection of International Employees

2.3.3 Selection Methods

2.4 Dual Career Couples

2.4.1 Women as International Managers

2.5 Let Us Sum Up

2.6 Answers for Check Your Progress

2.7 Glossary

2.8 Assignment

2.9 Activities

2.10 Case Study

2.11 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- Issues related selection of dual careers couples.
- Gender differences in International assignments.
- The complexities faced by MNCs in managing human resource.

2.1 Introduction

Finding the right talent is a crucial activity for any global corporation. The high cost and risk involved requires the HR managers as well as the management to develop appropriate criteria for selecting candidates for international assignments. The various staffing approaches like ethnocentric, polycentric etc help the company to hire candidates based on their mode of operations and business models. The Candidates are assessed on their competencies, personal likes and dislikes and flexible attitude. International assignments mean working in other countries. This brings a lot of challenges to the management like problems and issues of Dual Career Couples. Whether they should be employs how the career of their spouse should be managed etc. Another concern is about staffing women candidates in foreign countries. The personal constraints of females, the cultural and societal norms and perceptions of the host country govern the decisions of hiring women.

2.2 Major Considerations for Selecting Expatriates

The process of staffing international managers is based on various parameters. These are related to the skills and competencies, along with technical and functional competencies, attitudes of top management towards employment of foreign executives. The staffing issues faced by HR in case of international assignments are different from one at local offices. The ability to compete in the highly hypercompetitive global markets makes the staffing process of global managers all the more complex. Three primary attitudes or approaches to staffing subsidiaries can be identified that have important implications on international recruitments and selection. These are:

1. Ethnocentric
2. Geocentric
3. Polycentric and
4. Region-centric

Let's take each one by one -

1. **Ethnocentric:** All the key positions involving strategic decisions are deputed to PCNs as related decisions have to be taken at the Headquarters only. Subsidiaries are managed by the Home country staff. There are

various reasons for this approach like: lack of qualified personnel's in host country, need to create control over the subsidiaries. This is especially in case of newly formed international divisions. There is a factor of trust in the home country nationals. It is assumed that they will do the right things in sync with corporate objectives and will also moderate any or of risk in foreign land. Though ethnocentric approach is good for start-ups, they have their own shortcomings. Since all the command and control are in the hands of the parent company, subsidiaries personnel's have little chance of promotion and broader exposure. This leads to low morale and high attrition rate. For example, Korean firms in India like LG, Samsung etc are still headed by Koreans. The critical areas of operations like finance, quality, production etc., are also controlled by them. Usually there is dual structure comprising of 2 executives at one position from both nationalities. This leads to de-motivation to Indian managers as they are not included in strategic meets and other important events.

2. **Geocentric:** In contrast to ethnocentric, this approach is more global in nature. It considers the skills and competencies of both PCNs and the subsidiary. For instance, Vodafone, the European company believes that every employee irrespective of their nationality contribute to firm's success. This creates a global at least pool equipped with rich experience of various regions of the world, like Asia Pacific, US, HELSINKI ETC. For this reason, companies hire global managers and freshers from across the globe depending on their level of exposure. Companies also hire fresh graduates from premium institutions like IIMs for summer internships. However, it is the other factors that restricts this approach to some extent, like policies of local government that make hiring of local people mandatory.

Recruitment & Selection

Ethnocentric Approach	Polycentric Approach	Regiocentric Approach	Geocentric Approach
<p>Key management positions held by parent-country nationals</p> <hr/> <p>Appropriate during early phases</p>	<p>Host-country nationals hired to manage subsidiaries</p> <hr/> <p>Parent-country nationals occupy key positions at corporate HQ</p>	<p>Variation of staffing policy to suit particular geographic areas</p> <hr/> <p>Provides a 'stepping stone' for firm wishing to move from an ethnocentric or polycentric approach to a geocentric approach</p>	<p>Seeks best people for key jobs, irrespective of nationality</p> <hr/> <p>Underlying principle of a global corporation</p>

categories of employees can be hired-parent country nationals (PCNs), host country nationals (HCNs) & third country nationals (TCNs)

Fig 2.1 Depicting the characteristics of recruitment for 4 different approaches.

- Polycentric:** In this approach, more emphasis is on the Host Country in terms of autonomy and involvement. Host country: nationals are given privilege in decision making and responsibilities also deputed on them. The reasons are obvious. The organisation believes that local people can perform better due to their knowledge of local languages, culture norms and politics. Moreover it is cost effective to employ locals vis-à-vis PCNs. Even they are never posted to foreign countries for international assignments. Strategically also the Polycentric approach is advantageous as it provides better chances of business continuity. However this approach is also not without limitations.

Due to the concentration of power is on the subsidiary company, the headquarters may get isolated. Being unaware of local languages, culture etc, they might not play significant control over international operations. Independent forms tend to become “federations” of independent national units having minimal link to headquarters.

Another problem with this approach is career management issues of PCNs. Since they have limited accessibility to foreign operations they find rare chance of involvement. Their progress is limited to the operation at home country only that affects their career advancement.

- Region-centric:** This is a transitional phase between polycentric and ethnocentric approaches. As the term signifies this approach is based on specific global regions. The international operations are categorised to

different regions on the basis of similarity of culture, languages and market dynamics. The firm adopts a regional marketing policy covering a group of countries that have comparable market characteristics. For example, Nike, the world's largest shoemaker brand has reorganised its brand in 6 geographies- North America, Western Europe, Eastern Europe, Central china, Japan and emerging markets. Similarly Gillette has 4 main divisions and subsidiaries like the North Atlantic group, the international group, the diversified group and the stationery product group. This approach though helps in establishing a sync in companies strategies and its products it has an disadvantage also. There can be misunderstanding of ideologies of headquarters.

2.2.1 Factors Influencing Staffing Choices

Staffing decisions are influenced by the following factors:

1. Strategy adopted for internationalisation of firm.
2. Modes of operations.
3. Stage of product life cycle.
4. Environmental disparity between Home country and subsidiary.

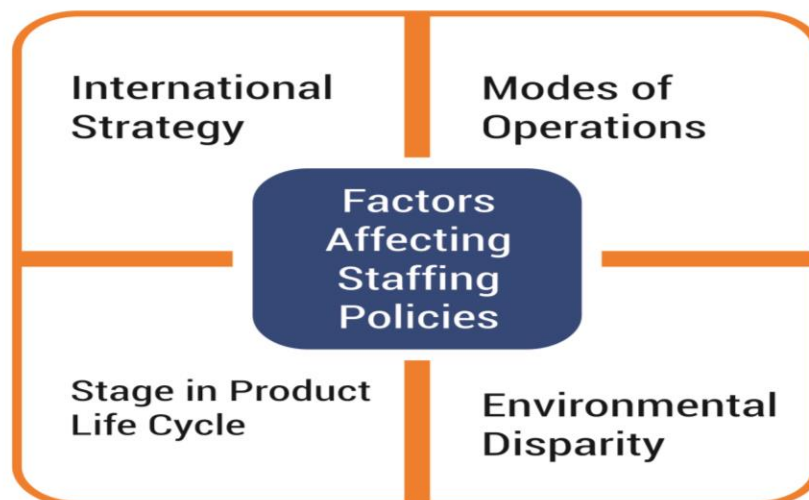


Fig 2.2 depicting the factors affecting staffing policies for international assignments

If the modes of operations overseas is the branch of an organization or a wholly owned subsidiary, normally expatriates are employed. Sometimes the issue of expatriate versus locals depends upon the stage of the product cycle. As per (Franco) during the initial stage of internationalisation, the proportion of expatriates is often large This diminishes as the local managers starts acquiring

the technologies. Disparity between home country and the host country environment is very wide, expatriates find it difficult work. Locals are employed in such conditions.

Check your progress 1

1. ____ is a transitional phase between polycentric and ethnocentric approaches.
 - a. Ethnocentric
 - b. polycentric
 - c. Region centric
 - d. None of the above
2. Which of the following is not a staffing decision?
 - a. Modes of operations.
 - b. Stage of product life cycle
 - c. Strategy adopted for localization of firm
 - d. Environmental disparity between Home country and subsidiary

2.3 Recruitment and Selection

Recruitment is the process of finding the right candidates for the job vacancies. In context of International HRM, The objectives area s follows:

1. Finding techniques to attract motivated and qualifies international candidates.
2. Identifying susceptible candidates to fill positions at minimum cost.
3. Constantly maintaining pool of international candidates.
4. Estimating Manpower Requirements at different levels.

2.3.1 Sources of Recruitments

After ascertaining the number of vacancies to be filled, the most suitable sources need to be identified. There are various sources to fill the international positions like:-

- **Transfers:** This is an internal mode of recruitment in which the existing employees are transferred. This is also a preferred choice due to strategic reasons like controlling and maintaining cultural alignment.
- **Campus recruitments:** This is an external source in which companies look for candidates from institutions and colleges of the host country as well as home country depending on the staffing approaches as discussed in earlier units of this chapter.
- **Company Database:** This is an internal source in which the company forms a database of potential candidates based on their skills, expertise and knowledge of foreign markets. This data base is continuously updated with fresh profiles. For example, Tetrapack has developed their centralised Global database containing thousands of high potential profiles. The database is consulted with HR directors and supports the recruitment process for “Expatriates”.

These include internet, advertisements, recruitment agencies etc.

2.3.2 Selection of International Employees

Selection is the process of selecting the most suitable candidate among the pool of applicants based on various parameters. Therefore while in recruitments we prepare a list of eligible candidates, through selection we finally select the most deserving and suitable. The objectives of the selection process are as follows:

1. Minimising risk of failures
2. Assigning jobs to suitable candidates
3. Adopting selection criteria that determine the competencies of the candidates.

Criteria for Selection: Candidates for international assignments are selected on the basis of analysis of characteristics multinational and its subsidiary, and the position to be filled. Many times international assignments fail because the selection criteria do not consider the human side of employees. Only the technical competencies are tested along with the previous experiences. In case of international assignments it is important to check the social orientation, cross cultural competency, broad mindedness, ability to handle stress etc. This requires

HR managers to conduct an in-depth Job analysis and lay down the expected roles, the skills required to complete the etc.

Other than the skills, personal traits need to be assessed. Following are traits to be considered while selecting international managers:

- a. **Competence** - These include expertise in respective areas and technical and managerial competencies.
- b. **Adaptability** - This means ability to be flexible in new situations and having a positive attitude. Family cohesiveness is an important factor in having an adjusting nature.
- c. **Personal characteristics** - Health, age, race, religion, education, , age and medical conditions are included in this category.

2.3.3 Selection Methods

The various traits and competencies can be assessed by using different methods. These methods can be used individually or in combination:

- a. Interviews like coffee machine scenario setting etc
- b. Psychological and relational tests
- c. Assessments centers
- d. References
- e. Role plays

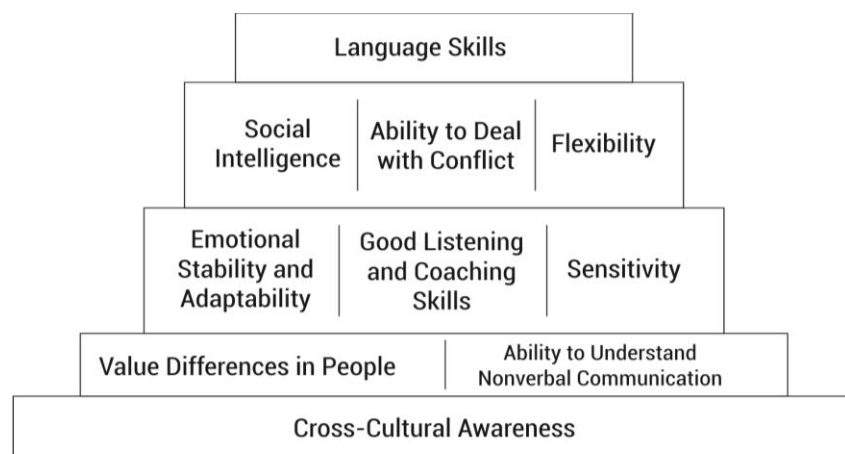


Fig. 2.3 depicting the skills needed for selecting international employees

Check your progress 2

1. _____ include expertise in respective areas and technical and managerial competencies.
 - a. Competence
 - b. Adaptability
 - c. Personal competence
 - d. Language skills
2. _____ is an external source in which companies look for candidates from institutions and colleges of the host country.
 - a. Campus recruitments
 - b. Company database
 - c. Adaptability
 - d. Personal characteristics

2.4 Dual Career Couples

“Dual Career Couples” refers to those couples in which both the partners are working and both are career focussed. The term also refers to couples in which both partners are working in the same company. Transferring employees from one location to another in the same country is a usual practice these days. This is because of strategic, personnel and financial reasons. But in case of international assignments this is not an easy task. Either it is the case of transfer or freshly inducted candidate; there are many issues in relocating to new country. This is more critical in case of employing Dual Career Couples. Today this concept of double bread earners has gained greater significance. Husband and wife both work, either in different or same company. This poses difficulty in allocating international assignments. Usually such couples are faced with difficulty in accepting international assignments. The issues are usually related to following categories:

- **Individual Level** - These include problems like lack of willingness in people to relocate to other countries. This may be due to the career of the spouse that may be at stake. The problems of balancing the work and family responsibilities are another issue due to which candidates reject the international assignments. There are children, elderly people and spouses that need attention which is not possible in case of re-locations. In India, we see more rejections due to this issue. These conflicts between work and family and personal constraints cause stress that takes a toll on the health of the employees.

- **Organisational Level** - The extent of support provided by the HR in terms of family friendly benefits and incentives has a direct link with the acceptance or rejection of global assignments. Organisational culture here means the kind of on-job support provided by the organisation to manage the career. This involves training, mentoring and technical guidance.
- **Societal Level** - The culture of the native land also plays a role in selection dual career couples. Many times, the norms of a society and the status of the candidates allow them to take such assignments, sometime it is not. Moreover the gender issue here means the extent of sacrifice that one gender can make for other. Obviously this in context of safeguarding the career of both the partners. Many societies like in UK, Asia, etc considers male dominance, other like US etc., are equal.

Thus HR managers therefore faces ample of problems while selecting candidates for international assignments. The below figure demonstrate the relationship between the determinants affecting selection of Dual Career couples.



Fig. 2.4 depicting issues concerning dual career couple in selecting international assignments

Multinationals therefore have to adjust with the other candidates who are usually either less qualified or with at a lesser age. Usually the problem of Dual career couples are not found with candidates who are either single or of less age.

They move freely to different locations. In fact for lower age people this can be an opportunity for enriching their profile and getting global exposure. HR managers for international assignments also consider TCNs for this reason. Reflecting the global trend the impact of the accompanying spouse/partner's career orientation upon the international assignment is an emerging area of concern. Seems that career orientation not only affect the couple's willingness to move, but also negatively affects performance and retention in the foreign land.

Solutions for Problems in Recruiting Dual Career Couples

The above problems faced by global companies in hiring double career couples have lead to the following alternative arrangements that are divided in two categories-Finding alternative arrangements and Making assignments family-friendly.

In the first category, following arrangement can be made:

1. **Short Term Assignments:** In this case the employee has to visit the foreign country for short duration without having to relocate his entire family. The duration is usually 1-12 months. This is easily accepted by dual couples.
2. **Commuter assignments:** Also termed as Commuter marriage, in this type of arrangement the spouse either decide to stay in the home country or relocate to nearby countries that can make the relationship easy to handle. The company provides their support in maintaining the relationship. Multinationals often adjust compensation to fit with agreed terms.
3. Other arrangements like virtual assignments that can be done over the internet, or business travels; that deals with weekly visits to foreign countries or unaccompanied assignments in which the spouse/partner agrees to stay back and continue with the job.

The second category is about making family friendly assignments. The following alternatives can be practiced by MNCs:

1. **Inter Company networking:** As we discussed that the problem of Dual Career couple is increasing rapidly, this means that moist of the global companies have to deal with this. Therefore, MNCs enter into an agreement with each other for same location to accommodate the spouses for jobs. (e.g: Company A and Company B need expatriates for Japan, and in order to

accommodate the expats spouses they agree to exchange the spouse in each other companies-it goes like this, “you give my expatriate’s spouse a job and work visa, and I will do the same for your expatriate’s spouse in return.”)

2. **Intra Company Employment:** This means employing both the partners in the same location, in same department.
3. **On Assignment Career Support:** The main idea is maintaining the employability of the spouse. This is done by providing a lump sum amount towards the career development activities like, job hunts, attending seminars, taking professional education etc. This type of assistance helps the spouse in getting a job once he/she is back to the home country. Motorola follows a Dual Career policy that aims at enhancing the employability skills in the spouses.

2.4.1 Women as International Managers

Gender is one of important criteria for selection of international assignments. But it has been found that total representation of women in global assignments is comparatively lesser. This is due to various factors like:

1. **Age:** This is an important factor when it comes to women especially while there is a selection for international assignments. Usually experienced and middle aged women are considered.
2. **Self imposed restrictions:** Women depict apprehensions in taking foreign assignments due to family or security or even the prejudiced attitude of foreign management towards women.

Gender diversity in top management

Country	Women as % of Labor force	Women as % of Management & professional occupations	Women as % of Corporate board seats
US	47 ¹	51 ¹	16 ²
Australia	46 ³	31 ³	9 ⁴
Canada	48 ⁵	37 ⁵	14 ⁵
Portugal			2 ⁶
Netherlands			13 ⁶
Italy			5 ⁶
Switzerland			9 ⁶
Belgium			9 ⁶
UK			11 ⁶
Germany			13 ⁶

1. Bureau of Labour and Statistics 2012 4. Catalyst, 2013
 2. Catalyst, 2013 5. Statistics Canada, 2012
 3. Australian Bureau of Statistics 2012 6. Governance Metrics International 2012

Fig 2.5 Depicting the participation of women top management jobs in different countries

3. **Attitudes Of HR Directors Towards Women Candidates:** In Austrian companies females have to specifically ask for international assignments whereas it is mandatory for their male counterparts to take international work. HR directors have a biased approach in this context. They prefer males over females due to personal issues of women.
4. **Prejudices of Host Country towards Women:** Host country management believe that women are not able to perform as per expectations, this mainly in case of some regions of the world. One positive aspect here is that this perception of Host country changes with time once the female start showing results.

The typical expatriate tends to be male with only 23 % of women seen on international assignments. It is argued that as the proportion of women in the domestic workforce continues to increase, and as international experience becomes an essential criteria for career progression in multinational companies, we can see more international managers who are female.

Check your progress 3

1. In _____ type of arrangement the spouses either decide to stay in the home country or relocate to nearby countries.
 - a. Commuters assignments
 - b. Short term assignments
 - c. Both A and B
 - d. None of the above
2. Self imposed restrictions are related to:
 - a. Women expatriates
 - b. Host country nationals
 - c. Parent company policies
 - d. Female employee of host country

2.5 Let Us Sum Up

The staffing policies may ethnocentric, polycentric or geocentric. The employment of expatriates may be advantageous in some aspects but it also has many limitations. In specific cases the employment of locals is preferred over expats. Irrespective of the staffing policy, a firm estimates the human resource requirements at different levels and locations and recruits persons from different background based on competence, adaptability, and personal characteristics. Employments issues related to the Dual Career couples are an important issue as their management is highly complex. HR managers have to find out alternatives to ascertain best talents and also cater to personal problems.

Gender issues are another concern in staffing and pose a challenge in recruiting women candidates for foreign assignments.

2.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-c), (2-b), (3-d)

Check your progress 2

Answers: (1-a), (2-a)

Answers: (1-a), (2-a)

2.7 Glossary

1. **Dual Career Couples** - Here both the heads of the household pursue their careers and at the same time maintains their family life together.
2. **Commuter assignments** - These are the international jobs in which both partners pursue careers while maintaining separate residences in different geographic locations.
3. **Region-centric** - A staffing approach in which management personnel are selected from within a region of the world which most closely resembles the host country.
4. **Polycentric Approach** - It is the staffing approach in which employees are hired and promoted who are citizens of the country that host and operates the company.
5. **Intra Company Employment** - Transfer of employee that occurs either within or between a company's different divisions or branches.

2.8 Assignment

What are the advantages and disadvantages of the three primary approaches towards managing and staffing subsidiaries of an MNC? Do you think that recent times have seen a movement towards ethnocentric approach? Why?

2.9 Activities

Cite Five Examples each of companies that follow Ethnocentric and Region-centric approaches. List them in a tabular form and comment on the strategies of the companies.

2.10 Case Study

The Danone Group's Career recruitment site, for internal and external recruitment

The Danone Group has opted for daily posting all vacant positions on the Danone Career website, which is accessible from the outside as well as from inside the company. To apply, candidates must add positions that correspond to their profile. The site is the fastest and most efficient way to obtain information regarding vacant positions within the Group, from anywhere in the world.

To apply for a position, candidates must:

1. Conduct a search, specifying their level of experience (student seeking an internship, junior (1–2 years of experience), senior (2 years + of experience), or director/executive), their Field of specialization and the geographical area where they wish to work.
2. Select a job offer within the search results
3. Study the job descriptions and apply.

After having filled out his or her personal information on a form, the candidate can attach his or her CV and cover letter. Within 72 hours of applying, the candidate will get a receipt notification. The English language is preferred throughout the recruitment process. The group searches for candidates with an international profile, and proficiency in English is highly valued. The candidate may, however, use the language of his or her choice in the free-text fields or in the attached documents. The progressive opening of the Careers website to foreigners will help facilitate the internationalization of the recruitment process. Fifteen countries currently use the website, and the international development continues.

2.11 Further Readings

1. Phatak, International Dimensions of management, p124.
2. Reyar swaak, "Today's expatriate families: Dual Careers and others."
3. International Human Resource Management by Peter J Dowling, Marion Festing, Ellen D. Ingle.

UNIT 3: GOOD HR PRACTICES CAN MAKE A DIFFERENCE

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 What constitutes good HR practices?

3.3 Research Evidence Relating Good HR Practices To Business Improvement

3.3.1 Impact of Good HR Practices; the Indian Experience

3.4 HRD and Organisation Effectiveness-Some Concluding Remarks

3.5 HRD and HR

3.6 Let Us Sum Up

3.7 Answers for Check Your Progress

3.8 Glossary

3.9 Assignment

3.10 Activities

3.11 Case Study

3.12 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- Differentiate between HRD and HRM.
- Identify good HR practices in various organisations.
- Discuss the importance of Good HR practices in an organisation.
- List the objectives of HRM.

3.1 Introduction

An organization's culture and ideologies are best reflected through its HR policies. Any new employees or stakeholder first enquire about the HR systems followed by the company. It is believed that the quality of HR policies greatly affect the productivity and goodwill in form of good customer service, timely delivery of products and services and zero defects and errors.

HR practices that build commitments and citizenship towards the company are considered good. This can be achieved by aligning Organisation visions with employee's growth plan. Systematic appraisal, recognition and training processes, many awards have been initiated to recognize and encourage organizations that practice good HR practices. Best place to work award; Golden Peacock Awards etc. are some initiative in this Endeavour of the corporate world.

3.2 What Constitutes Good HR Practices?

Good HRM practices are instrumental in achieving organisational objectives and increase productivity. In the global context it is even more important for the HR department to practice good system and procedures as the important factors in creating good will of the organisation. Internationally, manpower management has to be effective and appreciative. HR practices mainly deal with enhancing the competencies of human resource, binding organisational culture and raising employee commitments.

The various functions of HRM like recruitments, trainings, appraisals, employee relations etc are broadly concerned with these objectives. Let us discuss each one by one:

1. **Enhancing Competencies:** Competency refers to the unique set of skills present in an employee usually in technical and behavioural areas. HR managers ensure that each employee is equipped with the requisite skills necessary to fulfil his tasks and responsibilities. Having a proactive approach on this is considered good. This means that the employees are trained well in advance for any kind of future needs. The focus is on raising the skills levels of employee as well as the departments that means team work, interpersonal relations between colleagues and subordinates as well as international colleagues are also considered .Competencies are also related to the entire organisation like various areas and functions including

technology, conceptual, organisation and management and behaviours. Attitudes, values and habits are also a part of competencies required while working.

2. **Developing Commitment:** Building commitment towards the organisation is a prime duty of HR. This is related to motivation of employees and is indicated by zeal, enthusiasm, work effort, involvement. Commitment is a delicate part of attitude that is fragile in nature. This means that commitment



Fig. 3.1 Constitutens of Good HR practices

can diminish or lost in the absence of proper HR interventions. An organisation can build commitment through its policies, internal environment, and organisational culture and interpersonal relationships. Commitment is a feeling of feeling attached to a company and being a part of the company. This is definitely a HR activity and is considered a good practice. The feeling of belongingness for organisations has to come from various sections of the company including individuals, teams, bosses and management. Rewards and compensations is also an important tool in building employee's commitment. HR managers should be in constant touch with employees to understand what are the motivating and de-motivating factors affecting their performance and commitment towards the company.

3. **Organisational Culture:** Globalisation has brought changes in the management style. Creating a harmonious work environment and an unique organisational culture is one of them. It is the organisational culture of organisations that gives it a distinctive identity. This identify is important from employees perspectives also. This is because an employee feels a sense of pride and identification with the organisation that acts as an effective motivating factor. The instruments of culture building include organisational climate surveys, Total quality management (TQM) interventions, OD activities like organisational analysis and feedback mechanisms.

Good HR practices need to be identified and practiced with least investments and cost inputs. Simultaneously their review and renewal is also an important factor for the longevity of the brand and employee retention.

Check your progress 1

1. _____ refers to the unique set of skills present in an employee usually in technical and behavioural areas.

a. Competency

c. Attitudes

b. Behaviours

d. Knowledge

3.3 Research Evidence Relating Good HR Practices to Business Improvement

It has been indicated through research Pfeiffer (1994) that the following activities are regarded as good HR practices:

1. Decentralisation of decision making and empowerment.
2. Opportunities for multiple tasks and job rotation.
3. Higher than average wages.
4. Financial Incentives for work performances.
5. Employee Share options, ownership plans.
6. Rigorous selections and selectivity.
7. Elimination of Status symbols.
8. Information sharing.
9. Promotion from within.
10. Long term perspectives.
11. High investment in Training and skill development.
12. Measurement of HR practices and policy implementation.

The research paper of Yeung and Berman (1997) identifies the following three roles that good HR practices play in Organisational development:

1. Enhance employee's satisfaction.

2. Improving customer and shareholder satisfaction.
3. Building critical organisational capabilities.

Ostroff (1995) developed an overall HR Quality index based on the aggregate ratings of all the HR activities of a firm. Based on this the firms were divided into four categories. The firms that scored higher on the HR quality index consistently outperformed than those with a lower index on four financial measures:

- Market Book index ratio
- Productivity ratio
- Market value
- Sales

In a research in Germany by Bilmes et al (1997) it was found that there is strong link between investing in employees and the organisation's performance at the stock market.

Delery and Doty 1996, revealed in their study of around 200 banks that difference in HR practices accounted for large differences in financial performance. Huselid concluded that prior empirical work has consistently found that use of effective HR practices enhances firm's performance.

Pfeiffer (1998) has given the following explanation to the above:

1. Increase in performance is due to the hard work of people.
2. Practices like job rotation; multi skilling makes the employee smart and increasing commitment. This in turn saves cost.
3. Trainees, multi skilled employees are able to save a lot of administrative cost that obviously have a reflection in the final profits.
4. If the employee finds that their performance brings better incentives, that they have more control over their roles, their commitment towards organisation also increases.

3.3.1 Impact of Good HR Practices; The Indian Experience

In order to assess the impact of HR practices on organisational performance, there are various analyses being done by researchers. In the Indian context this relationship can be judged by the yearly awards given to corporate and HR

managers on the basis of their market image, financial performance and good will earned. Many national level employers' organisations in India like the CII, FICCI, NHRD, etc., felicitate the good work of the corporate. It has been found that those companies that win the awards lay emphasis on its people as well. Their HR practices are regarded as a benchmark. In this context, the organisation confers awards that practice the best and employee centric HR policies.

An analysis of the award winning companies in India and the individuals found the following results. Around 90 percent of these companies have continued to grow and expand irrespective of the turbulent times they faced. Following are practices along with the companies:

- **Well Formulated Vision And Mission** - The vision and mission of most of the good organisation are well aligned with the personal objectives of employees for example
 - **TATA Motors** - "To be a world class corporate constantly furthering the interest of all stakeholders".
 - **HPCL** - "Excellence in harnessing the full potential of all employees for becoming a global energy company."
 - **Jindal steel and power Limited** - "To create competitive advantage for all stakeholders through effective people management"
 - **Castrol** - "To nurture human capability and invest to ensure that the right technology, skills, behaviour and intellectual property are available for the pursuit of board goals. To treat employees fairly and with respect and dignity; to make clear the group's expectation from employees in line with the group's general principle of delegation."

A survey done by SAIL of award winning companies that they spend majorly on its people management. This ranges from .84% in HPCL, 11.1% in Moser Baer, and 9.2% in ITW Sign ode.

- **New Names for HR** - There has been a change in the designations of HR people like
 - Country Talent Manager at Philips,
 - Matrix manager in Honeywell,
 - HR Head Business Excellence in ABB,
 - Managing Executive officer in Maruti Suzuki.

The new designations are well aligned with business of the organisation and the importance they have in the overall management.

- **Well-staffed Departments** - the locus of control of HR managers over number of employees also reflects the importance company lays on its human resources. In Jindal steel there is 1 HR staff over 70 employees. Whereas in Jindal steel and power it is 1 over 50 employees. In all these companies the HR department also employ at least 1 law graduate and most of the staff are professionally qualified.

The above evidence reflects the importance of HR practices over organisations performance. One can create an appropriate HRD climate only through good HR practices and processes.

Check your progress 2

1. Good HR practices need to be identified and practiced with least investments and _____.
 - a. Cost inputs
 - b. Other resources
 - c. Planning
 - d. None of these

3.4 HRD and Organisation Effectiveness - Some Concluding Remarks

It has been found from the above discussion that good HR practices are essential for organisational development. Good HR practices help an organisation in:

- Meeting the environmental challenges confidently
- Energises people to work hard
- Builds commitment in employees
- Coverts Human Capital into Organisational Capital

There is undoubtedly a link between HRD instruments and organisational effectiveness. HRD instruments include; Performance appraisal system, feedback system, potential development exercises like team building, assessment centres.

These tools along with the HR department can create a conducive organisational environment.

Organisations should from time to time address the following issues:

1. Are the HR practices aligned to business goal?
2. Do the HR practices flow from the business strategies or are aligned with them?
3. Is the HR department well equipped with experienced and qualified people?
4. Is there a proper HR system capable of converting strategies into achievable goals?

Good HR practices are incomplete without the HR Audit. Audit means cross checking the activities with the set standard by an outside neutral third party. This keeps a check of the discrepancies if any. The above questions can well be accessed through a well planned audit plan that is a continuous activity of an organisation

Check your progress 3

1. _____ refers to cross checking the activities with the set standard by an outside neutral third party.
 - a. Performance appraisal
 - b. Potential appraisal
 - c. Audit
 - d. None of these

3.5 HRD and HR

Human Resource functions were evolved out of the traditional system of managing people that is called personnel management. It was concerned mainly with the general administration of people like wages, attendance, discipline etc. Human Resource Management or HRM is an offshoot of Personnel management and is concerned with managing employee's management like recruitments, trainings and compensation etc. The traditional personnel functions were regarded as more of maintenance functions as they were not growth oriented.

HR function is also considered as, "the soul of personnel management" as it encompasses various functions linked with Employee well being, organisational

goals and general management. The HR since its evolution has three main sub functions- HRD, Industrial Relations and HR administration. HRD on the other hand is a part of HRM as it deals specifically with the developmental aspects of the human resource. We can say in other words that HRD converts the employees of the organisation into Human Assets. HRD or Human resource development includes all aspects of Competence, commitment and culture building. HRD and HR are often used interchangeably as they both cannot work in isolation. They work in tandem to each other's goals and therefore HRD can be regarded as the soul of HR.

In today's global scenario, more focus should be on HRD, as they help in the growth of the organisation by making its people its long term capital.

Check your progress 4

1. HRM is an offshoot of _____ and is concerned with managing employee's management like recruitments, trainings.
 - a. Personnel Management
 - b. Marketing management
 - c. Organisation development
 - d. Organisation Behaviour

3.6 Let Us Sum Up

To be successful in international operations a company is expected to be following pragmatic and forward looking HR policies. Employees are the main assets on which a global company leverage its existence in foreign lands. This call for renewing their HR policies and adopting good HR policies that refers to practicing employee oriented developmental HR strategies like emphasis on personal development, haring of organisational profits and making employees a part of the overall business plan. It has been noted that the effectiveness of an organisation is determined by the type of people practices it follows. The unit provided you ample examples to correlate with the expectation of the global employees and other stakeholders.

3.7 Answers for Check Your Progress

Check your progress 1

Answers: (1-a)

Check your progress 2

Answers: (1-b)

Check your progress 3

Answers: (1-c)

Check your progress 4

Answers: (1-a)

3.8 Glossary

1. **Organisation Commitment** - The emotional and psychological attachment in which an employee feel responsible towards the accomplishment of organisational goals. It is a feeling of relating with the company and contributing wholeheartedly towards the development.
2. **Job Rotation** - It is a training and management style in which an employees is shifted between two or more assignments or jobs at regular intervals of time in order to expose them to all verticals of an organization.
3. **Human Capital** - The pool of skills that an employee brings along with him/her in his organizations is called Human Capital. These are regarded as assets that an organization utilizes for Organisation and survival.
4. **HRD** - It stands for Human Resource Development that is an ongoing process aimed at overall growth of an employee in terms of skills, behaviours etc.

3.9 Assignment

“HR practices affect the overall performance of an organisation”. Do you agree? Explain with reasons and justify with the help of real corporate examples.

3.10 Activities

You are the audit manager of an MNC company XYZ Ltd. You have to verify the HR department performance on the basis of its assigned roles, responsibilities and Functional areas. Prepare a checklist of activities that need to be checked for giving them good remarks.

3.11 Case Study

Find out the names of the award winning corporate from India and US in the category of Good HR practices. Prepare a table of HR practices of any 5 companies in the following functions: Recruitments, Mission and vision, Compensation and benefits, Career management.

3.12 Further Readings

1. Dowling P.J.1988, ‘International and domestic personnel /Human resource management: similarities and differences’ in R.S Schuler. S.A. Youngblood and V.L. Huber readings in personnel and human resource management 3rd end, west publishing.

Block Summary

Going international is a strategic choice of a company that wishes to expand its business and reach most of its customers around the world. Thus, the operation in foreign countries is very different from that in the host country. The policies that are adopted in host country will not work in the foreign business environment. The vision gets broader and so is the quality of inputs like people, technology and policies. Considering this change, this block has covered all the topics that are important for you to know before advancing for an international business opportunity.

First and foremost the main difference between domestic and international HRM has been explained. In unit 1 you learn about the role that international assignments play in the growth of multinational companies. These assignments are necessary from different perspectives like learning the culture of the subsidiary company, practicing control, exploring new business opportunities, development of workforce and many more. The role of an expatriate is also aligned with the organisational objectives and human resource department plays a significant role in designing policies that fulfil all the above goals. Further the various considerations for recruitment and selection of international employees have been discussed like; the available choices in terms of sources for staffing, type of assignments like long term or short term and selection criteria to choose among males, females, working couples, singles, married are also explained in this unit. In unit 2 you have learned about the growing importance of Human Resource practices in Organisation success. Many new ideas and strategies to recruit and retain the workforce have been discussed with examples of top companies like, TATA, Coca Cola etc to provide you practical information that you can relate with the concept easily.

Block Assignment

Short Answer Questions

1. Differentiate between Management development and Organisational development.
2. Explain- “Frequent Fliers” and “International commuters”
3. What are the self imposed restrictions in context of female recruitments?

Long Answer Questions

1. Define Expatriate. Compare and contrast the roles of Expatriate and Non-Expatriate.
2. Discuss the parameters for selecting international assignments. Explain with examples.
3. List down any 5 competencies required in a managers to be posted on a long term assignment in Japan.

Enrolment No.

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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“

*Education is something
which ought to be
brought within
the reach of every one.*

”

- Dr. B. R. Ambedkar



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INTERNATIONAL HUMAN RESOURCE MANAGEMENT

PGDHR-204

BLOCK 3: TRAINING AND DEVELOPMENT AND GLOBAL COMPENSATION PRACTICES

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INTERNATIONAL HUMAN RESOURCE MANAGEMENT



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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INTERNATIONAL HUMAN RESOURCE MANAGEMENT

BLOCK 3: TRAINING AND DEVELOPMENT AND GLOBAL COMPENSATION PRACTICES

UNIT 1

EXPATRIATE TRAINING AND DEVELOPMENT

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BLOCK 3: TRAINING AND DEVELOPMENT AND GLOBAL COMPENSATION PRACTICES

Block Introduction

In international operations training and development of employees play an important role. International employees bear multiple responsibilities while going to a foreign location which requires high level of expertise in technical as well as social skills. Thus international firms invests huge amount of money on preparing their employees for the new environment. Training and development activities in case of international firms focus more on emotional stability, stress management communication and emotional intelligence.

Training and development therefore is an important subject to be learnt by students and professions of international HRM. This block covers topics like training strategies for expatriates, the compensation system and structure for international employees etc. The block provides specific area studies and prepares managers to respond to different situations that may arise in the particular geographic area.

Unit 1 discusses the various approaches followed by organisations while designing their training programs for expatriates. Depending on the needs the content of the program are decided. Utmost importance has been laid on the pre-departure training that includes the expatriates as well as the family members. The unit helps us to understand the difficulties faced by expatriates while adjusting to the new environment usually related to cross-cultural variations, family balance and technical competencies. Unit 2 explains in detail the various factors and methods of determining the international pay structure. The unit defines the major pay components like, allowances, taxes, and base pay etc., and elaborates on the uses and scope of various upcoming trends in compensation.

Block Objective

After learning this block, you will be able to understand:

- Analyse the difficulties faced by expatriates in foreign countries.
- Suggest training techniques suitable for different types of international assignments.
- Describe the various components of pay structure for expatriates.
- Comment upon the organisational concern while managing Compensations on an international level.

Block Structure

Unit 1: Expatriate Training and Development

Unit 2: Global Compensation practices

UNIT 1: EXPATRIATE TRAINING AND DEVELOPMENT

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Training of expatriate for assignments abroad

1.2.1 Pre-Departure Training for Expatriates

1.2.1.1 Objectives of Pre Departure Training

1.2.1.2 Issues and concerns of Pre-departure Training

1.2.1.3 Elements of Training p [program for expatriates

1.3 Developing staff through international assignments

1.4 Let Us Sum Up

1.5 Answers for Check Your Progress

1.6 Glossary

1.7 Assignment

1.8 Activities

1.9 Case Study

1.10 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Analyse training needs for expatriates
- Prepare a training program for expatriates
- Discuss the benefits of training expatriates through foreign assignments
- Examine the benefits of International training & and development from organisational and employee perspectives.

1.1 Introduction

As more firms find themselves competing in a global marketplace they have had to implement special global training programs. The reasons are obvious. Sending employees without any knowledge and practice of the foreign country, can lead to loss in business and affect employee's morale and job satisfaction leading to attrition. An effective training program includes right contents, effective training techniques that involve the employee and a positive attitude towards the foreign assignments. These trainings help in address problems like culture differences, management of personal and professional life abroad. The employees are first analysed on the areas that require training and depending this, the training methods used from easy classroom notes to practical exercises like simulation and role plays. International assignments and their trainings are very useful to the employee as well the MNC. Both get growth opportunities in terms of career and business expansions.

1.2 Training of Expatriates for Assignment Abroad

An international assignment is a project with an objective. The expatriate is required to fulfil those objectives of the company like installing new machinery, implementing policies, closing a business deal etc. The success or failure of the project depends mainly on the expatriate. Therefore, before sending the expats offshore, companies need to make sure that their executives are equipped with requisite skills to sustain in the new environment. Training is therefore mandatory for such international employees. The business trends however do not support this point. There are very few companies that provide formal pre- departure training for international assignments. One important reason is that there is a cost attached to such assignments. Due to high cost of international assignments, companies are not interested in providing any specialised training. Instead companies tend to select candidates who already possess such skills. After selecting the most suitable candidates, organisations must necessarily provide training to the selected candidates. The training should focus on global skills that are important for success abroad, such as appreciation of cultural difference, understanding the socio- political atmosphere of the country of posting etc.

However, few of the companies actually provide such overseas oriented trainings to their employees. Training is a process of acquiring new skills and competencies to perform effectively. Generally, there is a four step approach that is followed in making expatriates ready for international visits. These approaches

identify four levels through which an employee passes in order to get all the required knowledge, skills and competencies. These levels are:

1. **Impact of cultural differences:** This level trains employee on the cultural differences and its effect on their performance. In this approach the objective is to raise the trainee's awareness of such differences and how it can affect business results.
2. **Importance of attitudes:** at this level the candidates understand the impact of positive or negative attitude over work and relationships.
3. **Factual knowledge:** Here the employees get to know in detail the characteristics of the host country. Their language, communication system, habits and behaviours etc. Its geography, political systems rules and regulations related to employment rules, etc.
4. **Skills Building:** This is the final level in which the expatriate is made to practice the skills and get habitual to them these include, language, time zones, food, lifestyle etc.

Beyond the practical training the expatriate should also go through traditional training practices like job rotation, classroom programs, role plays, simulations etc.

1.2.1 Pre-departure Training for International Assignments

Training is an integral part of Human resource management. Unfortunately many organisations do not make a systematic effort towards training. Compared to local companies, MNCs have a more planned approach for training expatriate. They provide cross cultural trainings to middle and top management along with their families. The family members are also trained along with the expatriate employee. Both the employee and his/her family attend a pre-departure training programme. The pre-departure is also called Expatriation that refers to the process of preparing and sending employees to their foreign assignments.

Some features of pre-departure training in MNCs area as follows:

- The training sessions are conducted mostly in the country of posting.
- In order to ensure familiarisation with the new surrounding, executives reach well in advance.

- The two broad dimensions on which an employee is expected to stress are
 - The Personal Conduct
 - The code of conduct set by businesses.

1.2.1.1 Objective of Pre-departure Trainings

- To help employee is taking over the new job responsibilities at earliest
- To perform effectively on the job.
- Facilitate cultural adaptations of the manager.

1.2.1.2 Issues and Concerns related with Pre Departure Training of Expatriates

- Expatriates usually do not get any support from the organisations in host country and are totally on their own.
- Usually expatriate get to become accustomed to foreign environment through informal conversation with other expatriate colleagues in the host country. They advice their new counterparts based on their own experiences, perceptions etc.
- The chances of an expatriate returning back without completing the assignment is usually high during the initial days in the host country when tries to adjust to the new country.
- One main reason for the failure of an expatriate is the low cross-cultural quotient. They are unable to empathise with the behaviours and attitudes of the foreign people. This is because of their unawareness. Their reactions that are mostly based on their own perceptions that they carry from the home country.

1.2.1.3 Elements of Training Programs for Expatriates

Following are the three elements of the training programs designed for Expatriates:

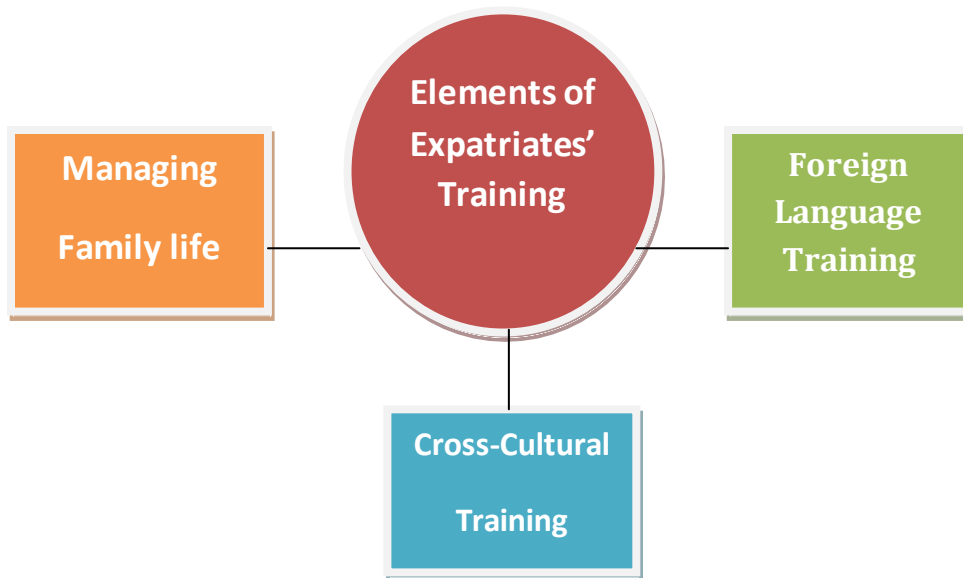


Fig. 1.1 depicting different elements and areas of expatriates trainings

a. **Foreign Language Training:** One of the prerequisites to getting an international assignment is knowledge of foreign language. Although English is a dominating language till today, it is still essential for expatriates to understand the language of the country they are visiting. Training expatriates on a different language includes many forms like:

- **Writing Language:** This is not an essential requirement but certainly an added advantage.

Top emerging destination for international assignments'	
CHINA	7%
SINGAPORE	6%
UNITED STATES	5%
INDIA	5%
UNITED ARAB EMIRATES	4%
CANADA	4%
UNITED KINGDOM	4%
SAUDI AREBIA	4%
BRAZIL	3%

Fig. 1.2 List of countries with relative percentages that depicts their importance as preferred destinations for global business.

- **Speaking:** This includes learning right mode, pitch, and voice modulation.
- **Non Verbal Communication includes Gestures:** Expatriates should know which are acceptable and which are not acceptable in one’s culture. These include eye contact, facial expressions, and physical distance. As in India two executives should maintain a minimum (safe) distance while meeting. This is especially in case of women.

Following is a tabular representation of meaning of a single phrase in different countries:

Phrase	Meaning in US	Meaning in UK
“To table the report”	The discussion of the issue should be postponed for now	To discuss the issue now

Many companies have included language as a prime subject for training when Mahindra & Mahindra started a joint venture in China; they arranged special training programs to teach the Chinese language and culture to its employees. Simultaneously, they also taught Chinese English language.

- b. **Cross -Cultural Training:** It is important for a manager to understand how things are done in different culture. This knowledge helps them to understand the attitudes of people at work and the different motivating factors. Expatriates undergo different types of training on the basis of rigour or strictness. The different types of training are:
- **Cognitive involvement trainings:** In these types of trainings more rigorous trainings are imparted. The employee is both physically and mentally involved in the learning process. Role plays and simulations are generally used to in this category.
 - **Factual Trainings:** emphasise more on educating than training. Here employee’s listens to lectures, read books, see videos etc. This is more of a passive style of learning. For example, The BPO firm, 24/7 Customer follows “Cultural Sensitization program.” This has two phases. One in which employees are introduced to linguistic, economic and social condition. Two, in which they get in-depth information on values, appropriate gestures, habits and consumer behaviours.

- **Analytical Trainings:** aims at involving the candidate in learning process. Trainees need to analyse and relate situations with their overseas work assignments through case studies and cultural assimilators.

The severity of cultural trainings programs is decided by the company of the basis of following facts related to the assignment that has to be completed. These are:

- **Culture Novelty:** If the employees are completely unaware of the culture of the host country or he has some prior knowledge of it.
- **Extent of interaction:** Whether the job requires high involvement and communication with the local people of the country or less.
- **Job novelty:** Whether the employee is accustomed to the job. If he has already handled similar assignments in the past. Or the new task is fresh in terms of roles and responsibilities to be handled.

- c. **Managing Personal and family life:** Trainings seek to minimise the risk of culture shock that happens due to high stress levels. It has been found that stress occur mainly due to imbalance created between personal and professional life of the expatriate. For example, inability to read road signs, ignorance of local areas, currency conversions etc. Another reason is due to changes faced by spouse and children. Therefore, trainings on language, local geography, job option in case of dual career couples, education system etc., is provided.

Check your progress 1

1. _____ is a process of acquiring new skills and competencies to perform effectively.
 - a. Recruitment
 - b. Training
 - c. Standardization
 - d. Localization
2. Listening to lectures, reading books, videos etc are examples of :
 - a. Cognitive
 - b. Factual
 - c. Analytical
 - d. None of these

3. _____ is related to the prior knowledge of the new assignment.
- | | |
|--------------------|--------------------------|
| a. Culture Novelty | c. Location Novelty |
| b. Job Novelty | d. Extent of interaction |

1.3 Developing Staff Through International Assignments

International assignments hold importance from many perspectives. It has a two-fold advantage related to development of:

1. **Management:** The experience that employees gain through international assignments helps them in career advancement. It makes their profile richer in terms of levels of exposure and business knowledge. At the same time the organisation also benefits as it has rich pool of talent with exposure to foreign working styles.
2. **Organisational:** International assignments are also important to the organisation as they can leverage over the knowledge and skills brought by the employee from abroad. The organisation's future strategies and business plans can be made based on the new skills, technology and market scenarios globally.

Thus both the individual employee as well as the organisation aims from such foreign business trips. Development of staff means rise in their career through continuous up gradation of their skills, broader job and increased roles and responsibilities. Same is with organisations. Their development means progressing in the form of expansions and penetration in market and acquiring new customers.

Development Perspectives for Individual Employee and the MNC

Individual Perspectives:

Employees usually accepts international assignments for two reasons- career growth due to new experiences and exposure to international working and second for higher compensation. Companies uses international assignments as a development tool for example job rotation, in which employee learn the new set of skills, multi tasking etc.



Fig. 1.3 depicting the organisational strategies for different types of categories of MNC perspective:

Building multinational teams is one advantage that MNCs get by sending employee on international assignments. Employees who have worked together or on similar assignments can be developed into full fledged international teams. Such teams are very beneficial in:

- Fostering a culture of learning , innovations and sharing of knowledge
- Changing old customs like organisational boundaries..
- Developing global perspectives encouraging diverse inputs in decision making and problem solving.

Check your progress 2

1. Employees usually accept international assignments for two reasons
 - a. career growth
 - b. Job change
 - c. Better pay and benefits
 - d. Both A & C

1.4 Let Us Sum Up

Training expatriates for international assignments abroad is a long term investment in the Human resource that generates advantages for many years both for the company as well as the employee. The trainings cover areas that enhance technical as well personal competencies in adjusting to the new environment. They acquire skills based on the extent of newness of the assignments and job design. The companies also include family of the expatriates in orientation programs that help them in reducing stress.

1.5 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-b), (3-b)

Check your progress 2

Answers: (1-d), (2-d)

1.6 Glossary

1. **Cognitive Involvement Training** - A kind of training approach that lays emphasis on rigorous physical and mental involvement of the employee during the learning process.
2. **Job Novelty** - This implies when the job includes new roles and responsibilities, management styles, work environment, etc that the expatriate may not have handled before.

3. **Pre Departure Training** - Programs seeks to prepare an expatriate manager for working in an organization located in a foreign culture. Pre-departure is also called expatriation.
4. **Non Verbal Communication** - encompasses much more, such as use of voice, touch, distance, and physical environments/appearance.
5. **Management Development** - is the process by which managers learn and improve their management skills.

1.7 Assignment

Discuss the importance and need have cross cultural training for Expatriates. And list down the Trainings practices followed by any 2 MNC companies from the Service sector.

1.8 Activities

1. Do a comparative analysis of different business habits and etiquettes in companies of US and the Middle East.
2. You are the HR manager of King Kong Balls Ltd, an Indian company having manufacturing unit in France. The management has decided to send 10 employees to France for a long term assignment in production and quality departments. Five employees are managers and five senior executives. Design a 1 week detailed training schedule including subjects for training, duration and mode of training etc. Keep the last column of the table for explanation for your choices.

1.9 Case Study

Case study: Reallocating the work

One life sciences the company's global mobility function was drawing criticism from both business managers and international assignees for unsatisfactory service. Business managers felt that they lacked guidance on how to effectively select assignees, plan assignments and choose assignment policies. Many assignees reported that in the initial conversations about assignment,

expectations had not been appropriately set regarding the impact of the assignment on themselves and their families.

Upon investigation, the company found that the global mobility function was spending almost all of its time coordinating assignee services, with very little effort going toward offering business managers the advice they needed. Further, the global mobility function was often not even notified about assignments until the assignment was planned, the candidate selected and expectations already established.

The company realized that many of the coordinating activities were being performed in the global mobility function could actually be done more effectively elsewhere. For instance, certain administrative tasks, including the recharging of assignment costs, could easily be taken over by resources in the company's HR and finance shared services organization (SSO). This would not only free up global mobility function staff to focus on advising the business and counselling assignees, but also improve administrative service delivery quality: The HR and finance professionals in the company's SSO would bring function-specific skills to their tasks that global mobility staff had historically lacked.

The company reorganized roles and responsibilities in the global mobility function and its SSO to move a number of transactional HR and finance activities to SSO staff. In addition, leaders hired outside vendors to perform some specialized activities formerly housed in the global mobility function. Meanwhile, to address the business needs for global mobility advisory services, several global mobility staff was reassigned to business support roles that would work with business managers and HR personnel to plan and help manage assignments from a strategic perspective. And the company redefined the global mobility director's role as an "ambassador for international assignments," focused on educating and communicating with business leaders about global mobility and driving program innovation.

Source - dupress.com-smarter-moves-improving-the-value-of-global-mobility by Jeff Schwartz & Gardiner Hempel, 2011

1.10 Further Readings

1. Essentials of International Human resource management: Managing people globally by Dacid C.Thomas, Mila. B.Lazarova.

UNIT 2: GLOBAL COMPENSATION PRACTICES

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Purpose of International compensation

2.2.1 Factors determining international compensation

2.3 International Compensation components /packages

2.3.1 Existing approaches in Global compensation

2.4 New approaches to compensation

2.5 Let Us Sum Up

2.6 Answers for Check Your Progress

2.7 Glossary

2.8 Assignment

2.9 Activities

2.10 Case Study

2.11 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The factors that affect the international compensation.
- The techniques of designing compensation.
- The current scenario of international compensation

2.1 Introduction

The question of cost of living differentials has particular reference to multinational firms. The annual cost of sending US expatriate manager from the United States to Europe varies widely according to the country. Compensation is

the amount of remuneration paid to an employee by the employer in return to the employee's services to the company. When the context is international the methods and objectives tend to differ from the local ways of rewarding employees. The purpose of international compensation is not only rewarding it also has to streamline the pay with various legal, cultural and organisational standards. The pay of an expatriate has to be decided keeping in mind factors like his present salary, cost of living of the host country, travel costs, organisational internal policies etc. This makes the overall compensation package of an expatriate different.

2.2 Purpose of International compensation

International compensation is the monetary and non- monetary rewards given in return for employee's services to the company. Different countries have different norms for employee's compensation depending on the laws of the country, the cultural aspects and etc. Employee compensation design revolves round the differences caused by the four key factors – These are institutional, economic, organizational and individual. The extent of changes imposed by these factors will be reflected in varied compensation structure in different regions of operations. Therefore while designing compensations for international employees following objectives need to be considered:

1. Recruit and retain the employees having requisite skills as well as willingness to go abroad.
2. Facilitate the movement of expatriates from one country to another and fulfilling their needs abroad.
3. Creating consistency and alignment between the compensations of head quarters, domestic affiliates and foreign subsidiaries.
4. Aligning the compensation with the business strategies and structures. Competitive & Comparable Organization.
5. Provide equitable pay as per the national and international norms with minimum tax burden on both the employee and the organisation.

2.2.1 Factors Determining International compensation

International compensation plays an important role in selection as well the retention of an employee. Moreover it is also used as a strategy to growth in

foreign locations. There are various factors that need to be analysed before deciding pay packages for subsidiary assignments. Compensation structure depends on various factors like industrial relations, pay parities, cost effectiveness, organisation's budget, etc. There are different ways of rewarding expatriates in form of rewards, base pay, insurances, accommodation etc. But along with this there are some set philosophies formed on international levels that too cannot be ignored.

Compensation is a critical factor in getting the right candidates. The factors worth considering are:

1. **Social Contracts:** Contract is a type of agreement of various norms and policies that develop between the various sections of the business set up. These include the state, employee and owners of different companies. They all constitute the social environment of Businesses. This indicates that people in different countries have a different understanding related to compensations. The USA, United Kingdom and Canada use highly decentralized compensation systems with minimum government intervention. Countries such as Japan, Germany and Spain usually establish compensation systems of average centralization since they are controlled by the sector to which the company belongs. These beliefs should be addresses while deciding international pay structures.
2. **Trade Unions:** These are associations of employee that play a significant role in the decisions related to payments and wages. Their power of collective bargaining should be considered depending on the country of assignments. For example, the trade unions are more powerful in Europe s compared to US based on the membership.
3. **Capital Market and ownership structure:** The different types of ownership structures also affect the compensation management. The establishment of incentives linked to an increase in the value of shares or share purchase options for employees makes little sense in large corporations in countries with high concentrations of ownership. Nevertheless, ownership in small, recently created businesses normally operates outside traditional channels, and so offering ownership linked incentives may be more effective when seeking to attract new employees. In countries such as Germany and Spain, while the situation is not as extreme as in Asia, there are also high ownership concentrations by a small number of large banks which are majority shareholders in the largest, most important companies in their respective countries.

Management autonomy refers to the degree of independence enjoyed by managers while dealing strategically with a compensation system. Autonomy is a feature that is inversely related to the degree of centralization of the compensation system. The majority of companies in the USA or the United Kingdom, for example, enjoy greater freedom of action and decision in managing compensations structures.

Check your progress 1

1. _____ are associations of employee that play a significant role in the decisions related to payments and wages.
 - a. Trade Unions
 - b. Employers Associations
 - c. NGOs
 - d. None of these
2. _____ is a type of agreement on various norms and policies that develop between the various sections of the business set up.
 - a. Contract
 - b. Management autonomy
 - c. Trade Unions
 - d. Capital market

2.3 International Compensation Components / Packages

The nature of assignment impacts the method of international compensation design. For example short term, long term or permanent assignments. These have a role to play in choosing among the various components of international pay.

There are four basic elements in a typical expatriate's compensation these are:

1. **Base Pay:** It is the normal amount that is received in the home country. The salaries are paid usually in home country or host country or both. It is determined by the process of job levelling also called job evaluation. The base pay serves as a benchmark to calculate the incentives and bonuses.
2. **Taxes:** These are the payments to be made in return of services taken by the government. Income earned in foreign countries has two potential sources for tax liability. These are incurred on income earned in foreign countries. Most employers pay whatever income taxes are due to the host country or

the other home country via Tax Equalization. The tax deducted from employee's earning is of same amount as it would be deducted in their home country.

3. **Benefits:** These comprise Almost 1/3rd part of the total compensation Some of the common benefits are as follows:
 - Housing includes residential accommodations, accommodation allowances. Sale or lease facility for house in home country, General Motors Company for example encourages their people to retain their ownership and get it on rent.
 - Utilities like ACs, Bottled gas, water etc.
 - Educational benefits include expenses on uniform, books, transportation etc.
 - Car: Depending the role profile company provide car, chauffeur as well as parking facilities.

Top destinations for higher earning expats (earning over \$250,000 p.a.)

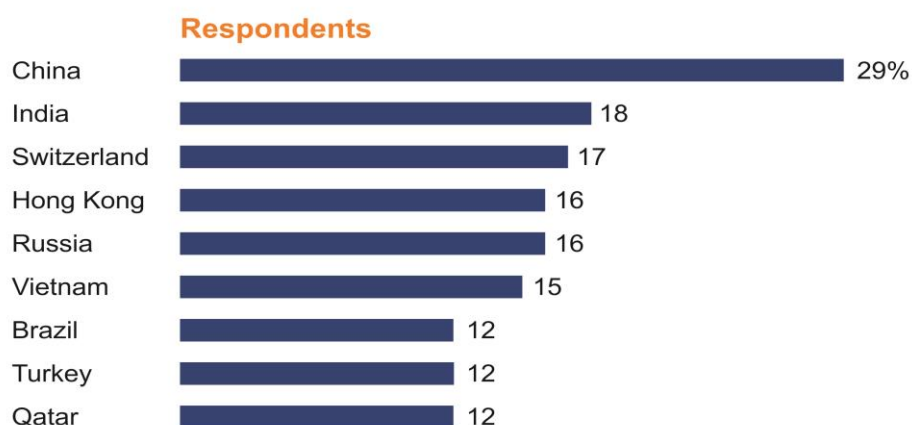


Fig. 2.1 depicting top foreign countries which offer expatriates higher salaries

4. **Allowances:** These are premiums that are paid to compensate the expected hardships and hazards faced by the expatriate in the host country and type of job. An assignment in London will probably yield fewer allowances than one in Tehran, where Death to Americans Day is still a National Holiday.

Allowances comprise the most expensive part of the compensation package. Following are examples of some allowances:

- **Cost Of Living Allowance:** COLA provides compensations for dealing with inflation differences and other differences in expenditure in Home and

host country. It is paid to the expatriate to maintain a usual living standard they are use to.

- **Relocation Allowance:** This includes payment for goods and services required to relocate to a new place.
- **Hardships Allowances:** Depending on the destination, hardship allowances are often a monetary consideration. This extra compensation may be given when employees and their families are subject to difficult living conditions in isolated areas, or possible hazards due to the country’s political climate and crime rate. Other factors considered in this type of allowance include climate, culture and areas that lack satisfactory health care and educational facilities.

World Top 10 Most Expensive Cities For Expatriates						
Rank	2015	2014	2013	2012	2011	2010
1	Caracas	Caracas	Zurich	Tokyo	Tokyo	Tokyo
2	Luanda	Luanda	Hong Kong	Zurich	Caracas	Caracas
3	Hong Kong	Oslo	Luanda	Geneva	Hong Kong	Hong Kong
4	Singapore	Hong Kong	Geneva	Luanda	Geneva	Osaka
5	Zurich	Singapore	Monaco	Hong Kong	Zurich	San Paulo
6	Geneva	Zurich	Caracas	Caracas	Osaka	Nagoya
7	Oslo	Geneva	Tokyo	Yokohama	San Paulo	Rio de Janeiro
8	Bangui	Monaco	Manhattan NY	Osaka	Nagoya	Geneva
9	Monaco	Tokyo	Hamilton	Nagoya	Vaduz	Moscow
10	Hamilton	Sydney	Oslo	Kobe	Oslo	Zurich

Fig. 2.2 depicting costliest cities for expatriates from across the world

Source: Survey report by xpatulator.com on Expat-Cost-of-Living-Comparison-Rankings-April-2015.

2.3.1 Existing Approaches in Global Compensation

There are mainly 3 approaches that Guides the decision regarding international compensation these are:

1. **Home base salary or The Balance Sheet Approach:** The name Balance sheet is derived from accounting, where credits and debits must balance. It is based on the principle that employees on overseas assignment should have the same spending power as they would in their home country. The objective of this approach are:
 - Ensure balanced incomes with no gain nor loss financially.
 - Minimise any kind of adjustments by expatriate or his family.

- Ensure cost effective easy mobility of expats on global assignments.

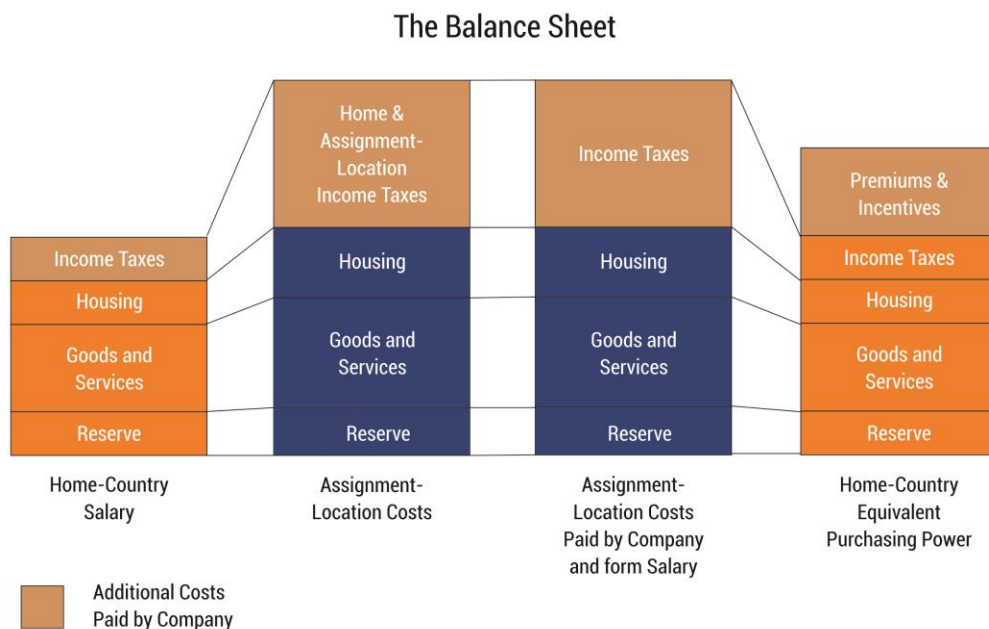


Fig. 2.3 An example of deriving compensation for international employees with the help of the balance sheet approach.

The local structure is taken as benchmark. To balance the compensation received in the host country with the home country companies provide Additional allowances like tax adjustments, housing costs, and the cost of basic goods and service (food, recreation, clothing.

Following are the features of Balance sheet approach:

- It is commonly used by multinational firms.
 - Financial Incentives are added to make it more attractive.
 - This type of approach is best for short term assignments and it's easy to communicate to expatriates.
 - the remuneration is based on the standards of the host country
2. **Host based approach:** In this the base salary for the international transferee is tied to the host country's salary. In other words the manager in New York who is sent to France would have his or her base salary changed to the prevailing base salary for that position in France rather than keep the New York salary as base. This approach removes any kid of disparity between the salaries of local junior executives and the expatriate. This method is less

used in cases where the host country is less prosperous and compared their own home country.

3. **The Budget System:** In this system calculations are made considering the cost incurred by employees in both the host and the home country. These costs and the effect of local tax form the basis of employee salary. This type of approach was followed by paternalistic countries and involves meticulously calculating the cheaper and the higher costs. The employer has the power to determine the items to be included that lays extreme controls on the expatriates spending. This type of system is popular in British Culture Company.
4. **International Citizen Approach:** uses one single basket of goods for all expatriates irrespective of their origin. The basket of goods includes food, clothing, accommodation etc. This approach allows expatriates to purchase goods of similar nature in the host country rather than buying the same product. The company make adjustments for this kind of arrangements. For example rather than buying a Mercedes, the expatriate can buy a similar local car.

Check your progress 2

1. _____ may be given when employees and their families are subject to difficult living conditions in isolated areas, or possible hazards due to the country's political climate.
 - a. Relocation allowance
 - b. Hardship Allowance
 - c. Cost of living allowance
 - d. None of these
2. _____ is based on the principle that employees on overseas assignment should have the same spending power as they would in their home country.
 - a. Budget System
 - b. Host Based approach
 - c. International citizen approach
 - d. None of these

2.4 New Approaches to Compensation

The changing environmental pressures

The rapidly changing business environment has led to the transformation of the old techniques of managing people. There are three main changes that have been observed over time. They are: rapidly changing technology, higher mobility of people and changing demographic structure. While designing compensation structure for expatriate these changes have to be considered. Along with these three, there are other changes in terms of organisational structure like from product based structure to customer based structure and team based structure etc.

The above changes have also affected the compensation system that was followed for a long time. It is observed that the current compensations structure are not fit enough to accommodate the emerging needs of downsized, de-layered, flexible, participative and dynamic organisations.

With references to these issues, there are four new approaches getting adopted worldwide. These are:

1. Skill Based Pay
2. Broad Banding
3. Variable pay
4. Team Rewards

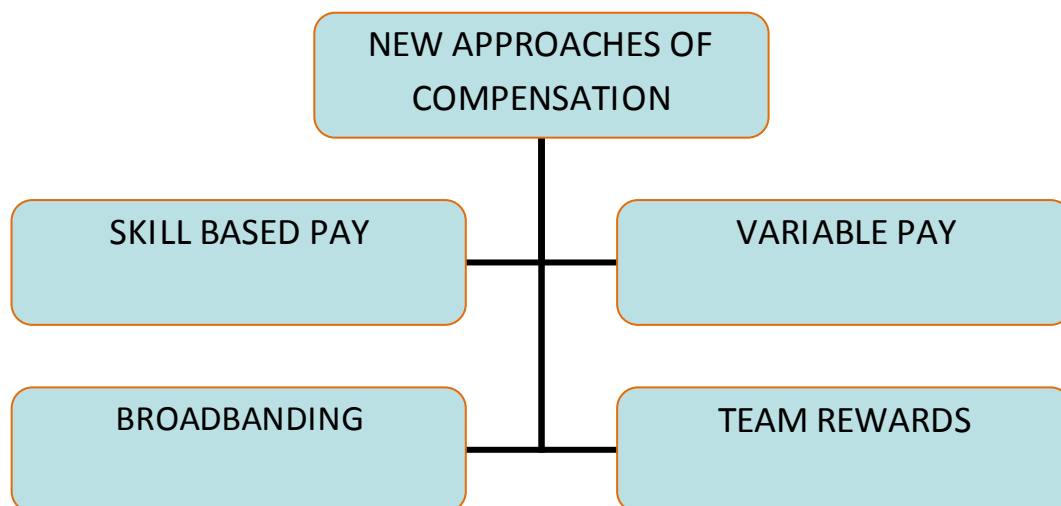


Fig. 2.4 New approaches calculating compensation for international employees

Let us discuss these one by one:

Skill Based Pay: Skills are the ability to perform a particular job. Skills are important in today's dynamic environment when every day the demand for a new

skill arises. To keep pace with the market trends, companies pay its employee bonus or incentives for acquiring new skills. Skill based pay is also called contingent pay as it varies with the situation. This type of pay arrangement motivates the employees to continuously upgrade themselves with new skills. As these are contingent, such bonuses can be stopped once they become useless.

There are skills blocks being formed with each block defining some set of skills. As an employee reaches one block by acquiring the specified skills, he get a bonus and this continues till the total number of blocks is reached. This type of arrangement is most suited for production people but with changing trends, it is applicable to employees from different backgrounds. The Northern Telecom Company has skills based pay covering three job families. For each job family there are separate blocks. The employees need to move step by step through each blocks. Some of the benefits of skills based pay are:

- Creates a learning culture.
 - Fosters healthy competition among employees
 - Creates a talent pool within organisation
 - Increase in productivity
 - Higher employee commitment
- a. **Variable Pay:** This is a variable performance-linked pay system that is based on the performance of the employees. It acts as a motivating factor and also helpful in achievement of expected results.
 - b. **Broadband:** The usual method of managing salaries across hierarchies used to be in the form of different grades and ranges. Grades are prepared by grouping a job of similar levels in one slab that can be evaluated in same parameters. Grading...structures create too many slabs that creates gaps between employees causing dissatisfaction as well as difficulty in evaluation. The grading structure has been changed to broad banding that is defined as de-layering of pay structures. This consolidates existing broad number of grades into broader bands. This helps in easy understanding of pay structures.

Broad banding pay structures have the following benefits:

- Creates flat organisational structure

- Allows employees in moving between jobs within a band without getting to job title formally
 - Helps in identifying the variations in performance
- c. **Team Rewards:** The rewards team members give for the performance of the team as a whole. Members receive different bonuses depending on their peer evaluation. One problem associated with Team rewards is the difficulty in evaluation of individual contribution towards team success.

Following points should be considered while rewarding teams:

- Make team performance mandatory for individual rewards.
- Decide a minimum level of performance as the benchmark of team rewards.
- Distribute team rewards in the basis of basic pay of the grade to which an employee belongs.

Check your progress 3

1. ____ based pay is also called contingent pay as it varies with the situation.
 - a. Team
 - b. Skills
 - c. Performance
 - d. None of these
2. Variable pay is based on the _____ of the employees.
 - a. Attitude
 - b. Teamwork
 - c. Experience
 - d. Performance

2.5 Let Us Sum Up

This unit explained the various dimensions related with designing a competitive, cost effective and motivating compensation structure for employees going to foreign countries for international assignments. For this an HR managers need to have thorough understanding of the host country norms, organisational strategy and the employee's role and responsibilities. The management of compensation for international assignments is considered a highly complex task in comparison to local level compensation structure the former includes considering many additional factors like the cost of relocating the employee, the tax norms of

the host as well as the home country components of salaries. The current trends in compensation management have been explained to design a competitive pay helpful in attracting as well as and retaining talents. An important consideration for the HR managers is to align the rewards system with the business goals.

2.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-b)

Check your progress 2

Answers: (1-b), (2-c), (3-d)

Check your progress 3

Answers: (1-b), (2-d)

2.7 Glossary

1. **Cost of Living Index** - It's an allowance that is often awarded to expats who move overseas as part of a job offer and is based upon the need to ensure that the lifestyle that they enjoy in their home country can, at a very minimum, be retained if they are relocated elsewhere.
2. **Base Pay** - Base salary is a fixed amount of money paid to an employee by an employer in return for work performed. Base salary does not include benefits, bonuses or any other potential compensation from an employer.
3. **Job leveling** - determines internal relatives and job hierarchies in order to establish fair and consistent salary grades within an organization. It is denoted by Job Evaluation + Market Pricing = Job Leveling.
4. **Hardships and Hazards** - This refers political conditions like riots, wars, dharnas etc that leads to stoppage of work, salaries etc. It may lead monetary, emotional and security problems.
5. **Tax Equalization** - It refers to system of tax payments and species that while the expatriate employee is on foreign assignment, he will pay

approximately the same amount of income and social security taxes (referred to as "stay-at-home" or "hypothetical" tax liability) as they would have paid had they remained in their home country.

2.8 Assignment

Describe the most common approaches to formulating expatriates pay. Use a library source to determine the relative cost of living in five countries as of this year and explain the implications of such differences for drafting a pay plan for managers being sent to each country.

2.9 Activities

Rank the factors in the global guide according to your belief in their importance for understanding and managing compensation. How does your ranking differ from those of international peers? Discuss how the ranking may change over time.

2.10 Case Study

Discuss International Compensation in your Group.

2.11 Further Readings

1. Compensation and reward management by B.D.Singh
2. Compensation and Benefits Review-The Journal of Total Compensation Strategies

Block Summary

The expatriates undergo a well planned training schedule that aims at enhancing the employee's outlook towards self improvement as well growth of the organisations. Development of expatriates is linked with the growth of the organisation that can utilise the skills and competencies learn in host country towards business profits. International compensation differs in the pay elements that are selected considering the global trends, norms and policies. The compensation structure for expatriates is more flexible and detailed. The tax implications, comparison between host and home country policies makes it slightly complex. Yet international pay structure are changing with time and now they consider trends like paying to teams as whole, including variable pay that changes with performance based on predetermined targets and on the basis of individual skills of employees.

The first unit provided a comprehensive view on the Training and development of expatriates before sending them abroad for international assignments. The trainings usually pass 4 levels that train the employee on skills, company details, cultural changes etc. The unit draws attention towards various modes of trainings like factual, analytical methods. Further the role on international assignments is discussed related to business growth. Unit 2 covered the issues and concerns related to International compensation structure. The components of international pay, the factors affecting choice of components and types of payment methods were also explained to give you a practical understanding that you can utilise in your careers.

Block Assignment

Short Answer Questions

1. What is the need of pre-departure training?
2. What do you mean by Job novelty and culture novelty? Explain with examples.
3. Distinguish between variable pay and allowances.
4. Explain cost of living index.
5. What is meant by International citizen approach?

Long Answer Questions

1. Why is it important to provide comprehensive pre-departure training to an employee who is going abroad on a foreign posting and to his or her family? Explain the major components of a pre-departure training program.
2. What are the major components of an Expatriate compensation? What factors have to be considered in designing an international compensation package?
3. What are different approaches of designing pay structures for international jobs? Discuss in details each approach.

Enrolment No.

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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“

*Education is something
which ought to be
brought within
the reach of every one.*

”

- Dr. B. R. Ambedkar



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INTERNATIONAL HUMAN RESOURCE MANAGEMENT

PGDHR-204

BLOCK 4: MORE ON IHRM



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INTERNATIONAL HUMAN RESOURCE MANAGEMENT



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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BLOCK 4: MORE ON IHRM

Block Introduction

Managing Human resource of MNCs is a well planned, result oriented function. One of the major challenges is of getting the right talent and then sustaining them in today's volatile business world. Employees while taking up international assignments look for right set of HR policies, competitive pay structures and ample of opportunities for growth. In fact, the HR professionals shoulders the responsibility of maintaining a consistent, equitable and global culture that promises best returns and job satisfaction for employees and other stakeholders.

This block aims at providing you with essential knowledge on international talent management, the roles and responsibilities of HR department of the host country in developing a good business corporate culture having sound relations with workers, government bodies' and international bodies like NAFTA and European union. This block will also focus upon the policies and techniques of appraising performance of international employees.

Unit 1 of this chapter will discuss the importance of standardizing the HR processes. This means maintaining a consistency in various HR functions across countries. You will also learn the significance of Localisation of HR practices in the Host country. This is important to fulfil the norms laid down by social and legal institutions. Unit 2 highlights an important dimension of managing people that is Industrial relations. In this unit you will understand the challenges faced by subsidiary units from trade unions, government regulations regarding labour issues etc. This unit also discusses on NAFTA and EU, the association made worldwide for safeguarding worker's interest. This unit help you in getting an idea of industrial systems across different locations of the world. Unit 3 elaborates on the various aspects of managing employee performance. Here you will understand how PMS for an expatriate is different. You will gain insights on how to plan a perfect PMS for host country staff and the expatriates.

More on
HRM

Block Objective

After learning this block, you will be able to understand:

- Discuss on the importance of standardisation and localisation of HR practices.
- Design detailed plans for global talent management.
- Identify the motivating and restraining forces in International Industrial relations.
- Discuss the recent trends in labour and management relations.

Block Structure

Unit 1: HRM in The Host Country

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UNIT 1: HRM IN THE HOST COUNTRY

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Standardisation and Adaptation of Work practices

1.3 Retaining, Developing and Retrenching staff

1.4 The Role of the Corporate HR Function in International firm.

1.5 Let Us Sum Up

1.6 Answers for Check Your Progress

1.7 Glossary

1.8 Assignment

1.9 Activities

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1.11 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- The significance and importance of standardisation and Localisation of HR practices.
- Describe the role parent company HR in success of international assignments.
- Develop successful strategies for managing HR on a global platform.

1.1 Introduction

Organisations are increasingly adopting HR practices with two main reasons, organisational effectiveness and fulfilment of employees needs. In order to achieve these goals, and to keep pace with international advancements, MNEs look forward to align their functions internationally. This they do through

Standardisation and create a brand by adopting local norms. There are high risks of employee turnover, and global skills shortages, to combat these challenges, organisations adopt practices to keep their workforce committed and satisfied.

1.2 Standardisation and Adaptation of Work Practices

It has been observed that while dealing with International HRM, majority of discussions are in the context of the Home country. Host country issues are seldom attended. It is believed that managing the various aspects of HRM like recruitments, training etc are simple tasks that can be done with ease. This belief gets challenged as soon as HR takes an international forum. Managing people in the host country and setting HR function in a host country is yet a complex task. There are two reasons to this:

1. People are regarded as most culture bound resource in an international context. This implies that human beings are very reactive to cultural change and face difficulty in adjusting to the new environment. Expatriates moving to a new country face difficulty in adjusting to the new set of beliefs and habits and sometimes faces culture shock.
2. Diverse cultural environment brings a range of complexity in meaning various functions of HRM. Firms having multiple subsidiaries in different nations have to work hard on creating a consistent HR environment. For Example: Coca-Cola has units in various countries. It will be difficult for them to accommodate the features of all cultures in one single HR policy governing all locations.

Therefore, one of the biggest challenges of MNEs is the localisation of HRM policies in the host country. It is a major challenge to operate effectively in multiple countries by exploiting local differences and interdependencies along with maintaining a global standard of management that is usual culture by standardisation of HRM we mean all companies (subsidiaries) irrespective of locations follow a set style of working that matches the benchmark set by the parent company. The responsibility of setting HR standards in the host company is generally given to the expatriates but with time even local people are involved.

The objective is to add some level of local style to support longevity of practices. Thus, localisation refers to the process of adjusting the original organisational culture of parent company as per the host country culture and norms. But while localising, the parent company ensures that the host country

employees have already accepted their management practices and are following them.

Therefore the aims of

Localisations are:

- Creating respect for Local culture and traditions.
- Adapting government norms and policies of the local legislations.
- Aligning HR and workplace practices
- Fulfilling employee’s expectations.

Global Standardisation:

- Setting equity
- Consistency
- Transparency
- Ease of Administration

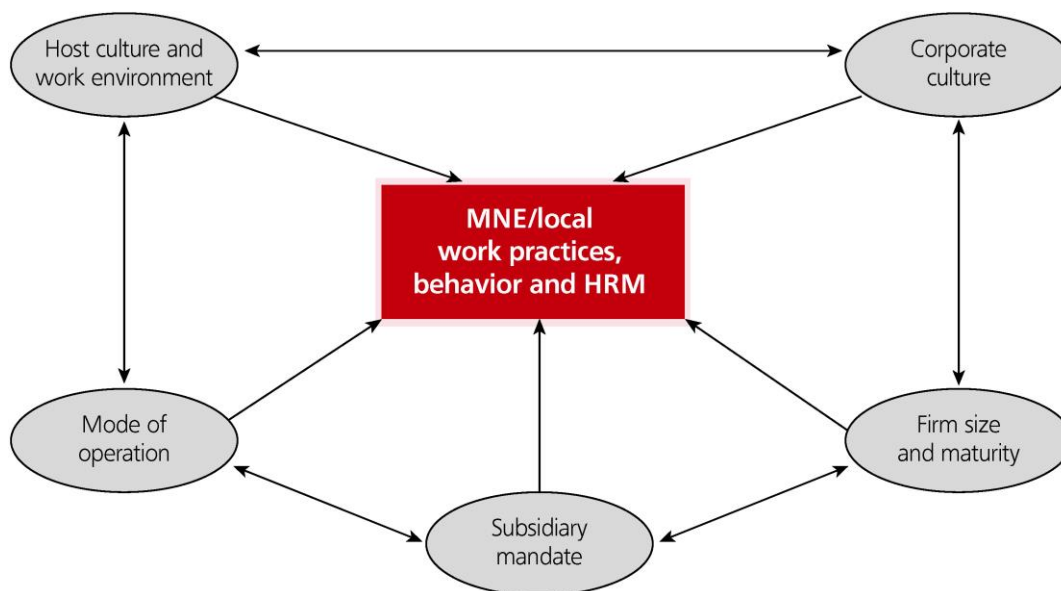


Fig. 1.1 Factors influencing standardisation of work practices.

The challenges of many companies are therefore to create an ideal system of HR practices that is operative in multiple countries. To achieve this local interdependencies and differences of the host country are exploited and at the same time global consistency is also maintained. Therefore the standardisation of HRM is a goal that every MNE want to fulfil.

More on
HRM

Though standardising and localizing marketing and other functions is simpler, it is much difficult in case of HR functions. The following topic discusses the various factors affecting the localisation and standardisation of HRM practices.

Balance between standardisation and localisation

The extent of balance that a firm can create between localising HRM practices as per host country as well as keeping it intact with the global standards depends on the following drivers.

Drivers of Standardisation:

1. Strategy and Structure
2. Corporate Culture
3. Size and Maturity of firm

Drivers of Localisation:

1. **Cultural Environment:** It is a fact that the working style of any company is largely governed by the local culture of the place. Localisation will depend on the willingness of local employees accepting the MNEs standards and changing within limits set by them.
2. **Institutional Environment:** Firm size and maturity: A large form with multiple subsidiaries usually follows an international approach. The strategy and structure implies to the organisational systems including hierarchical levels and strategies like paternalistic or global norms are followed. Companies that follows strict control over its subsidiaries leaves less room for local norms and traditions. Culture at the SME refers to flexible and flat systems of work, communication system, interpersonal relationships and their importance etc.

Institutional environment means organisations like education and industrial relations that can exert pressure and influence the HR practices. Scope of labour legislations and there interference in recruitments and compensation has a direct impact on the standardisation process. It is found that not only the host country's institutional contact can foster localisation but that is possible from the parent company as well. Many times it is seen that localisation occurs in reverse order. When some norms of the host country are transferred to the Parent country and are being followed it is called reverse diffusion.



**Fig. 1.2 Relative difference between standardisation of global HRM
and localisation of HRM**

The above factors can be seen interrelating to one another. It can therefore be derived that large sized multinational enterprises that practice cross borders operations have the following features:

- These companies follow transnational strategies
- These strategies are supported by matching organisational structure
- The culture of such companies is generally shared worldwide.

Therefore it can be said there are three types of culture that affects the Standardisation and Localisation of HRM Practices. These are:

- a. Culture of the Subsidiary company
- b. Culture of the Parent company
- c. A standard Global corporate culture followed worldwide.

In a nutshell we can say that to localise HRM. Practices as per host country culture and either determinant, it is essential to keep the standardisation intact. For this there have to be frequent knowledge transfer, between subsidiaries, HR managers and the headquarters. Internet should be used as a common platform for balancing standardisation and localisation work. Line managers should be involved as opinion leaders, top management should be an active participant and there should be a common infrastructure to support the alignment of all the parties.

Check your progress 1

1. Creating respect for Local culture and traditions is one of the aims of:
 - a. Localisation
 - b. Globalisation
 - c. Nationalisation
 - d. None of the above
2. Which of the following is not a driver of standardisation?
 - a. Strategy and Structure
 - b. Corporate Culture
 - c. Size and Maturity of firm
 - d. All of the Above
3. _____ implies to the organisational systems including hierarchical levels and strategies like paternalistic or global norms are followed.
 - a. Corporate culture
 - b. Strategy and structure
 - c. Internationalisation
 - d. Institutional environment

1.3 Retaining, Developing and Retrenching Staff

Apart from dealing with many challenges, an MNE (Multinational Enterprise) has to constantly fight the battle of maintaining the talent pool of their organisations. This is more important from the perspectives of expatriate in the host country.

The unknown culture, new ways of working, different norms in office etc, causes a lot of stress on the expatriates. Along with this the pressure of performance in an all new environment are enough factors to demotivate an employee and lead them to return to their home country.

Following are the three main reasons that lead to the failure of international assignments:

1. **Lack of human approach in managing employees:** This means management lacks consideration of factors that doesn't fall under the purview of job profile. They neglect the personal issues that can adversely affect an employee's morale.
2. **Lack of ongoing support:** Usually companies forget to extend their support once the expatriate reaches the host country. This can make them feel isolated.

3. **No career development:** Like any job, after two to three years, individuals want to further develop their skills and experiences. They feel abandoned once they have been hired and are not fully aware how career development may differ in the new host country. This can lead to attrition of expatriates.

Considering the above points, HR of the host country should ensure corrective measures to retain the employees.

1. **Poaching of key subsidiary staff:** Poaching refers to stealing main employees of the competitor on higher packages and offer. Companies that follow this norm has to provide extra benefits to such staff and keep them motivated through various benefits and incentives.
2. **Quality Training:** It is mandatory to
 - a. Provide career advancement
 - b. Better performance
 - c. Adjustment top new environment
3. **Working Environment and Conditions:** This is an important factor for retaining employees. The working conditions are the immediate surrounding that comprises of interpersonal relationship, communication system, organisational culture, flexibility etc. This lays a psychological impact on the employee. If the environment is positive, employee will feel comfortable and stay longer. A good environment builds trust. The psychological work environment consists of work load, decision making, autonomy etc. along with this safety and security are also important consideration for long term association of an employee.
4. **Impatriation and Nationalisation:** Impatriation is the process in which local employees are sent to headquarters for learning, training and development. This can be a permanent or temporary arrangement. This fosters international assignments for local staff thereby reducing chances of dissatisfaction.

Nationalisation on the other hand is the policy in which more preference is given to local people for international assignments. This reduces the burden of employing expatriates and also gives chance to local people up gradation. This is retention technique that has proven useful in many countries. In UAE this Nationalisation process is called “Emiratisation”.

Developing Staff

To be effective in the current international scenario, managers need both intellectual intelligence and cultural intelligence. Cross cultural skills help an employee in extending beyond the immediate purview of work. Cultural intelligence helps in adjusting behaviours as per surrounding and situation.

Employees of the host country need to develop skills that help them with better career advancement. The following personal attributes are prerequisites of developing global mindset skills:

1. Openness to new ideas.
2. Tolerance and shared values.
3. Patience in handling work issues.
4. Flexible approach so that they can work with diverse teams.
5. Knowledge of cultures and respect for them.
6. Business understands of products, processes and workforce importance.

Organisations look forward to develop the local staff so that they can acquire the above skills. These skills increase their organisational value and lend them good opportunities.

Retrenchment of Staff in the Host Country:

No one single international definition or universally used terminology exists to categorize such job losses. Terms like retrenchment, redundancy, downsizing or lay-off are used interchangeably. Retrenchment basically covers a wide range of dismissals that does not indicate that the employee is incapable or of poor conduct. Retrenchment can occur due to closure of a plant, therefore the process of retrenchment should consider the following points:

Morale and Productivity

Retrenchment leads to loss of jobs by the employee. This creates an emotional turbulence in his mind that has to be handled carefully. Those employees who are left behind and managers who deal with the retrenchment can be affected by the process, especially if it is badly handled or creates unnecessary conflict. A poorly executed retrenchment process can lead to loss of productivity, low morale, and decreasing economic performance.

Legal and Reputational Risks

Every country has basic national rules for dealing with collective job losses and reorganisation. An important aspect of developing and implementing a retrenchment plan is ensuring compliance with national laws and the terms of collective bargaining agreements. Companies should provide severance payments to individual employees. A company's risk of being sued for discrimination, unfairness, or a range of other causes is much higher if the rationale behind.

Avoiding Misinformation

Retrenchment practices should be as transparent as possible. This helps in removing and hurdles like rumours and misrepresentation of facts. A transparent process also helps in removing any kind of resistance.

Efficiency

If the HR system is professionally managed does not take time in settling the employee's formalities. It becomes easier for a company to manage a retrenchment program that has clear rules and boundaries.

Check your progress 2

1. Impartation is the techniques used in _____.
 - a. Retrenchment
 - b. Development
 - c. Performance appraisal
 - d. Compensation
2. Retrenchment is the process of _____.
 - a. Adding workforce
 - b. Punishing employees
 - c. Reducing manpower
 - d. Both A and B
3. Tolerance and shared values is one of the Key skills of _____.
 - a. HCNs
 - b. PCNs
 - c. Both
 - d. None of these

1.4 The Role of the Corporate HR Function in the International Firm

International Human Resource as a subject is more focussed on the employees, their concerns and expectations and the organisational strategies. One of the most important dimensions of IHRM is the role of HR department. List the HR teams of MNEs that has the responsibility of actually getting the plans into practice. The success or failure of an expatriate and the assignments depends on the way it has been managed but the HR.

The HR department is continuously under scrutiny by the management as well the employees regarding costs, time etc.

Following are the strategic decisions to be considered by HR:

1. Whether the employee can be dealt as a global product?

The concept of global internal labour market indicates that even global employees can be considered like any other resource. But truth is that a product and an employee cannot be standardising the same way.

2. Can the HR differentiate between HR functions that can be delegated to subsidiary in host country and that need to be centralised?

This issue depends on the administrative, economic and political urgency of the host country the same time the type of HR functions also determines centralisation or decentralisation of HR, for example- compensation, payroll, strategic decision generally are controlled at the headquarters and trainings, development recruitments to some extent can be centralised. Take for Example, Motorola, They recruit staff from their own established colleges. Similarly Lufthansa Airlines have their own business schools.

The above points highlight the trend of transformation in the HRM roles. In the host country, the HR has to act as influencers or catalyst of change and replace traditional systems with modern trends like designing such system that integrate compensation, performance appraisals and recruitments functions through informal communication. This will enhance homogenisation of best practices on one hand and enabling capability enhancement at the local level in the host country.

Check your progress 3

1. HR department is continuously under scrutiny by the management as well the employees regarding ____, time etc.
 - a. Cost
 - b. Globalisation
 - c. Retrenchment
 - d. None of the above
2. Can the employee be considered as a Global Product?
 - a. Yes
 - b. No
 - c. Can't Say

1.5 Let Us Sum Up

Creating a global work culture requires streamlining of various activities across various locations. Alignment of HR activities of subsidiary unit with that of headquarters is important for proper management but this is difficult due to various local factors. MNEs need to plan meticulously on the training, recruitment and retrenchment of their global workforce as there is various considerations that have to be adhered. HR therefore has evolved as a business partner that has to diligently operate and execute its policies within the set boundaries and constraints.

1.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-d), (3-b)

Check your progress 2

Answers: (1-b), (2-c), (3-a)

Check your progress 3

Answers: (1-a), (2-a)

1.7 Glossary

1. **Retrenchment** - The process of reducing workforce as a business strategy. It is also called downsizing.
2. **SMEs** - It is the short form for Small and Medium Industries which represent those industries that invest small capital and have average level of setting.
3. **Severance Pay** - It is a monetary compensation provided as compensation to a long-term employee. It is paid in case he loses his job due to insolvency of employer, layoff or closure.
4. **Homogenisation** - The process of reducing cultural diversity by popularizing and diffusing a wide array of cultural symbols including physical objects, customs, ideas and values.

1.8 Assignment

What are the strategies that an HR manager can use in Retaining talented employees? Do you think retention can provide competitive edge to the organisation? Explain.

1.9 Activities

Differentiate between standardisation and localisation. What are their benefits to the organisation? Explain by comparing international strategies of any 2 MNCs.

1.10 Case Study

Study the talent management programs of any four MNCs and prepare a table depicting their respective strategies for Retaining, Developing and Retrenching people. Disuses your views on the policy of each company.

1.11 Further Readings

1. Essentials of International Human resource management: Managing people globally by David C.Thomas, Mila. B.Lazarova.

UNIT 2: THE EVERLASTING ENVIRONMENT OF HUMAN RESOURCE MANAGEMENT

Unit Structure

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Key Issues in Industrial Relations**
- 2.3 Trade Unions and Approaches of MNCs**
 - 2.3.1 IR trends in MNCs
- 2.4 Employees' participation in management**
- 2.5 Impact of EU and NAFTA in IR**
 - 2.5.1 Division Of Labour And International Trade
- 2.6 Let Us Sum Up**
- 2.7 Answers for Check Your Progress**
- 2.8 Glossary**
- 2.9 Assignment**
- 2.10 Activities**
- 2.11 Case Study**
- 2.12 Further Readings**

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- Explain the Key issues related to industrial relations on an international level.
- Discuss the implications of formation of NAFTA AND EU regional associations for trade.
- Comment on the roles played by different actors of Industrial relations.
- List the upcoming trends in industrial relations across the countries.

2.1 Introduction

International human resource management is a vast subject covering numerous topics related to employment of global workforce, geographical dissimilarities and their specific rules and compliances etc. The global business environment demands in depth analysis of socio-political factors that affect the success of an international assignment. The role of trade unions and level of localisation has to be analyzed as in absence of proper knowledge there can be severe issues. Countries like United States, Europe etc. have developed regional organisation that controls the foreign ventures in their areas. Global business therefore calls for proper planning and strategies to sustain the foreign environment for long term.

2.2 Key Issues in Industrial Relations

Industrial relations refer to a set of phenomena, both inside and outside the workplace, dealing with the employment relationship between management and the workers. International Industrial Relations (IIR) handles the complicated associations between organisations employing foreign nationals and employees of various nationalities. It is the relationship between the employer and employee and varies from one country to another and is therefore regarded as location specific. Some basic features of industrial relations on international levels are:

- Industrial relations hold great importance for Multinational corporations as healthy relationships between employees and employers has direct impact on the performance of the company. It raises production and also helpful in reducing costs.
- Other than employer and employee, the other parties involved are
 - Governing bodies of home and host country.
 - Trade unions.
 - National and international Trade Union federations
 - Other social and welfare organisations.
- Trade Unions are associations of employees who work for safeguarding the worker's interests. They strengthen the bargaining power of the employees and aim more at upward revision of wages and better conditions. At the same time they also work hard for the growth of the company.

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- MNCs allow their subsidiary autonomy in handling industrial relations of local level as they are more capable of doing so. This include negotiations with workers, dealing with local authorise etc.
- Industrial relations staff may be present at both the headquarters as well as the subsidiary unit.

Key Issues:

Based on the above points, and the international labour relations scenario, the following issues holds importance for the various parties involved:

Where the Labour relations or Industrial relations department should be placed. The high level of difference in the national, political and industrial systems make the labour relations highly varied. Usually MNC bases their industrial relations person at the subsidiary unit. This also has a relation to the participation of the MNC headquarters in host-country labour relations that is affected by 4 points:

1. The degree of inter subsidiary production integration of two or more subsidiaries are integrated for production, it is centralised and coordinated by head office. In case the subsidiary is highly dependent on its parent company the latter will have greater corporate involvement in labour relations this requires a coordinated global policy on industrial relations.
2. **Nationality of Subsidiary:** This refers to the country with which the subsidiary belongs. The country of ownership also affects the control mechanism. The US and British systems of centralisation and decentralisation which govern the industrial relations scenario for foreign multinationals operating in third countries are different.
3. **Trade Union Tactics:** By Trade union tactics we mean the various activities that these employees association perform.
 - The most common type is “Strike” that refers to temporary stoppage of work for demands like increase in wages, better working conditions, deployment of co-workers etc. However in case of multinational set up headquarters have multiple options like deploying alternative workers from the home country, They can pressurise workers to stop such activities by threatening of lay off or subsidisation of products from different other locations.

- Lobbying for limited National legislations –Lobbying means developing a pool of advisors within the government body who work for the benefit of the unions. It refers to the attempt of influencing decisions made by officials in the government, most often legislators or members of regulatory agencies. Trade unions do lobbying to restrict national legislation from exporting jobs via multinational investment policies.
 - Trade unions south ILO intervention asking MNC to disclose information, competition, financing, employment, industrial relations, taxation, science and technology.
4. **Characteristics of subsidiary:** Following characteristics of subsidiary firms affect industrial relations:
- Mode of formation: This means how a subsidiary is formed. Through acquisition by well established MNC or, a Greenfields takeover.
 - Age of the firm. If it's new it needs more interventions by the headquarters.
 - Dependence levels on parent company also determine the extent of involvement of the headquarters in homes voluntary operations.
5. **Characteristics of Home market:** This refers to the relative size of market of subsidiary unit and that of the parent company. If the latter has a bigger market then the importance of the subsidiary will be less. Whereas if the subsidiary holds a large market share it will enjoy larger autonomy and the norms of the host country shall be adopted.

Therefore it can be analysed that industrial relations on an international platform are affected by broad range of factors. The industrial relations strategies and decision related to subsidiary and the headquarters are dependent on respective environmental factors of that firm.

Check your progress 1

1. Trade unions that are based in ____company can influence lesser bargaining as compared to industry unions due to the higher number of members.
- | | |
|-------------|---------------|
| a. Multiple | c. Parent |
| b. Single | d. Subsidiary |

2.3.1 IR trends in MNCs

The international scenario of industrial relations is dependent on following facts:

- IR is influenced by local culture: The socio political environment of a country is reflected in the labour relations. An MNC cannot manage without the support of the local authorities. Their norms, policies, trade unions etc play a significant role in IR policies. For example in US, we will find crafts unions whereas in Germany, it is Industrial unions.
- Industrial relations depend on the power of the three main parties i.e., Government, Trade unions or workers and the Employer.
- Model of industrial relations includes various actors who have their set roles. These actors play an important role in formation of structure, wage policies etc., for the subsidiary unit.

Trends in International Industrial Relations:

There is a constant effect of Globalisation on the way business is done. A lot of changes can be seen between the relationship of employee and employer. The management structure has changed to flat and open systems. Industrial relations worldwide have also seen key trends. The trends are changing from what they used to be several years ago. It is necessary to keep an update on the recent trends and development in the industrial relations scenario especially on the global context. These trends are:

1. Importance to participation: Employees are now more involved in the entire business strategies, processes and planning. This has reduced the dissatisfaction of employees to great level.
2. Practice of International standardised labour norms: These include:
 - 1) Freedom of association
 - 2) Abolition of labour discrimination policies like child labour, women workforce, equal remuneration to both genders,
 - 3) Employee to be duly informed about company's performance, retrenchments, locks outs etc.
 - 4) Diversity management: Globalisation has brought together people of varied nationalities, races, genders and ages together. This has led to a

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more flexible management approach in dealing with them. This includes equality and consistency in HR policies.

- 5) Impact of Japanese management style and formation of EU: Concepts like lean management, total quality management, flexible specialisation etc., are fast becoming a practice in every company.

In reality the changes in industrial relations indicates the organisation's growth and maturity.

Check your progress 2

1. Industrial Relations are the relationship between the ____ and employee and vary from one country to another.
- | | |
|--------|-----------------|
| a. PCN | c. Employer |
| b. HCN | d. Organisation |

2.4 Employees' Participation in Management

Participating employees in the management systems is a strategy to involve workers and motivate them, for better performance. Various techniques have evolved in worker's participation. These are:

- **Self- Management:** It is considered as the highest levels of participation as in this employee have the authority to decide on all major issues. These can be related to supervision, production, inventory, etc. This technique is very useful as it reduces any kind of conflict between management and employees.
- **Co- Determination process:** in this employee's representatives are appointed on supervisor's boards that lead to better communication of management problems to workers. This type of technique is practices Germany.
- **Work Counsels:** These are small management groups formed with equal representation of workers as well as the managers. Various issues related to workers are addressed here and suitable solutions are provided by. Such counsels can be found in companies in Britain.

Trade Unions therefore have the following benefits:

- Enhances Job satisfaction as the workers feels involved in the organisational decision making process.
- Self Monitoring of performance: Workers are able to keep a control on their own work as well as interest. This helps in increasing the QWL (Quality of work life).
- Workers get accustomed of working in Teams.

Check your progress 3

1. In ____employees have the authority to decide on all major issues?
 - a. Employee work council
 - b. Self-Management
 - c. Trade Unions
 - d. All of the above
2. ____are small management groups formed with equal representation of workers as well as the mangers.
 - a. Work Councils
 - b. Trade Unions
 - c. Workers participation
 - d. None of these

2.5 Impact of EU and NAFTA in IR

The European Union

The European Union, or EU, is a unified monetary body that tries to balance the needs of its 28 member countries, all of whom are independent fiscal and political entities. The EU has developed a single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. European Union is therefore a regional integration having importance for international industrial relations. One important aspect of the EU treaty is the social policy that specially deals with employment conditions, labour laws, vocational trainings and social security. The social charter is an important document that laid down norms for the free movement of good, people

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and money within the member countries. This social charter referred to the fundamental rights and the objectives of European Union.

Therefore the aims of European Union include:

- Integration of persons excluded from the labour market
- Equal opportunity of work, between genders. This does not include any norm on wages or trade unions.

Multinationals working in these regions has to follow the below given directives:

1. **Vredeling Directive:** This directive requires the multinationals to disclose company information to employees.
2. **The European Works Councils directive (EWC):** This directive that all MNCs having at least 1000 employees having 100 or more employees in each of two states. It states that the MNC should set up such councils that are formed with associations of employees and management representatives. This aims at enhancing employee's right to information and consultation. Companies like General Motors and Heinz have in return subsidized the employee visit in other plants and provided information.
3. **PAN European Pension Directive:** Employers sponsored and separately funded pension plans for employees are made essential.
4. **Social Dumping:** The formation of SEM, (Single European market) had its effect on job. This can cause low cost markets to gin as companies will shift to such areas. In response the low cost region were asked to raise their costs up to a certain level. This reflects the phenomena of "Social dumping" that refers to the practice of employers to use cheaper labour, than what is usually available at their production or selling site. In the case of production, migrant workers are used as alternative and in case of selling production are moved to a low-wage country.

NAFTA - North American Free Trade Agreement

In 1994, the North American Free Trade Agreement (NAFTA) came into effect, creating one of the world's largest free trade zones and laying the foundations for strong economic growth and rising prosperity for Canada, the United States, and Mexico.

The difference between NAFTA and EU is that firstly NAFTA is a free trade zone and deals with flow of goods, services and investments only. It does not have any directive for labour mobility.

The implication of NAFTA on MNCs of that does not deal with workplace related laws. This has a benefit that countries having least restriction on employment will have competitive advantage.

The concern of social dumping is similar but there is one difference and that is in the case of NAFTA, jobs are able to cross borders not the workers. A general lack of coordination had been seen between the labour organisations of the NAFTA countries, there still are cross border collaborations taking place.

2.5.1 Division of Labour and International Trade

International trade is the system by which countries exchange goods and services. Countries trade with each other to obtain things that are better quality, less expensive or simply different from what is produced at home. The main reason for international trade is the varying resources available in each country. This variation in productive factors leads to price differentials that prompt other countries to trade on best price deals.

Trade is usually done on one of the factors of production like men, material or money. In the context of Human resource we are more concerned about the impact of international trade on the Employees and working patters of different countries. Trade Unions, employees and employers all look for higher advantages in terms of wages and job opportunities.

Since International trade occurs on different territories and regions of the world, it gives the workforce a platform to showcase their skills and get benefits out of it. Every country has their own unique products, commodities and resources for which other countries agree to do business. These variations in resources, generates specialised labour resources who having in-depth knowledge of their related fields. For example, India is known for Cheap Labour and IT specialists while Japan is known for technology, and quality.

All countries are gifted with natural resources and facilities for production of goods and services of various kinds. Take for instance the Middle East it has the biggest Oil reserves, US is good in capital resources etc. India and China have ample labour power. It is difficult for every country to produce everything that too at a minimal cost. This problem is solved with International trade. Thus a country now needs to produce only those goods in which it has a comparative advantage or an absolute advantage. Comparative advantage means that individuals concentrate on what they do best, and as a result all will benefit. The other goods

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and services can be imported from other countries. For example A modern company like Coca-Cola will employ a range of specialists e.g. marketers, advertisers, skilled technologists, specialist managers, accountants, maintenance specialists, etc. This leads to international specialisation or division of labour that ensures efficient use of the productive factors with minimum wastages.

Check your progress 4

1. What is NAFTA?
 - a. North African Free Trade Agreement
 - b. North American Fees and Trade Agreement
 - c. North American Free Trade Agreement
 - d. North Asia Fast Trade Agreement
2. _____ directive requires the multinationals to disclose company information to employees.
 - a. Vredeling
 - b. Weldering
 - c. Social Dumping
 - d. Both A and C
3. _____ is a unified monetary body that tries to balance the needs of its 28 member countries.
 - a. NAFTA
 - b. SEZ
 - c. EU
 - d. Employer's associations

2.6 Let Us Sum Up

This unit discussed about the three key actors like trade unions, the employer and the government that are the key aspects driving the industrial relations scenario. The IR scenario is equally affected by the formation of NAFTA

ND European Union's (EU) SEM that facilitates trade in the specific geographic regions of the world and also keeps a watch on the workers' interest. The block also explained the socio-political environment that directly impact on the functioning of the subsidiary unit. There is a shift in the management style from industrial relations to Human relations that include participative management, importance to employee welfare etc.

2.7 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-d), (3-c)

Check your progress 2

Answers: (1-b), (2-a)

Check your progress 3

Answers: (1-c), (2-a), (3-c)

2.8 Glossary

1. **Vredeling Directive** - It's an order under the EU agreement that requires all the companies operating in the European region to keep the workforce informed of the business plans and working.
2. **Division of Labor** - Is an economic concept under which workers are divided on the basis of their skills, location and wages It helps workers to concentrate on one small aspect of production that increases overall efficiency.

2.9 Assignment

Explain the role of trade unions in MNC and discuss how trade unions have responded to the international HR systems.

2.10 Activities

As an HR manager placed in a subsidiary in Germany, discuss your roles and responsibilities. Explain the specific market conditions, socio economic patterns and government regulations related to workers.

2.11 Case Study

Collect various information's related to the rules and regulations, benefits and features of NAFTA and EU. If you have to set up a subsidiary at any one region, what will be your set of choices? Explain with reasons.

2.12 Further Readings

1. Indian Journal of Industrial Relations by Publisher: Shri Ram Centre for IR and HR.
2. International Human Resource by S.K.Bhatia.

UNIT 3: PERFORMANCE MANAGEMENT

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 Multinational Performance Management

3.2.1 Global context and HRM

3.3 Evaluating Expatriate's Performance

3.4 Performance Management of Host Country Employees

3.5 Let Us Sum Up

3.6 Answers for Check Your Progress

3.7 Glossary

3.8 Assignment

3.9 Activities

3.10 Case Study

3.11 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- Explain the PMS of multinational companies.
- Discuss the role of a manager in the success of the PMS.
- Identify the factors that differentiate PMS for expatriates and for host country employees.

3.1 Introduction

With the fast growth of international business across the globe, a lot of attention has been paid on the management of human resources. Among the various other functions, managing performance of employees still a topic of study and debate. Performance management is a process of establishing work targets,

standards; evaluating the tasks achieved, and giving feedback to employees for improvement. This is a much easier task in the local environment but gets different in case of multinational companies that employ expatriates, and host company employees. The PMS varies in regard to location, targets, and hierarchy. Therefore this unit explains the various models, criteria and constraints related to evaluating and managing international employees based on their performance, behaviours and other parameters.

3.2 Multinational Performance Management

Performance is the key activity that comprises of various activities related to management of employee's performance. These activities include setting goals, determining standards, assigning roles and responsibilities and appraising the results. The basic issues of recruitment, evaluation, rewarding and trainings are easily handled by multinationals. Similarly Performance management also caters to various aspects of compensating, rewarding and training employees. It has therefore two main objectives. These are Firstly to enable management take administrative decisions like merits, raises and bonus etc. Secondly PMS aims at establishing growth oriented trainings and feedback mechanisms. Thus PMS has the following features:

- The PMS systems however have to be different for the host and the home country. Performance management is usually based on cultural foundations. Two aspects of cultural bound PMS are being individualistic or collective performance management. For example in China, it is always collective, whereas in US it is individualistic evaluation of individual efforts.
- Location based goals: While setting goals, the country in which employee is staying should be considered. Performance depends on the objectives of the firm in which he/she is employed. If it is a parent company, goals can be broader and if its subsidiary in another country the goals will be more related to that specific area, like, production will be limited, markets will differ etc. PMS therefore should be context based depending on the culture and norms of the respective country.
- Lastly, it is the scope of PMS. It has to cover both the expatriates as well as the employees of the host country.

Internationally performance management has observed some drastic changes in the outlook that depicts broader perspectives. Appraisals now include competency based models, customer appraisals, team appraisals, evaluating team leaders performance by subordinates, 360 degree appraisals etc. These methods are growth oriented and open systems giving space for correct information. Global Performance systems therefore can be defined as a sub system that links corporate goals with rewards, improvement of performance and employee overall development through systematic Performance appraisal and evaluation process.

Typically the PMS in an MNC comprises of the following factors:

- Context: External or Internal
- Multinational set up: Design, implementation and evaluation

The Performance management includes the following four phases:

1. **Designing PMS:** This phase includes rigorous planning related to :
 - a. Purpose of the PM, why management is needed.
 - b. Establishing criteria or benchmarks against which real performance can be judged.
 - c. Techniques and tools of evaluation. How to record the performance and what method should be adopted for an appraisal?
 - d. Frequency of evaluations: like monthly, quarterly, yearly etc.
 - e. Who should evaluate or rate: seniors, colleagues, HR, everyone in the work circle.

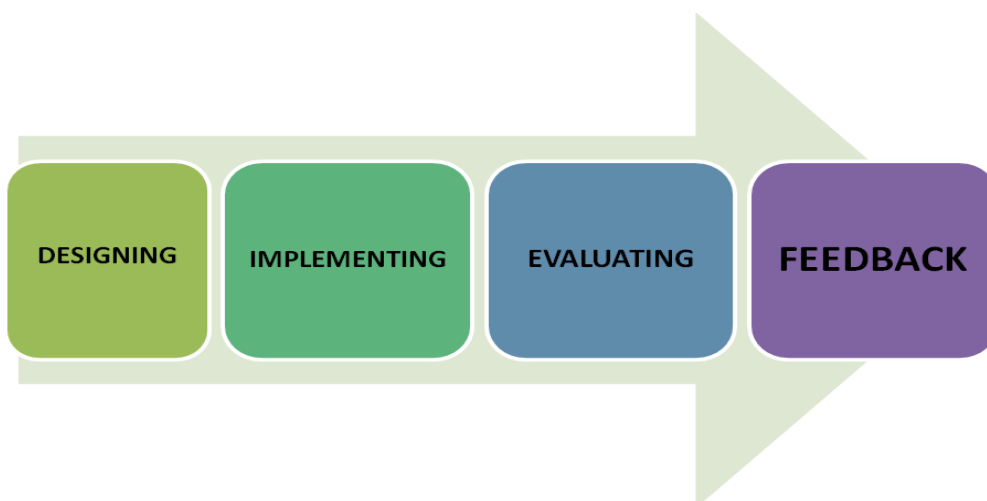


Fig. 3.1 Performance appraisal process for international employees

2. **Implementing PMS:** At this stage the employees are communicated their KRAs, expected roles and results. It also includes frame of reference training and role of performance feedback, and at this stage the cognitive process related to performance plays a significant role. This means how an employee perceives the targets, what motivates them to perform, what are the constraints, relationship between the rater and the ratee.
3. **Evaluating PMS:** This is the third step in which the actual performance in a specified period is assessed. The outcomes are communicated to the employee and rewards, trainings and judgement criteria are discussed.
4. **Feedback:** The last and final step is Feedback. It is said that PMS is incomplete without proper dialogue between the employee who is assessed and the supervisor and the HR department. This section tells the employee about his strengths, weaknesses.

Thus PMS is a step by step process to keep a systematic record of employee's activities and help in their development and growth. PMS in international organisations have to be customised as per the policies, employee profile, type of assignments and other job related details.

1. Global context and HRM

The external global environment consists of "culture" and "context". The culture includes values, beliefs, norms etc and context includes elements of the external environment like government, legislations, industry etc.

We have seen in all the previous units that Culture is one of the most important determinants in all the HR functions. In performance management also it is an essential factors having significant impact over employees outputs. An important aspect of Culture is Language that cannot be ignored. Employees need to share their views, communicate and guide their colleagues in which language plays a vital role. Similarly due to change in language, it is difficult to use the same PMS in different countries. It affects the parent company and the subsidiary, rater and ratee etc. A need of transformation and localisation is needed while appraising employees as it can lead to misunderstanding.

The external global context includes factors like size of the organisation, sector to which it belongs, sector specific norms in host country etc.

Check your progress 1

1. Establishment of criteria or benchmarks for judging performance is included in which phase of PMS?
 - a. Implementation
 - b. Feedback
 - c. Evaluation
 - d. Feedback
2. The _____ global environment consists of “culture” and “Context.
 - a. External
 - b. Internal
 - c. Employees
 - d. Technological
3. A need for transformation and _____ is needed while appraising employees as it can lead to misunderstanding.
 - a. localisation
 - b. Globalisation
 - c. Integration
 - d. Clarification

3.3 Evaluating Expatriate’s Performance

Assignment to a foreign posting helps a manager acquire invaluable experiences. Performance is the result of a combination of several factors such as motivation, ability, working conditions, and many other similar ones. An expatriate’s performance depends on many variables that are present in case of international assignments. These variables should be considered while evaluating their performance other than the normal parameters of job, targets etc. Let us discuss these variables one by one:

1. **Compensation Package:** As we had discussed in the previous chapters, that the compensation offered to expatriates is one of the important reasons behind their acceptance to go abroad. Companies should check whether the decided compensations and benefits had been provided to the employee or not. Any kind of discrepancy in this can lead to demotivation of employee resulting in loss of productivity.
2. **Environment:** This is again an important factor affecting employee’s performance. Not only the tangibles are assessed for performance evaluation, the intangibles like surrounding of the employee should also be considered. For example, an expatriate from China, working in many

countries may have language and behaviours problem making him uneasy and isolated. This can lead to loss of interest in work. Other environmental factors include, society, legal, technical and physical demands.

3. **Tasks assigned to Expatriates:** These days employees are informed about their expected performance in the form of KRA or Key Result Areas. These are written statements of the Dos and Don'ts, level of work to be performed etc. Companies should ensure before evaluating whether the employee was properly communicated about his profile and result areas. When the expatriate fails to understand, it adversely affects his/her performance.
4. **Headquarters' support:** When an expatriate leaves for a new country, he has a lot of apprehensions about his well being in the foreign nation, how he will be treated by his co-workers, will there be harmonious relationships etc. An expatriate seeks psychological support of his headquarters for self and family living in the other country. The manner in which he and his family has been received in the host country plays an important role on his behaviours, health and stress levels. This in returns has an impact on the performance.
5. **Cultural Adjustments:** The pace with which an employee is able to adjust to the new location and surroundings can affect the work results. Some expatriates are fast in adjustments. Some take time. This time frame should be considered while evaluating performance.

This variable should essentially be considered during the entire evaluation and feedback phase.

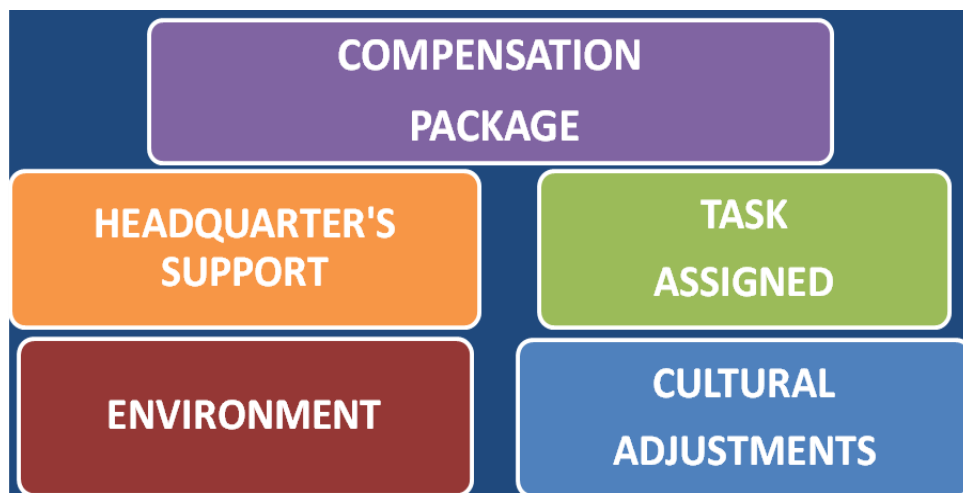


Fig. 3.2 Variable affecting expatriates performance

Criteria for Appraisal of Performance

The criteria for appraising manager's performance in host and home country are usually similar. In qualitative terms the criteria for evaluating manager's performance include:

1. **Flexibility:** Capacity to change the ongoing structure for laying down new strategies.
2. **Empowerment:** to what extent they can share information, can they delegate work? And whether they can motivate other employees?
3. Interpersonal understanding and mutual respect.
4. **Team Support:** Presence of support from the team members.
5. **Versatility:** Ability to adopt new environment challenges and roles.

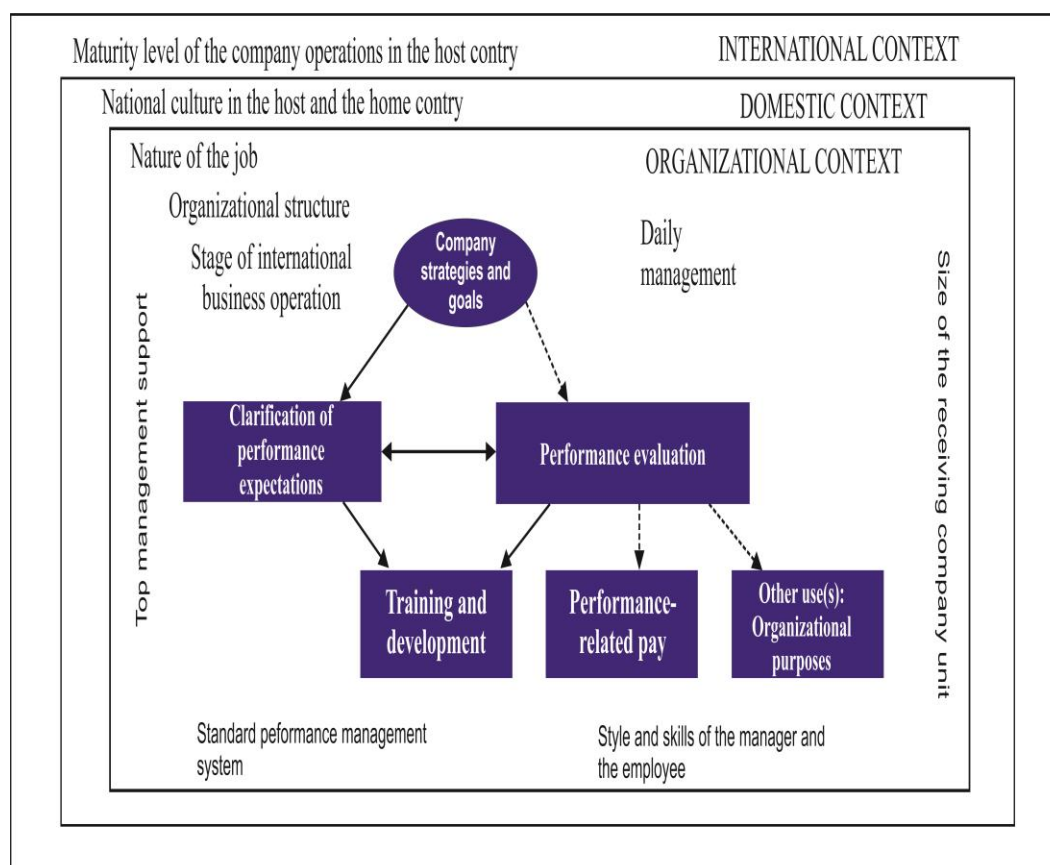


Fig. 3.3 Contextual model of Expatriate's performance.

Check your progress 2

1. Empowerment refers to :
 - a. Delegation
 - b. Sharing of work
 - c. Giving orders
 - d. Retrenchment of workforce
2. KRA stands for:
 - a. Key Research areas
 - b. Knowledge, relationship and attitudes
 - c. Key Result Areas
 - d. None of these
3. ____refers to the ability to adopt new environment challenges and roles.
 - a. Flexibility
 - b. Versatility
 - c. Team Support
 - d. None of the above

3.4 Performance Management of Host Country Employees

The performance of the host country employees is based on various parameters related to organisational systems, culture and above all the goals. Being in one's own country is better option yet the problem lies in the integration with the parent company and the subsidiary unit. In this context there are four constraints that are identified as restraining factors in delivering expected performance by the MNEs. These constraints are:

1. **Difference in local norms:** this relate to local accounting rules, labour laws etc. Each country having different laws makes it difficult to compare the relative performance of employees of subsidiaries in different locations.
2. **Long term objectives to be flexible:** This is because the business environment is continuously updated with new challenges, restraints and technologies. This has direct impact on the organisational objectives. The Company's goals keep changing to survive.
3. **Effect of Distance and Time over PMS:** Since every location has different time zones and are kilometres apart, synchronising the PMS of all places is difficult.

4. **Market development is slower in Host country:** This makes the work slower thereby making employees performance behind schedule.

It is still not sure whether these constraints affect employee behaviour or not but they certainly restrain employees from performing as per there capacity.

Many MNEs use standardised Performance management systems. Not the same time every country has their own cultural restrictions for example in China: work dedication, and teamwork are regarded as acceptable performance assessors. Even western style performance management practices are also used by several companies but they also varies with differentiating cultures.

Check your progress 3

1. Distance and Time are _____ factors of PMS.
 - a. Positive
 - b. Negative
 - c. Common
 - d. Cultural
2. Which of the following is not a variable for performance management?
 - a. Compensation package
 - b. Headquarters' support
 - c. Flexibility
 - d. Environment

3.5 Let Us Sum Up

The unit focuses on the performance management system (PMS) for the international employees which are an on-going process of assessing employees needs, their performances and their environmental situations that effect their productivity. A detailed description of implementation process of the PMS has been given which need deep planning and strict adherence to standards of both the countries. It is equally important to communicate the standards and local the employees as it closely impacts the performance of the employees. The factors to be considered in case of PMS for expatriates and Host country employees are different basically in contextual and regional terms. Though the basic structure remains the same but the training on soft skills depends on the national culture of the country.

3.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-a), (3-a)

Check your progress 2

Answers: (1-b), (2-a), (3-a)

Check your progress 3

Answers: (1-b), (2-c), (3-b)

3.7 Glossary

1. **Key Result Area** - This is a concept on which the individual performance is measured.
2. **Bonus** - It is kind of extra payment made to workers by the employer in case of good performance of the company and earning greater profits. Bonus has become mandatory. It is a mandatory payment under the bonus of payment act for companies fulfilling specific criteria.
3. **Localisation** - It is process of accommodating the polices and norms based on the social, cultural and industrial norms of the host country as well of the company/un it where the employee will be working.

3.8 Assignment

Explain the variables that affect performance management of employees. Will there be any difference between PMS for Expatriates and Host country staff? Explain.

3.9 Activities

Prepare a detailed report on the performance management systems followed in companies of US, China and India origin.

3.10 Case Study

You are the HR manager of a subsidiary company based in Middle East. Most of the employees are Indians and Asians. You are required to conduct a feedback session for 10 employees who have not performed as per the standards. What will be your action plan and what point will you consider in making the feedback session growth oriented and not demotivating.

3.11 Further Readings

1. Performance management systems: a global perspective by Arup Varma, Pawan.s.Budhwar, Angelo S. Delnisi.

Block Summary

This block focussed on the technical aspects of HRM in international context. International employees are scarce and there is a lot of competition among MNCs to hire the best talent. In such condition it becomes important for international firms to design employee centric growth and development programs. Every country has their set of norms. Moreover the presence of trade unions, NAFTA, EU also affects international industrial relations. Companies operating overseas have to keep in mind the cultural, legal and regional constraints

In the beginning you learnt about the process of creating globally oriented HR policies. This is essential to keep pace with changing worker's expectation as well as the global standards. The unit also discussed strategies for retaining, and developing the workforce in the host country. Further you were explained the issues and complexities of hiring workforce from different countries. Along with this an elaborate discussion was made on the various dimensions of managing and evaluating performance of international employees. The methods, the process and the feedback mechanism were covered extensively so as to give you an in depth knowledge on international Performance appraisals.

Block Assignment

Short answers Questions

1. What is the criterion to evaluate manager's performance in host country?
2. Explain:
 - NAFTA
 - EU
 - Work councils

Long Answer Questions

1. What is social dumping and why should trade unions be concerned about it?
2. In what way trade unions constrain the strategic choices of MNCs.
3. Distinguish between performance management for expatriates and for international staff in host country.

Enrolment No

How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos. of Hrs				

1. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

2. Any Other Comments

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*Education is something
which ought to be
brought within
the reach of every one.*

”

- Dr. B. R. Ambedkar



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