

UNIT: 1

International Human Resource Management Overview

International Human Resource Management (IHRM) can be defined as a set of activities targeting human resource management at the international level. It strives to meet organizational objectives and achieve competitive advantage over competitors at national and international level.

IHRM comprises of typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at the international level and additional exercises such as global skills management, expatriate management and so on.

In short, IHRM is concerned with handling the human resources at Multinational Companies (MNCs) and it includes managing three types of employees –

- **Home country employees:** Employees residing in the home country of the company where the corporate head quarter is situated, for example, an Indian working in India for some company whose headquarters are in India itself.
- **Host country employees:** Employees residing in the nation in which the subsidiary is located, for example, an Indian working as an NRI in some foreign country.
- **Third country employees:** These are the employees who are not from home country or host country but are employed at the additional or corporate headquarters.

For example, an Indian MNC, which has its corporate office in America, may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.

IHRM vs. HRM

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There are many similarities between HRM at the national as well as international level. However, let us have a look at the differences between them with the help of points given below –

- Domestic HRM takes place at the national level, that is, within a country and IHRM takes place at the international level, that is, in between two or more than two countries.
- Domestic HRM is bothered about managing employees belonging to one nation and IHRM is bothered about managing employees belonging the home country and host country as well as third country employees.
- Domestic HRM is concerned with managing limited number of HRM activities at the national level and IHRM is concerned with managing additional activities such as expatriate management.
- Domestic HRM is less complicated due to less imprint from the external environment. IHRM is comparatively more complicated, as it is deeply affected by the external factors such as cultural distance and institutional factors.

We can conclude that both IHRM and HRM share some grounds of similarities as well as dissimilarities, but both have their own importance. Further, they contribute to the development of a country in a combined manner.

Major functions of International Human Resource Management

In International human resource management, there are five functional areas that include recruitment and selection, development and training, performance evaluation, remuneration and labor relations. In the first function of IHRM, Recruitment and selection, company employs new qualified candidates for international operations.

The Selection requires choosing from this pool the candidate whose qualifications most closely match the job requirements. Staffing is a complex function of international human resource management.

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In the global firms, the managing and staffing approach strongly affects the type of employee the company prefers. In a company with an ethnocentric approach, parent country nationals usually staff important positions at headquarters and subsidiaries. In recruitment and selection methods, firms consider both headquarters' practices and those widespread in the countries of its subsidiaries. Local culture also have great impact on recruitment and selection practices, and in some countries, local laws require a specific approach. In choosing the suitable candidate, it is needed to make balance between internal corporate consistency and sensitivity to local labor practices.

Remuneration and benefits is other functional approach of IHRM. Remuneration of employees plays an important role in hiring new employees because pay is the major source of people to live in the world. To develop an international system of compensation and benefits, firms have two primary concerns.

The first is comparability. A good compensation system disperses salaries to employees that are internally equivalent and competitive within the marketplace. The international organization must also consider the salaries of people who may transfer from other locations. The second major concern is cost. Organizations struggle to reduce all expenses, and payroll is one of the largest.

Another significant function of IHRM is Development and training which is aimed to offer sufficient training to personnel in a company and enable them to fulfil their goals, as well as show better performance and growth with their work. At global level, human resource development experts must have responsibility for training and development of employees located in subsidiaries around the world, specialized training to prepare expatriates for assignments abroad, and lastly development of a special group of worldwide minded managers.

International HR development programs may be done in two ways such as centralized and decentralized. In a centralized approach, training originates at the headquarters and corporate trainers travel to subsidiaries, often adapting to local situations. This fits the

ethnocentric model. A geocentric approach is also centralized, and trainers could be sent from various positions in either the headquarters or subsidiaries to any other location in the company. In a decentralized approach, training is given locally, following a polycentric model. When training is decentralized, the cultural backgrounds of the trainers and trainees are usually similar. Local people develop training materials and techniques for use in their own area. It is important that trainer must be qualified.

Performance evaluation is the effective function of international human resource management. In companies, the performance evaluation is regularly performed for administration or development intentions. Usually, administration conduct evaluation when there is doubt of performance of candidate and there is a need of performance evaluation on work conditions of employees, promotions, rewards and/or layoffs. In multinational companies, performance appraisals are usually done annually and use a standardized evaluation form. Performance evaluation is complex task for International HR managers because the organization must evaluate employees from different countries working in different subsidiaries. Performance evaluation depends on the organization's overall human resource management strategy.

HRM in Globally Competitive Environment

HR professionals are faced with addressing global issues on an ever-increasing basis. This is true even for organizations that historically only operated in a domestic environment. Issues include global competition for products and services, global talent management, risk and privacy, understanding global diversity and cultural issues, flexible reward systems, leadership challenges, and managing international assignments. While many of the HR competencies apply to domestic HR practitioners, new and heightened global skills are required for HR practitioners to deal with international issues.

This article will provide an overview of several key issues and competencies required for

global HR practitioners.

Global Talent Environment

Challenges include working with an ever-increasing mobile workforce with trade and visa restrictions generally making it easier for employees to move from country to country. HR professionals must understand the various forms and methods of visas and the employer responsibilities to effectively promote and manage talent across borders, including employee taxation issues.

Technology advances have also increased the ability of remote access, telecommunications, managing employees on a 24/7 basis and project transfer to “follow the sun” as operations move from one geographic region to another during the workday in other regions.

Different generations in the workplace, combined with country and cultural differences impact all aspects of talent management including recruitment, selection, on boarding, coaching, training, performance management, compensation, and retirement issues. A “one size fits all” approach is not effective so a balancing act between globalization and localization is critical. Among the talent issues to be addressed:

- Dealing with 24/7 global operations
- Millennial / generational differences regarding values and workplace expectations
- Intellectual capital and knowledge transfer
- Mobility issues
- Market skill shortages and competition for talent
- Phased and early retirement issues

Technology and Privacy Issues

Global technology, data collection, and privacy regulations must be understood and followed. Identify theft, hacking, privacy notification, and data security factors must be taken into consideration. HRMS tools must be configured to determined appropriate system design accounting for tracking personal data, currency conversion, language, pay rates and frequency methods combined with data encryption.

Global Economy

New competitors, changing labor markets, labor force availability, currency and inflation factors, tariffs, customs and import laws, grease payments and corporate social responsibility within global markets must be considered including:

- New and emerging labor markets
- Inflation and corporate/employee taxation
- New skills sets
- Unemployment levels

Understanding Cultural Diversity

A key trait of effective human resource management is to understand and reconcile cultural differences within the organization and harmonize these relationships. Different cultural norms and nuances, color and numerology issues, gestures, societal norms, power/distance relationships, recruiting efforts and performance management must be clearly understood on a country by country basis.

Agility with Reward Systems

On a country by country basis, total reward systems (base compensation, variable pay and benefits) must be effectively applied. A total reward philosophy statement may provide guidance to assist in developing global systems based on what is provided by

the home country, normative practices, taxation levels and employee expectations. For example, in some countries the government provides comprehensive health care, life insurance, disability and retirement plans. In other countries, minimum health care may be provided by the government with a common practice to have the employer provide supplemental health insurance.

Managing Global Leadership

Effective global leaders have several key characteristics, many of which are similar to any leadership role such as integrity, trust, interpersonal communication skills, people development, vision, problem solving and strategic planning. Some of the key differences are greater flexibility and agility to adapt, appreciation for subtle and not so subtle cultural nuances, diversity and inclusion awareness, influencing skills, international business experience along with the ability to travel internationally.

Managing International Assignments

Most organizations do not handle expatriation and repatriation well. In general, there is a lack of assignee assessment and preparation including family interviews, broader cultural and language training, ongoing feedback and discussion, visa requirements, knowledge of local customs and laws, tax reconciliation and identification of the repatriation process. International assignments typically cost three times the individuals base salary and roughly 60% repatriations result in the assignee leaving within six months after return. Awareness of culture shock and reverse culture shock will assist in managing assignments. Having additional resources to assist with managing travel, emergency evacuations, language and cultural training along with balance sheet evaluation of appropriate compensation and living expenses, tax equalization and lodging assistance are invaluable.

Communication Skills

Proficiency in multiple language skills are a huge plus. French, Spanish, German and Flemish are preferred in addition to English. But beyond language skills, understanding cultural nuances and avoiding US based idioms or phrases may create difficulties and relationship challenges. Executives with experiences in living in multiple countries will provide greater understanding of the issues.

International HRM: Role and Distinguishing Activities

Global human resources managers are responsible for recruitment of new employees, training, professional development, benefits and legal compliance just like any other HR team, but they do so on a global scale.

Recruitment and Onboarding Process

Attracting, hiring and retaining a skilled workforce is perhaps the most basic of the human resources functions. There are several elements to this task including developing a job description, interviewing candidates, making offers and negotiating salaries and benefits. Although a complex task for any business, it is made more complex in the international arena due to differences in educational systems from one country to the next and, of course, difference in languages.

Companies that recognize the value of their people place a significant amount of stock in the recruitment function of HR, no matter where in the world hiring takes place. There is good reason for this – having a solid team of employees can raise the company's profile, help it to achieve profitability and keep it running effectively and efficiently.

On-the-Job Training

Even when an organization hires skilled employees, there is normally some level of on-the-job training that the human resources department is responsible for providing. This is because every organization performs tasks in a slightly different way. One company might use computer software differently from another, or it may have a different

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timekeeping method. Whatever the specific processes of the organization, human resources has a main function in providing this training to the staff.

The training function is amplified when the organization is running global operations in a number of different locations. Multiple sessions in numerous international locations may be called for, although online webinars and training tools can sometimes effectively reach anywhere on the globe. Having streamlined processes across all locations makes communication and the sharing of resources a much more manageable task.

Continuing Professional Development

Closely related to training is HR's function in professional development. But whereas training needs are centered around the organization's processes and procedures, professional development is about providing employees with opportunities for growth and education on an individual basis. Development often entails moving an employee between departments so that he or she gains skills in multiple areas. For an international operation, this may also mean moving employees across boundaries.

Many human resource departments also offer professional development opportunities to their employees by sponsoring them to visit conferences, external skills training days or trade shows. The result is a win-win: it helps the employee feel like she is a vital and cared-for part of the team and the organization benefits from the employee's added skill set and motivation.

Benefits and Compensation

While the management of benefits and compensation is a given for human resources, the globalization of companies in the twenty-first century has meant that HR must now adapt to new ways of providing benefits to an organization's employees. Non-traditional benefits such as flexible working hours, paternity leave, extended vacation time and telecommuting are ways to motivate existing employees and to attract and retain new

skilled employees. Balancing compensation and benefits for the organization's workforce is an important HR function because it requires a sensitivity to the wants and needs of a diverse group of people.

Ensuring Legal Compliance

The final function of human resource management is perhaps the least glamorous but arguably of utmost importance. Ensuring legal compliance with labor and tax law is a vital part of ensuring the organization's continued existence. The federal government as well as the state and local government where the business operates impose mandates on companies regarding the working hours of employees, tax allowances, required break times and working hours, minimum wage amounts and policies on discrimination.

This task becomes very much more complex when different laws in different countries need to be taken into account as well. Being aware of these laws and policies and working to keep the organization completely legal at all times is an essential role of human resources.

Activities

1. Staffing:

Staffing refers to the process of determining the organization's current and future human resource requirements to meet the organizational goals and taking appropriate steps so as to fulfil those requirements. The process involves identifying the human resource requirement of an organization, and recruitment, selection, and placement of human resources.

Human resource planning refers to the process of forecasting supply and demand for the organization and the action plan to meet its human resource requirements. It is the decision-making process as to what positions a firm has to fill and how to fill them and places optimally the human resource systems in the organization.

2. Recruitment and Selection:

'Recruitment' refers to the process by which an organization attracts the most competent people to apply for its job openings whereas 'selection' refers to the process by which organizations fill their vacant positions.

The process of recruitment and selection varies widely among countries. For instance, extensive formal testing and screening techniques are often employed in Asian countries where people are highly test-oriented and comfortable with formal tests.

Testing is often discouraged in the US due to its negative impact on equal employment opportunities and affirmative action efforts. Europeans test considerably more than Americans but not as much as Asians. Rigorous staffing practices such as formal testing are used even less in Canada where equal employment and human rights legislation is even more restrictive compared to the US.

3. Managing Expatriates:

People working out of their home countries, also known as expatriates, form an integral part of a firm's international staffing strategy, especially for higher management positions. Beside identifying and recruiting the right personnel with desired skills for international assignments, it is also extremely important to provide them with a conducive environment to get their optimum output.

Expatriates also contribute significantly to international remittances. Worldwide remittances are estimated to have exceeded US\$318 billion in 2007, of which developing countries received US\$240 million.

4. Training and Development:

'Training' refers to the process by which employees acquire skills, knowledge, and abilities to perform both their current and future assignments in the organization. Training aims at altering behaviour, attitude, knowledge, and skills of personnel so as to increase the performance of employees.

The need for imparting pre-departure training to spouse and children, besides the employee, is increasingly recognized by MNEs. Pre-departure training is aimed at smooth transition of expatriates and their families to a foreign location.

5. Performance Management:

'Performance management' is a comprehensive term that refers to the process that enables a firm to evaluate the performance of its personnel against pre-defined parameters for their consistent improvements so as to achieve organizational goals. The system used to formally assess and measure employees' work performance is termed as performance appraisal.

Evaluation of an employee's performance is required for assessing employee's contribution to achieve organizational goals, facilitate administrative decisions related to compensation, promotion or transfer, etc.

Determination of the evaluation criteria, the choice of the evaluators, and the delivery of timely and culturally sensitive feedback constitute the principal challenges related to the performance evaluation of expatriates.

In the international context, performance appraisal becomes more complex due to possible conflict between the objectives of an MNE's headquarters and subsidiaries, non-comparability of information between the subsidiaries, the volatility of international markets, and differences in levels of market maturity.

Therefore, international HR managers need to reconcile the differences between the need for universal appraisal standards and the specific objectives of the local subsidiaries, and to recognize that more time may be needed to achieve results in markets, which enjoy little supporting infrastructure from the parent company.

MNEs need to evolve systematic processes for evaluation of employees from different countries who work in different environments. Developing consistent performance

evaluation methods often conflicts with the diverse cultural factors of the host countries.

For instance, it may be appropriate in a country with low-context culture like the US to precisely point out an employee's shortcomings directly whereas public criticism in high-context cultures, such as China, Japan, and to some extent, India may prove counterproductive; in such cultures the opportunity to save one's face is extremely important.

6. Compensation:

Compensation refers to the financial remuneration that employees receive in exchange of their services rendered to the organization. It includes wages, salaries, pay rise, and other monetary issues.

A good compensation system should be designed within the regulatory framework of the country of operation of an MNE and should be able to attract and retain the best available talent. Besides, it should be equitable among employees and motivate them to achieve high levels of performance

Organizational structure and HRM

Defining and communicating the human resource terms and definitions used by a company ensures all personnel use the same terminology.

HR professionals help company leaders and their subordinates define an effective, cohesive organizational structure that supports the company in achieving its business goals.

Industry associations, such as the Society for Human Resource Management, publish tips, tools and techniques from which a company can create its own glossary. This

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helps company leaders communicate with the rest of the company as well.

FEATURES:

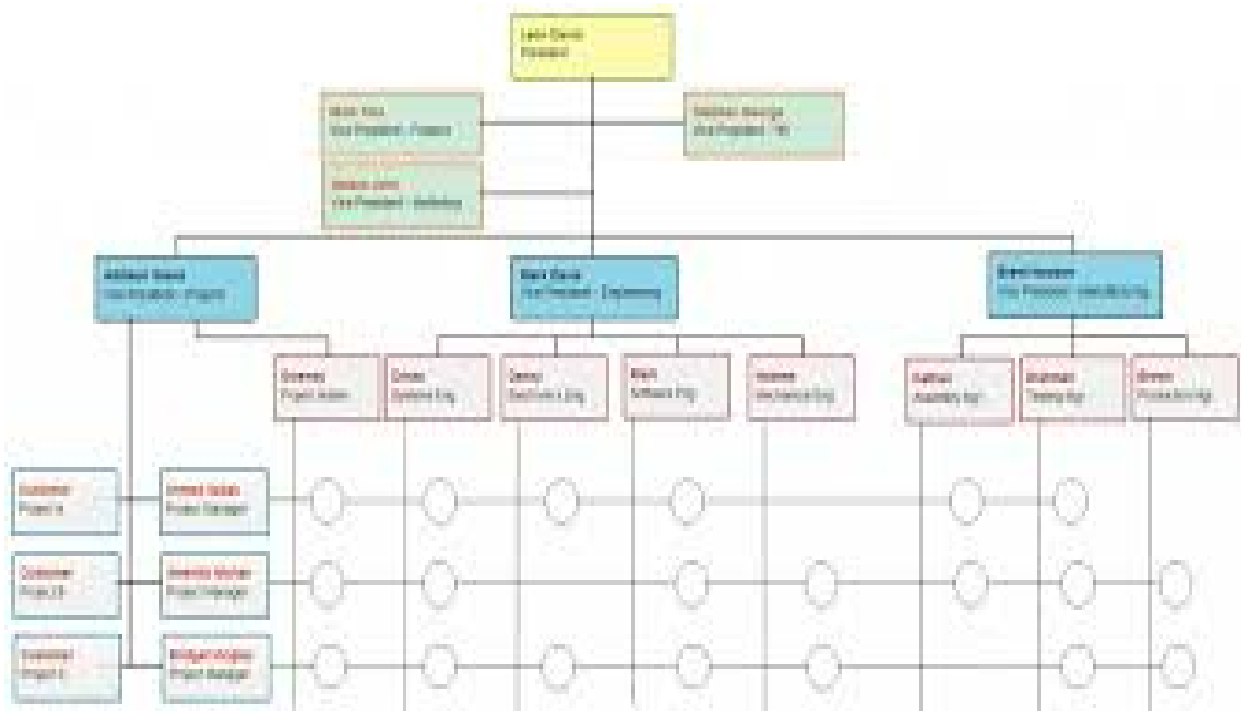
1. The **organizational structure** should be set as the result of the HR Management Goals and the defined HR Model.
2. The HR Organization defines **clear boundaries** around HR Processes. The Compensation and Benefits unit should be clearly about the compensation of employees and building different compensation strategies.
3. Each organizational structure restricts the **free flow of information**. The clear communication channels should be designed as all HR employees know information significant for their job. Many HR Functions do suffer from the insufficient information.
4. The HR Organizational Structure should be as flat as possible. The **decision making responsibility** should be given to the lowest levels of the HR Organization.
5. The **organizational structure** has to be flexible. The priorities of the organization should change quickly and the reaction is needed.

TYPES

1. **Horizontal Organization:** In a horizontal organization, only a few layers exist. Instead of a complex hierarchy, most employees report to the same boss. In these types of organizations, work typically gets done by functional project teams. This structure works well for small companies but tends to become unwieldy as the company becomes larger, more diverse and located in more than one location.
2. **Matrix Organization:** Employees who work in a matrix organization report to more

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than one manager. This allows valuable, highly trained resources to support different departments. Employees who work in this type of structure tend to rely on professional organizations or informal group meetings with people performing similar roles for their own development.



For example, an HR professional may report to both an HR department manager and the finance department manager. They may work exclusively with finance professionals and attend only the finance team meetings, relying on informal communication from his HR peers about industry trends and best practices.

3. Divisional Organisation: In this case, the organisation is divided into divisions which could be based on the product, Markets or Geographic area. Each division has its own set of functions like finance, marketing etc., like small micro organisations within one large organisation.

4 .Vertical Organization: In a traditional company structure, each function has its own

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manager, who reports to the company's executive leadership. In large companies, this results in multiple layers of managers. Top-level executives makes decisions for the subordinates. Departments tend to function independently and not share resources, tools or techniques. Employees in each department tend to require specialized skills, experience and competency levels

Global Human Resource Planning

With the advent of globalization, organizations – big or small have ceased to be local, they have become global! This has increased the workforce diversity and cultural sensitivities have emerged like never before. All this led to the development of Global Human Resource Management.

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

The preliminary function of global Human Resource Management is that the organization carries a local appeal in the host country despite maintaining an international feel. To exemplify, any multinational / international company would not like to be called as local, however the same wants a domestic touch in the host country and there lies the challenge.

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

1. Create a local appeal without compromising upon the global identity.
2. Generating awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries.
3. Training upon cultures and sensitivities of the host country.

The **strategic role of Human resources Management** in such a scenario is to ensure that HRM policies are in tandem with and in support of the firm's strategy, structure and controls. Specifically, when we talk of structures and controls the following become worth mentioning in the context of Global HRM.

- **Decision Making:** There is a certain degree of centralization of operating decision

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making. Compare this to the International strategy, the core competencies are centralized and the rest are decentralized.

- **Co-ordination:** A high degree of coordination is required in wake of the cross cultural sensitivities. There is in addition also a high need for cultural control.
- **Integrating Mechanisms:** Many integrating mechanisms operate simultaneously.

Global HRM and the Staffing Policy

Here also the role is no different i.e. hiring individuals with requisite skills to do a particular job. The challenge here is developing tools to promote a corporate culture that is almost the same everywhere except that the local sensitivities are taken care of.

Also, the deciding upon the top management or key positions gets very tricky. Whether to choose a local from the host country for a key position or deploy one from the headquarters assumes importance; and finally whether or not to have a uniform hiring policy globally remains a big challenge.

Nevertheless an organization can choose to hire according to any of the staffing policies mentioned below:

- **Ethnocentric:** Here the Key management positions are filled by the parent country individuals.
- **Polycentric:** In polycentric staffing policy the host country nationals manage subsidiaries whereas the headquarter positions are held by the parent company nationals.
- **Geocentric:** In this staffing policy the best and the most competent individuals hold key positions irrespective of the nationalities.

Geocentric staffing policy it seems is the best when it comes to Global HRM. The human resources are deployed productively and it also helps build a strong cultural and informal management network. The flip side is that human resources become a bit

expensive when hired on a geocentric basis. Besides the national immigration policies may limit implementation.

Global HRM therefore is a very challenging front in HRM. If one is able to strike the right chord in designing structures and controls, the job is half done. Subsidiaries are held together by global HRM, different subsidiaries can function operate coherently only when it is enabled by efficient structures and controls.

UNIT: 2

International Staffing

Staffing (or finding, choosing and placing) good employees is difficult even at home. However, it becomes more difficult in other countries. For example, until recently in Russia, very few Russians had resumes available to give to prospective employers with vacant positions. Consequently, recruiting is often done only by word of mouth. Only recently have more sophisticated methods—such as structured interviews, testing or work samples—been used on a limited basis. More systematic selection is becoming necessary in Russia and many of the former Soviet-bloc countries as younger, more highly educated candidates are being needed by international firms.

Deciding on the mix of local employees, employees from the home country, and even people from third countries that will best meet organizational goals is a challenge. In staffing an overseas operation, cost is a major factor to be considered. The cost of establishing a manager or professional in another country can run as high as \$1 million for a three-year job assignment. The actual costs for placing a key manager outside the United States often are twice the manager's annual salary.

For instance, if the manager is going to Japan, the costs may be even higher when housing costs, schooling subsidies, and tax equalization payment are calculated. Further, if a manager or professional executive quits an international assignment prematurely or insists on a transfer home, associated costs can equal or exceed the annual salary. "Failure" rates for managers sent to other countries run as high as 45%. Factors that are most likely to be causes of concern for an employee sent overseas are shown in Figure. The figure shows that only roughly two-thirds to three-fourths of employees sent to another country are satisfied with the way the top five support needs are being met. To meet these needs, organizations are outsourcing various functions, citing gains in cost effectiveness, expertise, and efficiency. Several respondents to a

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survey on the subject suggested that outsourcing certain HR functions to international experts may be a long-term trend.

Types of International Employees: International employees can be placed in three different classifications.

- **An expatriate** is an employee working in a unit or plant who is not a citizen of the country in which the unit or plant is located but is a citizen of the country in which the organization is headquartered.
- **A host-country national** is an employee working in a unit or plant who is a citizen of the country in which the unit or plant is located, but where the unit or plant is operated by an organization headquartered in another country.
- **A third-country national** is a citizen of one country, working in a second country, and employed by an organization headquartered in a third country. Each of these individuals presents some unique HR management challenges. Because in a given situation each is a citizen of a different country, different tax laws and other factors apply. HR professionals have to be knowledgeable about the laws and customs of each country. They must establish appropriate payroll and record-keeping procedures, among other activities, to ensure compliance with varying regulations and requirements.

EXPATRIATES

(An **expatriate** (in abbreviated form, **expat**) is a person temporarily or permanently residing in a country and culture other than that of the person's upbringing.) (A person who leave one's native country to live elsewhere) Many MNEs use expatriates to ensure that foreign operations are linked effectively with the parent corporations. Generally, expatriates also are used to develop international capabilities within an organization. Experienced expatriates can provide a pool of talent that can be tapped as the organization expands its operations more broadly into even more countries. Japanese-owned firms with operations in the United States have rotated Japanese managers

through U.S. operations in order to expand the knowledge of U.S. business practices in the Japanese firms.

Several types of expatriates may be differentiated by job assignment, because not all individuals who decide to work as expatriates are similar in the assignments undertaken.

- ***Volunteer expatriates:*** These are persons who want to work abroad for a period of time because of career or self-development interests. Often, these expatriates volunteer for shorter-term assignments of less than a year so that they can experience other cultures and travel to desired parts of the world.
- ***Traditional expatriates:*** These are professionals and managers assigned to work in foreign operations for one to three years. They then rotate back to the parent corporation in the home country.
- ***Career development expatriates:*** These individuals are placed in foreign jobs to develop the international management capabilities of the firm. They may serve one to three “tours” in different countries, so that they can develop a broader understanding of international operations.
- ***Global expatriates:*** The broadcast category comprises those individuals who move from one country to another. Often, they prefer to work internationally rather than in the home country.

HOST-COUNTRY NATIONALS

Using host-country nationals is important for several reasons. It is important if the organization wants to establish clearly that it is making a commitment to the host country and not just setting up a foreign operation. Host-country nationals often know the culture, politics, laws, and business customs better than an outsider would. Also, tapping into the informal “power” network may be important. In one Southeast Asian country, foreign companies have learned that a firm’s problems are resolved more

quickly if a family member of that country's president is a consultant to the firm or a member of its management. But U.S. firms must take care that the individuals used actually perform work for the company; the "salary" must not be a disguised bribe paid in order to obtain contracts. Otherwise, the firms could be in violation of the FCPA addressing foreign corrupt practices. Another reason to use host-country nationals is to provide employment in the country. In many lesser-developed countries, compensation levels are significantly lower than in the United States, so U.S. firms can gain cost advantages by using host-country nationals to staff many jobs.

Recruiting the first group of local employees can be a challenge. The initial group helps create a culture for that organization—for better or worse. Yet, the opportunity for serious errors is great. For example, many countries have very different employment laws, which may make it difficult to dismiss an employee. In countries where there is a shortage of qualified candidates, good potential employees may be lost if not approached correctly. To accomplish successful hiring of host-country nationals, many firms form partnerships with local companies to help with hiring.

THIRD-COUNTRY NATIONALS :

Using third-country nationals emphasizes that a truly global approach is being taken. Often, these individuals are used to handle responsibilities throughout a continent or region. For instance, a major U.S.- based electronics company has its European headquarters in Brussels, Belgium.

While most employees on the clerical staff are Belgians, only about 20% of the professionals and managers are from Belgium. Most of the rest, except for five U.S. expatriates, are from other Western European countries.

It is unusual to find third-country nationals in a new multinational enterprise (MNE). These are usually staffed with qualified nationals and expatriates. Third country nationals are often first hired when a company has several foreign operations and

decides to open another. The choice is often between transferring another expatriate from headquarters or transferring an employee from another overseas operation. Third-country nationals are more common in MNEs with headquarters in North America than in other regions.

TRANSNATIONAL PROJECT TEAMS:

There has been a dramatic increase in the number and variety of multicultural or “transnational” teams. These teams may be temporary or somewhat permanent and are formed to solve a specific problem or to handle ongoing activities. They often include headquarters representatives, host-country nationals, and third-country nationals. They are useful not only as potentially valuable business units but also as development vehicles for leaders. Eastman Kodak formed a transnational team based in London to launch its photo CD at the same time in several European countries. The team dealt with complex strategic issues across geographic and cultural barriers.

Recruiting and Selecting Staff for international Assignments

Business newer-days are recognized to be international and there is a universal belief that this will prolong in the future. This is why organisations now have the need for international managers, as the organisation spread worldwide, so must the employees. Human resource management (HRM) has grown to be one of the most accepted topics in international management. The employee that is send abroad is known as an expatriate. “Expatriates are employees/managers who move from the home country to an overseas location.” (Tanner 2009, 360) A successful expatriate usually entail a vast amount of time and money, however, a botched expatriate can be even more expensive

for an organisation. "International business is all the business transactions involving private companies or governments of two or more countries." (Daniels 2009, 864) International human resource management is an imperative aspect of MNE's international strategies and the difficulty of managing international operations. The determination of this study is to gain a better understanding of how multinational enterprises (MNE) select their expatriate managers. It is important to note that the selection process is a discrete process and need to function successfully in the organisations.

1. Multinational Enterprise.

The multinational enterprise (MNE) can be measured as the most powerful organisation in the world today. Globalization is the development that has a significant impact on how the world operates today and is mostly driven by the expansion of MNE's. Internationalisation has lined the technique for the eradication of boundaries between countries and now multinational enterprises (MNE's) can be distributed across the world in exploration of new markets, opportunities and wherewithal.

"A multinational enterprise (MNE) takes a worldwide view of markets and production." (Daniels 2009, 63) In simple terms, a Multinational enterprise (MNE) will produce and market their products anywhere in the world. Operations can also take place in multiple countries, for example, in the wholesale trade Nestle is an excellent example of an MNE. Nestle has marketing and production facilities in almost every country, in the world; Nestle Switzerland operational plants must be managed to use the same set of management styles as their international counterpart Nestle SA.

A multinational enterprise (MNE) is an organisation that holds a hefty equity share; usually fifty percent or more of another organisation, functioning in an overseas country. The multinational enterprise (MNE) can be formed when an organisation in one country makes an impartiality investment in an organisation, in another country. Foreign direct

investment (FDI) is an investment in an overseas organisation where the overseas financier holds at least ten percent of the average shares, accepted with the objective of proven a 'lasting interest' overseas, a durable bond and momentous influence on the management of the organisation. International markets and foreign direct investment (FDI) have amplified penetratingly in the precedent decades. Escalating internationalization has had a remarkable influence on the competitive spot of numerous countries.

Role of (MNE) in staffing approaches.

Operating internationally, a Multinational Enterprise (MNE) has many vital decisions to make, how to, best structure the organisation in order to manage business effectively. "According to (Schuler et al.1992,419-459), The most influential factor that determines the success of the organisation, is the way in which the Multinational Enterprise differentiates its operating units internationally and, at the same time, assimilates, control and coordinate its activities." Important factor is to balance the need for diversity, to coordinate and manage to produce an organisation that is internationally, flexible and competitive. Diversity branch as the need to operate in a rejoinder manner in an array of environments occurs internationally arise. Multinational enterprise's (MNE's) can supply resources to host countries that other organisations cannot. The host country can persuade them to transmit their compensations in suitable forms. The compensation that a host country can acquire from foreign direct investment (FDI) is as follow: 1) Capital, 2) Technology, 3) Skills and Management and 4) Access to markets.

*** Capitals.**

Foreign direct investment (FDI) brings to hand financial resources in the form of capital for countries who cannot afford the required capital. The capital inflows received from the FDI are more constant, and it is much easier to service than trade debt or portfolio investment. In dissimilarity to other suppliers of capital,

MNEs mostly invest in long-standing assignments compelling risks and repatriating of profits only when the assignment yield returns.

*** Technology.**

Embryonic countries tend to insulate in the use of technology, even the technology in developed countries can be outdated. The MNEs can bring modern technologies and increase the effectiveness with which technologies can be used. They modify technologies to local environments, depiction on their knowledge in other embryonic countries. The MNE can improve technologies as modernization materialize and spending patterns change, they can also rouse technical competencies in local organisations both suppliers and competitors, by giving support, acting as role models and increasing competition.

*** Skills and Management**

The need for training, is regularly not recognised by local organisations, the MNE's is mostly in possession of advanced skills and can transfer the resources to the host countries. They bring to hand experts, setup training facilities and have some of the best management techniques that offer the host country a gargantuan competitive advantage. Where association can be integrated into MNE's networks, they can cultivate capabilities to service the regional or international system in tasks, products or markets.

*** Market Access**

The MNEs can provide access to export markets, both for existing activities and new activities. In order to attract MNEs, a host country must make sure that its policies and regulations are beneficial, while at the same time protecting the state from opportunistic entities. The process of internationalization and multinational corporations influence the political area of a host country, a host country that intends to attract more MNEs and investors need to generate an image of stability and reliability.

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This can be done by implementing policies and regulations that the international community endorse and that make MNE entry more advantageous for both parties. The main channel for the transfer of human resource management (HRM) across international boundaries and various cultures is the MNE. Not only are MNEs main cast lists in international business, but they are also crucial cast lists in the practice of human resource management (HRM) internationally. The procedure of human resource management (HRM) in other countries is often culturally specific, and human resource (HR) professionals need to take this into consideration.

The main focus of an organisation's human resources programme right through all of its progression and actions should be the optimum support and reinforcement of the organisation's strategy, in attempts and actions involving both strategy formulation and implementation. The staffing approach has a significant impact on strategic management, including selection of key MNE managers who have a significant influence in formulating the MNE's strategy, and the selection of managers throughout the MNE.

Staffing should shape and strengthen the direction and main concern of the MNE, such as being steady with its ethnocentric, polycentric, region-centric, and geocentric staffing approaches in operating international organisations. An organisation's approach to international endowment (staffing) must support the way of doing business. Discussion on the orientations toward staffing in MNE can be traced to the work of Howard Perlmutter, and his work represents the seminal theoretical contribution to the field. He introduced a classification of multinationals which differentiated between firms based on their attitude toward geographic sourcing of their management teams. "According to Perlmutter, 1969. There are three primary ways in which international organisations can be staffed; a fourth staffing approach was added later." The connotations for the staffing functions, mainly for superior levels of management, held by region-centric, geocentric, ethnocentric and polycentric strategic approaches can be discussed.

International Staffing Approaches

Organisations involved in international business can be divided into four types international strategies, 1) Global, 2) Multi-domestic, 3) Transnational and 4) International strategy. When a MNE has identified their strategy they look to international markets for potential growth strategies. Management beliefs are a serious matter, because it decides how an organisation views itself in relation to it wants and needs to manage human resources in different countries. Employees who mix with the organisation's culture and have the ability to engage in the working environment, is extremely useful, for an international human resource manager in the selection process. Nestle, for example, is hiring employees who have the necessary skills required to perform actual tasks and whose style, beliefs, and value system needs to be the same as the organisation. Factors such as local values and international trade theories need to be taken into consideration when managers create a strategy for international markets. Ethnocentric, polycentric, geocentric and region-centric is perspectives that managers themselves present and characterise into question.

2.1 International strategies.

2.1.1 Global Strategy.

"This strategy describes the most mature international strategy, with highly coordinated activities dispersed geographically around the world." (Johnson 2008, 306) This strategy offers a standardised product across a number of national markets, with little or no adjustment to local needs or expectations. An example of a company that make use of this strategy can be Sony, as they compete in every country, in the world, and they regulate their products for all markets in different countries.

2.1.2 Multi- Domestic Strategy.

"This strategy is similarly loosely coordinated internationally, but involves dispersion overseas of various activities, including manufacturing and sometimes product

development.” (Johnson 2008, 305) This strategy also aims at adapting a product for use in national markets responding to changes in the local market environment. Local adaption can make the overall organisational portfolio increasingly diversified. This strategy is most desirable in professional services, where local relationships are extremely valuable.

2.1.3 Transnational Strategy.

“Transnational companies operate in many countries and delegate many decisions to local managers.” (Boddy 2005, 106) This strategy strives to optimise the trade-offs associated with productivity, local adaptation and learning.

2.1.4 International Strategy.

This strategy can be based on the dissemination and adaptation of a company’s knowledge and expertise to foreign markets.

2.2 Staffing approaches.

Once the organisation has chosen their international strategy, they can now choose and apply one of four staffing approaches in order to manage their staff in an efficient manner in the organisation.

2.2.1 Ethnocentric approach.

“An ethnocentric attitude is the parochialistic belief that the best work approaches and practices are those of the home country.” (Stephen 2007, 92) An organisation with a parent country strategy succeeds with this approach. The headquarter from the parent country makes the key decisions, most employees from the parent country have significant work, and the contributory support the parent country, resource management procedures.

The organisation procedure and culture values of

the parent country are predominant when MNE follow the ethnocentric approach. A managing and staffing approach can be developed by headquarters and is steadily applied throughout the world. Organisations following this approach assume that the parent country management system is better, and that staff members from other counterparts of the world should follow these styles.

2.2.1.1 Advantages of using Ethnocentric approach.

2.2.1.1.1 Transmitting core competencies.

Employees that can be transferred to engage in an international strategy are more likely to be au fait with and protect the organisation's core competencies. Organisations intend to continue with the success of the organisation, when expanding and operating in international markets. They perpetuate the success by controlling and regulating the use of the organisation's core competencies.

2.2.1.1.2 Countering cognitive dissonance.

Organisations make use of the ethnocentric staffing approach, to minimise the level of cognitive dissonance, as there are various challenges operating in foreign markets; to help them overcome these challenges, the organisation makes use of reliable and competent employees to engage in proven working methods, in the foreign market, . An ethnocentric staffing approach is from time almost impossible. The development and employing of local workers can be alerted by the hosting government, the preferences of foreign contributory to hire locals. The MNE is often pushed through immigration laws and workplace set of laws to do so.

2.1.1.2 Disadvantage of using ethnocentric approach.

2.1.1.2.1 De-motivate staff.

The ethnocentric staffing approach can de-motivate local managers and employees. All "smart" and competent employees live near headquarters, this sends out a message, to

lower-level employees that the organisation do not appreciate them which lead to less motivated staff.

2.1.1.2.2 Narrow interpretation of foreign operations.

Expatriate managers may struggle to oblige styles which are acceptable in the organisation's headquarters, but which may be considered inappropriate in the host country.

2.2.2 Polycentric approach.

"A polycentric staffing policy uses host-country nationals to manage local subsidiaries." (Daniels 2009, 823) A local employee heads a contributory because headquarters' managers are not measured to have sufficient local knowledge. Contributory continually cultivates human resource management procedures locally. A polycentric staffing approach analyse the effectiveness of the organisations procedures of the host country operations as equivalent to those of the parent country.

2.2.2.1 Advantages of using Polycentric approach.

2.2.2.1.1 Maintain motivation and organisational image.

Making use of the host country managers, to engage in a multi-domestic strategy, they can assist and encourage local initiative and commitment, and to perk up the organisations local image.

2.2.2.1.2 Continuity of management improves.

It abolishes language barriers, elude adjustment problems of expatriate managers and their families, and eliminate the need for costly cultural consciousness training courses. Bestow potential for profit proliferation through elasticity because local managers can respond immediately to market needs in the vicinity of pricing, production, product life cycle, and political bustle; deficiency of problems linked with expatriate managers

together with cultural short-sightedness.

2.2.2.2 Disadvantages of using Polycentric approach.

2.2.2.2.1 Gap between local and global operations.

With a polycentric approach, it is more trouble to bridge the gap (policies, communication, coordination, control and culture etc.) between the host country component and the organisation's parent headquarters.

2.2.2.2.2 Lead to corporate lethargy.

The organisation confines understanding of host nationals to their own country. Organisations headquarters may become isolated from national component and lead to lack of incorporation, this, in turn, may lead to corporate lethargy.

2.2.3 Geocentric approach.

A geocentric approach can be defined as "A world-oriented view that focuses on using the best approaches and people around the globe." (Stephen 2007, 93) When organisations engage in a geocentric approach they seek the ideal candidate for prime positions throughout the organisation, despite their origin. Managers that make use of this staffing approach believe that it is extremely valuable to have an international perspective, both at the organisations headquarters in the parent country as well as in the foreign host country.

2.2.3.1 Advantages of using Geocentric approach.

2.2.3.1.1 Endorse international learning.

A geocentric staffing approach enables firms pursuing a global or transnational strategy to establish the necessary framework of international management, who can support global learning by moving between countries and cultures without forfeiting

their success. This approach also allows the organisation to make best use of its human resources and makes employees feel at ease working in any culture.

2.2.3.2 Disadvantages of using Geocentric approach.

2.2.3.2.1 Hard to develop and costly to maintain.

The issues that make the geocentric staffing approach hard to develop and costly to maintain can be issues such as, economic aspects, decision-making and legal contingencies.

2.2.4 Region-centric approach.

Staffing approaches may also occur in the process under an established region-centric strategic approach, where the organisation's operations or meticulous functions can be controlled by various country regions or fundamental economic regions. This staffing approach can be viewed as the host country has the predominance at a local contributory, however, with an increased activity of superior host country managers to top up operations in various countries of the fiscal region.

In this case, it can be noted that headquarter employees signify at regional headquarters, which provide opportunities for cross-cultural dealings afar from what can be found in the polycentric staffing approach. The previous host country managers and the international assignments also acquire useful albeit less culturally remote international career experience; however, they are still limited to the regional level with a slight chance of upgrading to the top management strategic working party back at their company headquarters.

2.2.4.1 Advantages of using Region-centric approach.

2.2.4.1.1 Build Competencies.

The region-centric staffing approach possibly will play a role, through this

prolonged level of international assignments, to edifice competent international competencies, signifying an obliging conversion to an ultimate global strategy introducing a geocentric approach to staffing.

2.2.4.1.2 Encourage communication.

It permits interaction flanked by managers of an organisation's contributory that transmits to their organisation's local headquarters, and managers from the organisation's headquarters positioned in the regional headquarters.

2.2.4.2 Disadvantages of using Region-centric approach.

2.2.4.2.1 Career limited.

When an organisation makes use of the region-centric staffing approach, there is a rare occasion that they can be transferred between regions. This strategy shift employees within designated regions, rather than transferring internationally.

The multinational enterprise can engage in one of numerous approaches to select international staff. It may even continue on an unplanned core, rather than analytically selecting one of the above four staffing approaches. The jeopardy with these approaches can be that the organisation will choose a staffing approach of making use of parent country nationals in international management positions by firm will choose for a policy of using parent-country nationals in foreign management positions by evasion, that is, simply as an routine expansion of domestic staffing approach, rather than consciously looking for best possible exploitation of management abilities. There are both advantages and disadvantages of making use of local nationals and expatriates in foreign contributories. The majority organisations make use of expatriates only for important positions as senior managers. Expatriates veer to be very costly, it makes little sense to hire expatriates for positions that can be proficiently filled by foreign nationals. Numerous countries compel that a evident percentage of the work force need to be local employees, with omissions frequently made for superior

management.

3. Criteria for selecting expatriates.

International human resource is a decisive factor of an organisation's position and is widely recognized as an influencing factor for failure and success of international business environments. International human resource involves developing human resource capabilities to meet the diverse needs multinationals organisations. Human resources and competitive international economy are cannot be easily too duplicated, as factors of production and can, therefore, provide a competitive advantage for the organisation. When looking at international staffing criteria's, operating and middle management employees can be selected locally. Upper management positions can be filled with parent country nationals (PNC), host country nationals (HCN) and third-country nationals (TCN). The choice of whom to hire is often influenced by the attitudes of top management teams and the overall staffing policies. The organisations strategic positions and vision should take the view on international human resource management and how it can be integrated into the organisation. "According to Dowling and Schuler, (1990) selection is the process of gathering information for the purpose of evaluating and deciding who should be employed in a position." When high-technical capabilities and when new international organisations recognize that adherence to the organisations is in greater concern as to the commitment to host countries; expatriates are usually sending abroad. (Deresky 2003) Technical expertise can be seen as one of the most critical criteria when selecting employees for international assignments. "Black et al, 1999, stated focusing on technical skills can result in an instant selection process, where potential candidates with cross-cultural skills and similar technical skills can be overlooked when decisions makers are trying to find suitable candidates within the organisation."

For the human resource practitioner in charge, it can be challenging to determine what selection criteria to use when selecting employees for international assignments. The factors involved in the expatriation selection is, 1) Technical Ability 2) Cross-Cultural

Suitability 3) Family Requirements 4) Organisation-Specific Requirements 5) Language and 6) MNE requirements. These factors are all related so they should not be revised separately. Technical Ability, Cross-Cultural Suitability and Family Requirements, are the factors related to the individual, and the Organisation-Specific Requirements, Language and MNE requirements are mostly influenced by the working situation they need to enter.

3.1.1 Technical Ability.

For the selected candidate to perform a task, technical and the needed managerial skills is necessary. The assessment of the potential candidate is usually based on their previous working experience, where statements and evaluation records from the candidates superiors is available. When the candidate needs to solve a problem in a new international business environment, it must be noted that experience is not that serious. Technical abilities are fundamentally the knowledge required to carry out a task; technical abilities is associated to the working of tools. An example of technical abilities can be that financial managers need to make use of business appraisal tools to assess and set up financial statements like the income statement and balance sheet.

3.1.2 Cross-culture suitability.

“According to Dowling and Welch, (2004) important Things to consider when assessing the candidates cross-culture suitability, is language skills, culture empathy, the attitude toward new cultures and the level of personnel and emotional stability.” In practice, it is not easy to evaluate the cross-culture suitability of a candidate as it is hard precisely know what factors should be included. The multinational enterprise (MNE) emphasizes the importance of expatriate’s abilities to create and maintain a natural relationship, but means to measure such abilities is not always accurate enough. Efficient relationships for example, an analysis of the hypothesis that culture with evident male dominance is more belligerent and it can be perplexed, because the mock-up of cultures is not autonomous.

3.1.3 Family Requirements.

The success, of the expatriate abroad can be influenced by spouse/family, MNE's sometimes focuses too little on the impact that family may have on the expatriate. Families find it difficult to adjust as they can suffer from segregation due to the subjection to integrate into new environments. A higher level of organisational assistance in the primitive phases of expatriation usually links with a higher level of adjustment by the spouse.

3.1.4 Organisation-Specific Requirements.

The human resource practitioner needs to consider the organisations requirements before selecting a candidate, host country governments can stop the transfer of expatriates. The host government, is the ones that issue the working permits and visas to the expatriates, therefore, the parent country need to prove that there is no available host national country. Legislations and changes of the employee must be addressed; assignments abroad means that the expatriate must move to another country with family to remote or war-torn environments, where living conditions can be challenging. Some host countries do not issue work permits to females, this can make it difficult, for the spouse to adapt. An organisation-specific requirement is implemented during the formation of an independent relationship flanked by computer resources, which includes the evaluation of the comparative precedence between default recommendation and alternative recommendation; and using the highest precedence recommendations to set up a link among the computer resources.

3.1.5 Language skills.

Language skill is a significant factor, knowledge of the host country's language can be considered essential for many top level management positions, along with the aptitude to communicate successfully. Knowledge of the host country's foreign language helps the expatriates and their families/spouse feel more contented in the new environment. When adopting a corporate language, which is different from what

the, expatriate local, language, is a fundamental that language skills need to be viewed as selection criteria.

3.1.6 Multinational enterprise (MNE) requirements.

The MNE's requirements have an enormous impact on the decisions and which selection criteria to use. Training skills are very important, so that expatriates can train locals and emphasize negotiating skills in new international business environments. The period of the assignment is another factor influencing family/spouse. "According to Harris and Brewster, (1999) they suggested that international managers has many similar characteristics as those managers working in less complex environments, but are in need of additional skills regarding to handle the problems that may arise internationally."

Technical abilities is an important factor in the case of selecting international staff, it provides the employee with the basic understanding of what is included in their tasks and what they believe they are capable of doing. The multinational enterprise (MNE) view the experience of expatriate as very important, prolong experience is needed to have the appropriate knowledge to develop a successful organisation

Global staffing practices

There are four primary approaches that multinational companies use in staffing decisions, including **geocentric, ethnocentric, polycentric, and Regiocentric** approaches.

The **geocentric staffing approach** does not focus on one nationality over the other. Instead, upper level management positions are held by the most qualified employees selected from a global pool of candidates. These managers are considered third country nationals, or TCNs. The most qualified candidates are selected, but no single nationality is stressed.

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The **Geocentric Approach** is one of the methods of international recruitment where the Multi National Companies recruit the most suitable employee for the job irrespective of their Nationality.

When a company adopts the strategy of recruiting the most suitable persons for the positions available in it, irrespective of their nationalities, it is called a geocentric approach. Companies that are truly global in nature adopt this approach since it utilizes a globally integrated business strategy. Since the HR operations are constrained by several factors like political and ethnical factors and government laws, it is difficult to adopt this approach. However, large international companies generally adopt the geocentric strategy with considerable success. For international recruitment, especially on foreign soil, organizations generally use manpower agencies or consultants with international connections and repute to source candidates, in addition to the conventional sources. For an effective utilization of the internal source of recruitment, global companies need to develop an internal database of employees and an effective tracking system to identify the most suitable persons for global postings.

The **ethnocentric staffing approach** heavily focuses on the norms and practices of the parent company where upper management positions are typically held by corporate personnel from the home country. These managers are considered parent company nationals, or PCNs. Japanese and Korean firms follow this approach quite often.

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

When a company follows the strategy of choosing only from the citizens of the parent country to work in host nations, it is called an ethnocentric approach. Normally, higher-level foreign positions are filled with expatriate employees from the parent country. The general rationale behind the ethnocentric approach is that the staff from the parent country would represent the interests of the headquarters effectively and link well with

the parent country. The recruitment process in this method involves four stages: self-selection, creating a candidate pool, technical skills assessment, and making a mutual decision. Self-selection involves the decision by the employee about his future course of action in the international arena. In the next stage, the employee database is prepared according to the manpower requirement of the company for international operations. Then the database is analysed for choosing the best and most suitable persons for global assignments and this process is called technical skills assessment. Finally, the best candidate is identified for foreign assignment and sent abroad with his consent.

The **polycentric staffing approach** heavily focuses on the norms and practices of the host company where upper management positions are typically held by corporate personnel from the local country. These managers are considered host country nationals, or HCNs. European firms often follow this approach.

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

The **regiocentric staffing approach**, a more recently identified approach, is where upper level management positions are held by employees from a particular region (North American region, European Region, Asian region, etc.). This approach is similar to the polycentric approach, but it reflects a specific region rather than a specific country. For

instance, a U.S. company in Mexico may consider hiring an employee from Canada to fill a management role.

The Regiocentric approach uses managers from various countries within the geographic regions of business. Although the managers operate relatively independently in the region, they are not normally moved to the company headquarters. The Regiocentric approach is adaptable to the company and product strategies. When regional expertise is needed, natives of the region are hired. If product knowledge is crucial, then parent-country nationals, who have ready access to corporate sources of information, can be brought in.

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

International Transfer and Repatriation strategies

International Transfer strategies

One of the internal mobility of the employee is transfer. It is lateral movement of employee in an organization by the employee. "A transfer involves the shifting of an employee from one job to another without changing the responsibilities or compensation".

Transfers of employees are quite common in all organizations. This can also be defined as a change in job within the organization where the new job is substantially equal to the old in terms of pay, status and responsibilities. Transfers of employees can possible from one department to another from one plant to another. Transfer may be initiated by the organization or by the employees with the approval of the organization. It can be also due to changes in organizational structure or change in volume of work, it is also necessary due to variety of reasons. But broadly can be done either to suit the conveniences of organization and to suit the convenience of employees.

The purposes of the Transfer

The transfer are generally affected to build up a more satisfactory work team and to achieve the following purposes:

- To increase the effectiveness of the organization.
- To increase the versatility and competency of key positions.
- To deal with fluctuations in work requirements.
- To correct incompatibilities in employee relations.
- To correct, erroneous placement.
- To relieve monotony.
- To adjust workforce.
- To punish employees.

Types of Transfers most of the transfers generally carried out four types of transfers which are discussed below:

Production Transfer: Such transfers are resorted to when there is a need of manpower in one department and surplus manpower in other department. Such transfers are made to meet the company requirements. The surplus employees in one department/section might be observed in other place where there is a requirement.

Replacement Transfers: This takes place to replace a new employee who has been in the organization for a long time and thereby giving some relief to an old employee from the heavy pressure of work.

Remedial Transfers: As the name suggest, these transfers are made to rectify the situation caused by faulty selection and placement procedures. Such transfers are made to rectify mistakes in placement and recruitments. If the initial placement of an individual is faulty or has not adjusted to work/job, his transfer to a more appropriate job is desirable.

Versatility Transfer: Such transfers are made to increase versatility of the employees from

one job to another and one department to another department. Transfer (Job Rotation) are the tool to train the employees. Each employee should provide a varied and broader job experiences by moving from one department to another. This is for preparing the employee for promotion, this will definitely help the employee to have job enrichment.

Transfer Policy

Every organization should have a fair and impartial transfer policy which should be known to each employee. The responsibility for effecting transfers is generally entrusted to an executive with power to prescribe the conditions under which requests for transferred are approved. Care should be taken to ensure that frequent or large scale transfers are avoided by laying down adequate selection and placement procedures for the purpose. A good transfer policy should:

- Specifically clarify the types of transfers and the conditions under which these will be made.
- Locate the authority in some officer who may initiate and implement transfers.
- Indicate whether transfers, *i.e.*, whether it will be based on seniority or on the skill and competency or any other factor.
- Decide the rate of pay to be given to the transferee.
- Intimate the fact of the transfer to the person concerned well in advance.
- Be in writing and duly communicated to all concerned.
- Not be made frequently and for sake of transfer only.

A sound, just and impartial transfer policy should be evolved in the organization to govern all types of transfers. This policy should be clearly specified so that the superiors cannot transfer their subordinates arbitrarily and subordinates may not request for transfers even for the small issues. The management must frame policy on transfers and apply it to all the transfers instead of treating each case on its merit. Such a policy must be based on the following principles:

1. Transfer policy must be in writing and be made known to all the employees of the organization.

2. The policy must very clearly specify the types and the circumstances under which company initiated the transfer will be made.
3. Basis of the transfer should be clearly mentioned in the policy, whether it will be based seniority or on the skill and the competency or any other factors.
4. It should indicate the executives who will be responsible for initiating and approving the transfers.
5. The policy should specify the region or unit of the organization within which transfers will be administered.
6. The effect of the transfer on the pay and seniority of the transferred employee may be clearly evaluated.
7. It should be prescribed in the policy whether the training or retraining is required on the new job.
8. Transfer should be clearly defined as temporary or permanent.
9. The interest of the organization are not to be forgotten in framing a policy of transfer.
10. Reasons for the mutual transfer of employees or reasons to be considered for the personal transfers should be specified.
11. The fact of the transfer should be intimated to the person concerned well in advance.
12. Transfer should not be made frequent and not for the sake of transfer only.

International Repatriation strategies

A successful repatriation not only secures the continued employment of the expat, but results in an advocate who thrives and becomes a positive promoter of the program. This requires planning before the expat goes on assignment as well as a mutual understanding of what his or her return will look like and the commitments the company is willing to make upon the expat's return.

While nearly three-quarters of companies with expat programs have formal repatriation policies, only one in five have repatriation discussions with their expats before their assignments begin, according to a survey by Brookfield Global Relocation Services. While it is difficult to prove a correlation between formal career management and expat attrition, the survey notes that two-thirds of companies with high expat attrition rates had no formal

strategy linked to career management.

Showing participants at the beginning of their assignments that the company is committed to their professional development will help ensure that expat prospects are comfortable in accepting the assignment. Following are six primary areas that should be considered when planning repatriation:

1. **Educate and engage others:**

It sounds simple, but a personal thank you and meeting with senior leadership at the company can go a long way to making the expat feel valued and welcomed back home. Further, companies should encourage and help the expat provide colleagues and prospective expats with a realistic picture of what they achieved, how they developed professionally, what they had to give up or put on hold to participate, and the cultural experience of the assignment location. Involve family members where possible and appropriate to fill in the picture.

2. **Compensation**

By ensuring at the start of the assignment that all of the assignment-related compensation is broken out, it will be easier to avoid compensation issues upon return to the home location and helpful in avoiding discontent from the expat. That said, a short-term repatriation allowance can help ease the transition as well. In addition, management should consider offering a retention bonus for staying with the company for an additional two years after the assignment. Continuing tax support is essential for trailing tax liabilities in the host and home countries. Through this benefit, management may also find opportunities to bring cash back to the company and reduce some of the tax costs of the assignment.

3. **Career development:**

According to the Brookfield survey, the best method for retaining expats after they return to their home locations is to offer opportunities to use their international experience. A good repatriation program will ensure the expat comes back to an available position that is

considered an advancement from pre-assignment; offering a greater choice of positions is effective as well. In any event, career discussions should start in earnest six to 12 months before return to the home location.

4. Ongoing support:

Regular business trips back to the home country throughout the assignment can ensure the expat does not return to an unfamiliar and isolating environment. If the return is not to the original location of departure, continued logistical support can help ease this transition. For example, connecting expats with mentors who are based in the home (or eventual) location can help keep expats in the loop and in the minds of their home-country colleagues throughout their assignments. Transition counseling can help counter the negative culture shock that a return home can often have on expats and their families.

5. Families

It can be difficult to overstate the impact of the expat's family members' opinions of the repatriation on the returning expat. After all, family members living with the expat (and, to some extent, those who stay behind in the home country) made a commitment to the sponsoring firm as well. Immediate family members may be asked to put their own careers on hold or raise families in a foreign location. Extended family members may not see their loved ones for months or years at a time. The impact that families have on the expat's future can be significant, and the importance of seeing the return home as positive experience should not be underestimated.

6. Continuous improvement:

Candidly ask the expat for feedback on the assignment and how it can be improved, then engage the expat in helping to implement those changes. Involve the expat (and, where appropriate, the expat's family) in shaping and supporting the next group of expats.

Global Workforce Training and Development

Training and Developing a Global Workforce

Companies with multicultural workforces face a number of issues with their onboarding, training and development programs. Companies must ensure that the level of quality of orientation and training programs is consistent for employees regardless of their country of origin. Further, when an employee is sent to work in a foreign country, a business must provide cultural and occupational training that the worker will need to be successful.

Training International Employees

When developing training programs for foreign employees, developers should be aware of the differences between high context and low context cultures. They must also recognize how the design of a training program can influence the participation and effectiveness of particular cultures. Thus, training must be strategically planned for international employees. The goal must be clearly defined and objectives must be established that support the goal. The objectives should specify the training methods, media and support material to be utilized. Depending on an employee's language and culture, carefully tailored approaches to training will yield more effective results.

A company must be prepared to have **slides, employee manuals, on boarding materials and other materials translated** into the languages of participants and, when necessary, have interpreters present for training events. In the United States, companies routinely order the English to Spanish translation of employee manuals, safety manuals, standard operating procedures and quality manuals to support their domestic workers.

In addition to focusing on cultural and socioeconomic characteristics of new employees,

attention should also be focused on the backgrounds of the trainers. Also characteristics, including level of education attained, reading comprehension and access to the Internet at home, will determine the feasibility of online training.

Throughout the development of the training program, managers should be mindful of situations and conditions that could distract the program from meeting its goal. To ensure the program stays on course, the goals of the program should be measurable, linked to performance and approved by top management.

The primary reasons for the failure of an assignment abroad and the pre-return of an expatriate include cultural differences, loneliness, high cost of living and relationship problems.

Cross-Cultural Preparation

Prior to relocating an employee to a foreign country, a business often provides cross-cultural preparation to the worker and his family. In the past, cross-cultural preparation wasn't something that U.S. businesses provided. However, American companies have witnessed large numbers of employees returning home prior to completing their assignments. One study suggests that U.S. companies lose \$2 billion annually from overseas assignments that were terminated prematurely by the employee. Cross-cultural preparation teaches the employee how to conduct business and get things done by introducing business practices and cultural norms of the foreign country.

Training and Development in international context

- **International Transfer and Repatriation strategies**

International Transfer strategies

One of the internal mobility of the employee is transfer. It is lateral movement of employee in an organization by the employee. "A transfer involves the shifting of an employee from one job to another without changing the responsibilities or compensation".

Transfers of employees are quite common in all organizations. This can also be defined as a change in job within the organization where the new job is substantially equal to the old in terms of pay, status and responsibilities. Transfers of employees can possible from one department to another from one plant to another. Transfer may be initiated by the organization or by the employees with the approval of the organization. It can be also due to changes in organizational structure or change in volume of work, it is also necessary due to variety of reasons. But broadly can be done either to suit the conveniences of organization and to suit the convenience of employees.

The purposes of the Transfer

The transfer are generally affected to build up a more satisfactory work team and to achieve the following purposes:

- To increase the effectiveness of the organization.
- To increase the versatility and competency of key positions.
- To deal with fluctuations in work requirements.
- To correct incompatibilities in employee relations.
- To correct, erroneous placement.
- To relieve monotony.
- To adjust workforce.
- To punish employees.

Types of Transfers

Most of the transfers generally carried out four types of transfers which are discussed below:

Production Transfer: Such transfers are resorted to when there is a need of manpower in one department and surplus manpower in other department. Such transfers are made to meet the company requirements. The surplus employees in one department/section might be observed in other place where there is a requirement.

Replacement Transfers: This takes place to replace a new employee who has been in the organization for a long time and there by giving some relief to an old employee from the heavy pressure of work.

Remedial Transfers: As the name suggest, these transfers are made to rectify the situation caused by faulty selection and placement procedures. Such transfers are made to rectify mistakes in placement and recruitments. If the initial placement of an individual is faulty or has not adjusted to work/job, his transfer to a more appropriate job is desirable.

Versatility Transfer: Such transfers are made to increase versatility of the employees from one job to another and one department to another department. Transfer (Job Rotation) are the tool to train the employees. Each employee should provide a varied and broader job experiences by moving from one department to another. This is for preparing the employee for promotion, this will definitely help the employee to have job enrichment.

Transfer Policy

Every organization should have a fair and impartial transfer policy which should be known to each employee. The responsibility for effecting transfers is generally

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entrusted to an executive with power to prescribe the conditions under which requests for transferred are approved. Care should be taken to ensure that frequent or large scale transfers are avoided by laying down adequate selection and placement procedures for the purpose. A good transfer policy should:

- Specifically clarify the types of transfers and the conditions under which these will be made.
- Locate the authority in some officer who may initiate and implement transfers.
- Indicate whether transfers, *i.e.*, whether it will be based on seniority or on the skill and competency or any other factor.
- Decide the rate of pay to be given to the transferee.
- Intimate the fact of the transfer to the person concerned well in advance.
- Be in writing and duly communicated to all concerned.
- Not be made frequently and for sake of transfer only.

A sound, just and impartial transfer policy should be evolved in the organization to govern all types of transfers. This policy should be clearly specified so that the superiors cannot transfer their subordinates arbitrarily and subordinates may not request for transfers even for the small issues. The management must frame policy on transfers and apply it to all the transfers instead of treating each case on its merit. Such a policy must be based on the following principles:

1. Transfer policy must be in writing and be made known to all the employees of the organization.
2. The policy must very clearly specify the types and the circumstances under which company initiated the transfer will be made.
3. Basis of the transfer should be clearly mentioned in the policy, whether it will be based seniority or on the skill and the competency or any other factors.
4. It should indicate the executives who will be responsible for initiating and approving the transfers.
5. The policy should specify the region or unit of the organization within which transfers

will be administered.

6. The effect of the transfer on the pay and seniority of the transferred employee may be clearly evaluated.
7. It should be prescribed in the policy whether the training or retraining is required on the new job.
8. Transfer should be clearly defined as temporary or permanent.
9. The interest of the organization are not to be forgotten in framing a policy of transfer.
10. Reasons for the mutual transfer of employees or reasons to be considered for the personal transfers should be specified.
11. The fact of the transfer should be intimated to the person concerned well in advance.
12. Transfer should not be made frequent and not for the sake of transfer only.

International Repatriation strategies

A successful repatriation not only secures the continued employment of the expat, but results in an advocate who thrives and becomes a positive promoter of the program. This requires planning before the expat goes on assignment as well as a mutual understanding of what his or her return will look like and the commitments the company is willing to make upon the expat's return.

While nearly three-quarters of companies with expat programs have formal repatriation policies, only one in five have repatriation discussions with their expats before their assignments begin, according to a survey by Brookfield Global Relocation Services. While it is difficult to prove a correlation between formal career management and expat attrition, the survey notes that two-thirds of companies with high expat attrition rates had no formal strategy linked to career management.

Showing participants at the beginning of their assignments that the company is committed to their professional development will help ensure that expat prospects are comfortable in accepting the assignment. Following are six primary areas that should be considered when planning repatriation:

1. Educate and engage others

It sounds simple, but a personal thank you and meeting with senior leadership at the company can go a long way to making the expat feel valued and welcomed back home. Further, companies should encourage and help the expat provide colleagues and prospective expats with a realistic picture of what they achieved, how they developed professionally, what they had to give up or put on hold to participate, and the cultural experience of the assignment location. Involve family members where possible and appropriate to fill in the picture.

2. Compensation

By ensuring at the start of the assignment that all of the assignment-related compensation is broken out, it will be easier to avoid compensation issues upon return to the home location and helpful in avoiding discontent from the expat. That said, a short-term repatriation allowance can help ease the transition as well. In addition, management should consider offering a retention bonus for staying with the company for an additional two years after the assignment. Continuing tax support is essential for trailing tax liabilities in the host and home countries. Through this benefit, management may also find opportunities to bring cash back to the company and reduce some of the tax costs of the assignment.

3. Career development

According to the Brookfield survey, the best method for retaining expats after they return to their home locations is to offer opportunities to use their international experience. A good repatriation program will ensure the expat comes back to an available position that is considered an advancement from pre-assignment; offering a greater choice of positions is effective as well. In any event, career discussions should start in earnest six to 12 months before return to the home location.

4. Ongoing support

Regular business trips back to the home country throughout the assignment can ensure the expat does not return to an unfamiliar and isolating environment. If the return is not to the original location of departure, continued logistical support can help ease this transition. For example, connecting expats with mentors who are based in the home (or eventual) location can help keep expats in the loop and in the minds of their home-country colleagues throughout their assignments. Transition counseling can help counter the negative culture shock that a return home can often have on expats and their families.

5. Families

it can be difficult to overstate the impact of the expat's family members' opinions of the repatriation on the returning expat. After all, family members living with the expat (and, to some extent, those who stay behind in the home country) made a commitment to the sponsoring firm as well. Immediate family members may be asked to put their own careers on hold or raise families in a foreign location. Extended family members may not see their loved ones for months or years at a time. The impact that families have on the expat's future can be significant, and the importance of seeing the return home as positive experience should not be underestimated.

6. Continuous improvement

Candidly ask the expat for feedback on the assignment and how it can be improved, then engage the expat in helping to implement those changes. Involve the expat (and, where appropriate, the expat's family) in shaping and supporting the next group of expats

Global Workforce Training and Development

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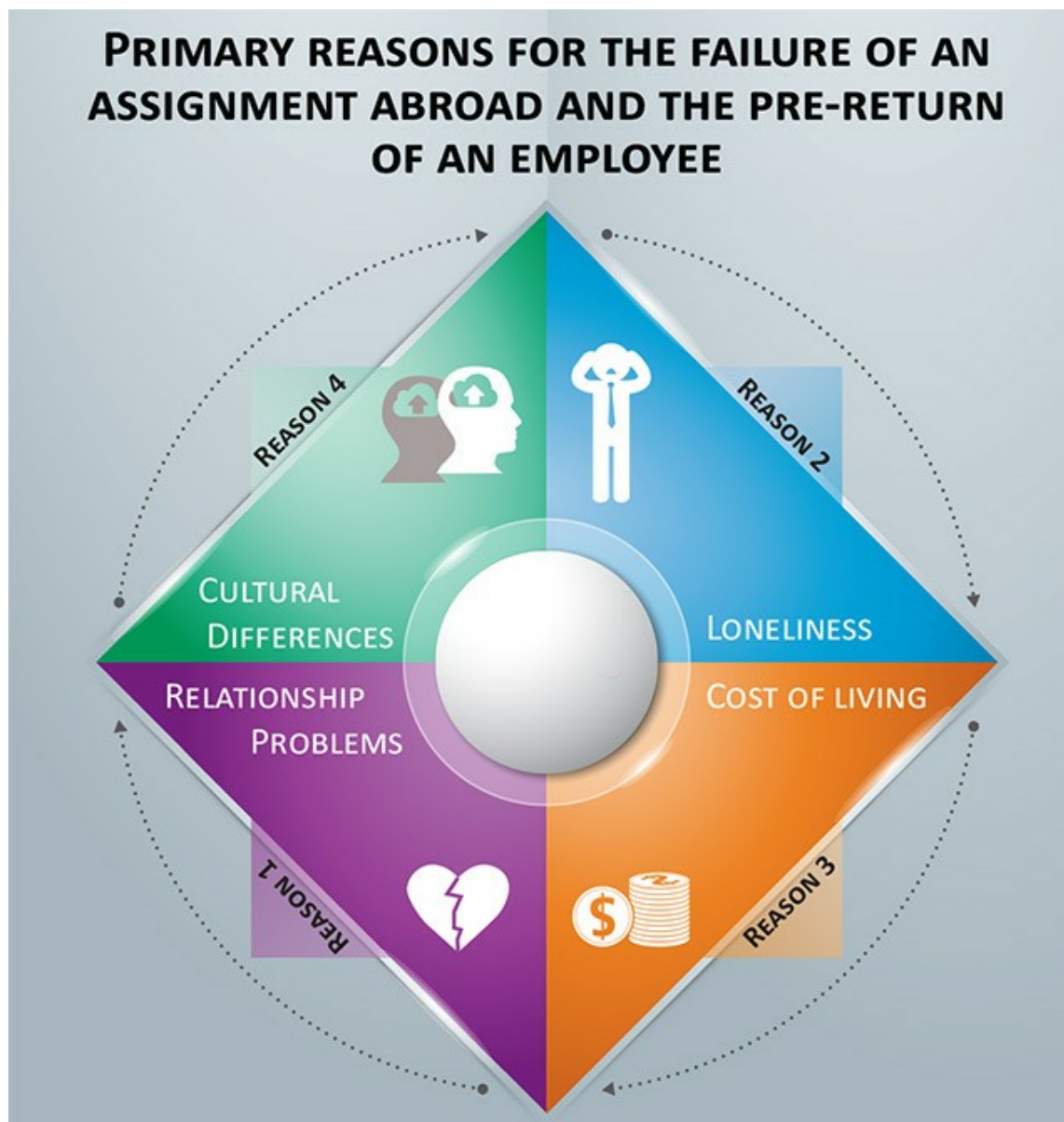
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Generally, the first step in a program involves identifying candidates who are most likely to succeed overseas. Ideal candidates are highly proficient in their job, effectively communicate at home and abroad, display patience rather than vagueness, express cultural sensitivity, show enthusiasm and self-motivation and are interested in learning new languages and cultures. However, the most important determinant to the success of a candidate is the long-term support of the employee's spouse.

After careful screening of employee and spouse, a cross-cultural preparation program should be designed that includes three stages: Preparation, Acclimation and Repatriation.

Preparation

Preparation takes place before the employee is sent overseas. This training includes training on the language, culture and customs of the country. The employee, spouse and children are briefed on housing, shopping, healthcare, education and other information needed for general daily life. Employees meet with managers who brief the employee on career growth projections. Instruction typically includes presentations and exercises that allow for interaction with others who have successfully completed similar assignments.

Acclimation

The employee and family receive more comprehensive training once they arrive in the host country. The host family enters a mentoring program that helps them assimilate into their new environment. The employee is typically assigned to a mentor at work who counsels the employee on the new work environment.

Repatriation

Coming back home can sometimes be a traumatic experience. While the employee and family have been away, sometimes for several years, significant changes in their community and in the company may have occurred. Colleagues, managers and other confidants may have left the company. During their time away, employees should be encouraged to stay current and build relationships with changes at home. This can be done through employee newsletters and by making effective use of the occasional return trips.

International Performance Management

Performance Management in International Organization

A MNE is not uniform across all of its subsidiaries and therefore, a number of environmental contingencies must be considered in relation to the various subsidiaries. These contingencies are the mental distance between the parent and host country, entry modes and the role of the subsidiaries (Colakoglu et al., 2009). There are several staffing models that are considered while filling up positions in the subsidiaries. In the geocentric staffing model, companies employ the most competent person irrespective of the country the employee actually belongs to. On the other hand, regiocentric is a geographic strategy and a subset of the geocentric approach whereby employees remain within a particular geographic region, allowing managers to enjoy regional autonomy (Schuler et al., 2002). In the ethnocentric staffing model, parent-country nationals (PCNs) are employed to fill up the higher level positions, whereas in the polycentric staffing model, host-country nationals (HCNs) are employed with the belief that the company will benefit from their local knowledge (Varma et al., 2005). Furthermore, the ethnocentric and geocentric staffing models also require integration and transfer of knowledge inside the host country unit in order to enable better performance from the subsidiary. Moreover, this will mean that the particular staffing strategy adopted will have an impact on the subsidiaries performance (Colakoglu et al., 2009).

The diverse business strategies of an organisation along with the dynamic global environment create the need for strategic HRM. It has become necessary to strategically manage the human resources of an organisation with the aim that they fit into the global environment and perform well. The operation of MNEs involves two dimensions, these being multiculturalism and geographic dispersion. These two aspects are balanced by adopting a mix of a centralised and decentralised approach since they both have their own benefits. Strategically, it is vital that the HRM fits with the

business strategy of the organisation. Furthermore, there is complete control from the headquarters and this centralised approach makes it imperative to develop uniform performance evaluation criteria all throughout the subsidiaries of the MNE (Caliguiri, 2006). In this strategy local responsiveness is very important, whereas global integration is not required. The decentralised approach makes them develop performance evaluation criteria depending on the host country, with the performance evaluation being aligned with the subsidiary's strategy. Moreover, these organisations experience immense pressure for local responsiveness along with global integration and therefore, performance evaluation will also take into consideration the global as well as the local perspectives (Caliguiri, 2006). This means that the success of MNEs can very much depend on the performance of expatriates.

Performance appraisal of an expatriate is a crucial task, with the possibility of conflict between the subsidiary manager and the headquarters. But it is up to the subsidiary managers to set precise targets and establish clear criteria for performance measurement in order to avoid such conflict. Furthermore, the mental distance between the parent and host country can make managing the subsidiary a difficult task due to the cultural differences, language barriers, as well as the **social and political conditions**. It is for this reason that companies tend to hire more PCNs within subsidiaries, as they are more able to create an informal communication network in the organisation and build social capital in the corporation, all the while having a dual commitment to both the subsidiary and the organisation as a whole (Colakoglu et al., 2009). As a result, the PCN will further enable the subsidiary to have greater knowledge of what is happening in the MNE. Therefore, subsidiaries will no longer exist in isolation with strong control from headquarters, since they will experience greater integration and autonomy. However, there is at times a conflict of interest between the headquarters and the subsidiaries which can make managing international operations a huge challenge (Boussebaa, 2009).

Performance management of expatriates is undoubtedly more difficult than in the case

of domestic managers. The performance of an expatriate will depend on a variety of issues such as the compensation, cultural adjustments, tasks and job roles, as well as support from headquarters and the host environment. The expatriate will face a number of problems when they take up a job within a foreign country. For example, the tasks and job roles are often defined in the context of the expatriate's home country and therefore they may not be able to understand their particular job role in the foreign environment (Newlands and Hooper, 2009). Furthermore, the expatriate may face difficulty in adjusting to the foreign culture, and it will be up to the MNE to ensure that they acclimatise, as this is vital to the expatriate being able to perform at their best in terms of the job in hand. The host environment will also pose challenges due to a combination of several other factors such as, social, economic, legal, technological and physical complications. Therefore, taking everything into account it is absolutely vital as well as a crucial performance variable that a sufficient level of support is provided to the individual and their family by both the headquarters and hosts (Dowling et al., 2008).

International Performance Appraisal Methods

The performance appraisal of expatriates can involve a number of complicated issues. As such, the data available for carrying out the appraisal may be unreliable, the international environment can be complex and dynamic, it is difficult to carry out an appraisal in a volatile environment, and the geographical distance along with the different time zones often make the appraisal difficult to conduct. Furthermore, as mentioned earlier, the local culture can also have a significant impact on appraisals.

A MNE may carry out an appraisal using the home-based approach or the host-based approach. In practice, these appraisals would be carried out once a year in order to ensure better performance management of the expatriate (Dowling et al., 2008). Alternatively, expatriate appraisals may be carried out using the home-based approach, while the host system is used for appraising third-country nationals (TCN) and HCN. An integrative approach can also be used by combining both the home and host performance appraisal policies in order to create an effective balance. Furthermore, in

terms of who will carry out the appraisal, HCNs may be made to conduct appraisals as they can help in devising a suitable appraisal system while helping the acculturation process. An ex-expatriate may also be an option, while self-evaluation may additionally be used, allowing the expatriate to evaluate themselves (Armstrong, 1998). Moreover, the 360-degree feedback could also be employed. This can assist in the issue of biasness as it involves multiple sources for feed back, including peer's who work within close proximity of the expatriate.

Nevertheless, an IPA will generally be carried out by different nationals, including HCNs and PCNs. However, there may be conflicting opinions and perspectives, and several biases may take place when a PCN conducts the appraisal. The geographical distance can also make it difficult for the PCN to carry out the appraisal in an effective manner and therefore, not allowing an appropriate evaluation criteria to be set. Furthermore, it is difficult for the PCN to understand the **global business scenario and evaluate performance in context to the international scenario** as they may fail to understand the business challenges that exist in the global environment (Shen, 2005). The PCN is forced to rely only on subsequent data while making the evaluation, and therefore they are only able to judge the performance on the basis of quantitative data and not qualitative data. On the other hand, despite overcoming the dilemma of cultural adaptation, a HCN may also have certain biases while conducting a performance appraisal, as they may not feel trusting towards the expatriate, while doubting their intentions.

Performance appraisal in MNEs can also often involve assessment by the immediate manager, where a narrative report is prepared by the manager annually regarding the expatriates work quality and output. Measurement techniques like simple rankings, behavioural checklist, and comparison with objectives are used. This is likely to be based on the appraisal practices within the host country, which can involve certain cultural issues. We already know that language barriers can pose a problem, however, a MNE may also face difficulties in developing countries where performance appraisal

constraints exists in the form of 'face saving', as well as in the authoritarian societies where employee involvement in appraisals is very limited (Brewster and Harris, 1999).

However, the main challenge is in maintaining global consistency and local fit. A MNE realises that performance appraisals require local adaptation, and consequently managers from different cultures will perceive different appraisal methods as appropriate. The performance evaluation criteria should therefore be easy to understand and should motivate managers irrespective of their culture and nationality (Paauwe and Dewe, 1995 cited in Shen, 2005). Furthermore in terms of setting performance goals, MNEs may either set hard goals or soft goals. Hard goals are quantifiable goals and can be measured through return on investments, profits and market share, whereas, soft goals are qualitative and based on relationships or traits, including customer relations, effort, cooperation, initiative communication skills and leadership skills. MNEs will have the three choices of host standards, home standards or integrative standards when determining the criteria for expatriates. The performance expectation should therefore be effectively communicated to expatriates, while appraisal forms should also be customised according to the understanding of the HCN and PCN, and it should be ensured that the appraisal is conducted in a non-biased manner (Shen, 2005). Moreover, MNEs will often exempt the expatriate from management duties and appraisal in order to enable them to adjust into the new environment. Consequently, it could also be argued that performance appraisal can be improved in the subsidiaries of the MNEs by setting clear evaluation criteria.

Global Compensation Practices

Approaches to international Compensation and Benefits

There are two basic approaches to determine the international compensation package:

1. Going Rate Approach

This is based on the local market rates. It relies on comparisons of survey of the local nationals, expatriates of same nationality and expatriates of all nationalities' pay packages. In this approach, the compensation is based on the selected survey comparison. The base pay and benefits may be supplemented by additional payments for low pay countries.

The advantages of Going Rate Approach are,

- Equality with local nationals
- Simplicity
- Identification with the host country
- Equity amongst different nationalities

The disadvantages of Going Rate Approach are,

- Variation between assignments for the same employees
- Rivalry between expatriates of the same nationality in getting assignments to some countries
- Potential re-entry problems in the home country

2. Balance Sheet Approach:

The Balance Sheet Approach to international compensation is a system designed to equalize the purchasing power of employees at comparable position levels living abroad

and in the home country and to provide incentives to offset qualitative differences between assignment locations. The balance sheet approach is widely used by international organizations to determine the compensation package of the expatriates. The basic objective is the maintenance of living standards of the home country plus financial inducement.

1. Goods and Services: Outlays incurred in the home country for food, personal care, clothing, household furnishing, recreation, transportation and medical care.
2. Housing: All major costs associated with housing in the host country.
3. Income Taxes: Parent country and host country income tax expenditures.
4. Reserve: Contribution to savings, payments for benefits, pension contributions, investments, education expenses, social security taxes etc.

The advantages of the Balance Sheet Approach are:

- Equality between assignments and between expatriates of the same nationality.
- Facilitates expatriate re entry
- Easy to communicate to the employees

The disadvantages of the Balance Sheet Approach are:

- It can result in considerable disparities between the expatriates of different nationalities and between expatriates and local nationals.
- It can be quite complex to administer due to changing economic conditions, taxation etc.

UNIT: 3

Industrial relation and International practices in Industrial relation

Industrial relation and International practices in Industrial relation

A number of human resources best practices can help you develop a productive and collegial relationship between management and organized labor. Up-to-date information about labor laws, leadership training on basic industrial relations practices and well-constructed negotiation strategy are elements that will improve your organization's labor-management relations. Turn what traditionally has been an adversarial relationship into one that benefits your company and employees.

Labor Laws

Fundamental to the labor-management relationship is clarity about applicable laws, such as the National Labor Relations Act. The act establishes employees' rights and sets out the obligations and responsibilities of employers and labor unions. In addition to understanding basic labor law, HR best practices include staying abreast of changes in the laws and decisions of the National Labor Relations Board that affect your industry and your workplace.

Leadership Training

Much of leadership training covers how to assign work and provide feedback about performance and basic employment law, such as Title VII of the Civil Rights Act and preventing workplace harassment. Supplement your supervisory training with labor-management-related components, such as union contract interpretation, conflict

resolution and, if your workforce isn't unionized, how to maintain a union-free workplace. Supervisors and managers have the most direct contact with workers, and workforce management principles suggest that HR equip them with the skills necessary to be first responders concerning labor-management issues.

Collective Bargaining

HR best practices in collective bargaining include developing management strategy and proposals for contract negotiation at least six months before the contract expiration date. Assess the negotiating team's workload and reassign long-term projects that could interfere with their availability for bargaining sessions. The NLRA requires that both management and the union make themselves available for contract negotiations, as that demonstrates good faith. If you anticipate changes in your employee benefits package, get clarification from your compensation and benefits specialist on how the group health plan, pension and other benefits will affect negotiations.

Resources

Take advantage of resources available to HR staff, supervisors and managers. Continuing education courses, workshops and seminars on building relationships with labor union representatives generally are sponsored by law firms, management consulting groups and colleges. Use social media and Internet research to learn about union-organizing drives, including the occupations and industries that labor unions are targeting.

Union-Free Workplace

If your employees aren't union workers, improve your employee relations practices. Strengthen the employer-employee relationship by addressing workplace issues as soon as possible to avoid the lingering effects of conflict that often lead employees to seek unionization. Conduct routine vulnerability assessments to determine the

likelihood of your employees supporting a union. Vigilance pays off – showing interest in and appreciation for your employees keeps job satisfaction high so they won't seek union representation.

Grievance Handling

HR management should address union grievances as soon as they arise. When a union employee feels that he has been unjustly reprimanded or terminated, he can file a grievance. The HR manager or a labor relations specialist is responsible for processing a union-employee grievance, which usually is a three-step process. The process includes a union steward who represents the employee's interests. If the matter isn't resolved within the allotted three steps, the case goes to arbitration. The arbitration process can be as lengthy and costly as litigation, both being processes that HR management would like to avoid whenever possible.

International strategic human resource management

SHRM: Definition, Need and Importance

Strategic human resource management or SHRM is a branch of HRM. It emerged from the discipline of human resource management and is a fairly new field. Strategic HRM is defined as "the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation and competitive advantage." SHRM in an organization means "to accept and involve the functions of HR as a strategic partner in formulating and implementing the company's strategies through human resource activities which may involve recruiting, selecting, rewarding and training company personnel. In spite of the similarity in names, HRM and SHRM are two different practices; SHRM is basically a part of the complete HRM process. Besides that SHRM focuses more on long-term objectives rather than the

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in-house objectives with employees dealt by HRM. In the late 1980's writers started stating strong opinions for a much more strategic approach to managing people than was the standard practice of that time. They clamored for the change of traditional management practices of industrial relations and people to the modern more improved ones.

The center point of SHRM is to address and solve problems that effect management programs centering on people in the long run and more than often globally. We can say that the main goal or objective of SHRM is to increase productivity not only in the employees but in the business overall, it achieves this by focusing on business problems and obstacles outside of the human resources range. SHRM identifies important human resource areas where strategies can be implied for the improvement of productivity and employee motivation. To achieve good results communication between human resource and top management of the organization is of utmost importance as cooperation is not possible without active participation.

KEY FEATURES OF SHRM

The key features of strategic human resource management are given below:

- Some organizing strategies or schemes link individual human resource interventions so that they are 'mutually supportive'
- A great amount of responsibility is transferred down the line for the management of HR
- There is a precise link between overall organization strategy, organization environment, HR policies and practices.

DEVELOPMENT IN SHRM

In recent times HRM professionals have been facing challenges with employee participation, performance management, employee reward systems, high commitment work systems and human resource flow because of globalization. Traditional models

and techniques have no place in today's business world; also local companies which go global cannot use the same tactics in the global business world. Top managements and HR professionals that are involved in strategic human resource management face a wide range of issues which include some of the following:

- Rapid change in technology
- Introduction of new concepts of general management
- Globalization of market integration
- Increased competition, which may not necessarily be local
- Resultant corporate climates
- Constantly changing ownership

International labour Standards

International labour law is the body of rules spanning public and private international law which concern the rights and duties of employees, employers, trade unions and governments in regulating the workplace. The International Labour Organization and the World Trade Organization have been the main international bodies involved in reforming labour markets. The International Monetary Fund and the World Bank have indirectly driven changes in labour policy by demanding structural adjustment conditions for receiving loans or grants. Issues regarding Conflict of laws arise, determined by national courts, when people work in more than one country, and supra-national bodies, particularly in the law of the European Union, has a growing body of rules regarding labour rights.

International labour standards refer to conventions agreed upon by international actors, resulting from a series of value judgments, set forth to protect basic worker rights, enhance workers' job security, and improve their terms of employment on a global scale. The intent of such standards, then, is to establish a worldwide minimum level of protection from inhumane labour practices through the adoption and implementation of

said measures. From a theoretical standpoint, it has been maintained, on ethical grounds, that there are certain basic human rights that are universal to humankind. Thus, it is the aim of international labour standards to ensure the provision of such rights in the workplace, such as against workplace aggression, bullying, discrimination and gender inequality on the other hands for working diversity, workplace democracy and empowerment.

While the existence of international labour standards does not necessarily imply implementation or enforcement mechanisms, most real world cases have utilised formal treaties and agreements stemming from international institutions. The primary international agency charged with developing working standards is the International Labour Organization (ILO). Established in 1919, the ILO advocates international standards as essential for the eradication of labour conditions involving “injustice, hardship and privation”. According to the ILO, international labour standards contribute to the possibility of lasting peace, help to mitigate potentially adverse effects of international market competition and help the progress of international development.

Implementation, however, is not limited to the ILO nor is it constrained to the legislative model that the ILO represents. Other alternatives include direct trade sanctions, multilateral enforcement, and voluntary standards. In addition to controversies that arise over each of these models, greater issues have also been raised concerning the debate over the need for international labour standards themselves. However, while critics have arisen, the international community has largely come to a consensus in favour of basic protection of the world’s labour force from inhumane practices.

Associated with the development of successful international labour standards is proper monitoring and enforcement of labour standards. Most monitoring occurs through the ILO, but domestic agencies and other NGOs also play a role in the successful monitoring of international labour standards.

Objective of ILO

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- Formulation of international policies and programmes to promote basic human rights, improve working and living conditions, and enhance employment opportunities;
- Creation of international labour standards in the form of Conventions and Recommendations, backed by a unique system to supervise their application;
- An extensive programme of international technical cooperation.
- Training, education, research, and publishing activities to help advance all of these efforts.
- To promote and realize standards and fundamental principles and rights at work;
- To create greater opportunities for women and men to secure decent employment;
- To enhance the coverage and effectiveness of social protection for all.

STRUCTURE OF ILO

Some of the most important organisational structure of ILO are as follows:

1. International Labour Conference (ILC)
2. Governing Body
3. International Labour Office (ILO).

(1) INTERNATIONAL LABOUR CONFERENCE (ILC)

This is the Apex body of ILO which makes labour policies for international labour. The ILC holds its sessions at a frequency not less than once in a year. The delegates from three group's viz. the government, the employers' and the workers attend ILC sessions in the ratio of 2:1:1 respectively. Each representative has a vote. The representatives from the Government are mostly ministers, diplomats or officials.

The conference is empowered to appoint committees to deal with different matters relating to labour during each session. Examples of such committees are the selection committee, The Credential Committee, The Resolution Committee, The Drafting Committee, The Finance Committee, etc. All committees except Finance Committee are

tripartite in nature.

The functions performed by the ILC are to:

1. Formulate international labour standards.
 2. Fix the amount of contribution to be paid by the member states.
 3. Decide budget and submit the same to the Governing Body.
 4. Study the labour problems submitted by the Director General and assist in their solutions.
 5. Appoint committees to deal with different problems during its sessions.
 6. Elect the president.
 7. Select members of the Governing Body.
 8. Develop policies and procedures.
 9. Seek advisory opinion from International Committee of Justice.
- Confirm the powers, functions and procedure of Regional Conference.

(2) GOVERNING BODY

It is also a tripartite body. It implements decisions of the ILC with the help of the International Labour Organization. It consists of 56 members in the same ratio of 2:1:1, i.e. 28 representatives of the Government, 14 of the employers and 14 of the workers. Of the 28 representatives of the Government, 10 are appointed by the members of the States of Chief Industrial Importance and remaining 18 are delegates of the other governments.

Industrial population is the criteria for chief Industrial Importance. India is one of the ten states of chief Industrial Importance. The tenure of the office of this body is 3 years. It meets frequently in a year to take decisions on the programmes of the ILO.

The functions of the Governing Body are to:

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1. Co-ordinate work between the ILC and ILO.
2. Prepare agenda for each session of the ILC.
3. Appoint the Director General of the office.
4. Scrutinize the budget.
5. Follow up with member states in regard to implementation of the conventions and recommendations adopted by the ILC.
6. Fix the date, duration, schedule and agenda for the Regional Conferences
7. Seek as and when required, advisory opinion from the International Court of Justice with the consent of the ILC.

(3) International Labour Office:

This is the secretariat of the ILO in Geneva and is the third major organ of the ILO. The Director General (DG) of the ILO is the Chief Executive Officer of the Secretariat appointed by the Governing Body. He also serves as the Secretary General of the ILC. His tenure is for 10 years and extendable by the Governing Body.

The Director General is assisted by two Deputy Director Generals, six Assistant Director Generals, one Director of the International Institute of Labour Studies, and one Director of the International Centre for Advanced Technical and Vocational Training, Advisors, Chief of Divisions from 100 nations.

Following are the main functions of this office:

1. Prepare briefs and documents for agenda of ILC.
2. Assist the Governments of the States to form labour legislation based on recommendations of the ILC.
3. Bring out publications relating to industrial labour problems of international nature and interest.
4. Carry out functions related to the observance of the conventions.
5. Collect and distribute information on international labour and social problems.

6. To promote and realize standards and fundamental principles and rights at work;

THE ROLE OF THE ILO

The mission of the International Labour Organization (ILO) is to promote social justice and internationally recognized human and labour rights, based on the founding principle that social justice is essential to universal and lasting peace.

Decent Work Agenda

As part of its mission, the ILO aims to achieve decent work for all by promoting social dialogue, social protection and employment creation, as well as respect for international labour standards. The ILO provides technical support to more than 100 countries to help achieve these aims, with the support of development partners.

International labour standards

The ILO sets international labour standards with Conventions, which are ratified by member states, or Recommendations, which are non-binding.

Conventions are drawn up with input from governments, workers' and employers' groups at the ILO. Conventions are adopted by the International Labour Conference, which meets every year in Geneva.

The ILO's supervisory role

The ILO monitors the implementation of ILO Conventions ratified by member states. This is done through:

- The Committee of Experts on the Application of Conventions and Recommendations
- The International Labour Conference's Tripartite Committee on the Application of Conventions and Recommendations

- Member states are also required to send reports on the progress of the implementation of the Conventions they have ratified.

ILO Declaration on Fundamental Principles and Rights at Work

Adopted in 1998, the Declaration commits member states to respect and promote eight fundamental principles and rights in four categories, whether or not they have ratified the relevant Conventions.

They are:

- Freedom of association and the right to collective bargaining (Conventions 87 and 98)
- The elimination of forced or compulsory labour (No. 29 and No. 105)
- The abolition of child labour (Conventions No. 138 and No. 182)
- The elimination of discrimination in respect of employment and occupation

Regional integration and Framework Agreements

Regional Integration is a process in which neighboring states enter into an agreement in order to upgrade cooperation through common institutions and rules. The objectives of the agreement could range from economic to political to environmental, although it has typically taken the form of a political economy initiative where commercial interests are the focus for achieving broader socio-political and security objectives, as defined by national governments. Regional integration has been organized either via supranational institutional structures or through intergovernmental decision-making, or a combination of both.

Past efforts at regional integration have often focused on removing barriers to free trade in the region, increasing the free movement of people, labour, goods, and capital

across national borders, reducing the possibility of regional armed conflict (for example, through Confidence and Security-Building Measures), and adopting cohesive regional stances on policy issues, such as the environment, climate change and migration.

Intra-regional trade refers to trade which focuses on economic exchange primarily between countries of the same region or economic zone. In recent years countries within economic-trade regimes such as ASEAN in Southeast Asia for example have increased the level of trade and commodity exchange between themselves which reduces the inflation and tariff barriers associated with foreign markets resulting in growing prosperity.

Regional integration has been defined as the process through which independent national states “voluntarily mingle, merge and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts among themselves.” De Lombaerde and Van Langenhove describe it as a worldwide phenomenon of territorial systems that increases the interactions between their components and creates new forms of organization, co-existing with traditional forms of state-led organization at the national level. Some scholars see regional integration simply as the process by which states within a particular region increase their level interaction with regard to economic, security, political, or social and cultural issues.

In short, regional integration is the joining of individual states within a region into a larger whole. The degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty. The deep integration that focuses on regulating the business environment in a more general sense is faced with many difficulties.

Regional integration initiatives, according to Van Langenhove, should fulfill at least eight important functions:

- The strengthening of trade integration in the region

- The creation of an appropriate enabling environment for private sector development
- The development of infrastructure programmes in support of economic growth and regional integration
- The development of strong public sector institutions and good governance
- The reduction of social exclusion and the development of an inclusive civil society contribution to peace and security in the region
- The building of environment programmes at the regional level
- The strengthening of the region's interaction with other regions of the world.

The crisis of the post-war order led to the emergence of a new global political structure. This new global political structure made obsolete the classical Westphalian concept of a system of sovereign states to conceptualize world politics. The concept of sovereignty became looser and the old legal definitions of the ultimate and fully autonomous power of a nation-state are no longer meaningful. Sovereignty, which gained meaning as an affirmation of cultural identity, has lost meaning as power over the economy. All regional integration projects during the Cold War were built on the Westphalian state system and were designed to serve economic growth as well as security motives in their assistance to state building goals. Regional integration and globalization are two phenomena that have challenged the pre-existing global order based upon sovereign states since the beginning of the twenty-first century. The two processes deeply affect the stability of the Westphalian state system, thus contributing to both disorder and a new global order.

Regional integration agreements

Regional integration agreements (RIAs) have led to major developments in international relations between and among many countries, specifically increases in international trade and investment and in the formation of regional trading blocs. As fundamental to the multi-faceted process of globalization, regional integration has been a major development in the international relations of recent years. As such, Regional Integration Agreements has gained high importance. Not only are almost all the industrial nations

part of such agreements, but also a huge number of developing nations too are a part of at least one, and in cases, more than one such agreement.

The amount of trade that takes place within the scope of such agreements is about 35%, which accounts to more than one-third of the trade in the world. The main objective of these agreements is to reduce trade barriers among those nations concerned, but the structure may vary from one agreement to another. The removal of the trade barriers or liberalization of many economies has had multiple impacts, in some cases increasing Gross domestic product (GDP), but also resulting in greater global inequality, concentration of wealth and an increasing frequency and intensity of economic crises.

The number of agreements agreed under the rules of the GATT and the WTO and signed in each year has dramatically increased since the 1990s. There were 194 agreements ratified in 1999 and it contained 94 agreements from the early 1990s.

The last few years have experienced huge qualitative as well as quantitative changes in the agreements related to the Regional Integration Scheme. The top three major changes were the following:

- Deep Integration Recognition
- Closed regionalism to open model
- Advent of trade blocs

Recent regional integration

Regional integration in Europe was consolidated in the Treaty on the European Union (the Maastricht Treaty), which came into force in November 1993 and established the European Union. The European Free Trade Association is a free trade bloc of four countries (Iceland, Liechtenstein, Switzerland and Norway) which operates in parallel and is linked to the European Union. In January 1994, the North American Free Trade Agreement was formed when Mexico acceded to a prior-existing bilateral free trade

agreement between the US and Canada. In The Pacific there was the ASEAN Free Trade Area (AFTA) in 1993 which looked into reducing the tariffs. The AFTA started in full swing in 2000.

Alternative Regional Integration

In the last decade regional integration has accelerated and deepened around the world, in Latin America and North America, Europe, Africa, and Asia, with the formation of new alliances and trading blocks. However, critics of the forms this integration has taken have consistently pointed out that the forms of regional integration promoted have often been neoliberal in character, in line with the motives and values of the World Trade Organization, the International Monetary Fund and the World Bank – promoting financial deregulation, the removal of barriers to capital and global corporations, their owners and investors; focusing on industrialisation, boosting global trade volumes and increasing GDP. This has been accompanied by a stark increase in global inequality, growing environmental problems as a result of industrial development, the displacement of formerly rural communities, ever-expanding urban slums, rising unemployment and the dismantling of social and environmental protections. Global financial deregulation has also contributed to the increasing frequency and severity of economic crises, while Governments have increasingly lost the sovereignty to take action to protect and foster weakened economies, as they are held to the rules of free trade implemented by the WTO and IMF.

Advocates of alternative regional integration argue strongly that the solutions to global crises (financial, economic, environmental, climate, energy, health, food, social, etc.) must involve regional solutions and regional integration, since they transcend national borders and territories, and require the cooperation of different peoples across geography. However, they propose alternatives to the dominant forms of neoliberal integration, which attends primarily to the needs of transnational corporations and investors. Renowned economist, Harvard professor, former senior vice president and

chief economist of the World Bank, Joseph Stiglitz has also argued strongly against neoliberal globalisation. Stiglitz argues that the deregulation, free trade, and social spending cuts or austerity policies of neoliberal economics have actually created and worsened global crises. In his 2002 book *Globalization and Its Discontents* he explains how the industrialized economies of the US, Europe, Japan, South Korea and Taiwan developed not with the neoliberal policies promoted in developing countries and the global South by the WTO, IMF and World Bank, but rather with a careful mix of protection, regulation, social support and intervention from national governments in the market.

- Shifts in IHRM and IR
 - Global Unions
- } — [go through with your book]

UNIT: 4

Equal opportunity and Diversity

management in global context

Emerging from the USA during the late 1980s, the 'diversity approach' began to be discussed as a means of providing both a business and social-justice incentive to drive equality within organisations. Unlike equal opportunities approaches, which aim for workplaces where an individual's sex and race is of no greater significance than the colour of their eyes in determining the treatment they receive, the core idea behind managing diversity seems to be to encourage organizations to recognize differences.

Managing diversity is generally seen as "proactively capitalizing on the different skills, qualities and viewpoints that a diverse workforce has to offer". Managing Diversity is about the realization of the potential of all employees where certain group based equal opportunities need to be seriously questioned, in particular affirmative action and targets. Diversity approaches that encourage managers to ignore the realities of inequality and discrimination will mean that the status quo is maintained.

Differences exist between people, and in line with the diversity approach are seen as important issues for management to respond to. However, these differences are not seen as distributed thoroughly as such, while the intention of such an approach is an environment in which everybody feels valued, social group equality is not being given any specific significance as an objective of organizational policies. Instead diversity issues are said to "exceed beyond obvious physical differences and include communication styles, problem solving, professional expertise, management level, training and education, and work principles". Managing diversity policies attempt to discover individual needs and desires which would help people work more effectively and respond through, for example, career management or benefit schemes.

Globalization has affected the area of EEO in terms of formal applicability of one country's EEO laws to persons working in another country and in terms of expectations

about the extent to which equal employment opportunity should be a societal or organizational norm.

In some instances, for example, discrimination is prohibited against the citizens of the native country but explicitly permitted when it comes to immigrants, especially illegal immigrants. There is currently debate in the U.S. as to what rights immigrants—both legal and illegal—should have in terms of EEO. The right to work in a foreign country is subject to that country's immigration laws, which vary widely from country to country.

Theories of Employment Discrimination

Since the enactment of Title VII of the Civil Rights Act, four theories of employment discrimination have emerged under U.S. law: disparate treatment, disparate impact, harassment and retaliation.

Disparate treatment

Disparate treatment discrimination occurs when an employer intentionally takes an employee's protected status into consideration when taking an adverse employment action, such as a termination or layoff decision. An example of intentional discrimination is an employer that learns of an employee's pregnancy and, based at least in part on that knowledge, selects the pregnant employee for layoff rather than a less-qualified employee who is not pregnant. See What are disparate impact and disparate treatment?

Disparate impact

Disparate impact discrimination, also known as adverse impact discrimination, occurs when an employer adopts a policy or practice that seems neutral and nondiscriminatory on its surface but has a disproportionately negative effect on members of a protected class. Practices that have been found to have a disparate impact on protected groups

include:

Minimum height requirements. These have been found to disproportionately affect women, Hispanics and Asians.

Physical agility tests. These can have a disparate impact on women.

Clean-shaven requirements. These have been found to adversely affect African-American men who are disproportionately affected by a skin condition that is aggravated by shaving.

In a court proceeding, once disparate impact is established, the employer must demonstrate that the challenged requirement is job related for the position in question and consistent with business necessity. If the employee can point to a less discriminatory way to satisfy the business needs, the employer may be obligated to adopt that alternative. See Avoiding Adverse Impact in Employment Decisions.

Harassment

Harassment is a form of disparate treatment (i.e., intentional) discrimination. The theory has its roots in sexual harassment cases under Title VII, but courts have applied the same reasoning to harassment on the basis of other protected characteristics, such as race or religion. Sexual harassment can occur in two forms: by the opposite sex or by the same sex.

Quid pro quo harassment. This type of harassment involves unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature when submission to such conduct is made either explicitly or implicitly a term or condition of employment, or when submission to or rejection of such conduct by an employee is used as the basis for employment decisions, including termination.

Hostile environment harassment. A hostile work environment exists when conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment. For a hostile environment to be unlawful, it must be so pervasive and severe that it effectively alters the terms of employment. The environment must be such that a reasonable person would find it hostile or abusive.

Retaliation

Most U.S. laws that prohibit employment discrimination also prohibit retaliation against an employee because the employee has exercised rights under the statute at issue.

For example, Title VII of the Civil Rights Act makes it illegal for an employer to discriminate against an employee because that employee opposed any discriminatory practice; made a charge of discrimination; or testified, assisted or participated in any manner in an investigation, proceeding or hearing. The individual employee who claims to be the victim of discrimination can also claim to be the victim of retaliation for complaining about it.

Lawsuits based on retaliation can be even more difficult for employers to defeat than lawsuits based on direct discrimination. Employers must exercise caution not to attempt, or appear to attempt, to "get even" when conducting disciplinary terminations or layoffs in which the affected employees have participated in protected activities. See Retaliation Prevention Questionnaire

Preventing Violations and Managing Risk

Just as violations of EEO laws can be systemic, adherence to EEO requirements is most effective when systemic. Employers can take many actions to prevent EEO violations and charges of discrimination, including:

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- Adopting an organizational philosophy that treats employees as individuals entitled to respect and fair treatment, not as commodities.
- Establishing clear written policies and practices that genuinely reflect the employer's EEO values, and then sticking to them and creating thorough documentation of human resource decisions.
- Emphasizing the employer's EEO values, policies and procedures in new-employee onboarding and training. See EEO Policy Statement.
- Providing ongoing training at all levels about the employer's EEO values, policies and procedures.
- Creating an EEO conflict resolution process that is truly open-door.
- Designating and empowering a responsible individual to address EEO issues: an ethics officer, EEO officer, affirmative action officer, diversity officer, ombudsman or director of human resources.
- Investigating employee complaints thoroughly and consistently.

In addition to the steps described above, employers also manage their EEO risk through:

- Internal dispute resolution programs, such as grievance procedures, mediation and arbitration.
- Employer practices liability insurance.
- Using releases of claims as part of a severance pay plan or ad hoc settlement of EEO claims.
- Ongoing management of EEO issues.

Enforcement

In the United States, EEO laws are enforced both by public agencies and private lawsuits.

Administrative agencies

Federal EEO laws are generally administered by the U.S. Equal Employment Opportunity

Commission (EEOC). See EEOC Coordination of Federal Government Equal Opportunity.

Most state governments have one or more civil rights enforcement counterparts to the EEOC, referred to by the EEOC as Fair Employment Practice Agencies. State civil rights agencies usually have concurrent jurisdiction with the EEOC to investigate charges of discrimination under the laws administered by the EEOC, as well as exclusive jurisdiction to administer their own laws.

Charge of discrimination

Employees or other persons who believe their rights to equal employment opportunity have been violated may file a Charge of Discrimination with the EEOC, with the appropriate state agency or with both. A discrimination charge filed with the EEOC is a sworn statement outlining in very general terms why the charging party believes his or her EEO rights have been violated. The EEOC will assist the charging party in the preparation of this form based on an interview with the charging party. The discrimination charge is often accompanied by a more detailed sworn statement, or affidavit, especially if the charging party has legal counsel.

Agency investigation

The EEOC or state counterpart will notify the employer or other party being charged—the respondent—of the allegations made by the charging party and request that the respondent provide a written response to the allegations and copies of pertinent documents such as policies, performance evaluations and documentation of any disciplinary actions. In some instances, the investigating agency will also request information about workforce demographics.

Responding to EEO Complaints

An employer's obligations in the face of an EEO complaint are to do the following:

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- Conduct an investigation that is prompt, fair and thorough.
- Take appropriate remedial measures.

Conciliation efforts

Before or after the respondent submits its response to the charge of discrimination and agency request for information, the agency typically offers to assist the parties in reaching a negotiated resolution. Sometimes the agency investigator facilitates conciliation; sometimes the agency provides an experienced mediator and facilities for the parties to meet and to attempt to negotiate a resolution satisfactory to both sides.

Agency determination

If the parties do not agree to a negotiated resolution, the agency will proceed to make a determination about whether it believes there is probable cause to believe the respondent violated the charging party's EEO rights. Although the situation under state laws may be different, a determination that discrimination either did or did not occur is nonbinding and is probably not admissible in court proceedings.

The right to sue

The agency charged with administering the particular EEO law must be given the first opportunity to address the issue (i.e., a charging party cannot bypass the agency and immediately file a lawsuit). At the end of the investigation and issuance of its charge determination, the agency will notify the charging party in a right-to-sue letter that he or she may now proceed to file a lawsuit, if desired, and will also state how much time the charging party has to do so, typically 90 days.

Private and agency lawsuits

Under the laws administered by the EEOC, the issuance of the right-to-sue letter starts the clock running for an aggrieved person to file a complaint with an appropriate court

of law. This process ordinarily requires hiring an attorney on a contingent-fee basis. In certain circumstances, though, the agency will file a lawsuit on the charging party's behalf, thereby providing the employee with expert government-paid legal counsel.

Factors in the EEOC's decision to file suit on an employee's behalf include:

- The number of employees affected (especially if a class action).
- The type of violation alleged.
- The agency's desire to flesh out unanswered questions under the law or to further the public interest in targeting certain high-priority fields or industries.

Managing Cultural Diversity in the Workplace

Developing cultural competence results in an ability to understand, communicate with, and effectively interact with people across cultures, and work with varying cultural beliefs and schedules. While there are myriad cultural variations, here are some essential to the workplace:

1. **Communication:** Providing information accurately and promptly is critical to effective work and team performance. This is particularly important when a project is troubled and needs immediate corrective actions. However, people from different cultures vary in how, for example, they relate to bad news. People from some Asian cultures are reluctant to give supervisors bad news – while those from other cultures may exaggerate it.
2. **Team-Building:** Some cultures – like the United States – are individualistic, and people want to go it alone. Other cultures value cooperation within or among other teams. Team-building issues can become more problematic as teams are comprised of people from a mix of these cultural types. Effective cross-cultural team-building is essential to benefiting from the potential advantages of cultural diversity in the workplace
3. **Time:** Cultures differ in how they view time. For example, they differ in the balance between work and family life, and the workplace mix between work and social behavior.

Other differences include the perception of overtime, or even the exact meaning of a deadline. Different perceptions of time can cause a great misunderstanding and mishap in the workplace, especially with scheduling and deadlines. Perceptions of time underscore the importance of cultural diversity in the workplace, and how it can impact everyday work.

4. **Schedules:** Work can be impacted by cultural and religious events affecting the workplace. The business world generally runs on the western secular year, beginning with January 1 and ending with December 31. But some cultures use wildly different calendars to determine New Years or specific holy days. For example, Eastern Orthodox Christians celebrate Christmas on a different day from western Christians. For Muslims, Friday is a day for prayer. Jews observe holidays ranging from Rosh Hashanah to Yom Kippur. These variations affect the workplace as people require time off to observe their holidays.

To develop cultural competence, training should focus on the following areas:

1. Cultural Awareness is the skill to understand one's reactions to people who are different, and how our behavior might interfere with effective working relationships. We need to learn to overcome stereotypes? We need to see people as individuals and focus on actual behavior, rather than our preconceived and often biased notions.
2. This is the companion skill to awareness. Attitude enables people to examine their values and beliefs about cultural differences, and understand their origins. It is important that to focus on facts, rather than judgment. Also, note that suggesting that some people are more biased and prejudiced than others can quickly sabotage cultural training. The goal is managing cultural diversity in the workplace, and creating effective working relationships – not to make converts.
3. **Knowledge** Social science research indicates that our values and beliefs about equality may be inconsistent with behavior. Ironically, we are often unaware of this. Knowledge about our own behavior – and how it relates to fairness and workforce effectiveness – is an essential skill. It's also essential to be knowledgeable about other cultures, from

communication styles to holidays and religious events. The minimum objective is tolerance, which is essential for effective teamwork. Differences are what make tolerance necessary, and tolerance is what makes differences possible.

4. **Skills** The goal of training – in awareness, attitude, and knowledge – should be skills that allow organizational leaders and employees to make cultural competence a seamless part of the workplace. The new work environment is defined by understanding, communicating, cooperating, and providing leadership across cultures. Managing cultural diversity in the workplace is also the challenge for organizations that want to profit from a competitive advantage in the 21st century economy.

Structure of Global Organization

#1 Expo- documents against acceptancert Department:

Exports are often looked after by a company's marketing or sales department in the initial stages when the volume of exports sales is low. However, with increase in exports turnover, an independent exports department is often setup and separated from domestic marketing, as shown in Fig. 17.2



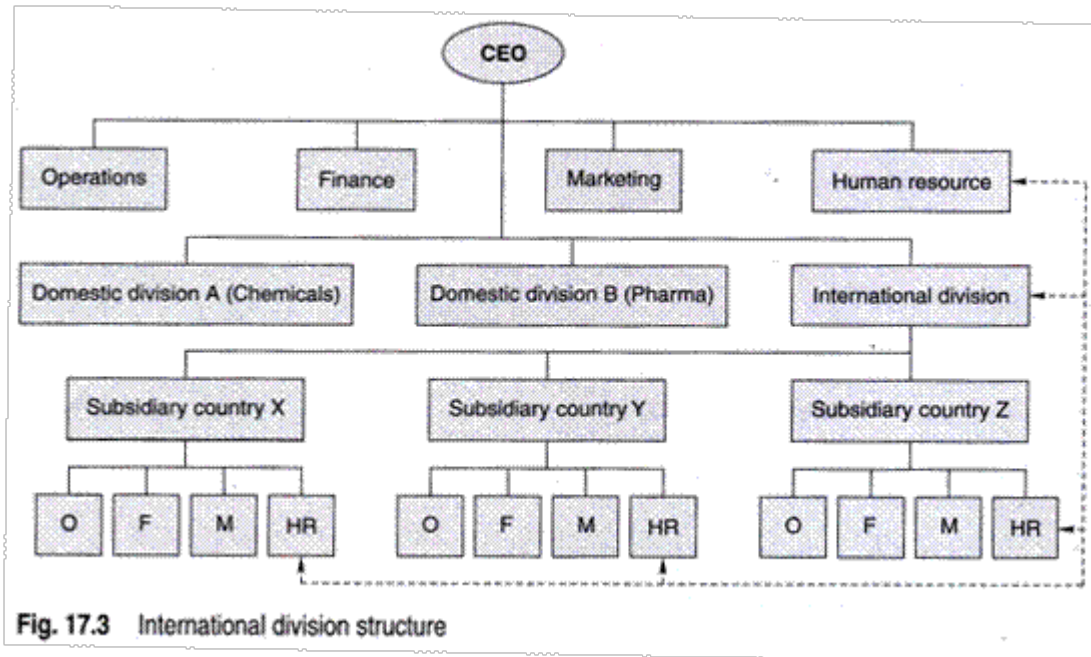
Fig. 17.2 Exports department

Exports activities are controlled by a company's home-based office through a designated head of export department, i.e. Vice President, Director, or Manager (Exports). The role of the HR department is primarily confined to planning and recruiting staff for exports, training and development, and compensation.

Sometimes, some HR activities, such as recruiting foreign sales or agency personnel are carried out by the exports or marketing department with or without consultation with the HR department.

#2 International Division Structure:

As the foreign operations of a company grow, businesses often realize the overseas growth opportunities and an independent international division is created which handles all of a company's international operations (Fig. 17.3). The head of international division, who directly reports to the chief executive officer, coordinates and monitors all foreign activities.



The in-charge of subsidiaries reports to the head of the international division. Some parallel but less formal reporting also takes place directly to various functional heads at the corporate headquarters.

The corporate human resource department coordinates and implements staffing, expatriate management, and training and development at the corporate level for international assignments. Further, it also interacts with the HR divisions of individual subsidiaries.

The international structure ensures the attention of the top management towards developing a holistic and unified approach to international operations. Such a structure facilitates cross-product and cross-geographic co-ordination, and reduces resource duplication.

Although an international structure provides much greater autonomy in decision-making, it is often used during the early stages of internationalization with relatively low ratio of foreign to domestic sales, and limited foreign product and geographic diversity.

#3 Global Organizational Structures:

Rise in a company's overseas operations necessitates integration of its activities across the world and building up a worldwide organizational structure.

While conceptualizing organizational structure, the internationalizing firm often has to resolve the following conflicting issues:

1. Extent or type of control exerted by the parent company headquarters over subsidiaries
2. Extent of autonomy in making key decisions to be provided by the parent company headquarters to subsidiaries (centralization vs. decentralization)

It leads to re-organization and amalgamation of hitherto fragmented organizational interests into a globally integrated organizational structure which may either be based on functional, geographic, or product divisions. Depending upon the firm strategy and demands of the external business environment, it may further be graduated to a global matrix or trans-national network structure.

Global Functional Division Structure:

It aims to focus the attention of key functions of a firm, as shown in Fig. 17.4, wherein each functional department or division is responsible for its activities around the world. For instance, the operations department controls and monitors all production and operational activities; similarly, marketing, finance, and human resource divisions co-ordinate and control their respective activities across the world.

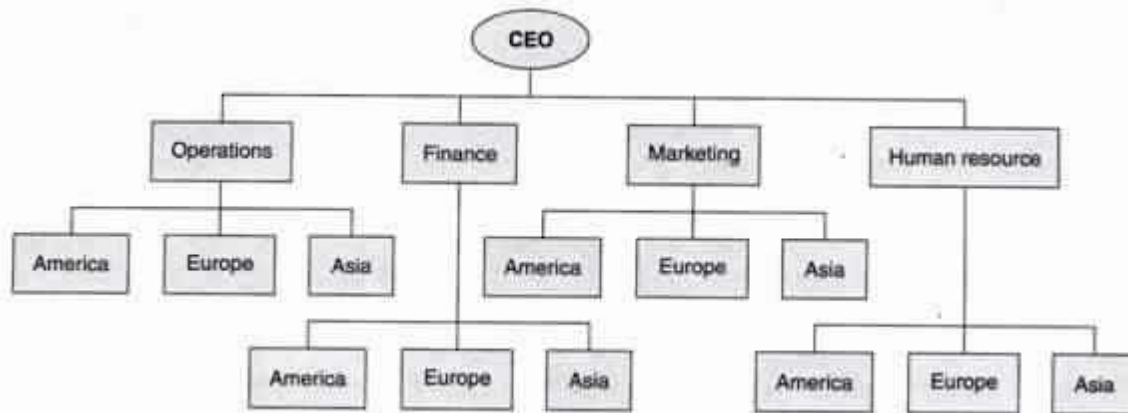


Fig. 17.4 Global functional division structure

Such an organizational structure takes advantage of the expertise of each functional division and facilitates centralized control. MNEs with narrow and integrated product lines, such as Caterpillar, usually adopt the functional organizational structure.

Such organizational structures were also adopted by automobile MNEs but have now been replaced by geographic and product structures during recent years due to their global expansion.

The Major Advantages of global functional division structure include:

1. Greater emphasis on functional expertise
2. Relatively lean managerial staff
3. High level of centralized control
4. Higher international orientation of all functional managers

The Disadvantages of such divisional structure include:

1. Difficulty in cross-functional coordination
2. Challenge in managing multiple product lines due to separation of operations and marketing in different departments
3. Since only the chief executive officer is responsible for profits, such a structure is

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favoured only when centralized coordination and control of various activities is required.

Global product structure:

Under global product structure, the corporate product division, as depicted in Fig. 17.5, is given worldwide responsibility for the product growth.

The heads of product divisions do receive internal functional support associated with the product from all other divisions, such as operations, finance, marketing, and human resources. They also enjoy considerable autonomy with authority to take important decisions and operate as profit centres.



Fig. 17.5 Global product structure

The global product structure is effective in managing diversified product lines.

Such a structure is extremely effective in carrying out product modifications so as to meet rapidly changing customer needs in diverse markets. It enables close coordination between the technological and marketing aspects of various markets in view of the

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differences in product life cycles in these markets, for instance, in case of consumer electronics, such as TV, music players, etc.

However, creating exclusive product divisions tends to replicate various functional activities and multiplicity of staff. Besides, little attention is paid to worldwide market demand and strategy. Lack of cooperation among various product lines may also result into sales loss. Product managers often pursue currently attractive markets neglecting those with better long-term potential.

Global Geographic Structure:

Under the global geographic structure, a firm's global operations are organized on the basis of geographic regions, as depicted in Fig. 17.6. It is generally used by companies with mature businesses and narrow product lines. It allows the independent heads of various geographical subsidiaries to focus on the local market requirements, monitor environmental changes, and respond quickly and effectively.



Fig. 17.6 Global geographic structure

The corporate headquarter is responsible for transferring excess resources from one

country to another, as and when required. The corporate human resource division also coordinates and provides synergy to achieve company's overall strategic goals between various subsidiaries based in different countries.

Such structure is effective when the product lines are not too diverse and resources can be shared. Under such organizational structure, subsidiaries in each country are deeply embedded with nationalistic biases that prohibit them from cooperating among each other.

Global Matrix Structure:

It is an integrated organizational structure, which super-imposes on each other more than one dimension. The global matrix structure might consist of product divisions intersecting with various geographical areas or functional divisions (Fig. 17.7). Unlike functional, geographical, or product division structures, the matrix structure shares joint control over firm's various functional activities.

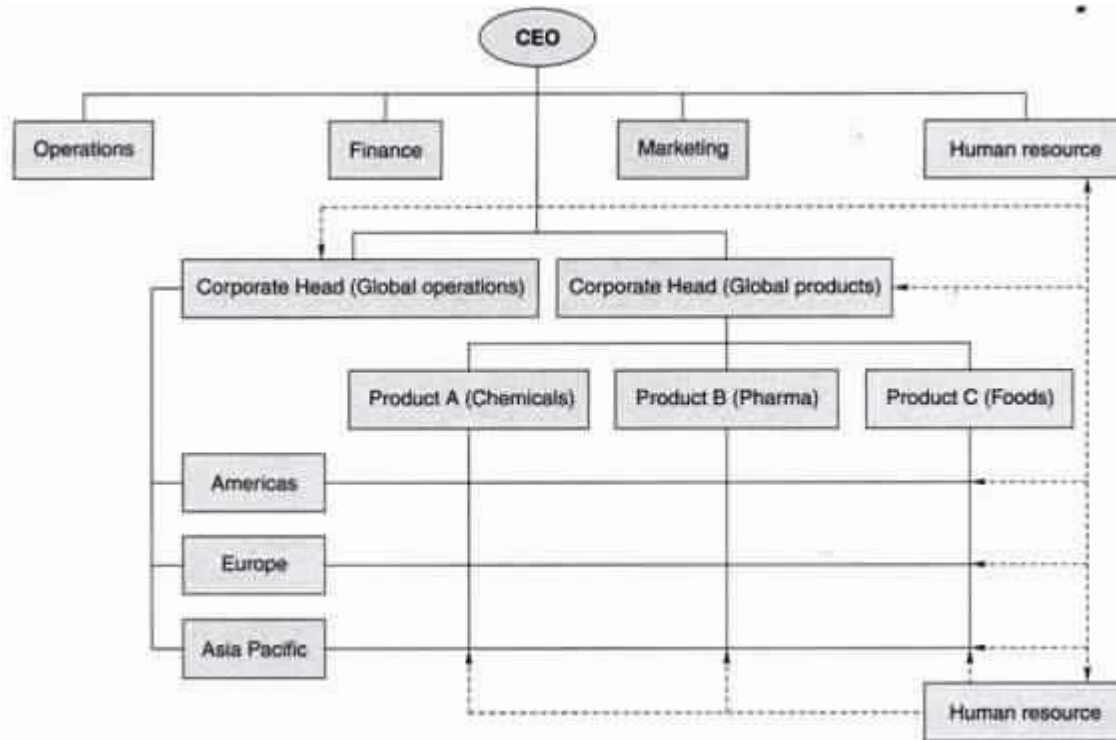


Fig. 17.7 Global matrix structure

Such an integrated organizational structure facilitates greater interaction and flow of information throughout the organization. Since the matrix structure has an in-built concept of interaction between intersecting perspectives, it tends to balance the MNE's prospective, taking cross-functional aspects into consideration.

It facilitates ease of technology transfer to foreign operations and of new products to different markets leading to higher economies of scale and better foreign sales performance. Matrix structure is used successfully by a large number of MNEs, such as Royal Dutch/Shell, Dow Chemical, etc.

In an effort to bring together divergent perspectives within the organization, the matrix structure may also lead to conflicting situations. It inhibits a firm's ability to respond quickly to environmental changes in case an effective conflict resolution mechanism is not in place.

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Since the structure requires most managers to report to two or multiple bosses, Fayol's basic principle of unity of command is violated and conflicting directives from multiple authorities may compel employees to compromise with sub-optimal alternatives so as to avoid conflict which may not be the most appropriate strategy for an organization as a whole.

Transnational Network Structure:

Such a globally integrated structure represents the ultimate form of an earth-spanning organization, which eliminates the meaning of two or three matrix dimensions. It encompasses elements of function, product, and geographic designs while relying upon a network arrangement to link worldwide subsidiaries (Fig. 17.8).

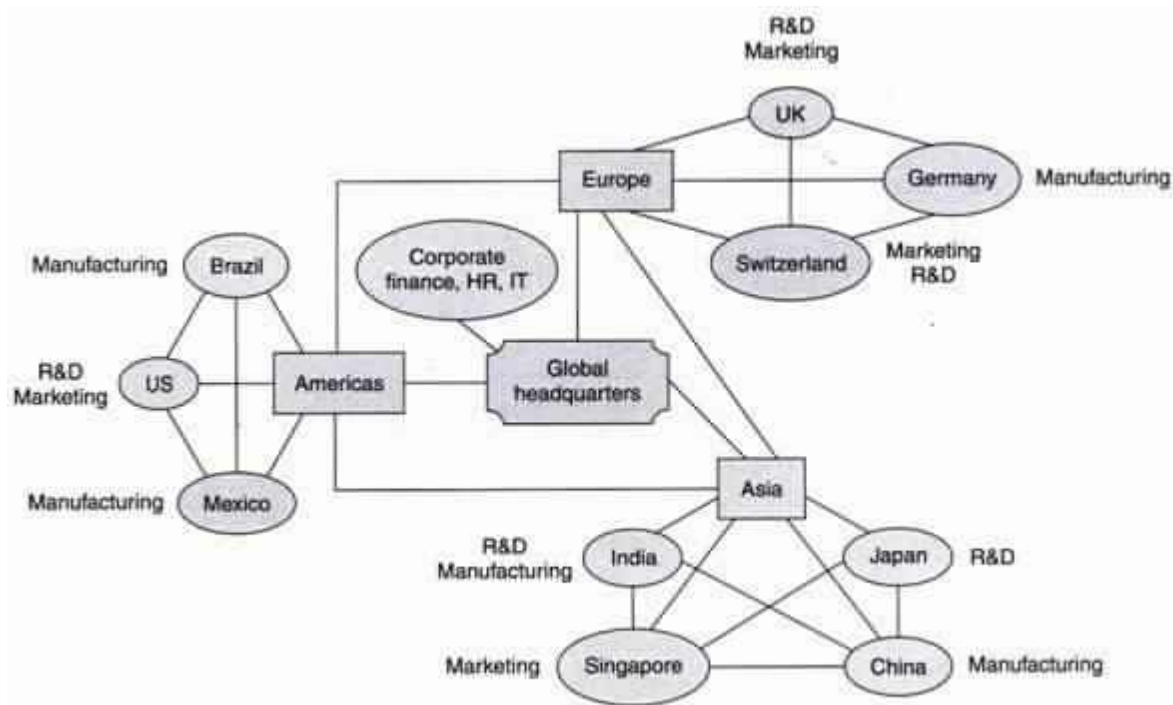


Fig. 17.8 Transnational network structure

This form of organization is not defined by its formal structure but by how its processes are linked with each other, which may be characterized by an overall integrated system

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of various inter-related sub-systems.

The trans-national network structure is designed around 'nodes', which are the units responsible for coordinating with product, functional and geographic aspects of an MNE. Thus, trans-national network structures build-up multi-dimensional organizations which are fully networked.

The conceptual framework of a trans-national network structure primarily consists of three components:

Disperse sub-units:

These are subsidiaries located anywhere in the world where they can benefit the organization either to take advantage of low-factor costs or provide information on new technologies or market trends

Specialized operations:

These are the activities carried out by sub-units focusing upon particular product lines, research areas, and marketing areas design to tap specialized expertise or other resources in the company's worldwide subsidiaries.

Inter-dependent relationships:

It is used to share information and resources throughout the dispersed and specialized subsidiaries.

Organizational structure of N.V. Philips which operates in more than 50 countries with diverse range of product lines provides a good illustration of a trans-national network structure.

#4 Evolution of Global Organizational Structures:

Organizational structures often exhibit evolutionary patterns, as shown in Fig. 17.9, depending upon their strategic globalization. The historical evolution of organizational patterns indicates that in the early phase of internationalization, most firms separate their exports departments from domestic marketing or have separate international divisions.

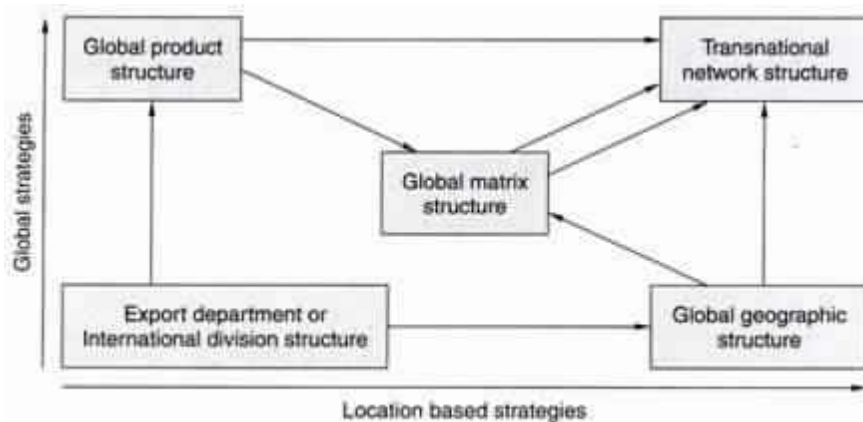


Fig. 17.9 Evolution of global organizational structures

Companies with emphasis on global business strategies move towards global product structures whereas those with emphasis on location base strategies move towards global geographic structures.

Subsequently, a large number of companies graduate to a matrix or trans-national network structure due to dual demands of local adaptations pressures and globalization. In practice, most companies hardly adopt either pure matrix or trans-national structures; rather they opt for hybrid structures incorporating both.

Emerging trends in Employee Relations and Employee involvement

- **Centralization of the ER function:** ER has traditionally been organized using one of the

three models – decentralized, centralized, and mixed. Centralized design refers to an ER team that is responsible for managing employee relations issues and conducting investigations across the organization. The team does not have to be geographically centralized. The mixed ER model relies on a centralized team for managing some or most of the employee relations cases and investigations with field representatives (HR professionals) to manage some employee relations issues. In the decentralized model, employee relations issues are managed within specific functions or verticals by ER and HR professionals. A recent survey by HR Acuity suggests a shift towards the centralization of the ER function. The survey report noted a year over year decline in the number of organizations using a decentralized approach for employee relations. Industries like pharmaceuticals and technology were found to be heavily dependent on the centralized model, while other industries like finance, insurance, and healthcare took the mixed approach to ER.

- **An increasing focus on metrics and analytics:** Like other HR functions, ER is also becoming more data-driven and outcome driven. Organizations are increasingly focusing on cost, root cause, and tracking metrics to drive continuous improvement. By analyzing key trends, ER teams can also benefit from significant cost savings and determine the actual cost of grievances and litigation. In 2019, the ER function will increasingly rely on prescriptive and predictive analytics to predict, mitigate and even prevent ER issues from blowing up.
- **Workplace safety will be in the spotlight:** 2017 and 2018 brought to light numerous new allegations of sexual harassment in the workplace. The #MeToo movement gathered momentum and raised uncomfortable questions about ER practices in the organizations affected. ER professionals could expect more employees to open up and report sexual misconduct and be ready to act in anticipating employees' public allegations. Building awareness of anti-harassment laws isn't going to be enough, ER professionals will need to proactively create an environment in which all employees feel safe.

Trends in Employee Relations

For the last 25 years, lots of changes have been observed in the arena of employee relationship in the UK. Almost all the norms which were considered to be major in the industries of England have been done away with. This has occurred as the kind of work people do has changed, also the kind of workplace that the people are in has changed over the years. The changes in structure have also brought about a change in the culture. The attitude of employers towards their employees and vice versa has changed tremendously over the years. On course of this book, you will come across lots of changes that have affected the different areas of the workplace. All areas of HRM activities have changed henceforth. However the most astounding of changes have occurred in employee relations. You can say that the different changes have progressed at different speeds in the various fields. You will find lots of workplaces in the public sectors, where even today the traditional models of employee relations are followed. The governments have come and gone trying to undermine these things. Hence as a result of this, in the present times, there exists, a lot of variety in approaches in different sectors of industry than it was in the past.

Trade union decline

The most striking of changes that has been seen, is the lessening in the number of people who join the trade unions. Even if these people join, they do not take part in the activities of these unions. In the United Kingdom, the number of memberships had reached its pinnacle in the year 1979. It was seen that more than 13 million people, which is roughly 58% of all employees had opted for being member of the unions for trade. In the years that follow, there has been a decrease in the numbers continuously for every year. The older members of the unions have retired, and new people have not substituted them. In the year 2002, the membership was seen to be standing at just 7.3 million. In the most recent times, there has been some decrease in the deterioration of numbers. Some unions have also claimed that they have seen some increase in membership. This has happened as more number of people has become a part of the workforce. However the density of the trade union has kept decreasing for the past two

and half decades now.

Window on practice

The trade unions mainly face problems in getting members from places which are also called dispersed sectors. Here actually the different employees lay scattered in small places of work throughout the entire country. The people are seen working in quite small teams which can even include less than six people. Hence the traditional approach of unions which included communicating from a higher authority to people such as stewards from shops is not quite practical. Hence different new methods and technologies are required to be used such as SMSs sent from phones and alerting these people.

In spite of different difficulties, the big unions have enjoyed some successes over the years. This has been done by setting up of special sectors for people who work in dispersed environments. The IRS will provide you with lots of good examples regarding this matter. The union of GMB has actually started looking for professional sportsperson as well as drivers and sex workers. The Union for transports as well as workers in general have also set up unions and enrolled more than 2000 people working in small nurseries. You can say that the most famous success story was seen in the case of clergy and church workers of Amicus. This union has got 2500 members for now and has also succeeded in ensuring that the right of the Clergyman would not be dismissed off in any manner.

Collective bargaining and industrial action

One of the major effects which was felt after the decline in number of members in the union, was a continued decrease in the number of people whose terms and conditions for a particular job was set according to collective bargaining. In this particular segment too lots of lots of changes have occurred. In the present times, it has been observed that people have moved on from a position where many members worked in companies

having proper trade unions to places where most people were not working in them anymore. In the year 1970, it was seen that more than 80% of the people belonging to the general workforce in the UK, belonged to jobs determined by collective agreements.

Convergence and divergence in personal management in developed and developing economics

With the rise in globalisation, human resource managers are faced with decisions on the theoretical approach to managing human resources. As Festing (2012) observes, human resources management is a strategic function whose design and implementation has the capacity for yielding a competitive advantage for the business organisation. It is at the centre of controlling operation costs by maximising on productivity while also promoting agility by motivating employees and exploiting their intelligence to boost overall organisational intelligence to enhance competitiveness in the increasingly competitive globalised world. Human resource management is more complex at the international stage where national cultures and laws may make it necessary to modify operational approaches to promote productivity. The choices to be

made are on whether to use approaches such as convergence, divergence or a hybrid system. The convergence theory focuses on establishing best practices applicable across the board while the divergence theory focuses on establishing management systems that conform to the specific circumstances of each country. The choice on which of the approaches to HRM is determined by the goals as well as the circumstances of the organisation.

Convergence

The convergence theory in HRM can also be referred to as the Universalist theory which is founded on the belief that certain best practices can yield excellent fruits if applied across organisations in different countries. This theory was most dominant in the 1950s and 1960s in the developed world (Europe and USA) with the thinking being that universal application of good management practices was an important factor in making societies to be more alike across national boundaries. Proponents of this theory advanced it in relation to an imminent acceleration in globalisation where it was believed that as people continued to interact with each other more frequently across national and cultural divide, there would emerge a global culture based on certain best practices in business management and HRM. Even though this theoretical approach has been faulted for failing to recognise enduring cultural differences, its proponents have sought to narrow down its application to business practices while holding that managers across the world are more likely to have similar viewpoints and attitudes. This justifies the convergence of management approaches. In other words, it is natural that management practices will converge around certain established best practices.

According to Rowley (1998), the development of best practices is an evolution process where different practices are in place and results of each dimension is weighed before the most effective ones are picked. The free flow of information across national boundaries is among the factors that are expected to lead to the generation of best practices across different countries as experiments with different systems are weighed against their outcomes and decisions made regarding their suitability. This is the

approach that informs this Universalist view. The convergence theory has the same approach as the best-practice approach in HRM which is contrasted against the best-fit approach. The former advocates for the application of best practices that have been established in managing human resources as a way of guaranteeing good results while the latter focuses on generating approaches that best complement the organisational strategies and their external circumstances. Despite the opposition to the Universalist approach, observations are that it has contributed to the development of certain best practices in HRM across the world.

One of the dominant trends in HRM practices that can be categorised as being consistent with the convergence theory is the spread in the use of information technology in HRM. Practices such as recruitment are increasingly making use of information technology allowing organisations to procure talent internationally. Another trend has been the use of scientific means of interviewing and selecting staff. The practice of companies using scientifically designed aptitude tests to determine the IQ and personality of their prospective employees has been very high and was started in the USA before spreading to Europe and to the rest of the world. This investment in recruitment is crucial for organisations which view employees as their most important sources of competitive advantage. The application of the Universalist view can also be observed in the approach to employee motivation applied across the world where dominant theories tend to be embraced across the world. For instance, reward schemes that recognise individual contribution are being adopted across the world; even in countries that are known to be strongly collectivist. China has been one of the latest beneficiaries of the convergence approaches as multinationals applying their best practice in HRM have been able to inspire a change in operation approaches among Chinese firms. This made it possible for the local firms to take measures to encourage productivity to the level that the labour productivity in China as a whole has been on a rapid rise. This has made it easy for unit cost of operations in China to be low despite the rising wage levels in the country.

The main driving force for convergence is the need for excellence and superior economic output. This drives managers to settle for management approaches that have been proven to be effective in the past as it also helps in minimising risk. The other driver of convergence is cultural ethnocentrism among managers who may believe that their home practices are best and superior. This leads them to the conclusion that it is only their systems that can work best. The other driving factor could be the growth of international organisations such as regional and international labour organisations which push organisations towards a common approach to remuneration and provision of good working conditions. The standards pushed for are often similar albeit with some variations which are likely to disappear with time leading to complete convergence in such HRM practices. The main advantage of this approach to HRM is that it creates room for the improvement of management practices across national boundaries. However, it can have negative results if there is a conflict between culture and the management practices embraced unlike the divergent approach that recognises differences in culture.

Divergence

Divergence theory emphasises the need to adopt different management approaches depending on the circumstances and the goals of the organisation. It can be explained using two theories: the cultural theory and the institutional theory. The two theories also represent the driving factors behind this theory. The divergence theorists in HRM practice hold that there is no ideal approach to management for all circumstances and it is therefore important to embrace agility and modify systems to suit different circumstances in order to yield the desired results. This is consistent with the contingency theory of management. In its pure form, it is not common among organisations globally. However, rationale for its application is evaluated as below.

Proponents of the divergence theory hold that even though the level of human interactions across cultures has been on the rise, cultural differences have continued to be significantly different. As a matter of fact, many of the less dominant cultures have

been radicalised in order to fight what societies in the developing world see as an attempt to erode their cultural values in favour of entrenching a Western-dominated global culture. There is a direct connection between cultural values and the ideal HRM practices and this makes it necessary to evaluate the national cultures and how they are likely to affect organisational HRM systems. For instance, the choice of management style is dependent on factors such as the level of power distance in the society while the approach to reward systems is strongly influenced by whether a national culture is individualist or collectivist. Hofstede provides dimensions of national cultures where are divided into 5 elements namely power distance, masculinity index, individualism/collectivism, uncertainty avoidance, and long term orientation. This brings to the fore the question of culture distance and its influence on HRM practices. The culture gap is the difference between cultures in different countries and it plays a role in determining whether it would be necessary to modify management practices to suit a new culture. Where the culture distance is low, the modification may not be necessary.

To understand the influence of culture on HRM practices, a comparison is made between the UK and the Chinese culture as shown below:

The difference in power distance is high with the index for China being higher than UK. This implies that in China, hierarchical structures and authoritative leadership approaches can be applied with relative effectiveness. It also implies that employees may not need to be empowered much in decision making as they would be comfortable with receiving explicit directions from their seniors (Pudelko, 2005). There is also a high cultural gap on the individuality index element. The Chinese national culture is heavily collectivist while that of the UK is heavily individualist. This cultural dimension is very relevant to determining how work is organised and how employees are rewarded. In the individualised cultures, reward systems are expected to be based on the individual and based on teams for the collectivist state. The demonstration on the cultural differences between the UK and China as demonstrated above can be used to understand the viewpoints of the divergence theorists who opine that it may be counterproductive to

transfer HRM practices across countries just because they have been known to work in a different cultural setting.

Despite the need to respect cultures, analysts warn against overreliance on the traditional cultural elements of a country as a pointer for what cultural perspectives are held. Culture is dynamic and in many cases, ideas that would ordinarily not be allowed become more acceptable with time. A good example of cultural dynamism can be observed in the emergence of an urban culture in many developing countries such as China. The youthful population in most urban centres around the world tend to conform to certain trends around the world that make revaluation of cultural values necessary on a regular basis. Research indicates that even in societies that have been found to be heavily collectivist in nature in the past, there has been a growing trend towards individualist viewpoints as the culture of materialism spreads around the world. This argument is however countered on the basis that cultures can be resilient and semblances of similarity ought not to be used as an indicator that divergence is no longer a necessity in international HRM.

The second factor that promotes the use of a divergence approach to HRM is the institutional structure where different subsidiaries are autonomous and at liberty to develop their own systems. Most multinationals around the world embrace this model where each subsidiary has a leeway in determining some of the primary elements in their management practices. However, this leeway tends to be limited and the organisations tend to be focused on maintaining a certain global image which they emphasise must be maintained across the world. While divergence may enable unique approaches to HRM in different markets, it may be counterproductive to ignore best practices in other markets. In line with this, many multinationals practice a measure of cross-vergence in their international HRM approaches.

Cross-vergence

Cross-vergence is an approach to HRM that combines both the convergence and

divergence approaches and is the most common HRM practice in the world. As a matter of fact, it is extremely rare to find a multinational that practices either of the approaches in their pure form. Convergence may be applicable in providing indicators of best practice but can be counterproductive in different cultures. Similarly, divergence is suitable in accommodating different cultures but can be counterproductive when used in isolation. Factoring the best practice approaches is crucial in ensuring that the success stories in other markets can be learned from. For instance, the Japanese traditional management style that incorporated teamwork was very insightful for the Western companies which incorporated it and combined it with their traditionally individualised approaches to yield high levels of productivity. However, these best practices must be modified to reflect on the special circumstances of the implementing organisation. In collectivist countries such as China, the traditional work organisation and reward schemes were based on the team model where people workers would be recognised within their teams. As organisations sought to raise their levels of productivity; they began to adopt individualised models which were modified to conform to the Chinese realities. This trend can be said to be the same for other developing countries such as Oman and others.

Convergence makes the best of both theoretical approaches and enables an organisation to maintain its uniqueness while also making use of the best HRM practices in the world. Moreover, it promotes agility and flexibility of HRM systems especially when it comes to making the choice on the extent to which either of the two approaches is to be factored in. In the designing of the cross-vergence approach, the managers are at liberty to determine to what extent they can be Universalist and to what extent they can be divergent. The striking of an optimum balance is crucial in making the organisation competitive and this is what makes HRM a science capable of determining the competitiveness of the organisation. The common trend in regards to approach to HRM is the increased emphasis on the strategic importance of human resources as a potential source of competitive advantage to the organisation. This calls for careful design that makes the best of both approaches.

Conclusion and recommendation

The main approaches to international HRM can be described by divergence and convergence theories. Divergence theories emphasise the need to embrace different approaches to suit the specific circumstances of the organisation and the predominant national culture. The convergence theory on the other hand emphasises the fact that best practices exist that can yield remarkable results when applied across the board. The advantage of applying convergence theories is that it involves application of practices that have been tested and found to be effective hence lowering the risk of failure. However, it may fail when applied in cultures that are significantly different. The divergent approach on the other hand is suitable for accommodating different cultures and is very suitable for enhancing uniqueness of the specific national culture. This makes it easy to use it as a source of competitive strength for the organisation. However, it may involve costly trial and error escapades when used in isolation.

The general trend in the world is that multinationals find it necessary to use the cross-vergence approach which exploits elements of both theories. It draws its foundation from exploiting best practices while seeking to achieve uniqueness by modifying the system to reflect on the specific circumstances of the organisation. This approach has been found to be very useful in the globalised markets where the level of competition is increasingly high and organisations are turning to their human resources for the competitive edge needed to excel. This is the recommended approach to HRM where the organisation needs to skilfully balance between the best practices and accommodation of unique management approaches to come up with a combination that leaves the employees satisfied, motivated and productive. Nevertheless, it is expected that even though full convergence is not likely to be realised, HRM practices will edge towards convergence in the future.

UNIT: 5

Emerging trends in International HRM

IHRM Trends and Future Challenges

Some insights to look upon for the HR Management Trends year 2017 are:

1. Alteration in the rules of Overtime:

The rule is proposed to raise the minimum level of salary for the white collar exemptions. Which could result in currently working 4.6 million exempt employees losing their exemption instantly. Rest of the 500,000 to one million exempt employees working currently could lose their status of exempt in the next ten years. This is due to the automatic increase in the threshold level of the salary.

2. Increment in the utilization of data and analytic tools:

In the present the crucial factor of managing and recognizing the competitive situations related to business lifecycle is able with the collection, processing and analyzing of big data. To gain the increasing competitive edge the companies must use analytics to gain data-driven insights into the workforce trends and engage to achieve refine recruitment, performance incentives, and compensation to arrange the evolving interests and goals of the employees. At this instant data can be pulled from a firm's HR tech systems. Predictive algorithms are used and applied to make decisions to hire and manage the workforce. With this, the productivity could be increased and turnover could be decreased which is seen as a big win.

The greater focus on a significant tech trend is at the master data hr management trends. The analytics have seen a tremendous growth in the last few years but the master data management was not present. With being aware of analytics power the companies have also understood the need for standardization of data. Data cannot be rolled up and analytics cannot be performed if everyone does things differently.

3. Requirement of integrated workforce management system:

For establishments with or more than 50 full time or equivalent employees an Act has transformed which was once an annual enrollment event into the process of reporting and tracking the extensive data on a monthly basis. To meet the terms of the law various workers in Finance, Tax, Legal, IT and HR who didn't share data may now need

to incorporate to help avoid expensive penalties. It will be a challenge to gather the required data from the multiple systems. Owing to this it will become more significant that a business considers an integrated management solution for human capital. Changing the tech support models in the HR organization would be a great help.

The HR could take it to greater level with the support of IT and Tech support. Employers still use separate payroll, benefits administration and HR systems for management and applicant tracking which might be appropriate for some organization but there is some disadvantages and integration seems difficult. The employers are choosing single system for several work. Moving to single vendor who could provide all areas of HR technology solution in a single integration.

4. Priority- Engagement of the employee:

Gradually most of the firms are focusing on driving better performance by improving the engagement of the employee. According to the research by Gallup the establishment's success financially such as profitability, productivity and customer engagement is strongly connected to employee engagement which leads to essential outcome from business. The mid-sized companies require revenue, growth and innovation to thrive which could be derived from the engaged employees. According to a study, the larger mid-sized companies with 150 to 999 employees quoted three talent related reasons to find out the decline in the growth. Out of which 23 percent were the disengaged employees, 18 percent were employees unable to attract qualified talent and 17 percent were the employee unable to retain key talent.

Organizations big concern in the last few years is to find and keep the great talent. Employees with the ability to perform with technology would help in development of the workforce. Organizations look for methods to engage different employee demographics due to shifting workforces. Engaged employee with knowledge of Technology could be a great help. Integrated systems to stand-alone systems there are various solutions available to match the requirements of the talent in a company.

5. More Millennial:

While much of the workforce in the organization consists of the retiring generation Z on the other end the growth of millennial workforce is indicated. According to a research approximately, half of the global workforce would be Millennials by 2020. While in some companies, the majority is already millennial. The organization that wants to hold and attract fresh talent would have to recruit the unit of digital natives. As this generation is a tech trend it is also important to ensure that their journey right from the hiring phase to on-boarding is supported on social and mobile platforms.

6. Merging of Business:

As for the HR trend of the year the Merging of the business would continue and the situation will continue to stay challenging for most of the industries. More and more challenges will be raising for the organization with Generation y on one hand and affectivity and effectiveness of the HR paired with analytics on the other hand. Becoming the most attractive employer for the future workforce would not be easy.

7. Remaking performance reviews:

The hr management trends performance review is to better understanding of changes that needs to be done to improve the ability to perform. The most trending topic is remaking performance reviews which include dropping rate of performance several companies have already implemented this tactic. Some are directing it in their firm. While few are abolishing individual bonus. Many of the companies in some time have done interesting things to improve their performance.

8. Development in the human side of the business:

In the present vibrant business setting most organization have the ability to flourish but are instead struggling since they don't tap into their complete potential or empower people. The success was driven by structure, process and encouraging employees to

function like a machine. These approach needs to be changed the success in the future would need the industry to work more on the human side of the business. People have evolved to deal with uncertainty by the means of cooperation, collaboration and utilizing the conflicts in a productive manner. It is essential that business encourages their employee to grow mindsets equipped towards conversation, connection and experimentation. Curiosity is a must, we need to question constantly whether we are performing things simply as that is how it has been done always and acquire new perspective to recognize potential better solutions.

The clarity of role and accountability is maintained with the help of various departments and reporting lines. Apart from it, they also create artificial obstacles that block progress. Consolidating people into silos with similar skills and function supports the pattern that is needed to solve simple as well as complex problems. However, it discourages them from working with people from other department or separate from business. It does not inspire to have any kind of conversation that would help to solve the major issues that are faced currently. The perspective of viewing fear and failure needs to be redefined by the businesses. Most of us allow fear to control us. One could eliminate it by taking back the control and looking behind the curtains created by our fear that is enacted by ourselves. With more integration, fewer silos and risks success becomes quite easy.

9. Cloud remains in the projection:

Human Resource Management moving to the cloud is hardly new concept. However, it is still in its early stage of adaptation. Almost every major HR software dealer is offering or planning to offer its solution in the cloud form. Cloud computing provides faster updates, increased flexibility, innovation and decrease in the cost. The HR managers could be in relief who deal with the expense of upgrading the system each year and downtime. As it will now be done by the vendor automatically. Oracle, ADP, Workday, SAP, Ultimate Software and Info are included in the Core HR solutions on the cloud along with other solutions.

10. Going Mobile:

The using of the mobile app within Human Resource Management is still in its initial stage. However with the appearance of more cloud-based apps and SaaS approach, things are changing. The Millennial employees have great expectancy in this area. The growing use of mobile apps will ease the administrative burden on HR and will considerably develop the usage of self-service. People involved with digital means apply for jobs through the help of mobile devices. To attract the talents from Generation X the employer needs to offer hiring and valuable information for mobile devices. Vendors are stepping up with attractive interfaces and mobile games and improving the ease of use. More vendors will be witnessed taking out their system from the mobile version of their system to mobile apps because apps tend easy navigation, provide more functionality and are visually attractive. The Mobile apps are advantageous despite it apps pose major data privacy issues for eg: local laws can put serious restrictions on using mobile apps for employee data.

Understanding the working environment and contributing to the success of the organization is the main role of the HR Management Trends professional. Following the latest trends of the Human Resource management will help the organization to thrive amongst other competitive industries. Apart from following the trend, it is vital that significant changes in the method of Human resource management are modified from time to time. The modern up to date techniques will not only be beneficial but also will be less stressful. It aids in selecting the talented workforce for the business. Simply by following the significant HR Management Trends would help the organization to maintain their hold in the industry.

Operating human resources across geographic and cultural boundaries can often prove difficult for small-business owners and managers. Nonetheless, with the widespread use of technology, the ability to communicate with anyone around the world and access to new and varied markets, international HR issues are important to grasp.

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Compliance and International HRM Issues

As businesses begin to expand into the global marketplace or as they hire employees from diverse geographic and cultural backgrounds, they may have to adapt to new labor laws and tax liabilities. Doing business in Europe, for example, will require the business to pay value added tax. Hiring employees who are non-naturalized US citizens might require HR to apply for work visas and report economic data to the federal government. Compliance with international law can be an issue for the under-educated business owner or HR manager, because these laws tend to be complex and sometimes difficult to implement. Keeping well-informed of the legal requirements for the business's operations can help alleviate some of this complexity and lessen the chances of landing in legal trouble.

Scope of Human Resource Management

With an increasing number of businesses operating on an international scale, the impact of globalization on hr can be tricky to navigate. Globalization means various laws, cultures and norms have to be taken into consideration when onboarding and crafting HR regulations. Some countries are more forward thinking where gender is concerned than others, and this distinction can lead to misunderstandings or worse, the loss of key personnel. It really would not be that hard to have a male manager handle the day-to-day operations in an area where female managers are frowned upon, just in case. Understanding the mechanism that makes each culture tick and implementing as little or as much needed so create balance is something to strive for.

Cultural Diversity and Global HR Issues

A salient issue in international HR is understanding and maintaining cultural diversity. Working with people from different locations or from different cultural backgrounds mean adapting the business's work style to new ideas, new ways of communicating and unfamiliar social practices. If you hire an employee from England, for example, the employee might have different ideas about how to manage employees or on how to run

technology processes based on her experiences back home. Being open to new work styles and cultural differences is the hallmark of cultural diversity in HR.

Benefits and Compensation

Benefits and compensation are the backbone of any HR strategy, but in international HR, benefits and compensation are even more important in focusing on the work-life balance of employees. The idea behind work-life balance is to provide employees with programs and initiatives that improve both their personal and professional lives. This is considered part of international HR, because many multinational companies have already implemented programs such as flexible working time, paternity leave, extended holidays and on-site childcare. In fact, many nations around the world, including much of Europe, mandate these programs by law. Implementing them on the local scale is one of the challenges and, ultimately, rewards of international HR.

Training and Development

Related to the idea of benefits and compensation in international HR are training and professional development programs. Training programs typically encompass in-house seminars and meetings designed to give employees on-the-job knowledge of skills that are important to doing business globally. HR might offer language classes, for example. Professional development encompasses the “extra” training that HR provides to its employees, such as allowing them to attend networking events and conferences, global training seminars and other specific competency-based programs. Professional development helps employees to hone their skills in global marketing, international business development and finance trends.

HR/IR issues in MNCs

Conflict Management

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Conflict can happen in any environment, and the workplace is certainly no different. Disputes between employees or a direct disagreement between an employee and business owner are situations that can occur frequently. An effective way of managing conflict is vital to the continued health of your company.

One of the biggest issues is how the two parties talk to each other, or whether they talk at all. If there is not an easy way for the two parties to communicate and have their issues heard, the conflict can turn into something much worse. This can result in poor company morale or the termination of a team member.

Consider using a system that allows for consistent, efficient communication between team members and insist that this is the way they must communicate if a conflict arises. When you make this a policy, you can avoid gossip and misunderstandings. You can also ensure that employees always feel that their issues are heard.

Hour and Wage Issues

Do you find that issues often crop up around payday? Do employees tend to dispute the number of hours they worked or insist on overtime that you don't think is accurate? Do you or your HR time find that you have to go over time sheets or attendance records to check details?

To avoid federal wage and hour violations and to reduce the possibility that employees will dispute their paychecks, consider self-service timekeeping software that allows them to clock in and out from their smart devices. This encourages employees to keep track of and manage their own schedules by providing an efficient way to do so. It can also help with scheduling to prevent unnecessary overtime or to make sure the employees in the right pay grade perform the correct jobs.

Adequate Safety in the Workplace

It's every business owner's worst nightmare to have an injury or accident happen to one of their employees while they are on the job. Promoting safety in the workplace should be a top priority of every business owner. This should be true no matter what industry they are in. This includes making sure all proper safety equipment is used and that the right security measures are put in place.

A good policy should also ensure that employees are not overly fatigued due to too many overtime shifts. Having software to track schedules can help HR managers ensure that employees have plenty of rest time. This helps reduce over-scheduling to the point of creating an unsafe work environment.

Annual Leave Disputes

Do your employees know that the company's leave policy is? Are you sure your policy is in accordance with state and federal laws? If your answer is no to either of these questions and you are not currently using leave management software, you could open the door to annual leave disputes.

Consider leave management software that helps you create a legal and transparent leave policy that leaves no room for dispute. Provide every employee with easy access to this policy. This type of software can also help your employees talk with HR managers about leave requests and adjustments.

Timekeeping and Attendance Issues

Do you require your employees to come into the home office and clock in or out every day? Do you find that many of them become lax on the issue, or that they have their co-workers 'buddy punch' them in when they're running late?

Timekeeping and attendance issues are common, and you can eliminate many of them by utilizing employee self-service software. Allowing employees to keep track of their

time and communicate about attendance issues right from their smart devices reduces the chances for conflict and provides them a handy benefit.

Having an effective employee relations plan in place will help you in numerous ways. You can avoid federal wage and hour violations, promote safety in the workplace, assist with schedule management, and give team members an easy way to communicate. This is an excellent way to ensure you promote an efficient and engaging work environment for your employees.

Issue 1: Who should handle Labour Relations: Headquarter or the subsidiary in the concerned country

The national dissimilarities in economics, political, and legal systems create diverse labour-relations system across countries, MNCs HQs typically delegate the control over labour relations to their foreign subsidiaries. Having said that, the participation of the MNC headquarters in host-country labour relations is impacted by 4 key elements:

1. In case there is a high level of inter-subsidary production integration, the labour relations function is centralised and is coordinated by the head quarter.
2. The nationality of ownership of the subsidiary has an influence on who should take care of employee relations.
3. Furthermore, subsidiary character has a bearing on who should deal with employee relations.
4. Finally, where a subsidiary is dependent more on its parent company for resources, you will see a greater corporate involvement in labour relations.

Issue 2: Trade Union Tactics

Trade Unions make use of a number of tactics to deal with international business:

1. The most common one is 'strike'. A strike is a concerted and temporary suspension of work, intended to put pressure. Unions should be cautious prior to resorting to a

strike in international scenario because the bargaining power of a union could possibly be threatened or weakened by the financial resources of an MNC. This is specially evident where a multinational firm uses transnational sourcing and cross subsidization of its products or parts across different international locations.

2. Form International Trade Secretariats (ITSs): There are Fifteen ITSs who help the exchange of information. Main objective of ITSs is to accomplish transactional bargaining with the MNCs.
3. Lobbying for limited national legislations – Trade unions have for several years lobbied for restrictive national legislation in the U.S. and Europe. Trade unions pursue restrictive national legislation to avoid the export of jobs via multinational investment policies.
4. Intervention from the global body like ILO, UNCTAD, EU, OECD: ILO has issued guidelines which cover disclosure of information, competition, financing, employment, industrial relations, taxation, science and technology.

Issue 3: Political

There is little doubt that national industrial relations (IR) systems continue to be greatly different. There are 3 faces of industrial relations which the international union movement encounters in the international environment, specifically social democracy, neo-liberal and authoritarian. The dissimilarities in national industrial relations systems are also mirrored in the structure, power and status of individual actors in the system. For example trade unions maintain a comparatively strong position within the Scandinavian IR model while their role is a lot more limited in the US context. The international labour movement is usually prohibited direct access to robust intergovernmental establishments like the WTO. So they have to depend on national government to represent their interests to these institutions. Significantly, the interests of government might not always be directly in-line with the union movement.

Issue 4: Social and Identity

A key problem with the international labour movement and specifically international collective bargaining is the absence of identity that individual workers have with their international associates. Additionally they see these peak associations to be a lot more conservative than activists at the local level. Associated with this point, there is a common lack of solidarity between actors at a national level. Additionally, there are endemic cultural, social and language differences among individuals in different countries resulting in lowering the degree of a shared identity between workers on an international level.

Issue 5: Power and knowledge

While labour's power continues to be local in scope, capital has grown to become more global in nature and decisions effecting workers are increasingly being made at a supra-national level. The locus of Multinationals decision making stretches beyond national borders and key facts are seldom transparent or accessible to trade unions. Additionally the well-rehearsed point that multinational organizations can counter the strength of local unions by threatening to move manufacturing to another place so that they can out manoeuvre trade unions or following threats of industrial action is significant.

Corporate Social Responsibility in MNC's

Corporate responsibility describes positive ways through which multinational companies may affect the society in which they operate. The World Bank and the World Business Council on Sustainable Development (WBCSD) define CSR as "the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large to improve their

quality of life, in ways that are both good for business and good for development” (SIDA, 2005).

The significance of corporate responsibility has become increasingly important because of (UNIDO, 2002, p.1):

- Globalization and the growth in competition
- Increased size and influence of companies
- Retrenchment or repositioning of government and its roles
- War for talent; companies competing for expertise
- Growth of global civil society activism
- Increased importance of intangible assets

Over the past decades, a fundamental change occurred in the relationship between business and society, and corporate responsibility activities have become an important part of the business environment. So far, CSR has mainly been a response to pressure from consumers, civil society, large enterprises and governments which have forced companies to become more environmentally and socially responsible due to environmental pollution, human rights abuses and exploitation of labor in supply chains. In the meantime, multinational companies have realized strategic importance of being further responsible. A major problem is that the corporate responsibility debates have been mainly focused on the large MNCs behavior and their impact on developing countries and emerging markets. It should be highlighted that attempts are increasingly being made to widen the scope and to include SMEs, as well as to motivate domestic companies in developing countries to include CSR in their strategies. This point is crucial since many SMEs do not have the adequate technology, environmentally friendly inputs, credit, information and training, and this often prevents social and environmental progresses.

Multinational companies are offering to the host country, not only their products and services, but also their business standards, values and principles and codes of conduct.

There seems to be potential for these practices to be adopted by domestic companies but there is a need for such incentives to come from Vietnamese companies themselves. The government can work as a catalyst and play a crucial role by viewing CSR and codes of conduct as cost-effective ways to enhance sustainable development strategies and as measures to compete on the world arena. This requires a transparent and accountable government that is a good example to follow by being socially responsible. CSR boards that include government, civil society and businesses at national and regional levels can work as intermediaries and spread information and sustainable ways of thinking. The non-democratic one-party system in Vietnam that controls both trade unions and the media hinders these possibilities as it is neither transparent nor democratic. Vietnam's membership in international institutions such as the WTO will hopefully shed new light on such problems and thus force the government to review its procedures and legal framework.

According to the literature, MNCs which decide to come and invest in the host can be an important factor for capital formation, transfer of technology and management skills, the sharing of information and ideas and market access. As it has been previously elaborated in this DBA thesis, CSR should also be considered and discussed as a spillover effect. However, this would require for that MNCs put more pressure on their suppliers in the host country to follow their Codes of Conduct together with all phases in the supply chain and not just being satisfied with delivering the guidelines.

Trade unions in Vietnam must make efforts to approach more SMEs and spread information and understanding about the meanings and advantages of being a member. VCCI can continue to work together with large MNCs, Vietnamese companies and trade unions and carry out projects and seminars about CSR. It is fundamental that the media in Vietnam to a higher extent highlights the importance CSR plays for the long-term survival of Vietnamese companies and how CSR can increase their competitiveness on international markets. MNCs that provide good examples to follow in Vietnam and abroad highlight these aspects but more spreading of information about

CSR is needed. This is crucial in order to enable large as well as small companies to better refer to CSR and thus make it more valuable to implement CSR-related actions.