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**SYLLABUS****IA Marks : 50****No. of Lecture Hours / Week : 04****Exam Hours : 03****Total Number of Lecture Hours : 56****Exam Marks : 100****Practical Component : 01 Hour / Week**

1. Critically analyse the impact of contemporary issues and global imperatives on Human Resource concepts, policies and practices in multinational organizations
2. Compare, contrast and explain a variety of strategic approaches to the management of Human Resources in multinational organizations.
3. Apply concepts and knowledge about the range of Human Resource functions to the deployment of expatriate employees and expatriate failures on international assignments.
4. Critically evaluate the effects of different Human Resource and International Industrial Relations strategies adopted by multinational international organisations operating in various regions of the world.

**Module 1: (10 Hours)**

Introduction to IHRM Definition, The drivers of internationalization of business. The different setting of International Human Resource Management. Development of IHRM. Difference between IHRM and Domestic HRM. Models of IHRM-Matching model, Harvard Model, Contextual Model, 5P Model European Model. SHRM: Evolution of MNE's, Business strategies, IHRM Strategies, SIHRM. Barriers in effective global HRM. Sociocultural context, Organizational dynamics and IHRM: Role of culture in International HRM, Country and Regional Cultures, Country Culture versus MNE Culture. Culture and employee management issues/ impact of Country culture on IHRM.

**Module 2: (7 Hours)**

Strategies for International Growth: Exploiting global integration-The logic of global integration, differentiation, Mastering expatriation, beyond the traditional expatriate model, the limits of global integration. Becoming locally responsive: The roots of responsiveness, understanding diversity, responding to diversity, the challenges of localization. Managing alliances and joint ventures - IHRM and International Alliances, IHRM and International Joint Ventures.

**Module 3: (10 Hours)**

International Workforce planning and staffing: International labour market International Recruitment function; head-hunters, cross-national advertising, e-recruitment; International staffing choice, different approaches to multinational staffing decisions, Types of international assignments, Selection criteria and techniques, use of selection tests, interviews for international selection, international staffing issues, Successful expatriation, role of an expatriate, female expatriation, repatriation, re-entry and career issues.

**Module 4: (7 Hours)**

Developing Global Mindset: Global Leadership, Cross cultural context and international assignees, Current scenario in international training and development, training & development of international staff, types of expatriate training, sensitivity training, Career Development,

repatriate training, developing international staff and multinational teams, knowledge transfer in multinational companies.

Module 5: (6 Hours)

Performance Management: Performance Management and MNE, Constraints in goal attainment, performance management cycle, Performance Management of International Assignees, third and host country employees, issues and challenges in international performance management, country specific performance management practices.

Module 6: (10 Hours)

International Compensation and International Employment Laws: International compensation and international assignees, Forms of compensation, key components of international compensation, Approaches to international compensation, compensation practices across the countries, emerging issues in compensation management. Establishment of labour standards by International Institutions, The global legal and regulatory context of MNE, The International framework of Ethics and Labour standards, Key issues in International Industrial Relations, Trade Unions and MNE's, Response of Trade Unions to MNE's, Non-Union worker representation.

Module 7: (6 Hours)

International Workforce and International HRIS: Working with multicultural and ethnic groups, Health and safety and International Assignees, Crisis Management, Global HR Shared Services, Managing HR in virtual organization, HRIS: Meaning, Role of IT in HR, Designing of HRIS, Applications of HRIS in Employee Management, Limitation of HRIS.

Practical Component:

1. Study the Socio-Political-Economic System in U.S, U.K, Japan and India and prepare a comparative analysis.
2. Visit an MNE organization and study the HR shared services operations performed.
3. Solve a case study to understand the challenges faced by organizations in evaluating the performance of international assignees.
4. Study and compare Recruitment, Selection and Training practices in various countries.
5. Study Indian and US legal aspects involved when deploying an employee on an International Assignment.

RECOMMENDED BOOKS:

1. International Human Resource Management - Monir H. Tayeb, Oxford University Press, 2005.
2. International Human Resource Management - Peter J. Dowling, Denise E. Welch, Cengage Learning
3. Human Resource Information Systems: Basics, Applications, and Future Directions: Basics, Applications, and Future Directions, Michael J. Kavanagh, Mohan Thite, Richard D. Johnson SAGE, 2011, 2/e

4. International Human Resource Management: Text and Cases By P. L. Rao, Excel Books, Reprint
5. International Human Resource Management: Policies and Practices By Dennis Briscoe, Randall Schuler, Ibraiz Tarique, Taylor & Francis, 2012, 4/e

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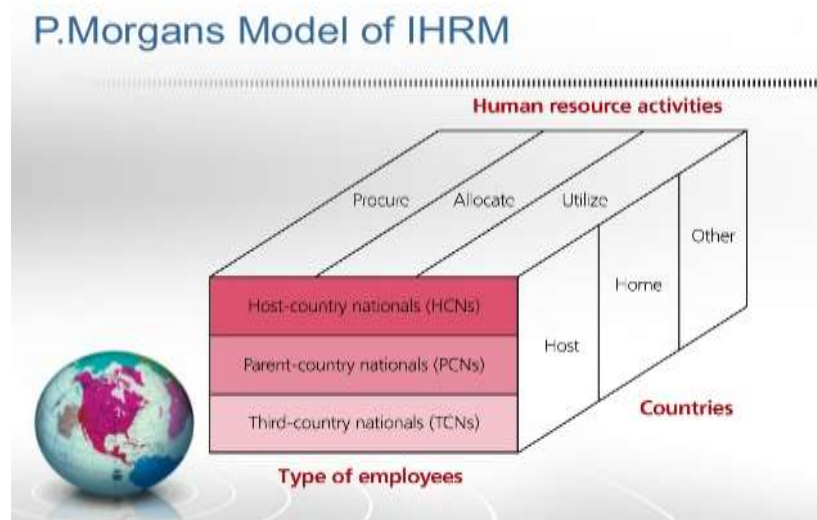
**MODULE 1(10 HOURS)****Definitions**

1. International Human Resource Management is the procurement, allocation, utilization, and motivation of human resources in international business.

2. Broad human resource activities of procurement, allocation, and utilization.

- The national or country categories involved
  - The host country where subsidiary country may be located
  - The home country where the firm is headquartered
  - Other countries that may be the source of labor, finance and other inputs.
- The three categories of employees
  - Host country nationals (HCNs)
  - Parent country nationals (PCNs)
  - Third country nationals (TCNs)

3. IHRM is defined as interaction between the three group of factors-Type of employees, environment of countries, and basic HR processes.



**The drivers of internationalization of business**

## Globalization of Markets:

It refers to the merging of national markets into one huge global marketplace. Now selling internationally is easier due to falling barriers to cross-border trade. A company doesn't have to be the size of these multinational giants to facilitate and benefit from the globalization of markets. It is important to offer a standard product to the worldwide. But very significant differences still exist between national markets like consumer tastes, preferences, legal regulations, cultural systems. These differences require that marketing strategies in order to match the conditions in a country. To illustrate, Wal-Mart may still need to vary their product from country depending on local tastes and preferences.

## Globalization of Production:

It refers to the sourcing of goods and services from locations around the world to take advantage of national differences in the cost and quality of factors of production. The idea is to compete more effectively offering a product with good quality and low cost. For example, Nike is considered one of the leading marketers of athletic shoes and apparel on the world. The company has some overseas factories where has achieved a super production with low cost. Unfortunately Nike has been a target of protest and persistent accusations that its products are made in sweatshops with poor working conditions. The company has signaled a commitment to improving working conditions, but in spite of the fact, the attacks continue.

## .Falling Barriers to Trade and Investment:

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

## Technological Innovation:

Technological changes have achieved advances in communication, information processing, and transportation technology, including the Internet and the World Wide Web (www). The most important innovation has been development in the microprocessors after that global communications have been revolutionized by developments in satellite, optical fiber, and wireless technologies, and now the Internet and the www. The rapid growth of the internet and the associated www is the latest expression of this development. Besides, innovations have occurred in the field of the transportation technology.

**The different setting of International Human Resource Management.****● Stage 1: Domestic Operations**

- Firms offer products or services that are designed to primarily serve consumers in the domestic market (e.g., law firms)

**● Stage 2: Export Operations**

- Products and services are opened up to markets in other countries, but production facilities remain in Canada (e.g., McCain Foods).
- **HRM:** Provides sales force with skills and motivation to succeed in these foreign markets.

**Stage 3: Subsidiaries or Joint Ventures**

- Some operational facilities (e.g., parts assembly) are physically moved to other countries.
- Corporate headquarters in home country has high control over foreign operations.
- **HRM:** Provides *expatriates* and local employees with knowledge and skills to succeed in the foreign country.
- Stages of Internationalization

**Stage 4: Multinational Operations**

- Much more prevalent international dispersion of production and service provision facilities.
- Decentralization of decision-making more prevalent, but “major” personnel decisions still made within home country.
- Expatriates still primarily manage foreign facilities.
- Stages of Internationalization

**Stage 5: Transnational Operations**

- Little allegiance to the firm’s country of origin.
- Large-scale decentralization of decision-making.
- Dominant role of expatriates is removed.
- Each business unit across the globe has the freedom to make and implement its own HRM policies and practices.

- Diversity as an Organizational and HR Challenge in MNE

### **Difference between domestic and international HRM**

#### More HR activities

International taxation, international relocation and orientation, administrative services for expatriates, host-government relations, and language and translation services.

#### The need for broader perspective

1. More involvement in employee's personal life
2. Changes in emphasis as the workforce mix of PCNs and HCNs varies.
3. Risk exposure
4. Broader external influences- Government, State of economy, generally accepted practices of business, Labor cost
5. Differential compensations
6. Diversity management
7. Global managers
8. Greater need for global mindset
9. Balancing contradictions and live with conflicts
10. Orientation towards continuous change
11. Ability to absorb cultural shock and attempt to minimize its severity
12. Political, economic, and social sensitivity and knowledge of many countries
13. Leadership
14. The cultural environment

#### The importance of cultural awareness

- Culturally insensitive attitudes and behaviors stemming from ignorance or from misguided beliefs not only are inappropriate but often cause international business failure.

#### Industry type



- Porter- Industry in which a multinational firm is involved is of considerable importance because patterns of international competition vary widely from one industry to another.
- Multidomestic industry – Competition in each country is essentially independent of competition in another countries – Retail, Insurance, Distribution
  - Role of HR will be more of domestic in structure and orientation.
  - Support primary activities in each domestic market to achieve competitive advantage through either cost/efficiency or through product/service differentiation.
- Global industry- Competitive position in one country is significantly influenced by its position in another country.
  - Airlines
  - PCs
  - Consumer electronics

#### Reliance of the multinational on its home-country domestic market

A large domestic market will also influence the attitude of senior managers towards their international activities, and will generate a large number of managers with an experience base predominantly or exclusively domestic market experience, Size of the domestic market. No US industry in top 15 MNC's with higher ratio of foreign assets to total assets and foreign sales to total sales.

#### Complexity

- Increasingly complex environment
- Need of right people
- Need of good IHRM practices
- Problems
  - Lack of understanding of the essential differences in managing human resources, in foreign environments
  - Certain management philosophies and techniques have proved to be successful in the domestic environment, but often their application in a foreign environment leads to frustration, failure and underachievement.
- More complexity due to political, and economic changes.

- Gulf war
- SARS
- Regional integration

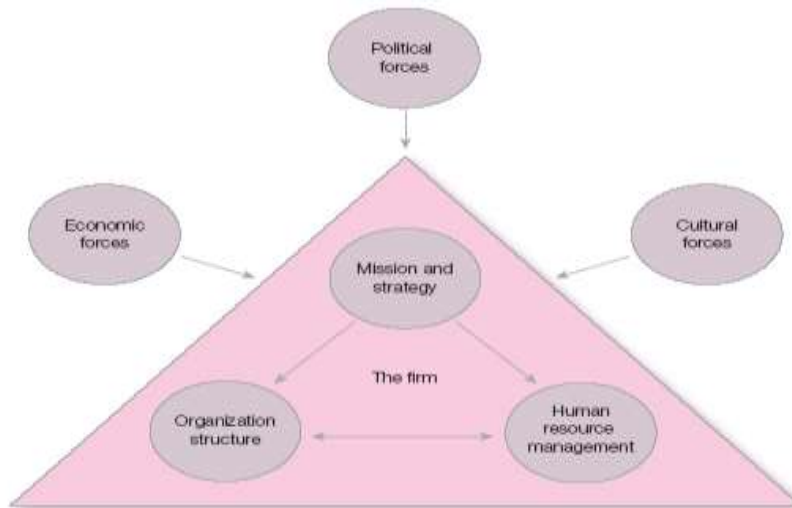
### **Development of IHRM:**

- Global competition
- Growth in mergers, acquisitions and alliances
- Organization restructuring
- Advances in technology and telecommunication
- Global competition
- Levels of competition are increasing with the spread and diversity of international business.
- Issues related to business ethics and social responsibility has become major concern for HR managers.
- Growth of mergers, acquisitions, and alliances
- Cross cultural issues
- Work practices
- Downsizing

### **Models of IHRM**

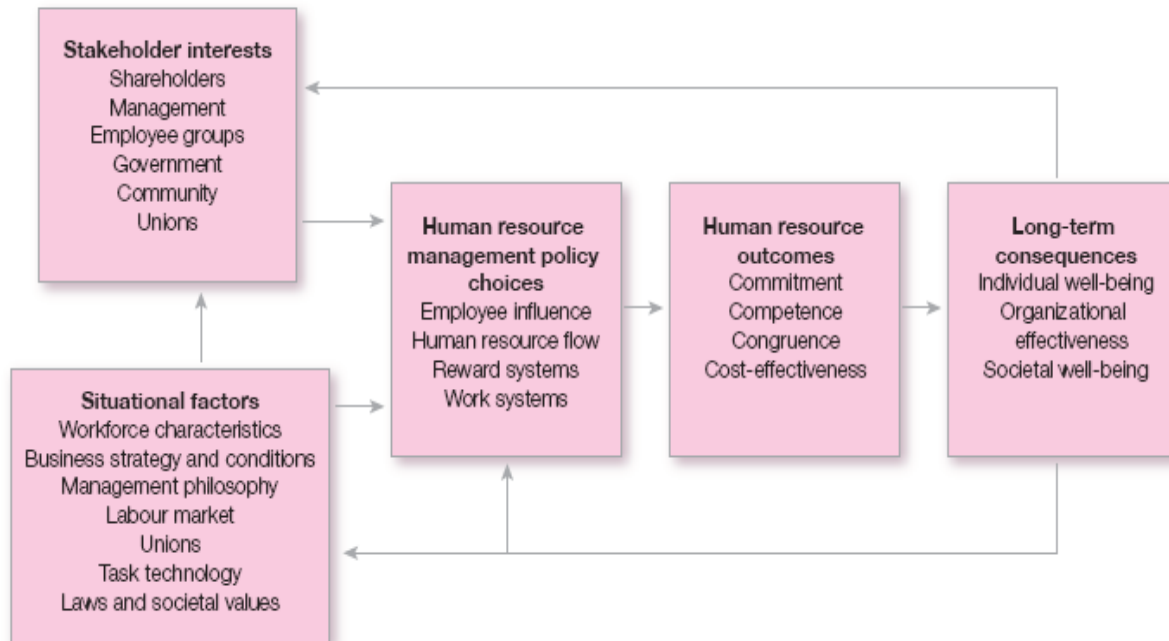
#### **Matching Model**

- Highlights the resource aspect of HRM
- Emphasize on efficient utilization of human resources to meet organizational objectives.
- Right fit between organizational strategies, organizational structure and HRM systems will result in success.



### Harvard Model

- Focuses on Human, Soft aspect of HRM
- It emphasizes in employee-employer relationship
- Also highlights the interests of different stakeholders of organization-shareholders, management, employee groups, government, community, unions
- How these interests can be related to objectives of management?
- The **model** illustrates the influence of situational factors on stake-holder interests, and their impact on human resource policy choices which are destined to deliver a raft of predetermined human resource outcomes such as commitment, competence, congruence and cost-effectiveness



- These outcomes consequently produce long-term and sustainable benefits for the individual, the organization and society.
- This is a highly prescriptive **model** of HRM which emphasizes a number of presumed long-term benefits of acting on stakeholder interests and situational factors, assuming that there is a set of predetermined and ‘superior’ human resource policy choices
- The Matching and **Harvard** models were often compared and contrasted in terms of their approaches to the use of human resources.
- While the Matching **model** focuses on the strategic resource aspect of human *resources*, the **Harvard model** emphasizes the human element in the *human* resource formulations.

### Contextual Model

- Organizations may follow a number of different means to achieve same results.
- This is due to existence of linkage between external environment context-Socio-economic, technological, political-legal and competitive, and internal organizational context-culture, structure, leadership, task, technology, and business output.
- The linkage will determine content of organization’s HRM
- 5-P Model
- Links five human resource activities-philosophies, policies, programmes, practices, and processes with strategic needs.

- These activities are Interrelated
- They are significant in achieving organization's needs.

### **Five P's Model of SHRM**

- Philosophy
  - Statements of how organization values and treats employees; essentially culture of the organization
- Policies
  - Expressions of shared values and guidelines for action on employee-related business issues
- Programs
  - Coordinated and strategized approaches to initiate, disseminate, and sustain strategic organizational change efforts necessitated by strategic business needs
- Practices
  - HR practices motivate behaviors that allow individuals to assume roles consistent with organization's strategic objectives
  - Three categories of roles:
    - Leadership
    - Managerial
    - Operational
- Processes
  - Continuum of participation by all employees in specific activities to facilitate formulation and implementation of other activities

### **European Model**

- It is based on the argument that European organizations are constrained at both international (European Union) and national level by national culture and legislation.
- They are also constrained at the organizational level by patterns of ownership and at the HRM level by trade union involvement and consultative arrangements.
- All the constraints need to be considered for forming a HR system.

**Model of SHRM in Multinational Companies**

- Successful SHRM efforts begin with identification of strategic needs
- Employee participation is critical to linking strategy and HR practices
- Strategic HR depends on systematic and analytical mindset
- Corporate HR departments can have impact on organization's efforts to launch strategic initiatives

Evolution of MNE's

## Three Stages of Evolution

## 1. Export stage

initial inquiries => firms rely on export agents

expansion of export sales

further expansion | foreign sales branch or assembly operations (to save transport cost)

## 2. Foreign Production Stage

There is a limit to foreign sales (tariffs, NTBs)

## DFI versus Licensing

Once the firm chooses foreign production as a method of delivering goods to foreign markets, it must decide whether to establish a foreign production subsidiary or license the technology to a foreign firm.

## Licensing

Licensing is usually first experience (because it is easy)

e.g.: Kentucky Fried Chicken in the U.K.

it does not require any capital expenditure

it is not risky

payment = a fixed % of sales

Problem: the mother firm cannot exercise any managerial control over the licensee (it is independent)

The licensee may transfer industrial secrets to another independent firm, thereby creating a rival.

## Direct Investment

It requires the decision of top management because it is a critical step.

it is risky (lack of information) (US -> Canada) plants are established in several countries

licensing is switched from independent producers to its subsidiaries, export continues

## 3. Multinational Stage

The company becomes a multinational enterprise when it begins to plan, organize and coordinate production, marketing, R&D, financing, and staffing. For each of these operations, the firm must find the best location.

## Rule of Thumb

A company whose foreign sales are 25% or more of total sales. This ratio is high for small countries, but low for large countries, e.g. Nestle (98%: Dutch), Phillips (94%: Swiss).

## Motives for Direct Foreign Investment

New MNCs do not pop up randomly in foreign nations. It is the result of conscious planning by corporate managers. Investment flows from regions of low anticipated profits to those of high returns.

Growth motive A company may have reached a plateau satisfying domestic demand, which is not growing. Looking for new markets.

## Protection in the importing countries

Foreign direct investment is one way to expand bypassing protective instruments in the importing country.

European Community: imposed common external tariff against outsiders. US companies circumvented these barriers by setting up subsidiaries.

Japanese corporations located auto assembly plants in the US, to bypass VERs.

## Market competition

The most certain method of preventing actual or potential competition is to acquire foreign businesses.

GM purchased Monarch (GM Canada) and Opel (GM Germany). It did not buy Toyota, Datsun (Nissan) and Volkswagen. They later became competitors.

Cost reduction

United Fruit has established banana-producing facilities in Honduras.

Cheap foreign labor. Labor costs tend to differ among nations. MNCs can hold down costs by locating part of all their productive facilities abroad. (Maquildoras)

Supplying Products to Foreign Buyers

Export versus Direct Foreign Investment

MES is the minimum rate of output at which Average Cost (AC) is minimized. If minimum efficient scale (MES) is not achieved, then export.

### **Business strategies**

A **business strategy** is the means by which it sets out to achieve its desired ends (objectives). It can simply be described as a long-term **business** planning. Typically a **business strategy** will cover a period of about 3-5 years (sometimes even longer).

### **IHRM Strategies**

- Transnational
  - Geographical context within which all major decision are made
- Transnational representation
  - Multinational composition of the managers and executives
- Transnational process
  - Firm's ability to include representatives and ideas from many countries

### **SIHRM.**

Globalization is becoming more and more important to companies all over the world. A major component of the globalization of business is the field of human resource management. A trend over the past few years has been to identify the linkage of human resource management with strategy not only on the national level but also on the international level. Thus, Strategic International Human Resource Management (SIHRM) is a growing field of research for academics and an important field of concern for practitioners in multinational corporations.



**Barriers in effective global HRM****1. Political & Legal Factors:**

Throughout the world, the political & legal systems are diversified. The organizations deal with the political & legal systems that are fairly stable, particularly in the developed countries of Europe. On the other hand, in certain other countries, there are relatively unstable political & legal systems. The governments of certain countries face coups, corruption & dictatorial rules that are all badly affecting the legal & business environment. Due to internal politics, the legal systems in certain countries are also becoming unstable. In this way the variations in the political & legal systems around the world become as a hurdle in the effective global human resource management.

**2. Cultural factors:**

Every country has its own unique culture which is slightly similar to the cultures of other countries of the world. The global human resource management should apply such policies & procedure in the organization which are in accordance with the local culture of the country or region. Even most of the employees of the foreign subsidiary should be hired from the host country. There may be certain cultural norms that are allowed in one country but are prohibited in another country. So, cultural factor becomes a barrier for the smooth working of the global human resource management of any organization. Therefore the expatriates of the organization should also take into account the cultural norms & values of the host country to some extent. The management should make ensure that the implemented wider corporate culture is being followed in all the subsidiaries of the globally operating organization.

**3. Economic Factors:**

The economic factor is also regarded as a barrier for the effective global human resource management because there is not any single economic system operating globally. In case of the capitalist system, the efficiency & productivity are focused by the management of the organization by making such policies & procedures that promote efficiency. On the other system of economics, which is the socialist, the elimination of unemployment is concentrated by the management of the organization by sacrificing the productivity & efficiency which is definitely harmful for the organization. So before development & implementation of any human resource policy or practice of the management of the organization, the economic barrier of the global operations should be properly comprehended by the organization. Moreover, the difference in the labor costs around the world becomes a serious problem for a global business.

**4. Labor/Management Relations Factor:**

The policies & procedures of the global human resource management are affected by the relations of workers & employees with the management because the nature of these relations varies from one country to another country of the world.

**Socio-cultural context**

A key factor in the increasing internationalization of employment is that there are cultural differences between nations – differences in national values and attitudes. Many of us have stereotypes of taciturn Finns, ebullient Spaniards, work-obsessed Americans, polite Japanese, modest Malays, etc.

These are stereotypes: even though the next Finn we meet may be loud and confident, the next Spaniard quiet and reserved, and so on, they indicate real, general, truths. There is now plenty of research evidence that different nationalities do have different values and that these affect the way people organize, conduct and manage work.

An awareness of cultural differences is therefore an essential part of an international HR manager's brief. The normal HR activities such as recruitment and selection, training and development, reward and performance appraisal, may all be affected by cultural values and practices in the respective host countries. As a result, great care must be taken when deciding whether or not to adopt standardized HR policies and practices throughout the world.

**Organizational dynamics and IHRM: Role of culture in International HRM**

Cross-cultural leadership looks at differences and similarities across cultures, research into global leadership “suggests a different way of thinking,” with an emphasis on managing in a global context.

HR departments of multinational organizations invest a lot of resources and effort into selecting and training expatriates, and most concentrate on knowledge training and behavior modification training relevant for specific cultures, according to the report. They are guided by a cross-cultural perspective that “emphasizes differences and similarities of values and behaviors among countries.”

However, because multicultural teams operate in a global context, with people from different nationalities working together to accomplish a global mission, “comparisons between two national cultures can be meaningless.”

**Country and Regional Cultures**

Nation” is a useful:

- Definition of society
  - similarity among people a cause -- and effect -- of national boundaries
- Way to bound and measure culture for conduct of business
  - culture is a key characteristic of societ
  - can differ significantly across national borders
    - also within national borders

- laws are established along national lines
- Culture is both a cause and an effect of economic and political factors that vary across national borders

### **Country Culture versus MNE Culture**

#### Dimensions

When establishing an office overseas, consider cultural differences across four dimensions: individualism/collectivism, uncertainty/avoidance, masculinity/femininity and power distance, according to a paper on the Association to Advance College Schools of Business web site. For example, members of high-power distance cultures, such as Malaysia, show great deference to those who outrank them, whereas Danes, who come from a low-power culture, expect to participate actively in discussions across all levels. Individualist cultures, such as the English, stress independence while collectivist cultures, such as Venezuelan, stress the common good. Multinational companies should recognize that management styles should differ across offices based on these cultural norms. When advertising a product in a culture with a high-femininity dimension, concentrating on how it helps relationships will be more profitable than focusing on how it helps you achieve goals.

#### Family Ties

Cultures also differ in their views of family and business. In the United States, a manager who hired her brother might well be accused of unethical nepotism. However, many Latin American cultures consider skipping over qualified relatives to hire a stranger to be silly. While a small business that only operates in the United States might ban the hiring of relatives, a multinational business that operates in Latin America, as well as the United States, might think twice about adopting such a policy.

#### Training

Small multinational businesses must change the culture in their own U.S.-based headquarters to be nimble enough to compete cross-culturally. One way is to adopt a training culture. Training could include presentations on cultural differences, as well as incentives to encourage employees to travel to countries where you have offices. Hiring a multicultural headquarters workforce also helps expose everyone to cultural differences.

#### Unified Culture

Multinational companies also must strike the balance between honoring all cultures while still ensuring employees from all offices are united toward a common mission. One way to do this is to create a community culture across all offices. A company blog or a daily e-mail can highlight accomplishments and give news from all offices. Online collaboration tools or social media groups also can link employees from all cultures to common mission.

**Culture and employee management issues / impact of country culture on IHRM**

Managing the expatriate's adjustment process is a primary focus of IHRM

The difficulty of this task has increased because sales and production shifted closer to markets.

There is higher use of host country and third country management.

There is a concurrent increase in the number of inpats

Both inpats and expats can have a difficult time adapting to their new surroundings

**MODULE 2(7 HOURS)****Exploiting global integration-The logic of global integration**

## Global Integration

- Global integration means centralized control over key resources and operations that are strategic in value chain
- Need for international expansion with control over key resources
  - Need to manage investment in R&D and reach economies of scale in manufacturing
  - Serving global customers
  - Global branding
  - World class standardization
- Tools of global integration
- Planning systems
- Goal setting
- Accounting and budgetary systems
- IT
- Project committees
- Performance appraisals
- Five ways of exercising control
- Centralization or personal contact
- Formalized control through standardization work rules, procedures, and processes
- Output control through performance contracting
- Normative control through socialization
- Informal control through mutual adjustments
- Implementing global integration
- Alignment

- Alignment of decision making to ensure that local decisions reflect a global perspective, particularly through control exercised by expatriates
- Performance management
- The standardization
  - Standardization of processes to achieve desired efficiencies and uniform behavior
- Socialization
  - Expatriate with global orientation

### **Differentiation:**

HR is being challenged to deliver more with less and the squeeze is tight. The only way to ensure that people practices and investments are optimized for organizational success is to focus on the areas of highest gain whilst maintaining the other elements of your HR function at an appropriate level. In other words, keep Mickey engaged, but target the sweepers.

Some organizations have been operating this way for some time. For others, this is a new concept and challenges some of the traditional ways in which HR has been both practiced and perceived. In many instances, the driving concept behind HR is that we need to treat people fairly and that this means treating them equally. Differentiated HR maintains the need to treat people fairly and draws a line of distinction between fair and equal.

The more traditional view of HR needs to change if we are to meet the expectations of business leaders and deliver on the promise of our people. The recent “Great Recession” has only accelerated the impetus and increased the urgency.

### **Mastering expatriation**

- The purpose of expatriation
- Beyond the traditional expatriate model
- The tensions in the expatriate cycles
  - Home/host tensions
  - Global/local tensions
  - short term/long term tensions
  - Tension between cost and investment
  - Demand/supply tension

**Beyond the traditional expatriate model**

- Changing demographics of expatriate population
  - Expatriates were earlier selected from home country alone
  - Expatriate population was homogeneous
  - Expatriate assignments were temporary
  - Objective of assignment was to control or transfer knowledge
  - Beyond the traditional expatriate model
- Woman expatriates
- Younger expatriates
- TNCs

## Alternative to expatriates

- Global integration without expatriation
  - Virtual expatriation
- Impartation

**The limits of global integration**

- Limits on ability to respond to local needs and demands
- Increased demand for coordination
- Employee perceptions about expatriates
- Becoming locally responsive

**Principle and Time perspective**

- Know yourself: the cultural perspective
  - Cultural values shape collective thought and behavior
  - Culture of mother company has an effect on international strategy and in turn on HRM practices-Understanding self
    - US-Universalistic

- Japan and Korea-particularistic
- Understanding diversity
- Know where you are: the institutional perspective
  - Business behavior in different countries lies in interrelationships, between economic, educational, financial, political, and legal systems
  - Understanding diversity
- Know who you talk to: the network perspective
  - MNCs are not only influenced by their origin and norms in the countries where they operate and they have to face the pressures of conform to international peers or competitors
  - Internationalization of networks
  - Responding to diversity

### **Becoming locally responsive: The roots of responsiveness**

- Communication and transport issues
  - Trade barriers
- Business advantages of responsiveness
  - Adjustment to local tastes
  - Wider appeal
  - Can overcome liability of foreignness
  - Competitiveness
  - credibility
- Localization in people management
- HR is more sensitive to local context
- Cultural issues
- National regulations

### **Understanding diversity**



- Cultural differences between parent company and local subsidiary, the host environment, company's way of networking

### **Responding to diversity**

- Be guided by diversity
  - Respect local diversity
  - Entry mode
  - Local adaptation-HR practices
- Capitalize on diversity
  - Building cultural synergy-develop new solutions that respect each culture
  - Moving jobs to people
  - The challenges of localization

### **The challenges of localization..**

#### *Finding and developing local talent*

- Scarcity of talent
- Labor market access

#### *Retaining local talent*

- Expatriated are responsible for localization
- Select the right person
- Setting objectives
- Motivating localization
- Developing local staff
- HR marketing and recruitment
- Training and development
- Retention

### **IHRM and international alliances**

Alliance – cooperative strategy in which firms combine resources and capabilities to create a competitive advantage

Need for alliances?

- Tools of international growth
- Cut cost of entry
- Leveraging opportunities
- Economies of scale

### **Types of alliance**

- Functional-R&D, manufacturing, marketing and distribution,
- Number of partners
- Contractual agreements
- Strategic framework

### **Planning and negotiating alliances**

- HR's role in developing initial strategy
  - Training and selection issues
  - HR issues in alliance strategy plan
- Partner selection
  - Desired competencies
  - HR support form partner
  - Assessment of HR skills and reputation of partner
  - Organizational culture
- HR issues during negotiation
  - Staffing criteria
  - Compensation and performance management
  - Who will provide HR service support
  - HR issues in alliance strategy plan
- HR activities
  - Negotiation team selection

- Negotiation training
- Alliance management training
- Quality of HR support
  - Recruitment target
  - Training delivered
  - Skill or knowledge transfer
  - Implementing alliances
- Managing the interface with parent
  - Align internal processes for collaboration
  - Reward systems
  - Reinforcement
  - Human resource tasks in managing venture
- **Implementing alliances.**

#### Staffing alliance

- Number and skill mix of employees
- Who does manpower planning
- Who will recruit
- Which positions from which partner
- Which positions for expatriates
- How to resolve staffing conflicts
- Supporting learning alliance

#### **Supporting alliance learning**

- HR planning: strategic intent not communicated, low priority to learning activities, lack of HR involvement
- Staffing: poor staffing strategy, low quality of staff, staffing dependence on partner

- Training and development-lack of cross cultural competence, poor transfer
- Appraisal and rewards: short term focus, no reward for learning, not linked to global strategy

### The evolving role of alliances

#### Cooperative role

- ◆ Economies of scale in tangible assets (e.g., plant and equipment)
- ◆ Upstream-downstream division of labor among partners
- ◆ Fill out product line with components or end products provided by supplier
- ◆ Limit investment risk when entering new markets or uncertain technological fields via shared resources
- ◆ Create a “critical mass” to learn and develop new technologies to protect domestic, strategic industries
- ◆ Assist short-term corporate restructurings by lowering exit barriers in mature or declining industries

#### Competitive role

- ◆ Opportunity to learn new intangible skills from partner, often tacit or organization embedded
- ◆ Accelerate diffusion of industry standards and new technologies to erect barriers to entry
- ◆ Deny technological and learning initiative to partner via outsourcing and long-term supply arrangements
- ◆ Encircle existing competitors and preempt the rise of new competitors with alliance partners in “proxy wars” to control market access, distribution, and access to new technologies
- ◆ Form clusters of learning among suppliers and related firms to avoid or reduce foreign dependence for critical inputs and skills

### IHRM and international joint ventures

An **international joint venture (IJV)** occurs when two businesses based in two or more countries form a partnership. A company that wants to explore **international** trade without taking on the full responsibilities of cross-border business transactions has the option of forming a **joint venture** with a foreign partner.

### Types of Joint Ventures:

Corporate joint-ventures / equity joint-venture: it is a form of collaboration that sets up a new entity or a new corporation. This new element is under a high rigidity and complexity due to the different legal implications of each country.

Non-corporate joint-ventures: it is a contractual agreement that does not generate a new entity.

All joint venture members assume the losses in an agreed proportion and its obligations are limited to the obligations of the own joint venture.

### Steps to constitute a Joint Venture

The constitution of a joint venture comprises signing stakeholder's agreements about strategic, organizational and financial aspects. All of those must be in accordance with the legal framework of the country where the business is set up in (tax address)

In addition, stakeholders draw up the articles of incorporation. Here, the terms of agreements are capture in a formal fashion. We recommend the to count on the help of a legal advisor at this stage. From now onwards, the will take some responsibilities and will have some rights.

A Joint Venture facilitates: • Get over commercial frontiers, building new market niches into different cultures.

- Creating new product lines.
- Improve quality.
- Isolate each stakeholder's book keeping.
- Get access to new capital and foreign funding opportunities.
- Shorten production time.
- Cost-cuts and minimize investment risks.
- Higher specialization.

**MODULE 3 (10 Hours)****International Workforce planning and staffing: International labour market**

A labor market is the relationship of communication between the suppliers and the demanders so that they are able to do business together. The global aspect of the labor market refers to the world and all that contribute within this measure, also known as globalization. Globalization is the process of integrating regions through societies, political systems, economies, and culture to share ideas between the countries.

Culturally, this is beneficial because we are learning from other countries and bridging the gap between countries. All around, globalization is a positive action because we can learn from each other and better our countries with other ideas and in turn work for the good of the whole world.

International labor 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 labor 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 labor 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.

Global workforce refers to the international labor pool of workers, including those employed by multinational companies and connected through a global system of networking and production, immigrant workers, transient migrant workers, telecommuting workers, those in export-oriented employment, contingent work or other precarious employment.

**International Recruitment function**

The changing nature of mobility worldwide means that the HR function in international organisations has to meet a series of challenges in resourcing:

- It has to work within globally co-ordinated systems whilst recognising and being sensitive to local needs.
- Practitioners are looking to source talent from increasingly varied places around the world, so integrating a diverse workforce for maximum organisational and individual performance is crucial.
- Increasingly the lines between traditional HR functions are blurred, so resourcing specialists have to focus on management development and reward issues as well as resourcing ones.
- Merger and acquisition activity means that HR practitioners are engaged in selection of employees in a changing environment and looking to harmonise HR practices.

- HR is looking to maximise the learning opportunities given by global networks to share best practice.
- Rapidly changing business situations in volatile global markets means that HR must often recruit, deploy, develop and shed people at great speed.

**Head-hunters** : Headhunting is recruiting the top management executives, who are highly skilled and resourceful and whose contribution to the organization leads to success or these employees are the competitive advantage of the organization. eg, those employees who are competitive advantage of some company is offered the fancy designations and high salary package and made to join their company this process is called headhunting. Headhunting can be done via ads, job portals referrals etc. there are three types these are direct, indirect and third party recruitment.

"Head Hunting" is not necessarily an "HR" (human resources) job but that of a corporate recruiter. Often referred to as headhunters, corporate recruiters (recruiters) pick up "job orders" from HR managers of most organizations to help them fill the need of the hiring department. This helps the HR staff in getting a person to hire much more quickly. The corporate recruiter will place the advertisement for the job opening; perform a preliminary interview of good candidates ensuring the resumes of people they have found are the top contenders. This saves the HR department a lot of time and effort when trying to locate the right person.

Money – its all comes down to - usually, the "Placement Fee" or finder's fee is generally 30% of the annual salary of the person recruited.

**Cross-national advertising:** Now world is a global village and as part of globalization, labour migration is more common and accepted all over the world. At present many companies seek to carry out cross border when they recruiting senior staffs. Brewster et al (2008) mentioned that the rising apply of advertising such as targeted outdoor poster sites -airport lounges, airline magazines and journey to work routes. Simultaneously, international, publications like as The Economist magazines, the wall street journal's regularly represents some advertisement for high level posts in many organizations all over the world. Although that advertising should consider cultural differences, it may well be the case that the valuable targeting of such advertisement ensures that they are seen more or less totally by people. They are more used to, and accepting of, these multi-cultural messages.

**E-Recruitment** : is the process of personnel recruitment using electronic resources, in particular the internet. Companies and recruitment agents have moved much of their recruitment process online so as to improve the speed by which candidates can be matched with live vacancies. Using database technologies, and online job advertising boards and search engines, employers

can now fill posts in a fraction of the time previously possible. Using an online e-Recruitment system may potentially save the employer time as usually they can rate the eCandidate and several persons in HR independently review e Candidates.

**International staffing choice**

One of the major decisions for HRM when a company decides to operate overseas is how the overseas operation will be staffed. This is the focus of this section.

**Types of Staffing choices**

There are three main staffing strategies a company strategy uses employees from the home country to live and work in the country. From an entirely different country from the home country and host country. “These individuals are called expatriates. The second staffing strategy is a host-country national strategy, which means to employ people who were born in the country in which the business is operating. Finally, a third-country national strategy means to employ people Advantages and Disadvantages of the Three Staffing Strategies" lists advantages and disadvantages of each type of staffing strategy. Whichever strategy is chosen, communication with the home office and strategic alignment with overseas operations need to occur for a successful venture.

Advantages and Disadvantages of the Three Staffing Strategies

	<b>Home-Country National</b>	<b>Host-Country National</b>	<b>Third-Country National</b>
Advantages	Greater control of organization	Language barrier is eliminated	The third-country national may be better equipped to bring the international perspective to the business
	Managers gain experience in local markets	Possible better understanding of local rules and laws	Costs associated with hiring such as visas may be less expensive than



	<b>Home-Country National</b>	<b>Host-Country National</b>	<b>Third-Country National</b>
	Possible greater understanding and implementation of business strategy	Hiring costs such as visas are eliminated	with home-country nationals
	Cultural understanding		
	Morale builder for employees of host country		
Disadvantages	Adapting to foreign environment may be difficult for manager and family, and result in less productivity	Host-country manager may not understand business objectives as well without proper training	Must consider traditional national hostilities
	Expatriate may not have cultural sensitivity	May create a perception of “us” versus “them”	The host government and/or local business may resent hiring a third-country national
	Language barriers		Can affect motivation of local workers
	Cost of visa and hiring factors		

**Different approaches to multinational staffing decisions**

1. Ethnocentric approach
2. Polycentric approach
3. Geocentric approach
4. Regiocentric approach

### Ethnocentric Approach

- Parent nation employees fill all key positions in a multinational.
- Common for firms at early stages of internationalization.
- Perceived lack of qualified host nation employees
- Need to maintain good communication, coordination, and control links with corporate headquarters.

### Disadvantages

- Limit promotional opportunities to host country nationals and may lead to lower productivity, higher labor turnover, loss of competent people.
- Parent company nationals may take more time in understanding local dynamics
- Salary differences

### Polycentric Approach

Employing host country nationals in the subsidiary of the MNC operating in that country and parent country nationals will hold positions in corporate headquarters.

### Advantages

- No language barriers
- Easy to understand local dynamics
- Managing local politics and administration will be very easier
- Less expensive

### Disadvantages

- Maintaining understanding between the corporate and subsidiary management becomes difficult.
- Difficult to imbibe original culture of the company
- No opportunity for host country nationals to get exposure and experience outside their country, which may even reduce growth opportunities

### Geocentric Approach

- Employing the best people in key positions throughout the organization without the consideration of any nationality.
- Competent people need not be from host or parent country Constraints
- Employment policies of different countries
- Paper work involved in different nationals
- Expensive

- Compensation needs international benchmarking

#### Advantages

- International core team
- Best talent

#### Regiocentric Approach

- Operation of multinational company on the basis of some geographical regions and allows transfer of employees within the particular region.
- Europe
- America
- South east Asia

#### Advantages

- Allows interaction between executives transferred to the regional headquarters from the subsidiaries and parent country nationals posted to the regional headquarters
- Reflects sensitivity to local conditions
- Highly effective for a MNC to move from a purely ethnocentric to geocentric approach

#### Drawbacks

- May produce federalism at regional than a country basis
- May improve career opportunities at the national level but moves the barrier only to the regional level

### **Types of international assignments**

#### Long-term temporary assignments

Long-term temporary assignments typically span one to three years, though it is not uncommon for there to be a mechanism to extend them to up to five years or more. Most companies are focusing on keeping long-term assignments to a five-year maximum as a cost management effort to align with the maximum period of many tax-related totalization agreements.

#### Short-term temporary assignments

Short-term temporary assignments are typically 3 - 12 months in duration, though the limits may vary by industry, with the most common variation being a six-month minimum and an 18-month maximum. These assignments are typically designed to accomplish a specific task or goal, such as to train local staff in a specific skill or to gain technical proficiency from local staff, to fill a

vacancy until a more permanent solution is put into place or to participate in a designated project.

#### Employee-requested long- and short-term assignments

The key element is the fact that the employee has not been asked to take an assignment but has requested to do so for his/her own personal and/or professional reasons. The company may wish to provide support for the employee during the assignment – most companies do – but at a reduced benefit level.

#### Permanent international transfers

Sometimes called one-way moves or indefinite transfers, international transfers are akin to domestic relocation, with international-related elements added in. Traditionally, international transfers have been used when an employee fills a permanent position in the destination country.

#### Commuter assignments

Instead of taking a short- or long-term assignment or even an international transfer, an employee may commute regularly between their home location and the work site in another country. Because of the need to commute regularly, these assignments are most frequently used intra-regionally. Commutation may be weekly or bi-weekly.

#### Developmental assignments

Developmental assignments address strategic needs within a company: to help an employee gain critical skills. They are often utilized for employees identified as high-potential at any point in their career, or they may be specific to early-career employees.

#### Assignments in difficult locations

Difficult locations are typically defined by living conditions that are far more challenging than those the employee experiences in his/her home location. Housing, living standards, remoteness, transportation options, limited education or medical facilities, and significant cultural differences are all elements that make this assignment type different from others.

### **Selection criteria and techniques**

1. Technical ability
2. Cross-cultural suitability
3. Family requirements
4. Country-cultural requirements
5. MNE requirements
6. Language

Technical Ability

- Person's ability to perform the required tasks
- Research has indicated that MNC's give highest importance to technical and managerial skills
- Candidates past performance is checked

Cross-cultural suitability

- Ability to operate in new environment
- Cultural empathy, adaptability, diplomacy, language ability, positive attitude, emotional stability and maturity are important factors
- Big five model can be used to test personality

Family requirements

- It is accepted that the contribution of family especially the spouse, makes to the success of overseas assignment
- Settlement of family into new home and environment
- Leaving of friends, relatives and social networks
- Wellbeing of education of children
- Accompanying partner's career
- Problems of ageing parents

Country/cultural requirements

- International firms may have to demonstrate that an HCN is not available before the host government will issue the necessary work permit and entry visa for the desired PCN or TCN
- Expatriate selection may be needed when host country blocks transfers
- Some countries may give work permit to expatriate only
- Some regions may be considered "hardship postings"

MNE Requirement

- Situational factors
- Proportion of expatriates to local staff
- Mode of operation- Joint venture
- Duration and type of assignment
- The amount of knowledge transfer inherent in the expatriate's job in foreign operation

### Language

- Ability to speak the local language
- Important for non-English speaking countries and jobs where knowledge transfer is critical
- Common corporate language may be the selection criteria

### Use of selection tests

- Measurement of personal characteristics or traits.
- How to measure personal traits accurately and reliably?
- Personality and psychological tests
- Validity of tests
- Varies from country to country
- Subjective nature of tests

### Mendenhall and Oddou Model for selection

1. Self-oriented dimension
2. Perceptual dimension
3. Others-oriented dimension
4. Cultural-toughness dimension

### *Four dimensional model for selection*

1. Self oriented dimension: The degree to which an expatriate expresses an adaptive concern for self-preservation, self employment, and mental hygiene.
2. The perceptual dimension: The expertise that the expatriate possesses in accurately understanding why host nationals behave the way they do.

### Four dimensional model for selection

3. The others oriented dimension: The degree to which the expatriate is concerned about host-national co-workers and desire to affiliate with them.
4. The cultural-toughness dimension- A mediating variable that recognizes that acculturation is affected by the degree to which the culture of the host country is incongruent with that of the home country.

### Solutions to the dual-career challenge

### Alternative assignment arrangements

- Short-term assignment

- Commuter assignment
- Other (eg. unaccompanied, virtual)
- Family-friendly policies
- Inter-company networking
- Job-hunting assistance ,Intra-company employment ,On-assignment career support

### **International staffing issues**

1. The myth of global manager
2. Profile of an expatriate
3. Expatriate failure
4. The global manager

### **The myth of global manager**

Myth 1: there is a universal approach to management

Myth 2: People can acquire multicultural adaptability and behaviors

Myth 3: There are common characteristics shared by successful international managers

Myth 4: There are no impediments to mobility

### **Expatriate failure**

Definition: Premature return of an expatriate

Now recognized that under-performance during an international assignment, and retention upon completion, should be included

#### ➤ Cost of Expatriate failure

Direct costs of failure: airfares, associated relocation expenses, and salary and training

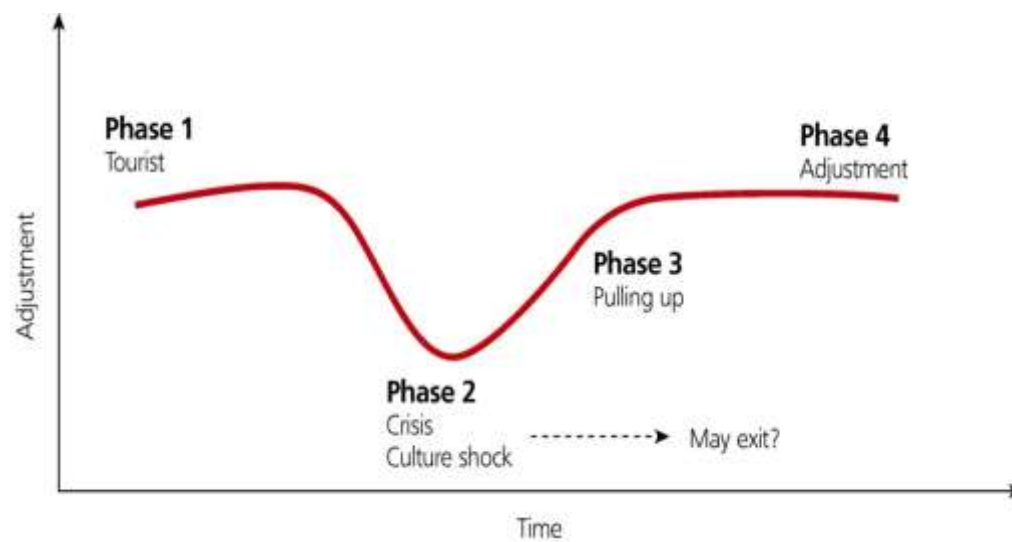
- Varies according to level of position concerned
- Country of destination
- Exchange rates
- Whether 'failed' manager is replaced by another expatriate

Indirect costs (invisible)

- Damaged relationships with key stakeholders in the foreign location
- Negative effects on local staff
- Negative effects on expatriate concerned
- Family relationships may be affected

➤ **Factors moderating expatriate performance**

- Inability to adjust to the foreign culture
- Length of assignment
- Willingness to move
- Work-related factors
- Psychological contract
- Inability to adjust to the foreign culture
- Most important and consistent reason for failure
- Possible reasons
- Spouse/partner dissatisfaction



Phases of adjustment- I Phase

- Honey moon or tourist phase
- Experience a range of positive and negative emotions such as excitement, anxiety, fear of the unknown or a sense of adventure
- Novelty wears off with time
- Realities of life come out, may result in homesickness

Phases of adjustment- II Phase

- Most critical phase and may have an impact on outcome of success or failure
- How psychological adjustment takes place
- May result in failure as an early recall
- If overcomes this phase an individual comes to the terms of demands of new environment

Phases of adjustment- III and IV Phase



- Phase of adjustment to new environment
- Healthy recovery phase
- Leads to IV phase of adjustment

#### The U-Curve is **not** normative

- The time period involved varies between individuals
- The U-Curve does not explain how and why people move through the various phases
- It may be more cyclical than a U-Curve
- Needs to consider repatriation

#### Length of assignment

- May have an impact on adjustment and performance
- More time to adjustment to foreign situation if assignment is for longer duration

#### Willingness to move

- Reluctant expatriate or accompanied by reluctant family
- Willingness may provide positive outlook
- May also depend on desirability of location

#### Work environment related factors

- Effective skill utilization
- Organizational commitment
- Intent to finish assignment
- Job autonomy
- Perceived level of organizational support- both from home and host unit

#### The employment relationship

- The nature of the employment relationship
  - ✓ Relational: broad, open-ended and long-term obligations
  - ✓ Transactional: specific short-term monetized obligations
- The condition of the relationship
  - ✓ Intact: when employee considers there has been fair treatment, reciprocal trust
  - ✓ Violated: provoked by belief organization has not fulfilled its obligations

#### Organizational commitment

**Affective** component: employee's attachment to, identification with and involvement in, the organization

**Continuance** component: based on assessed costs associated with exiting the organization

**Normative** component: refers to employee's feelings of obligation to remain

### **Psychological contract**

- ✓ Nature, location and duration of an international assignment may provoke intense, individual reactions to perceived violations
- ✓ Expatriates tend to have broad, elaborate, employment relationships with greater emphasis on relational nature
- ✓ Expectations and promises underpin this relationship

### **Interviews for international selection**

There are two primary types of interviews used by companies: screening interviews, and selection interviews. Every company's hiring process is different. Some companies may require only two interviews while others may require three or more. It is also not uncommon to see a company conduct testing (personality, skills based, aptitude, etc.) as an intermediate step in the hiring process.

Here is an overview of the major types of interviews

#### **Screening Interviews**

First interview with a company will often be a screening interview. The purpose of a screening interview is to ensure that prospective candidates meet the basic qualifications for a given position. It may take place in person or on the telephone.

#### **Selection Interviews**

Selection interviews are typically conducted onsite at the hiring company. The purpose of a selection interview is to determine whether a candidate will be selected for the position he or she is interviewing for. A selection interview is typically more rigorous than a screening interview. At this point, a company is trying to decide whether or not should either be moved to the next step in the hiring process or an offer is going to be extended, so there will be more scrutiny than with a screening interview. Selection interviews can come in several forms:

##### Round-Robin Interview

A round-robin interview is the interview technique most commonly used by our client companies. They will interview with multiple interviewers in succession. The key to a round-robin interview is giving good consistent answers. Interviewers will typically meet after to discuss answers, and will uncover any inconsistencies.

### Panel Interview

A panel interview is an interview that consists of two or more interviewers. Typically, the interviewers will both ask questions. The purpose of a panel interview is to gain multiple perspectives on a prospective candidate. The key to a panel interview is to keep all interviewers involved. Make eye contact with all interviewers even when answering a question for a specific individual.

### One-on-One Interview

A one-on-one interview is an interview with a single interviewer. The key to a one-on-one interview is to build rapport with the interviewer. Smile. Be friendly. Try to match y interviewer's energy level. Typically, will have a short period of time to make an impact. Know the position and the key attributes the company is seeking, and emphasize those things.

### Stress Interview

A stress interview is designed to test responses in a stressful environment. The interviewer may try to intimidate, and the purpose is to weed out candidates who don't deal well with adversity. The interviewer will make deliberate attempts to see how to handle one using methods such as sarcasm, argumentative style questions, or long awkward silences. The key to a stress interview is to recognize that are in a stress interview. Don't take it personally. Stay calm, focused, and don't allow to be rushed. Ask for clarification if needed. Know how to push back. Ask an interviewer for a couple of problems they are currently facing, and propose solutions.

## **Successful expatriation**

The work on an international assignment usually starts long before the assignee arrives in the host country, and even before (and after) the training proper. Following is a structured process that includes six critical stages that can enhance the chances for a successful international assignment and transformational experience.

Pre-program assessment and exploration. This includes An assessment of the expatriate's and family members' background and prior international experience, understanding of the host culture, specific goals/concerns, and personal tendencies should shape a customized expat and family training session.

Use of cultural intelligence tools, such as Culture Wise, enables expatriates and family members to further assess their personal tendencies against the cultural tendencies of the host country. Further, exploration of existing online cultural information featured in such tools provides the trainees a wealth of questions to ask during the training session

Expat and family training program. This stage is designed to increase the assignees' knowledge about the host country, society, values, business culture, and day-to-day living. Completing such training should result in significantly reduced risk of cultural misunderstandings and an enhanced cross-cultural experience.

Host manager and team cultural briefing. This next stage is focused on the host country manager and the team with whom the international assignee will be working, and provides insight into the

cultural values and norms of the assignee. Differences regarding communication and management style will be identified, as well as different expectations. Ideally, this is an in-person training program, but when that is not possible, online tools can be helpful.

**Project alignment meeting.** After the expatriate and host organization have received critical information, it is time for an exchange, either in person or via telephone or videoconference. A project alignment meeting with the assignee and host manager should be held to discuss cultural differences that might affect the success of the assignment, tools and techniques to prevent misunderstandings, and mutual expectations of the assignee and the manager. This meeting typically includes discussions about timelines, reporting strategies, and setting milestones.

**In-country coaching.** As soon as the expatriate arrives in the host country, new and unknown situations inevitably occur. Therefore, an assignee should receive face-to-face or telephone coaching. A coach monitors the assignee's process during the assignment and captures experiences, case studies, and best practices. In some cases, a coach observes the assignee's activities, such as staff meetings, virtual meetings, and other interactions between the assignee and team members. The number of coaching sessions varies based on the assignment's duration and participant's needs.

**Knowledge management process.** Systematic and ongoing capture (and dissemination) of relevant documentation and lessons learned from an expatriate assignment is invaluable to the assignee, future expatriates, and the organization as a whole. Knowledge management enables the organization to avoid repetitive occurrences of known issues and over time, best practices and effective case studies are developed.

### **Role of an expatriate**

- Agent of direct control
- Agent of socialization
- Network builder
- Boundary spanner
- Language node
- Transfer of competence and knowledge



**Female expatriation**

Working and living abroad is becoming more common and takes on different forms, ranging from the traditional expat to third-country nationals. Assignments can be long term or short term, self-initiated or induced by an organization. Look around in your organization and people on your work teams and you will notice there are many different nationalities in a single geography because expatriation is not on the horizon, it is here.

Unfortunately, women are highly underrepresented in these important roles. Let us take a closer look at the need for expatriation, the benefits awarded to organizations who deploy expatriates, and how to include women in this workforce.

***The Need for Women in Global Leadership***

Changing demographics are contributing to the increased need for expats worldwide. There is a startling workforce shortage and skills gap on the horizon. “To sustain projected growth, the U.S. alone needs twenty-five million more workers by 2030, Europe will need twenty-four million more workers,” and by 2020, China will need to double its talent base to sustain projected growth, according to the World Economic Forum. There are three widely held reasons for the expected workforce shortage and skills gap at a global level.

**Repatriation**

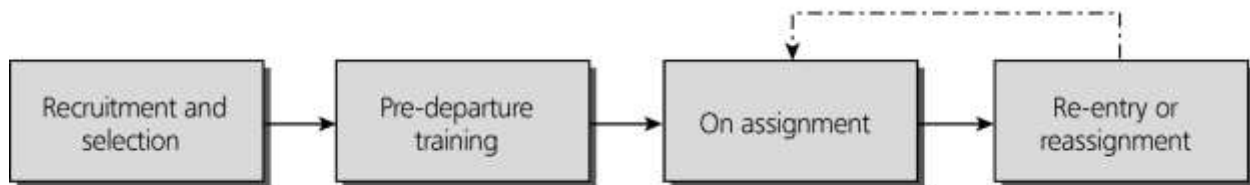
Repatriation is the process of returning a person to their place of origin or citizenship. This includes the process of returning refugees or military personnel to their place of origin following a war.

**Steps to reduce the loss of returning assignees**

The following steps can assist organisations with the task of easing the repatriation process:

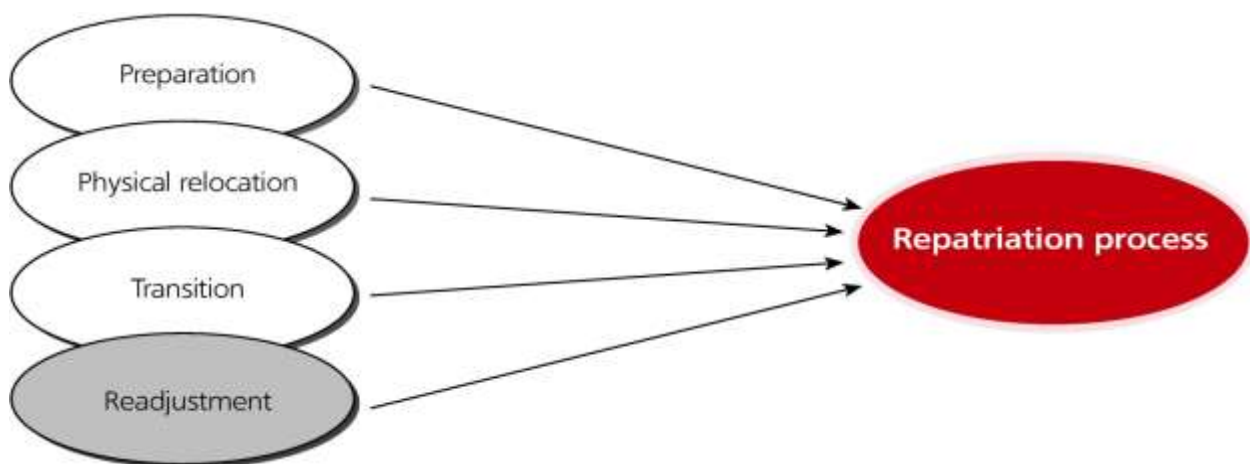
- Acknowledge the value of the returning employee both from a cost perspective as well as gained insight and experience while abroad that is harder to measure quantitatively
- Recognise that the employee and their family may need assistance in readjusting to their home culture
- Provide repatriation cultural training to raise awareness and provide tools for the adaptation process
- Provide assistance for not only the returning employee but also to any partners and children so their re-entry process is smoother

- Ensure that the employee feels they can continue to make a valuable contribution to the organisation. Avoid a situation where the employee feels undervalued or marginalised as an outsider.
- Provide coaching or other professional services so the employee can better integrate into their 'new-old' environment.
- Finally: Listen. Do not underestimate the frustration caused when few people show interest in the repatriated employee's experiences, knowledge and expertise gained abroad. It may be hard to quantify the value of sharing new experiences and new ways of looking at things, but the benefits gained by the organisation as a whole should not be lost. After all, this is part of the reason why the employee was on an expatriate assignment in the first place



### Re-entry and career issues

- Expatriation process also includes repatriation: the activity of bringing the expatriate back to the home country
- Re-entry presents new challenges
  - May experience re-entry shock
  - Some exit the company



- Preparation - developing plans for the future; gathering information about the new position
- Physical relocation
- Transition
- Readjustment - coping with change
- Career anxiety
  - No post-assignment guarantee of employment
  - Loss of visibility and isolation
  - Changes in the home workplace
- Work adjustment
  - The employment relationship and career expectation
  - Re-entry position
  - Devaluing of international experience
- Coping with new role demands
- Loss of status and pay

**MODULE 4 (7 Hours)****Developing Global Mindset: Global Leadership**

The single critical success factor in globalizing business lies with an organization's pool of highly competent global leaders who have the global knowledge of production and service capabilities, of consumer demands for products and services around the world, and who can influence others despite diverse cultural, political and institutional backgrounds that make them think, decide, analyze, act and communicate differently than the leader. In other words, global leaders with "Global Mindsets" are the key to sustainable competitive advantage in the global economy.

best practices offers four recommendations for developing global leaders:

1. Organizations need strategic clarity about what kinds of skills a global leader needs.
2. Prospective global leaders need relevant developmental opportunities.
3. Prospective global leaders need appropriate levels of feedback, resources and support to help them learn from the experiences they have.
4. People need international perspectives and exposure starting early in their careers to maximize the quality of the globally competent expert pipeline.

The development of expert global leaders is complex. Their capabilities are developed over time and build on threshold competencies that include a requisite level of inquisitiveness and openness — natural abilities that are supported by cross-cultural knowledge — and build on a base of business or technical skills. International experience contributes to their development as do international management development programs and cross-cultural training programs. But these interventions alone do not make someone an expert global leader. It takes a Global Mindset.

**Cross cultural context and international assignees:**

The human resource refers to the accumulated stock of knowledge, skills, and abilities that the individuals possess, which the firm has built over time into an identifiable expertise.

Building a team with international orientation, committed and competent people who will support the organization's strategic business and enhancing core competencies of organization needs training and development



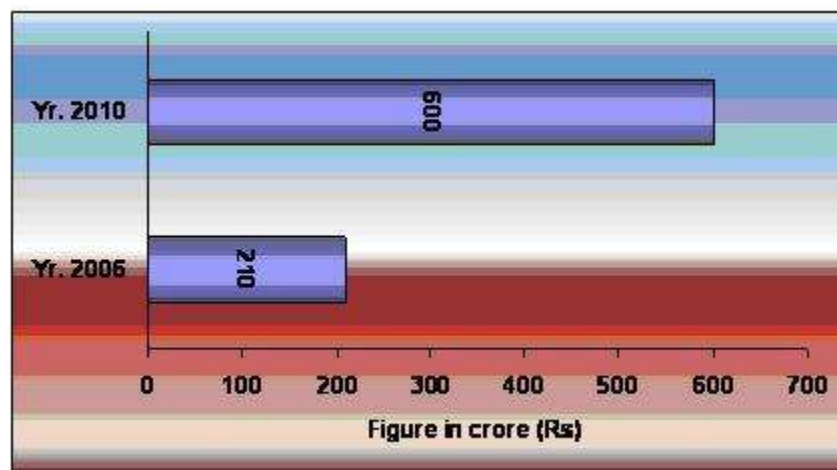
### Current scenario in international training and development

With the world-wide expansion of companies and changing technologies, Indian Organizations have realized the **importance of corporate training**. Training is considered as more of retention tool than a cost.

Today, **human resource** is now a source of competitive advantage for all organizations. Therefore, the **training system in Indian Industry** has been changed to create a smarter workforce and yield the best results. With increase in competition, every company wants to optimize the utilization of its resources to yield the maximum possible results. Training is required in every field be it Sales, Marketing, Human Resource, Relationship building, Logistics, Production, Engineering, etc. It is now a business effective tool and is linked with the business outcome.

With increase in awareness of corporate training in Indian Industry, a gradual shift from general to specific approach has been realized.

According to **NASSCOM** (National Association of Software and Services Companies), the **IT corporate training market** is expected to reach Rs 600 crore in 2010 from Rs 210 Crore in 2006.



In Indian market, 50% of the training company's revenue comes from the retail training and rest from other segments.

On the other hand, in many organizations training is regarded as non-essential or a need based activity. Some organizations start a training department in order to look modern. In fact, some organizations are headed by unwanted employees rather than employees of outstanding merit. While some organizations do not have a separate budget to hire highly qualified trainers for training and development.

**Training & development of international staff**

MNCs spend substantial amount of money on training and development of employees

Cost of expatriate failure is very high which organizations cannot bear.

Selecting a right person and providing them with appropriate training before their departure as well as on arrival in a particular country is very important

- Should enable expatriates to determine in advance the appropriate cultural behaviors and suitable ways of performing necessary tasks in the host country
- Should help expatriates cope with unforeseen events in the new culture and reduce conflict due to unexpected situations and actions
- Should create realistic expectations for expatriates with respect to living and working in the host country

**Types of expatriate training**

Language training

Practical assistance

Training for the training role

TCN and HCN expatriate training

Non-traditional assignments and training

Cultural awareness programs

Designed to adapt and appreciate host country culture so that expatriates can behave accordingly or to develop coping patterns

Components of program may vary according to country of assignment, duration, purpose of transfer and provider of programs

If expected interaction is low, degree of dissimilarities between cultures is low, training should focus on task and job related issues and less cultural issues

- Low rigor training

Short time period

Lectures and videos on local cultures

Briefings on company operations

- High rigor training

Last over a month

Experiential learning

Extensive language training

Includes interactions with host country nationals

#### Training Methods

- Reviewing available information about the host company: books, magazines, video tapes.
- Conversations with host country natives.
- Sensitivity training to become familiar with the customs and overcome prejudices.
- Temporary assignments to encourage shared learning.

#### Training Rigor: Techniques and Objectives

1. Preliminary visits
2. A well planned trip for the candidate and his spouse provides a preview and allows them to assess their suitability and interest in assignment
3. Introduce expatriate to the business context
4. Making housing and schooling decisions
5. Exposure to community
6. Language training
7. The role of English as the language of world business
8. Host country-language skills and adjustment
9. Knowledge of the corporate language

#### Training for training role

- Need of expatriates may be due to lack of trained staff in host country
- Need to train HCNs as their replacement
- Ability to transfer knowledge and skills in a culturally sensitive manner should be very important component of pre-departure training
- TCN and HCN expatriate training
- TCNs transferred to another country subsidiary
- HCNs transferred to parent country
- Provision of training for non-traditional expatriate assignments
- Non traditional assignments like commuting or international business travel

#### **HCN training :**

### Pre-departure training

- Limited data on how effective such training is and what components are considered most essential:
- Use of mixture of methods makes evaluation of which method is most effective difficult to isolate
- Large diversity of cultures involved
- What works for one may not work for another
- Complex jobs in multiple cultural contexts

### Sensitivity training

Sensitivity training involves such groupings as --T groups (T for training), encounter groups, laboratory training groups, and human awareness groups are all names usually associated with what is known as sensitivity training.

Sensitivity training is about making people understand about themselves and others reasonably, which is done by developing in them social sensitivity and behavioral flexibility.

- Social sensitivity in one word is empathy. It is ability of an individual to sense what others feel and think from their own point of view.
- Behavioral flexibility is ability to behave suitably in light of understanding.

### **Procedure of Sensitivity Training**

Sensitivity Training Program requires three steps:

1. **Unfreezing the old values** -It requires that the trainees become aware of the inadequacy of the old values. This can be done when the trainee faces dilemma in which his old values is not able to provide proper guidance. The first step consists of a small procedure:

- An unstructured group of 10-15 people is formed.
- Unstructured group without any objective looks to the trainer for its guidance
- But the trainer refuses to provide guidance and assume leadership
- Soon, the trainees are motivated to resolve the uncertainty
- Then, they try to form some hierarchy. Some try assume leadership role which may not be liked by other trainees
- Then, they started realizing that what they desire to do and realize the alternative ways of dealing with the situation

2. **Development of new values** - With the trainer's support, trainees begin to examine their interpersonal behavior and giving each other feedback. The reasoning of the feedbacks are

discussed which motivates trainees to experiment with range of new behaviors and values. This process constitutes the second step in the change process of the development of these values.

**3. Refreezing the new ones** - This step depends upon how much opportunity the trainees get to practice their new behaviors and values at their work place.

In one way **Sensitivity training** is the process of developing emotional intelligence, which means "the mental ability an individual possesses enabling him or her to be sensitive and understanding to the emotions of others as well as being able to manage their own emotions and impulses". [Emotional intelligence, according to Merriam Webster, "describes the ability, capacity, skill or, in the case of the trait, to identify, assess, and manage the emotions of one's self, of others, and of groups."] Emotional intelligence enable employees to act according to the situation in the organization faced by him. It develops the ability to understand others feeling and their mental status and interact accordingly. Conflicts and misunderstandings are mostly raised because of lack of emotional intelligence possessed by the person which leads to breakup in perception and relationship they main since long time in organization and effects the productivity of the organization.

### **Career Development:**

#### International assignments as a training and development tool

- Expatriates are trainers
- Expatriates show how systems and procedures work, ensure adoption, and monitor performance of HCNs
- International assignments a form of job rotation – management development
- Components of effective pre-departure training
- Cultural awareness programs
- Preliminary visits

#### Preparing for an International Assignment

1. Social and business etiquette
2. History and folklore
3. Current affairs, including relations between the host country and the parent
4. Cultural values and priorities
5. Geography, especially its major cities
6. Sources of pride and great achievements of the culture
7. Religion and the role of religion in daily life

8. Political structure and current players
9. Practical matters such as currency, transportation, time zones, hours of business
10. The language

### **Repatriate training:**

Coming back is a challenge. The returning family will obtain the tools and methods to readjust effectively into the Finnish everyday life and business life. Cultural and practical changes in the society. Major adjustments in business life  
Cultural readjustment: changes in oneself and making the best of cultural readjustment  
Guidance with procedures with authorities etc.

Training is designed for the relocating assignee and family. The training helps individuals and their families adjust to the new environment and prepare for successful interaction both in daily life and business situations in the destination country. The training consists of the following parts: cultural differences/culture shock, business life, daily life/city specifics. The training occurs over 8-12 hours. Separate, customized children's and young adult program (4 hours) is also available.

### **Developing international staff and multinational teams**

Management development-Gain of international experience, help in career progression, develop for future international business expansion

Organizational development-Accumulation of stock of knowledge, skills and abilities upon which organization can grow in future

Individual development

Job rotation

#### Management development tool

New range of jobs, tasks and challenges

Financial gain and career advancement

#### How international teams benefit the multinational

Fosters innovation, organizational learning and transfer of knowledge

Assists breaking down of functional and national boundaries

Encourages diverse inputs

Assists in developing broader perspectives

Develops shared values

### International Cadre: Another Choice

Separate group of expatriate managers who specialize in a career of international assignments

Have permanent international assignments

Move from international assignments to international assignments

### **Knowledge transfer in Multinational companies**

The ultimate goal of a MNC is to increase its turnover and profits worldwide. The need of coordination among all the worldwide spread subsidiaries is thus necessary. Furthermore, in such a global and competitive market, one of the most important things in order to earn market shares is to stay constantly innovated.

On one hand, subsidiaries are considered to be on the frontline of the market. That means that they are clearly exposed to the flexibility of the market such as market changes, trends and opportunities.

On the other hand, it is strictly the task of the headquarters to grant any extent of support to encourage autonomy and innovation.

A central issue carried out by several researches is concerning the spread of the knowledge gained by subsidiaries through their innovation and practices.

Knowledge transfer is not solely perceived as a one-way movement of methods from HQ to foreign subsidiaries. In fact, “reverse knowledge transfer” from subsidiary to HQ is increasingly becoming an object of research.

We believe that the knowledge achieved by subsidiaries through best practices and innovation is fundamental for the improvement of the overall performance of the MNC.

**MODULE 5 (6 HOURS)****Performance Management: Management and MNE**

In global terms, performance management can be described as a process which allows an international company or multinational enterprise (MNE) to evaluate and constantly improve individual and corporate performance in relation to pre-set goals and targets. Furthermore, performance appraisals are considered to be a key human resource management (HRM) activity of performance management and can influence the implementation of business strategy within a company.

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

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. 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

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 .

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 .

### **Constraints in goal attainment**

### **Constraints in goal attainment**

- Unsatisfactory performance improvement:

The indicators are Employees behavior/ effort not directed towards organizational goals in adequate monitoring of behavior to ensure that the goals are being met.

- Incorrect decisions being made:

Wrong decisions on pay raise, promotion, transfer, training, discharges and probability periods completion results in non-motivated employees.

- Legal compliance not being met:

Due to erratic performance it lands firms in a legal battle, diverting its focus on non – productive areas.

- Inadequate job satisfaction:

Employees tend to become emotional and frustrated if they perceive that the ratings they get are unfair and inaccurate.

- Increased turnover of employees:

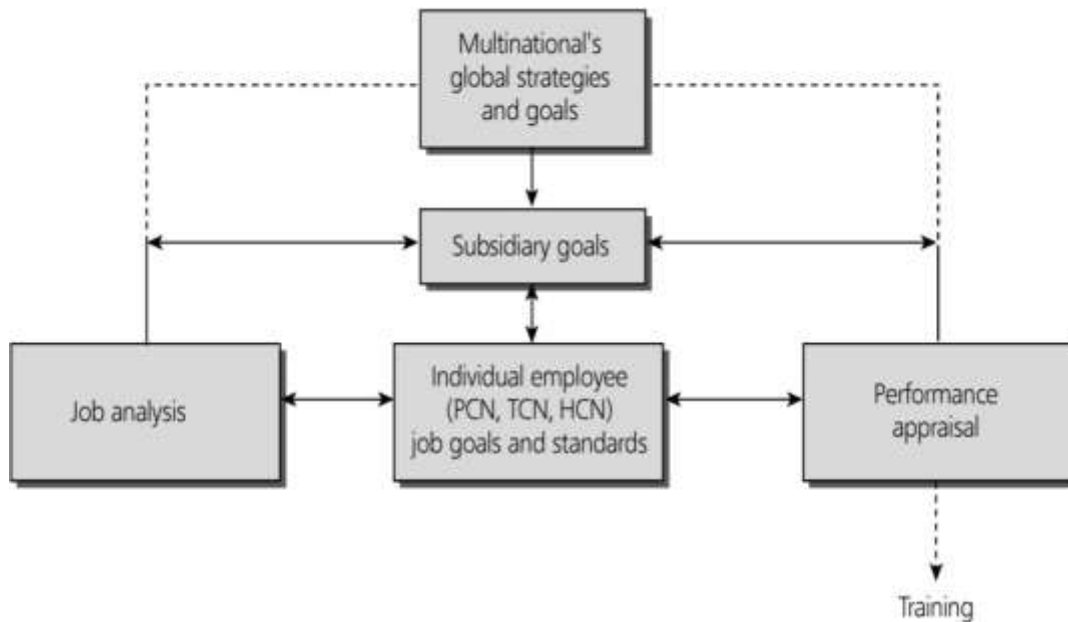
Dissatisfaction in the job sets in and one of the outcomes of the job satisfaction is increased turnover.

- In consistency between organizational strategy and behaviour:

Performance evaluation, will bring out the employee's behaviour lacking strategic focus - i.e. negative consequence of the strategy.

- Inconsistency between organizational strategy and performance appraisal:

- Performance appraisal not able to identify employees with potential not rewarding to match with performance not properly deciding employees need for development. Unsatisfactory performance improvement:

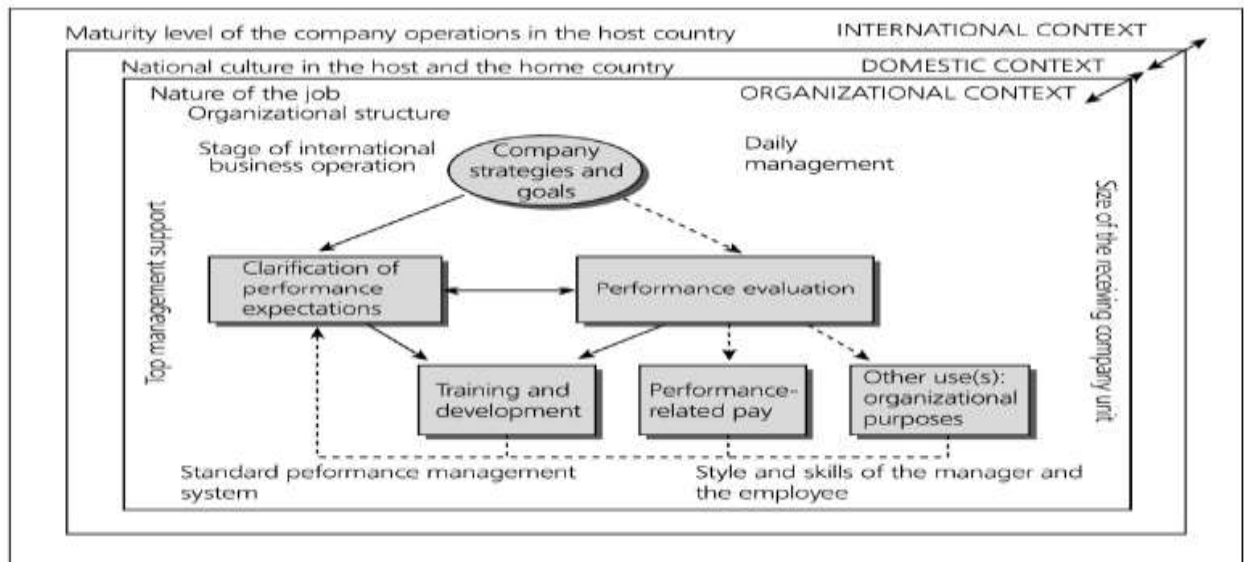
**Performance management cycle**

One of the most challenging tasks of IHRM is managing the performance of a firm's various international facilities. Performance management may be understood as a process that enables an international firm to evaluate and continuously improve individuals, subsidiary unit, and corporate performance, against clearly defined, preset goals and targets. An expatriate's performance needs to be assessed to effect his or her promotions, assess training and development needs, and introduce pay rises.

**Performance Management of International Assignees****A CONTEXTUAL MODEL OF EXPATRIATE PERFORMANCE MANAGEMENT**

Tahvanainen has taken a grounded theory approach and qualitative analysis.

Model illustrates how performance valuation is both an outcome of the company strategies and goals and an important source of information on which other personnel-related activities, such as training and development and performance-related pay are based



### Third and host country employees

Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspect of job performance.

### Appraisal of expatriate third and host country employees

#### PERFORMANCE CRITERIA

##### **Basis for performance criteria:**

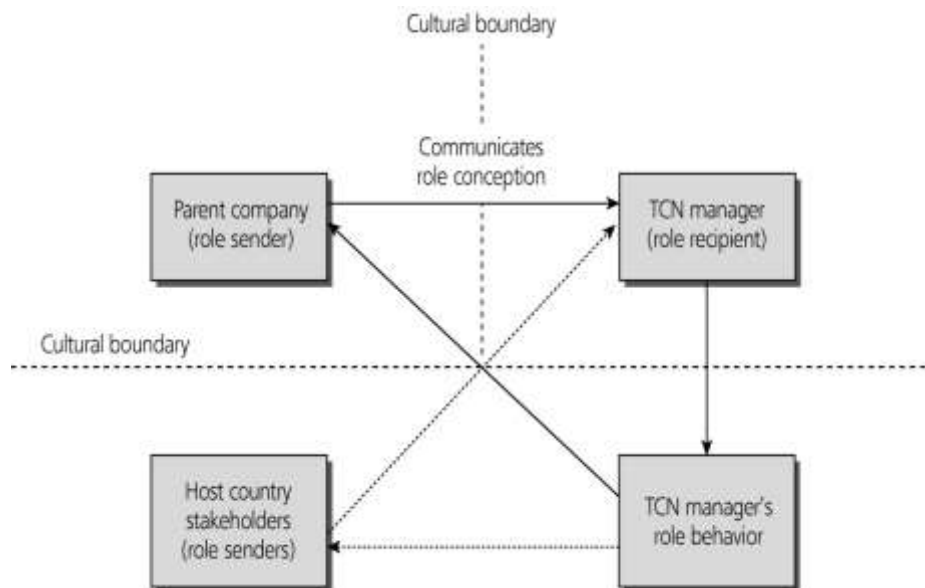
1. Hard goals
2. Soft goals
3. Contextual goals

#### CONDUCTING OF PERFORMANCE APPRAISAL

- Subsidiary managers tend to assess according to subsidiary performance.
- Appraisal for other employees is likely to be conducted by subsidiary's chief.
- Multiple raters are sometimes used in the domestic context.

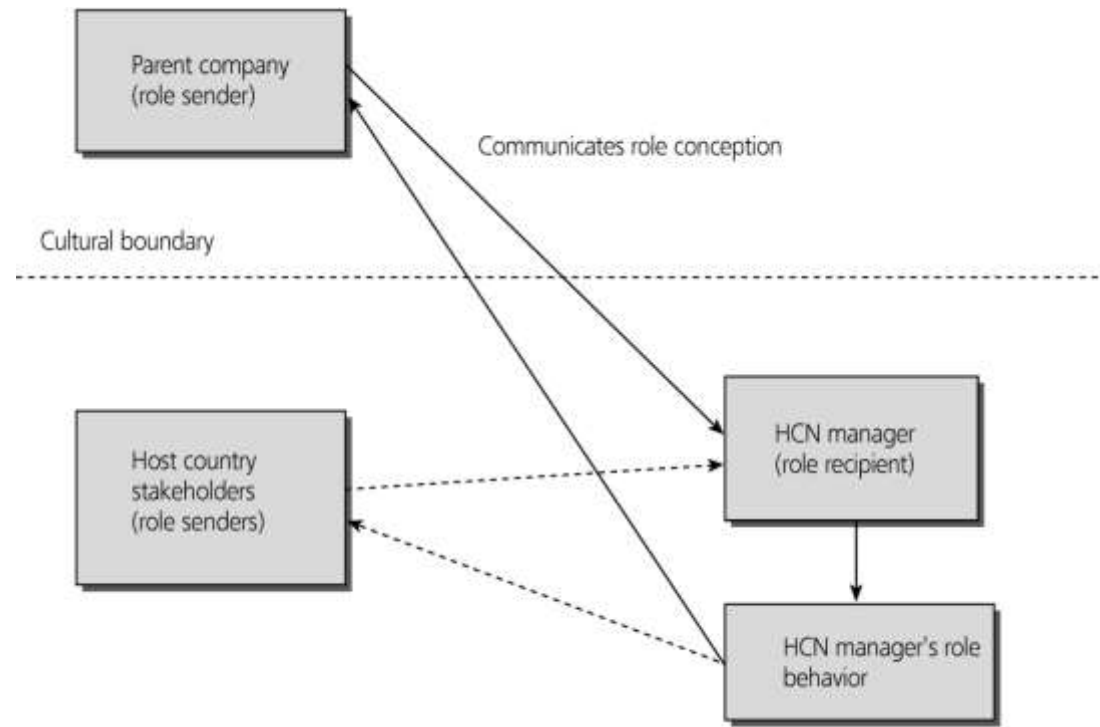
- Virtual assignment situation

### Appraisal of third country employees: TCN role conception



### Appraisal of HCNs:

- The practice itself confronts the issue of cultural applicability
- May be necessary to use local staff and a customized form
- Level of position involved is an important consideration

HCN role conception**Issues and challenges in international performance management**

1. Whole versus part
2. Non-comparable data
3. Volatility of the global environment
4. Separation by time and distance
5. Variable levels of maturity

**Whole Vs Part**

- Good of whole Vs Subsidiary's short term performance
- Is it a purely competitive Strategy?
- Is it a joint venture to establish new market

**Non-comparable data**

- Data from a subsidiary may neither comparable nor interpretable
- Strikes
- Local labor laws
- Accounting standards

#### **Volatility of the global environment**

- Long term goals need to be flexible due to volatility
- Collapse of soviet union
- Gulf war
- European union
- Chinese reforms

#### **Separation by time and distance**

- Physical distance
- Time zone differences
- Frequency of contact between headquarters and local unit and cost of reporting system
- Despite of e-connectivity, not effective as face-to-face
- Problems may be more in underdeveloped

#### **Control and performance management**

- Performance management is part of the multinational's control system
- Performance targets, for example, are part of formal control
- Performance management contributes to shaping corporate culture

#### **Country specific performance management practices:**

Based on Hofstede's 5 dimensional model of culture and value systems

**Australia.** The attributes of the institutional structure that define the Australian performance management effort involve at least five elements.

First, is the structure of the Parliament, although often described as a Westminster parliamentary system, the presence of a vigorous and independent upper house – the Senate – means that the Prime

Minister is often thwarted by this element of a bicameral system. This limits the ability of this individual to speak for the entire government.

Second, the Australian executive has to acknowledge that there are separate states, some of which are dominated by political parties in opposition to the parties in power at the national level. There are times when attempts to act as if the nation was a unitary system do not extend beyond a rhetorical posture.

Third, despite its relatively small size, the Australian national government contains a wide variety of programs with quite different histories, political constituencies, and problems. Attempts to treat the entire Commonwealth government as if marched in lock step are rarely successful.

Four, as a result of fiscal and management changes over the past 25 years, a number of programs that had been operated by public entities have been contracted out.

In these instances, while the government has the ability to establish contractual relationships with non-government entities, in some significant instances they have limited ability to enforce specific performance requirements.

Finally, the Australian political party system is characterized by strong and independent political factions. The three main political parties contain very different perspectives on a number of policies and programs. Two of these parties have been in a long-time coalition and are now in power.

New Zealand. There are four elements that should be emphasized to understand the institutions and context of New Zealand's performance management activities.

First, the formal political system is centralized and (despite efforts at administrative decentralization) the system is run from the national capital. Related to this is the reality that the country is very small.

### INDIA

The system of confidential reports about the performance of government servants is a means to an end, and not an end in itself. The end or ultimate goal is to optimize the achievement of governmental policies and programmes through optimization of the development of the government servant. The performance of every Government servant is assessed annually through his/her Confidential Report, which is an important document providing the basic and vital inputs for assessing the performance of the

Government servant and his/her suitability for his/her further advancement in his/her career on occasions like confirmation, promotion, crossing of Efficiency Bar (EB), selection for deputation, selection for foreign assignment etc. Performance appraisal through confidential reports is tool for human resource development in order to enable a Government servant to realize his/her true potential. It is not a fault-finding process, but a development one.

The system of confidential reports as it exists in the Indian Civil Service is based on the old bureaucratic pattern of the colonial days, notwithstanding the fact that with the passage of time some significant changes have been introduced in it, some of them on the lines of modern management thinking. However, traditionally governance structures in India are characterized by rule based approaches. The focus of the civil services in India is on process regulation; compliance with centrally prescribed standards and rules; in other words, how things should be done and how inputs should be aligned. With such focus on processes, systems in government are oriented towards input usage how much resources, staff and facilities are deployed in a scheme, programme or project and whether such deployment is in accordance with rules and regulations. Thus, the main performance measure is the amount of money spent and the success of the schemes, programmes and projects is generally evaluated in terms of the inputs consumed. However, broadly the system still operates as a tool of control and hardly of development (Gov, 2011).

In India, performance of the bureaucracy depends, to a great extent, on its relations with their political masters; i.e. the politicians/ministers. Bureaucracy in India is accountable to the ministers in charge of the department, but in practice, the accountability is vague and of a generalized nature. Since there is no system of *ex ante* specification of accountability, the relationship between the ministers and the bureaucrats is essentially issue-sensitive and bureaucrats deal with the ministers as the issues present themselves. The role of the senior bureaucrat is to advise the ministers about the long-term social pay off of any proposed policies so that these are not determined by short-term political priorities. The accountability relationship can be anything from all-pervasive to minimalistic and it is left to the incumbent minister to interpret it in a manner that is most convenient to him/her. This leads to either collusive relationship or to discord between the two, both of which can adversely affect the performance of the bureaucracy.



**MODULE 6 (10 Hours)****International Compensation and International Employment Laws:**

International law (also called "employment standards") 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 Employment Organization and the World Trade Organization have been the main international bodies involved in reform employment markets. The International Monetary Fund and the World Bank have indirectly driven changes in employment policy by demanding structural adjustment conditions for receiving loans or grants. Conflict of laws issues 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 employment rights.

- Labour Clauses (Public Contracts) Convention, 1949 (No. 94) : Aims at ensuring respect for minimum labour standards in the execution of public contracts.
- Protection of Wages Convention, 1949 (No. 95) : Wages shall be paid in legal tender at regular intervals; in cases where partial payment of wages is in kind, the value of such allowances should be fair and reasonable. Workers shall be free to dispose of their wages as they choose. In cases of employer insolvency, wages shall enjoy a priority in the distribution of liquidated assets.
- Minimum Wage Fixing Convention, 1970 (No. 131) : Requires ratifying states to establish a minimum wage fixing machinery capable of determining and periodically reviewing and adjusting minimum wage rates having the force of law.
- Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173): Provides for the protection of wage claims in insolvency and bankruptcy by means of a privilege or through a guarantee institution.

**International compensation and international assignees,**

Designing and developing a better compensation package for HR professionals for the international assignments requires knowledge of taxation, employment laws, and foreign currency fluctuation by the HR professionals. Moreover, the socio-economic conditions of the country have to be taken into consideration while developing a compensation package. It is easy to develop the compensation package for the parent country national but difficult to manage the host and third country nationals. When a firm develops international compensation policies, it tries to fulfill some broad objectives:

1. The compensation policy should be in line with the structure, business needs and overall strategy of the organization.
2. The policy should aim at attracting and retaining the best talent.
3. It should enhance employee satisfaction.
4. It should be clear in terms of understanding of the employees and also convenient to administer.

The employee also has a number of objectives that he wishes to achieve from the compensation policy of the firm

- Proper compensation against his/her competency and performance level.
- Substantial financial gain for his/her own comfort and for his family also.
- His/her present and future needs to be taken care of including children's education, medical protection and housing facilities.
- The policy should be progressive in nature.

### **Forms of compensation**

There are two forms of compensation provided to employees; direct and indirect. Direct forms of compensation have a multitude of types or methods, from salaries to bonuses. Indirect compensation is primarily the various types of benefits and long term incentives. This article is an introduction to the terminology of compensation.

One of the forms of compensation is direct remuneration for services rendered by the employee. The term used for this is wages. It consists of four different groups of payment from the employer to the employee. They are salary, hourly, commission and bonus types of wages.

### **Salary**

This type of wage is customarily a set sum of remuneration over a defined period of time. The most traditional form is a dollar amount over a period of one year. The frequency of payment is another part of the compensation and is based on industry standards. Most businesses pay for services twice a month.

Most commonly used tool to pay professional or licensed employees. In general there is an expectation from the employer of a longer term commitment from the employee for providing a regular uninterrupted compensation.

**Hourly**

This is a dollar amount per hour of service to the employer, more commonly used to compensate unskilled and skilled laborers in the workforce. This form of compensation comes with an implied understanding that during times of slow or minimal workloads, the employee may not be used to provide services. In effect, there is no guarantee of a regular cycle of pay.

**Commission**

When compensation is based on volume or some form of performance, this is known as commission based remuneration. Other terms used include piecework or piecemeal. Many industries used this type of remuneration to get a minimum standard of production in exchange for compensation. It is used to shift risk from the employer to the employee. There are two methods to calculate commission. One is based on volume of services and the other is based on sales.

**Bonuses**

Bonuses are used to increase performance from the employee. This is a variable type of remuneration and is more commonly found with salaried staff to incentivize them for a particular goal whether time or volume based. Other reasons used for bonuses are to increase or maintain retention of certain skills or the pool of skill sets needed in the company. Sometimes bonuses are paid when a company meets certain financial standards or goals over an extended period of time.

Bonuses are not commonly used with hourly or commission based employees due to the nature of the type of compensation already established. However, in small businesses it is used as a tool to incentivize these two types of remuneration to meet certain goals. The other form of compensation is indirect in value. This includes benefits and equity based programs. In general, these two types of indirect compensation provide value to an employee over a longer period of time.

**Benefits**

This particular group is traditionally thought of in the form of insurances (health, dental, life, disability and vision) and retirement. Very few small businesses provide benefits to their employees due to cost involved. When small businesses begin providing benefits, they customarily start out with retirement because of simplicity and low cost. As they grow, they add health insurance and continue to expand the benefit package as the number of employees increase and the risk of business performance decreases. Benefits allow for retention and recruitment.

Other benefits can include transportation, paid time off, vacation time, and customized incentives (lodging, meals, phones, etc.).

**Equity Based Programs**

Rarely found in the small business world for several reasons. These types of indirect compensation tie the employee to the company via ownership. Due to the complexity and the legal issues involved, very few small businesses use this tool. This is a sophisticated method to retain key employees.

**Factors that influence compensation policy**

When developing international compensation policies, a firm seeks to satisfy several objectives.

1. First, the policy should be consistent with the overall strategy, structure and business needs of the multinational.
2. Second, the policy must work to attract and retain staff in the areas where the multinational has the greatest needs and opportunities. Hence the policy must be competitive and recognize factors such as incentive for Foreign Service, tax equalization and reimbursement for reasonable costs.
3. Third, the policy should facilitate the transfer of international employees in the most cost-effective manner for the firm. Fourth, the policy must give due consideration to equity and ease of administration.

The international employee will also have a number of objectives that need to be achieved from the firm's compensation policy.

- a. First, the employee will expect the policy to offer financial protection in terms of benefits, social security and living costs in the foreign location.
- b. Second, the employee will expect a foreign assignment to offer opportunities for financial advancement through income and/or savings.
- c. Third, the employee will expect issues such as housing, education of children and recreation to be addressed in the policy. (The employee will also have expectations in terms of career advancement and repatriation)

**Key components of international compensation**

International Compensation is an internal rate of return (monetary or non monetary rewards / package) including base salary, benefits, perquisites and long term & short term incentives that valued by employee's in accordance with their relative contributions to performance towards achieving the desired goal of an organization.



The following are the major components of an international compensation package.

### **1. Base Salary**

This term has a slightly different meaning in an international context than in a domestic one. In the latter case, it denotes the amount of cash compensation that serves as a benchmark for other compensation elements like bonus, social benefits. For the expatriate, it denotes the main component of a package of allowances directly related to the base salary and the basis for in-service benefits and pension contributions. Base salary actually forms the foundation block of the international compensation.

### **2. Foreign Service Inducement Premium**

This is a component of the total compensation package given to employees to encourage them to take up foreign assignments. This is with the aim to compensate them for the possible hardships they may face while being overseas. In this context, the definition of hardship, the eligibility criteria for premium and the amount and timing of this payment are to be carefully considered. Such payments are normally made in the form of a percentage of the salary and they vary

depending upon the tenure and content of the assignment. In addition, sometimes other differentials may be considered. For instance: if a host country's work week is longer than that of the home country, a differential payment may be made in lieu of overtime.

### **3. Allowances**

One of the most common kinds of allowance internationally is the Cost of Living Allowance (COLA). It typically involves a payment to compensate for the differences in the cost of living between the two countries resulting in an eventual difference in the expenditure made. A typical example is to compensate for the inflation differential. COLA also includes payments for housing and other utilities, and also personal income tax. Other major allowances that are often made are:

- Home leave allowance
- Education allowance
- Relocation allowance
- Spouse assistance (compensates for the loss of income due to spouse losing their job)

Thus, multinationals normally pay these allowances to encourage employees to take up international assignments to make sure that they are comfortable in the host country in comparison to the parent country.

### **4. Benefits**

The aspect of benefits is often very complicated to deal with. For instance, pension plans normally differ from country to country due to difference in national practices. Thus all these and other benefits (medical coverage, social security) are difficult to imitate across countries.

Thus, firms need to address a number of issues when considering what benefits to give and how to give them. However, the crucial issue that remains to be dealt with is whether the expatriates should be covered under the home country benefit programmes or the ones of the host country.

As a matter of fact, most US officials are covered by their home country benefit programmes.

Other kinds of benefits that are offered are:

- Vacation and special leaves
- Rest and rehabilitation leaves
- Emergency provisions like death or illness in the family

These benefits, however, depend on the host country regulations.

### **5. Incentives**

In recent years some MNC have been designing special incentives programmes for keeping expatriate motivated. In the process a growing number of firms have dropped the ongoing premium for overseas assignment and replaced it with on time lump-sum premium. The lump-sum payment has at least three advantages. First expatriates realize that they are paid this only once and that too when they accept an overseas assignment. So the payment tends to retain its motivational value. Second, costs to the company are less because there is only one payment and no future financial commitment. This is so because incentive is separate payment, distinguishable for a regular pay and it is more readily for saving or spending.

### **6. Taxes**

The final component of the expatriate's compensation relates to taxes. MNCs generally select one of the following approaches to handle international taxation.

1. Tax equalization: – Firm withhold an amount equal to the home country tax obligation of the expatriate and pay all taxes in the host country.
2. Tax Protection :- The employee pays up to the amount of taxes he or she would pay on remuneration in the home country. In such a situation, The employee is entitled to any windfall received if total taxes are less in the foreign country then in the home country.

### **7. Long Term Benefits or Stock Benefits**

The most common long term benefits offered to employees of MNCs are Employee Stock Option Schemes (ESOS). Traditionally ESOS were used as means to reward top management or key people of the MNCs. Some of the commonly used stock option schemes are:

- Employee Stock Option Plan (ESOP)- a certain nos. of shares are reserved for purchase and issuance to key employees. Such shares serve as incentive for employees to build long term value for the company.
- Restricted Stock Unit (RSU) – This is a plan established by a company, wherein units of stocks are provided with restrictions on when they can be exercised. It is usually issued as partial compensation for employees. The restrictions generally lifts in 3-5 years when the stock vests.
- Employee Stock Purchase Plan (ESPP) – This is a plan wherein the company sells shares to its employees usually, at a discount. Importantly, the company deducts the purchase price of these shares every month from the employee’s salary.

Hence, the primary objective for providing stock options is to reward and improve employee’s performance and /or attract / retain critical talent in the Organization.

### **Approaches to international compensation**

There are two main options in the area of international compensation – the *Going Rate Approach* (also referred to as the Market Rate Approach) and the *Balance Sheet Approach* (sometimes known as the Build-up Approach).

#### A. Going Rate Approach

For example, a Japanese bank operating in New York would need to decide whether its reference point would be local US salaries, other Japanese competitors in New York or all foreign banks operating in New York.

With the Going Rate Approach, if the location is in a low-pay county, the multinational usually supplements base pay with additional benefits and payments.

The basic objective is to ‘keep the expatriate whole’ (that is, maintaining relativity to PCN colleagues and compensating for the costs of an international assignment) through maintenance of home-country living standard plus a financial inducement to make the package attractive.



The key assumption of this approach is that foreign assignees should not suffer a material loss due to their transfer, and this is accomplished through the utilization of what is generally referred to as the

B. *Balance-sheet Approach.*

An assignment abroad can mean that a US expatriate is taxed both in the country of assignment and in the USA. This dual tax cost, combined with all of the other expatriate costs, makes some US multinationals think twice about making use of expatriates

c. Taxation

Multinationals generally select one of the following approaches to handling international taxation:

- *Tax equalization* – firms withhold an amount equal to the home-country tax obligation of the PCN, and pay all taxes in the host country.
- *Tax protection* – The employee pays up to the amount of taxes he or she would pay on compensation in the home country. In such a situation, the employee is entitled to any windfall received if total taxes are less in the foreign country than in the home country.

**Compensation practices across the countries**

In the United States, when we think about employee compensation, we start on the most basic level with an understanding of minimum wage laws, contractual bonus programs and vacation policies. Outside the United

States, even these very basic compensation concepts have different meanings and requirements that must be understood at the outset when building a global compensation strategy. First, minimum wage. A federal minimum wage is in effect in the United States, and many states (like California) also have state minimum wage requirements that are higher than the federal minimum wage. Furthermore, some municipalities (like San Francisco) have local minimum wage requirements that are even higher than the federal and state requirements.

Outside the United States, most countries also have minimum wage laws, and like the United States, some countries may have different laws depending on the province, state or commercial zone (e.g., China, India and the United Arab Emirates). What distinguishes minimum wage rates, however, varies by country. For instance, in the United Kingdom, minimum wage rates depend on the workers' age; in Australia, the wage rate depends on the applicable Modern Award; in France, the rate depends on the applicable CBA.

Related to minimum wage is the concept of mandatory salary increases.

In the United States, there is no requirement to increase salaries as a matter of law outside of a unionized environment. Outside the United

States, mandatory salary increases are common. For instance, in Egypt, salaries must be increased 7 percent annually; in Morocco, salaries are increased through an annual bonus of 5 percent to 25 percent of salary) based on seniority; in Brazil and Argentina, the CBA dictates annual mandatory salary increases.

Second are the sometimes unexpected requirements around bonuses and profit sharing. In the United States, again, there is no legal requirement to provide employee bonuses or profit sharing (though, if implemented, then there are specific state and federal laws that may apply). Outside the

United States, many countries have statutorily required bonuses and profit sharing. For example, in Brazil and Argentina, employees are entitled to a 13th month salary. In France (once there are 50 or more employees) and Mexico, employees are entitled to profit sharing. In China, Taiwan and

Singapore, though not required, various annual bonuses are commonplace and necessary to attract and retain talent.

Finally, vacation is not just something that we would all like to take more of. Rather, it is a key component to employment and the cost of engaging a workforce outside the United States. While U.S. employers are not required to provide vacation as a matter of law (though if they do, then various laws apply), outside the United States, employees in almost every country in the world are entitled to vacation as a matter of law, which is viewed in many countries as an important component of workplace health and safety. For example, in Brazil, employees are entitled to up to 30 days of vacation per year; in Australia, it is about four weeks; in Argentina, it is between 14 and 35 days per year; in France, it is 30 days; and in Singapore, it depends on the type of employee. Because vacation is a legal entitlement, and at-will employment does not apply, there are limits on an employer's ability to modify vacation for its non-U.S. employees and use it as a tool to control costs. In fact, in some jurisdictions, such as Brazil, it is not possible to reduce vacation, force usage or cash-out, even with an employee's consent.

### **Emerging issues in compensation management :**

- *Designing, planning and managing* compensation on a global basis can be challenging when companies expand into new markets and attempt to create consistent processes in multiple countries.
- Finding a *data-privacy strategy* that best meets organizational needs. One size does not fit all. With multiple options for managing data storage and sharing, choosing one that

delivers the flexibility needed enables to remain compliant in the areas in which it operates.

- Accommodating to *local cultures*.
- Managing *environmental pay issues* is another area for concern for organizations that operate globally.

### **Establishment of labour standards by International Institutions**

*"The rules of the global economy should be aimed at improving the rights, livelihoods, security, and opportunities of people, families and communities around the world."* - World Commission on the Social Dimension of Globalization, 2004 .

Since 1919, the International Labour Organization has maintained and developed a system of international labour standards aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity. In today's globalized economy, international labour standards are an essential component in the international framework for ensuring that the growth of the global economy provides benefits to all.

International labour standards are backed by a supervisory system that is unique at the international level and that helps to ensure that countries implement the conventions they ratify. The ILO regularly examines the application of standards in member states and points out areas where they could be better applied. If there are any problems in the application of standards, the ILO seeks to assist countries through social dialogue and technical assistance.

The ILO has developed various means of supervising the application of Conventions and Recommendations in law and practice following their adoption by the International Labour Conference and their ratification by States. ILO Supervisory system

There are two kinds of supervisory mechanism:

1. The regular system of supervision: examination of periodic reports submitted by Member States on the measures they have taken to implement the provisions of the ratified Conventions
2. Special procedures: a representations procedure and a complaints procedure of general application, together with a special procedure for freedom of association

The regular system for supervising the application of standards

The regular system of supervision is based on the examination by two ILO bodies of reports on the application in law and practice sent by member States and on observations in this regard sent by workers' organizations and employers' organizations.

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

### **Global legal and regulatory context of MNE**

A **multinational corporation (MNC)** or **multinational enterprise** is an organization that owns or controls production of goods or services in one or more countries other than their home country. It can also be referred as an **international corporation**, a "transnational corporation", or a **stateless corporation**.

A multinational corporation is usually a large corporation which produces or sells goods or services in various countries.

- Importing and exporting goods and services
- Making significant investments in a foreign country
- Buying and selling licenses in foreign markets
- Engaging in contract manufacturing—permitting a local manufacturer in a foreign country to produce their products
- Opening manufacturing facilities or assembly operations in foreign countries

Enterprises should:

1. Take fully into account established general policy objectives of the Member countries in which they operate;
2. In particular, give due consideration to those countries' aims and priorities with regard to economic and social progress, including industrial and regional development, the protection of the environment and consumer interests, the creation of employment opportunities, the promotion of innovation and the transfer of technology;
3. While observing their legal obligations concerning information, supply their entities with supplementary information the latter may need in order to meet requests by the authorities of the countries in which those entities are located for information relevant to the activities of those entities, taking into account legitimate requirements of business confidentiality;
4. Favour close co-operation with the local community and business interests;

5. Allow their component entities freedom to develop their activities and to exploit their competitive advantage in domestic and foreign markets, consistent with the need for specialisation and sound commercial practice;
6. When filling responsible posts in each country of operation, take due account of individual qualifications without discrimination as to nationality, subject to particular national requirements in this respect;
7. Not render and they should not be solicited or expected to render any bribe or other improper benefit, direct or indirect, to any public servant or holder of public office;
8. Unless legally permissible, not make contributions to candidates for public office or to political parties or other political organisations;
9. Abstain from any improper involvement in local political activities.

### **International framework of Ethics and Labour standards**

Ethical Framework envisions a system in which business can engage with governments, labor unions, NGOs, consumer associations and others to create processes and credentials to further improve the protection of workers migrating globally for work, and to reduce business and reputational risks for firms dealing with a global labor supply. This includes Standards of Ethical Practice (SEP) that build on established and recognized industry best practices as well as core global labor standards. Also included are basic requirements for independent systems to verify and certify compliance, so that any recruitment firm, employer, value chain 'owner,' stakeholder or individual migrant can confidently know whether a labor market facilitator is observing and upholding these standards.

We hope for new, transformative, social and market demand for ethical recruitment practices driven by employers, workers, NGOs, labor unions, consumer groups and all other engaged stakeholders. Ethical Framework does not, and cannot, represent a total solution to forced labor and human trafficking. But we believe it can significantly improve transparency, accountability and the wider adoption of leading industry practices among firms that facilitate the global movement of workers.

### **Key issues in International Industrial Relations**

Industrial relations policies and practices of multinational firms:

Because national differences in economic, political and legal systems produce markedly different industrial relations systems across countries, multinationals generally delegate the management of industrial relations to their foreign subsidiaries. However, a policy of decentralization does not keep corporate headquarters from exercising some coordination over industrial relations strategy. Generally, corporate headquarters will become involved in or oversee labor agreements made by foreign subsidiaries because these agreements may affect the international plans of the firm and/or create precedents for negotiations in other countries.

Multinational headquarters involvement in industrial relations is influenced by several factors  
Industrial relations policies and practices of multinational firms

The degree of inter-subsidary production integration:

High degree of integration was found to be the most important factor leading to the centralization of the industrial relations function within the firms studied.

Industrial relations throughout a system become of direct importance to corporate headquarters when transnational sourcing patterns have been developed, that is, when a subsidiary in one country relies on another foreign subsidiary as a source of components or as a user of its output.

In this context, a coordinated industrial relations policy is one of the key factors in a successful global production strategy.

Nationality of ownership of the subsidiary:

A number of studies have revealed that US firms tend to exercise greater centralized control over labor relations than do British or other European firms.

US firms tend to place greater emphasis on formal management controls and a close reporting system (particularly within the area of financial control) to ensure that planning targets are met.

Foreign-owned multinationals in Britain prefer single-employer bargaining (rather than involving an employer association), and are more likely than British firms to assert managerial prerogative on matters of labor utilization.

Further, Hamill found US-owned subsidiaries to be much more centralized in labor relations decision making than British-owned. Hamill attributed this difference in management procedures to the more integrated nature of US firms, the greater divergence between British and US labor relations systems than between British and other European systems, and the more ethnocentric managerial style of US firms.

- International human resource management approach.

The various international human resource management approaches utilized by multinationals; these have implications for international industrial relations.

An ethnocentric predisposition is more likely to be associated with various forms of industrial relations conflict.

Conversely, it has been shown that more geocentric firms will bear more influence on host-country industrial relations systems, owing to their greater propensity to participate in local events.

- MNE prior experience in industrial relations.

European firms have tended to deal with industrial unions at industry level (frequently via employer associations) rather than at firm level.

The opposite is more typical for US firms. In the USA, employer associations have not played a key role in the industrial relations system, and firm-based industrial relations policies are the norm.

- Subsidiary characteristics.

Research has identified a number of subsidiary characteristics to be relevant to centralization of industrial relations.

First, subsidiaries that are formed through acquisition of well-established indigenous firms tend to be given much more autonomy over industrial relations than are greenfield sites set up by a multinational firm.

Second, according to Enderwick, greater intervention would be expected when the subsidiary is of key strategic importance to the firm and the subsidiary is young.

Third, where the parent firm is a significant source of operating or investment funds for the subsidiary, that is, where the subsidiary is more dependent on headquarters for resources, there will tend to be increased corporate involvement in industrial relations and human resource management.

Finally, poor subsidiary performance tends to be accompanied by increased corporate involvement in industrial relations. Where poor performance is due to industrial relations problems, multinationals tend to attempt to introduce parent-country industrial relations practices aimed at reducing industrial unrest or increasing productivity.

### **Trade Unions and MNE's**

The International Trade Union Confederation is the world's largest trade union federation. It was formed on November 1, 2006 out of the merger of the International Confederation of Free Trade Unions (ICFTU) and the World Confederation of Labour (WCL). The Founding Congress of the ITUC was held in Vienna and was preceded by the dissolution congresses of both the ICFTU and the WCL.

The ITUC represents 176 million workers through its 328 affiliated organisations within 162 countries and territories. Sharan Burrow is the current General Secretary.

The ITUC traces its origins back to the First International (also known as the International Workingmen's Association) and in 2014 will commemorate the 150th anniversary of the founding of the International Working Men's Association at its own world congress to be held in Berlin . Also in 2014, the ITUC debuted the Global Rights Index, which ranks nations on 97 metrics pertaining to workers' rights, such as freedom from violent conditions and the right to strike and unionize.

The ITUC's primary mission is the promotion and defense of workers' rights and interests, through international cooperation between trade unions, global campaigning and advocacy within the major global institutions.

Its main areas of activity include the following: trade union and human rights; economy, society and the workplace; equality and non-discrimination; and international solidarity.

The ITUC adheres to the principles of trade union democracy and independence. It is governed by four-yearly world congresses, a General Council and an Executive Bureau.

The ITUC regional organisations are the Asia-Pacific Regional Organisation (ITUC-AP), the African Regional Organisation (ITUC-AF) and the American Regional Organisation (TUCA). It cooperates with the European Trade Union Confederation, including through the Pan-European Regional Council.

The ITUC has close relations with the Global Union Federations and the Trade Union Advisory Committee to the OECD (TUAC). It works closely with the International Labour Organisation and with several other UN Specialised Agencies.

### **Response of Trade Unions to MNE's**

Trade union leaders have long seen the growth of multinationals as a threat to the bargaining power of labor because of the considerable power and influence of large multinational firms.

While it is recognized that multinationals are 'neither uniformly anti-union nor omnipotent and monolithic bureaucracies', their potential for lobbying power nor flexibility across national borders creates difficulties for employees and trade unions endeavouring to develop countervailing power.

There are several ways in which multinationals has an impact upon trade union and employee interests. Kennedy has identified the following seven characteristics of MNEs as the source of trade union concern about multinationals:

- Formidable financial resources.
- Alternative sources of supply.
- The ability to move production facilities to other countries.
- A remote locus of authority (i.e. the corporate head office management of a multinational firm).
- Production facilities in many industries.
- Superior knowledge and expertise in industrial relations.
- The capacity to stage an 'investment strike,' whereby the multinational refuses to invest any additional funds in a plant, thus ensuring that the plant will become obsolete and economically non-competitive.

Another issue reported by trade unions is their claim that they have difficulty accessing decision-makers located outside the host country and obtaining financial information.

The response of labor unions to multinationals has been threefold: to form international trade secretariats (ITs), to lobby for restrictive national legislation and to try to achieve regulation of multinationals by international organizations.

### **Non-Union worker representation**

Trade unions are the main channel of representation of workers' interests in Polish companies. However, the unions' increasing marginalisation and declining membership tends to hamper such representation. This feature examines the non-union forms of company-level employee



representation in place in some types of enterprises in 2002, concluding that such channels - mainly workers' councils and employee representation on supervisory boards - are limited in scope and largely ineffective.

Workers' 'self-government' has a long tradition in some country. In state-owned enterprises, this is currently governed by the 1981 Act on workers' self-government (since amended), which provides for workers' councils with a representative function, separate from trade unions, in such enterprises (though in no other types of organisation). According to the legislation, workers' councils have the following rights:

- approving and amending the enterprise's annual plan;
- making proposals for investments;
- adopting the enterprise's annual report and approving its balance sheet;
- approving merging and divestment decisions;
- approving changes in the direction of the development of the enterprise;
- deciding, on the recommendation of the management, on the enterprise's works regulations; and
- adopting resolutions on the appointment or dismissal of company directors and other persons with managerial functions in the enterprise.

**MODULE 7: (6 Hours)****International Workforce and International HRIS:**

Human Resources Information Systems can range from basic personnel records to sophisticated networks of sub-systems with definite purposes. Today, most of these will be computer systems. In view of the rapid environmental changes and increasing awareness that the real competitive advantage is to be found in the quality of people and how well we use them, an effective human resource information system is an essential aid. It is also essential for any manpower planning activity.

The manpower information system can provide necessary information in a form which can be integrated with any other business data. With most database systems, there are facilities to pull out any of the data and present them in the required form.

Information is power and a kind of information or computer man has grown in the organisation. Information man is consulted by the top management as well as functional groups, in connection with the fulfillment of information needs of the organisation.

There was a time when manpower was simply a cost, but it is now recognised as an investment. Across the world, the phrase 'people are our most important resource' has moved from being a traditional statement in the annual report to being accepted as something we really mean. In fact, statements by chairmen that 'our people are our only unique resources, our only competitive edge,' that human resource management has suddenly become very important.

There is a universal agreement that competitive advantage resides with the quality and skills of people and that these can be turned into a formidable edge if they are given scope and freedom to contribute.

Most organisations fail to achieve their full potential because they fail to utilise and motivate their people. Full and effective utilisation of human resources is the key to organisational success.

Effective utilisation of people begins with a proper understanding of the job itself and the skills and abilities required, so that the position can be defined with an appropriate personal specification which matches the job demands.

A professional standard of recruitment practice should ensure that the specification is observed. Given that approach, the range of individual performance variation should be limited.

When a new employee joins an organisation, he normally completes an application form which provides the basic data for opening an electronic record.

It is the electronic record which is updated and which is always used, with fresh data added on like job and remuneration changes, training courses attended, and changes of dependants, addresses etc. From time to time, a print-out of the current record is sent to employees to enable them to confirm its correctness.

**Working with multicultural and ethnic group**

**Multiculturalism** describes the existence, acceptance, or promotion of multiple cultural traditions within a single jurisdiction, usually considered in terms of the culture associated with an ethnic group. This can happen when a jurisdiction is created or expanded by amalgamating areas with two or more different cultures (e.g. French Canada and English Canada) or through immigration from different jurisdictions around the world (e.g. Australia, United States, United Kingdom, and many other countries).

Multicultural ideologies and policies vary widely, ranging from the advocacy of equal respect to the various cultures in a society, to a policy of promoting the maintenance of cultural diversity, to policies in which people of various ethnic and religious groups are addressed by the authorities as defined by the group to which they belong.

Multiculturalism that promotes maintaining the distinctiveness of multiple cultures is often contrasted to other settlement policies such as associal integration, cultural assimilation and racial segregation. Multiculturalism has been described as a "salad bowl" and "cultural mosaic".

Workplace diversity refers to the variety of differences between people in an organization.

That sounds simple, but diversity encompasses race, gender, ethnic group, age, personality, cognitive style, tenure, organizational function, education, background and more.

Diversity not only involves how people perceive themselves, but how they perceive others. Those perceptions affect their interactions. For a wide assortment of employees to function effectively as an organization, human resource professionals need to deal effectively with issues such as communication, adaptability and change. Diversity will increase significantly in the coming years. Successful organizations recognize the need for immediate action and are ready and willing to spend resources on managing diversity in the workplace now.

**Benefits of Workplace Diversity**

An organization's success and competitiveness depends upon its ability to embrace diversity and realize the benefits. When organizations actively assess their handling of workplace diversity issues, develop and implement diversity plans, multiple benefits are reported such as:

**Increased adaptability**

Organizations employing a diverse workforce can supply a greater variety of solutions to problems in service, sourcing, and allocation of resources. Employees from diverse backgrounds bring individual talents and experiences in suggesting ideas that are flexible in adapting to fluctuating markets and customer demands.

**Broader service range**

A diverse collection of skills and experiences (e.g. languages, cultural understanding) allows a company to provide service to customers on a global basis.

**Variety of viewpoints**

A diverse workforce that feels comfortable communicating varying points of view provides a larger pool of ideas and experiences. The organization can draw from that pool to meet business strategy needs and the needs of customers more effectively.

**More effective execution**

Companies that encourage diversity in the workplace inspire all of their employees to perform to their highest ability. Company-wide strategies can then be executed; resulting in higher productivity, profit, and return on investment.

**Challenges of Diversity in the Workplace**

Taking full advantage of the benefits of diversity in the workplace is not without its challenges. Some of those challenges are:

**Communication** - Perceptual, cultural and language barriers need to be overcome for diversity programs to succeed. Ineffective communication of key objectives results in confusion, lack of teamwork, and low morale.

**Resistance to change** - There are always employees who will refuse to accept the fact that the social and cultural makeup of their workplace is changing. The “we’ve always done it this way” mentality silences new ideas and inhibits progress.

**Implementation of diversity in the workplace policies** - This can be the overriding challenge to all diversity advocates. Armed with the results of employee assessments and research data, they must build and implement a customized strategy to maximize the effects of diversity in the workplace for their particular organization.

**Successful Management of Diversity in the Workplace** - Diversity training alone is not sufficient for your organization’s diversity management plan. A strategy must be created and implemented to create a culture of diversity that permeates every department and function of the organization.

**Health and safety and International Assignees**

Organisations with employees in more than one country can now access guidance on international assignments and the health and safety implications of managing a global workforce through the Guide for global employers.

International assignments covers the main factors to consider when seconding employees on an international assignment, including: the types of assignment arrangement; the employment documents that are needed for international assignments; the pay and benefits for international assignees; and how to prepare for the return of an assignee.

Health and safety looks at the main issues relating to health and safety of which global employers should be aware, and suggests how they can adopt a common approach across the organisation to maintaining the health and safety of employees.

These sections are in addition to the existing sections on Establishing a global presence, Termination of employment and Recruitment and selection.

- International employers must comply with the law relating to health and safety wherever they employ staff. Health and safety issues that are regulated in many countries include the provision of health and safety information to employees, the use of equipment, risk assessments and record-keeping. Organisations should also be aware of non-statutory guidance on health and safety matters.
- Employers may wish to establish a global approach to health and safety to ensure that minimum standards apply to employees in all locations.
- Establishing a global wellbeing programme can bring many benefits to multinational employers.

### **Crisis Management**

**Crisis management** is the process by which an organization deals with a major event that threatens to harm the organization, its stakeholders, or the general public. The study of crisis management originated with the large-scale industrial and environmental disasters in the 1980s. It is considered to be the most important process in public relations.

Three elements are common to a crisis: (a) a threat to the organization, (b) the element of surprise, and (c) a short decision time. Venette argues that "crisis is a process of transformation where the old system can no longer be maintained." Therefore, the fourth defining quality is the need for change. If change is not needed, the event could more accurately be described as a failure or incident.

During the crisis management process, it is important to identify types of crises in that different crises necessitate the use of different crisis management strategies. Potential crises are enormous, but crises can be clustered.

Lerbinger categorized eight types of crises

1. Natural disaster
2. Technological crises
3. Confrontation
4. Malevolence
5. Organizational Misdeeds
6. Workplace Violence
7. Rumours

## 8. Terrorist attacks/man-made disasters

### **Global HR Shared Services**

**Shared services** is the provision of a service by one part of an organization or group where that service had previously been found in more than one part of the organization or group. Thus the funding and resourcing of the service is shared and the providing department effectively becomes an internal service provider. The key here is the idea of 'sharing' within an organization or group. This sharing needs to fundamentally include shared accountability of results by the unit from where the work is migrated to the provider. The provider on the other hand needs to ensure that the agreed results are delivered based on defined measures (KPIs, cost, quality etc.).

Strategic work generally includes setting the broad HR policy direction, with the business strategy and performing a governance function, i.e. ensuring that people in the organization abide by the rules of the game (e.g. in living the values).

Like so many ideas, the shared services concept came out of the USA. It has not been seen as something peculiar to HR, but applicable to any form of service delivery. It has tended, though, to apply to services that support the primary operational activity. Thus shared service models have been created for finance, information technology, procurement, etc.

- The nature of the services provided is determined primarily by the customer.
- There is a common provision of services.
- These are available to a number of users.

The most significant of these points is that the 'user is the chooser' so that, unlike conventional internal service provision, the customer defines the level of the service and decides which services to take up. Thus the balance in the shared services model is shifted from producer to consumer. These services are on offer to whoever wishes to take them up; they are not restricted to particular groups. This is achieved by pooling the services for general use. Activities are therefore usually transferred from operating units to the shared services centre. This has been described as 'internal outsourcing'. It is important to note that shared and common provision of the service is not supposed to mean that it is centralized in the traditional sense of that term, i.e. that it is corporately determined. Rather, customer choice drives the model, the corporate part of the organization facilitates the process.

### **Managing HR in virtual organization**

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

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

financial stability, which are the most sought after things by the workers in any organisation. This is so because of the reduced commuting, lunches and the clothing costs.

Added to these are increased working hours, a perceived increase in performance, reduced job-stress and better social relationships as barriers between the home and work interface are dissolved. However, the other (negative) side includes aspects like longer work hours, increased work demands, poor working (physical) conditions and fewer career opportunities. In virtual organisations, jobs are variable and of short term. People with multi-skill are valuable to the organisation.

The major HR issues involved in a virtual organisation are:

1. Recruitment is conducted under time pressure and requires high performance expectations.
2. Both human capital i.e., knowing one's job and social capital i.e., knowing each other become extricably linked.
3. Stability in social relationship is not very much required.
4. Master-apprentice relationship is craft-based learning techniques matter.
5. Work pace is variable because the need for readiness to be mobilized at any moment, like defence service, is high.
6. Job is of short term. This requires virtual organisations a heavy investment to create systems and staffing structures.

The employee selection is a very crucial area in virtual organisation. The reason being people have to work in a virtual set up. Hence, there are certain requirements need to be met to work in virtual organisations.

The important ones are:

1. Self-guided and motivated because employees are left to 'do their own thing'
2. Knowledgeable about the organisational procedures
3. An effective communicator
4. Adaptable
5. Familiarity with the job
6. Result-oriented

It is, therefore, essential to consider the above qualities while recruiting people to work in virtual organisations. There is a need to select those employees whose values are in consonance with the organisational requirements/culture.

For example, introverts might be more suitable for home-based tele-work involving low intra and extra organisational communication. On the contrary, extroverts might be more suitable for mobile tele-works involving high degree of extra- organisational communication.

On the whole, the shift from traditional/face -to-face organisation to virtual organisation triggers two ongoing debates within the HRM field:

1. The relevance of traditional forms of HRM to future organisational forms.
2. The shift from person-job-fit to person-role as the guiding paradigm for resourcing decisions.

### **HRIS: Meaning**

A HRIS, which is also known as a **human resource information system** or human resource management system (HRMS), is basically an intersection of human resources and information technology through HR software. This allows HR activities and processes to occur electronically

### **Role of IT in HR**

Technology has changed the business world many times over. In the Information Age, the advent of computers and the Internet has increased that impact significantly. Many businesses cannot even function without the use of computer technology. This impact is seen in nearly all areas of business, including human resources, where technology continues to have a significant impact on HR practices.

#### Recruiting

One way in which human resources has been significantly impacted by technology is in the area of recruiting. Before the Internet, HR recruiters had to rely on print publications, such as newspapers, to post jobs and get prospects for open positions. Other methods such as networking also were used, but HR recruiters did not have the ability to post a job in one or more locations and have millions of people see it all at once. Technology has made recruiting more efficient and, in the hands of the right recruiter, more effective as well.

#### Training

Information technology makes it possible for human resources professionals to train new staff members in a more efficient manner as well. The ability to access company information and training programs from remote locations eliminates the need for trainers to work directly with new hires on all training. Some interaction will always be necessary on some level, of course, but training in virtual classrooms makes it possible for the HR professionals to train a large number of employees quickly and to assess their progress through computerized testing programs.

#### Data Storage and Retrieval

Human resources professionals generally process a considerable amount of paperwork and also have to keep much of that paperwork on file for a considerable period of time. The use of electronic imaging has made it possible for companies to store and retrieve files in an electronic format. Technology also makes it possible for human resources professionals to simply print the forms that are needed for employees. Printing on demand eliminates the need to dig through an endless number of files in the file cabinet to find what is needed.



### Performance Management

Enhanced performance management is another byproduct of technological improvement. Human resources professionals can use computer technology to assess employee performance and also to get employee feedback to be used for the betterment of the organization. Various software programs make it possible for human resources professionals to examine employee performance using metrics to ensure that employees are meeting performance standards. Employees that don't measure up can be subjected to additional training or let go in favor a replacement who can come in and do the job.

### **Designing of HRIS**

The four steps involved in designing of HRIS are as follows: 1. Determination of Information Needs 2. Designing the System 3. Implementation 4. Monitoring and Evaluation.

#### 1. Determination of Information Needs:

Data and information are basic inputs for decision making activity. Managers at different levels may need different types of information. Hence, identification of information needed by the managers becomes the first step in designing HRIS. This involves a perspicacious study of the activities carried out in the organisation.

Work patterns, their relationship and constraints affecting the HRIS also need to be analysed. Yes, these factors may differ from organisation to organisation and from industry to industry and even from time to time in case of the same organisation and industry.

#### 2. Designing the System:

At this stage, the flow of information is structured in such a manner that it is economical and matches with the information needs of managers. It is important to mention that HRIS as a sub-system of Management Information System (MIS) does not require a separate design. However, designing HRIS may require developing preferred processing techniques for desired data set by managers at different levels.

#### 3. Implementation:

This is the stage when the HRIS is actually set up. In order to handle the system effectively, employees are imparted the necessary skill through orientation and training programmes. Besides, facilities are increased and upgraded, procedures are properly streamlined with an objective to integrate the HRIS with various organisational components in existence at the

#### 4. Monitoring and Evaluation:

It involves measuring the performance, or say, contribution of the system to the overall human resource management of the organisation. By doing so, gaps are identified and corrective steps are taken to ensure its smooth operation. The system is evaluated on a regular basis so that it is

evaluated in the light of changes taking place from time to time within and outside the organisation.

#### Applications of HRIS in Employee Management

The main purpose of maintaining HRIS system is to gather, classify, process, record and disseminates the information required for efficient and effective management of human resources in the organisation.

##### *Personnel Administration:*

It encompasses personal information of an employee. These may include name, address, date of birth, marital status, and the date of joining the organisation. It also contains the name and address of next kin of the employee concern. These information describe the employee.

##### *Salary Administration:*

One of the functions of HRIS is to provide a report containing information like present salary, benefits, last pay increase and proposed increase in future.

##### *Leave/Absence Increase:*

HRIS is also used to control leave/absence of employees. This is done by maintaining a leave history of each employee. Every employee can be issued an identity card writing every employee's token number coded on it. Employee's entry and exit from the organisation should be recorded on the identity card. This reduces chances for malpractice or oversight in calculating wages for each employee.

##### *Skill Inventory:*

Recording employee skills and monitoring a skill data base is yet another use of the HRIS. Such a skill record helps identify employees with the necessary skill for certain positions or jobs in an organisation.

##### *Medical History:*

The HRIS is also used to maintain occupational health data required for industrial safety purposes, accident monitoring, and so on.

##### *Performance Appraisal:*

In order to form a comprehensive overview about an employee, HRIS maintains performance appraisal data such as the due date of the appraisal, potential for promotion, scores of each performance criteria and alike. The textual information can be combined with the factual data obtained from the HRIS and the combination of information can be used for imparting training and affecting employee mobility in the form of transfer and promotion.

##### *Manpower Planning:*

HRIS is used for manpower planning also. It keeps information of organizational requirements in terms of positions. HRIS connects employees to the required positions in the organization. It is also used to identify vacancies and establish employees thereon. HRIS can also help identify a logical progression path and the steps to be taken for employee progress/ advancement.

*Recruitment:*

Recruitment forms the most essential function of HRM. HRIS helps in the recruitment process in a big way by recording the details of activities involved in employee recruitment. These may include cost and method of recruitment and time taken to fill the positions level wise, for example.

*Career Planning:*

By providing necessary information such as which employees have been earmarked for which positions, HRIS facilitates positional advancement of employees. In other words, HRIS helps in planning for succession.

*Collective Bargaining:*

HRIS through a computer terminal can provide up-to-date relevant and required information, facts and figures and, thus, can facilitate collective bargaining. It can be collective bargaining as “what if analysis” rather as feelings and fictions. In the same manner, HRIS can also help maintain better human relations in the organisation.

**Limitation of HRIS**

- **Security.** Security is one of the biggest worries. Systems must be designed to prevent unauthorized access to sensitive and confidential data and also the unintended publication of such information. This typically required many “compartments” and many levels of authority for access, all of which have to be monitored and maintained.
- **Cost.** Then there is the cost factor. Especially for smaller companies, this can pose a problem. With any system, there are acquisition costs and maintenance costs. SaaS (software as a service) systems are somewhat easier to handle from a cost standpoint since they are cloud-based and don’t require as much initial outlay.
- **Staffing.** With larger installations, there’s probably the cost of hiring an IT specialist to manage the system.