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GLOBAL HR PRACTICES

UNIT – I CHAPTER – I

INTERNATIONAL BUSINESS & GLOBALISATION

INTRODUCTION

Globalisation for better or worse has changed the way the world does business. ...it (globalisation) is all but unstoppable. The challenge that individuals and businesses face is learning how to live with it, manage it, and take advantage of the benefits it offers.

As Warren J. Keegan rightly puts it, "a company that fails to go global is in the danger of losing its domestic business to competitors with lower costs, greater experience, better products and, in a nutshell, more value for the customer."

Driven by the ubiquitous economic liberalisations, national economies are becoming more and more interdependent and integrated and the world economy and business are becoming more and more globalised.

Globalisation makes the business environment increasingly global even for domestic firms. The major competition which many Indian firms encounter in the home market now, for instance, is from foreign firms-they now face a substantially growing competition from goods produced in India by MNCs and imports. For example, although its market is confined almost entirely to India, the competition which *Nirma* encounters is indeed global. Its major competitors include MNCs like Unilever, P&G, Colgate Palmolive, Henkal, etc. Besides, there is also competition from imported products. Thus, many firms in their own home market face the technological, financial, organisational, business and other managerial prowess of the multinationals. We may, therefore, define International Business as *business in an internationally competitive environment, no matter whether the market is domestic* or *foreign.*

Two important indicators of global economic integration are international trade and international production (i.e., production arising out of international investment).

International trade is growing faster than the world output, indicating that a growing proportion of the national output is traded internationally or that the international market is more dynamic than the national markets. In the last twenty five years or so, world merchandise exports have doubled from 10 per cent to 20 per cent of the world GDP. That is, about 25 years ago on an average about one-tenth of the domestic product of a nation was meant to be sold and consumed in foreign countries; today about one-fifth of the domestic product is destined to the foreign markets. Similarly, the proportion of the domestic consumption met by goods and services produced abroad has been increasing manifolding. Even in communist country like China, the export to GDP ratio jumped from about 6 per cent in 1980 to nearly 25 per cent by the beginning of the present decade.

The cross-border dimensions of business is made more conspicuous by the fact that world sales of more than 8.5 lakh foreign affiliates of about 65,000 multinational corporations now are more than double the world's total exports. International investment, in fact, has been growing much faster than international trade. In the decade since 1986, foreign direct investment inflows increased six-fold whereas world exports increased less than one and a half times.

International portfolio investments and equity trading have also been surging. One out of seven equity traded worldwide involves a foreigner as a counter party. It is the internationalisation and globalisation that creates many business opportunities. Hundreds of units in export processing zones process products, in many cases using imported raw materials on imported plant and machinery, for offshore trade. Many internationally well known brands of products are indeed global products in the sense that firms from many countries participate in production process. Thus, what is marketed as an American car or German car or Italian car is not really American or German or Italian but global because various parts and components of the product are supplied by a large number of firms from many countries and they are marketed globally. In a number of cases the entire product marketed by a company in its brand name is sourced from firms in other countries.

As economy becomes more developed and open, its market will be stacked with very wide variety of goods from allover the world so that the consumers have enough (and often more) choice and get more value for the money. In such a society, many of the items of daily use by a consumer could be foreign goods. Indeed, here the consumer is global in his shopping.

To be a successful participant in a globally competitive environment, a company has to be global in the organisation of production and marketing.

Before going into the details of different aspects of international business, let us mull over some basic issues like what is international business, reasons for internationalisation of business, international orientations and internationalisation stages, special problems in international business, certain trends in the international business horizon and the major strategic decisions in international business.

For the sake of simplicity, one may be tempted to define international business as any business activity or transaction that transcends the national border. It is, however, doubtful whether some of the business transactions which cross national border can be regarded as real international business. For example, consider the case of a firm which imports a minor item, which is not available domestically, and is required for manufacturing, from a foreign country. The extent of real internationalisation, if any, is very little in this case. On the other hand, there is real internationalisation in the case of a firm which sources inputs internationally, even when they are available domestically, purely on business considerations. In short, the nature and reasons/purpose of business activities which cross national borders differ and, therefore, the extent of real internationalisation or international orientation also differs. It may also be noted that there may be real internationalisation in certain transactions which would outwardly appear to be purely domestic business. For example, take the case of a firm which sells all its output domestically, and procures all the raw materials, parts, components and other industrial inputs domestically. There is real internationalisation if the procurement from the domestic market is the result of global sourcing, i.e., the decision to source them domestically is the result of the realisation that the current global sourcing destination is globally the best source.

International business takes different forms, like exporting, licensing, contract manufacturing, foreign assembly, foreign production, joint venturing, etc. The extent of internationalisation or international orientation could vary under each of these modes. For instance, in some cases exporting amounts to exporting exactly the same goods as marketed domestically, but in other cases it involves modification of the product and other elements of the marketing mix to suit the foreign market conditions. Again, on the one extreme exportables are characterised by hundred percent domestic value addition but in cases which involve international sourcing, the extent of domestic value addition may be limited. Further, finance, technology, capital goods and human resources may be sourced internationally and the corporate organisation may be international or global/transnational in nature.

It may be noted that many seemingly domestic products are truly inter- national products in the sense that several of the parts and components which make up these products are manufactured in different countries.

PROBLEMS IN INTERNATIONAL BUSINESS

Some people talk of the "differences between domestic business and inter-national business." But, the fact is that, there is no basic difference between these two; the principles of business are universal. What are referred to by some people as differences are not really differences but special problems or features of international business.

What makes international business strategy different from the domestic is the differences in the business environment. The important special problems in international business are given below:

1. ***Political and legal differences.*** The political and legal environment of foreign markets are different from that of the domestic. The complexity generally increases as more number of countries are included in the company's business portfolio. It should also be noted that the political and legal environment is not the same in all provinces

of many home markets. For instance, the political and legal environment is not exactly the same in all the states of India.

2. ***Cultural differences.*** The cultural differences is one of the most difficult problems in International business. Many domestic markets, however, are also not free from cultural diversities.

3. ***Economic differences.*** The economic environment may change from country to country.

4. ***Differences in the currency unit.*** The currency unit varies from nation to nation. This may sometimes cause problems of currency convertibility, besides the problems of exchange rate fluctuations. The monetary system and regulations may also vary.

5. ***Differences in the language.*** An international marketer often encounters problems arising out of the differences in the language. Even when the same language is used in different countries, the same words or terms may have different meanings or connotations. The language problem, however, is not something peculiar to the international business.

6. ***Differences in the business infrastructure.*** The availability and nature of the business facilities available in different countries may vary widely. For example, an advertising medium that is very effective in one market may not be available or may be underdeveloped in another market.

7. ***Trade restrictions.*** Trade restrictions, particularly import controls, is a very important problem which an international marketer faces.

8. ***High costs of distance.*** When the markets are far removed by distance, the transport cost becomes high and the time required for effecting the delivery tends to become longer. Distance tends to increase certain other costs also.

9. ***Differences in trade practices.*** Trade practices and customs may differ between markets.

NEED TO GO INTERNATIONAL

There are several answers to the question 'why firms go international?' The factors which motivate or provoke firms to go international may be broadly divided into two groups, viz., the *pull factors* and the *push factors.*

The *pull factors,* most of which are *proactive reasons,* are those forces of attraction which pull the business to the foreign markets. In other words, companies are motivated to internationalise because of the attractiveness of the foreign market. Such attractiveness includes, broadly, the relative profitability and growth prospects.

The *push factors* refer to the compulsions of the domestic market, like saturation of the market, which prompt companies to internationalise. Most of the push factors are *reactive reasons.*

Important reasons for going international are described below.

Profit Motive

An important incentive for international business is the profit advantage. International business could be more profitable than the domestic. There are cases where more than 100 per cent of the total profit of the company is made in the foreign markets (in which case the domestic operation, obviously, is incurring loss). In 1995, 6 out of the 100 largest US MNCs made more than 100 per cent of their profits from outside the U.S. This was 500 per cent in the case of Digital equipments. More than half of the total profits in respect of 40 of the 100 largest U.S. MNCs was contributed by foreign markets.

Even when international business is less profitable than the domestic, it could increase the total profit. Further, in certain cases, international business can help increase the profitability of the domestic business.

One of the important motivations for foreign investment is to reduce the cost of production (by taking advantage of the cheap labour, for example). While in some cases, the whole manufacturing process of a product may be carried out in foreign locations, in some cases only certain stages of it are done abroad. Almost 20 per cent of the merchandise imported into the United States is manufactured by foreign branches of American companies. Several American companies ship parts and components to overseas locations where the labour intensive assembly operations are carried out and then the product is brought back home.

Growth or Expansion Motive

An important reason for going international is to take advantage of the business opportunities in other countries. MNCs are getting increasingly interested in a number of developing countries as the income and population are rapidly rising in these countries. Of the one billion people estimated to be added to the world population between 1999 and 2014, only about three per cent will be in the high income economies.

As pointed out in the preceding and following sub-sections, many companies could achieve the growth they realised only because of the foreign markets.

Foreign markets, in both developed country and developing country, provide enormous growth opportunities for firms of the developing country too. For example, in recent years, a number of Indian pharmaceutical firms have achieved a much faster growth of their foreign business than the domestic. The US market alone is expected to contribute as much as half of the total sales of Ranbaxy shortly.

Internal Market Problems

Domestic demand constraints drive many companies towards expanding the market beyond the national border.

The market for a number of products tend to saturate or decline in the advanced countries. This often happens when the market potential has been almost fully tapped. In the United States, for example, the stock of several consumer durables like cars, TV's, etc. exceed the total number of households. It is estimated that in the first quarter of the 21st century, the population in some of the advanced economies would saturate or would grow very negligibly, and in some others there would be a decline. Such demographic trends have very adverse effect on certain lines of business. For example, the fall in the birth rate implies contraction of market for several baby products.

Another type of domestic market constraint arises from the scale economies. The technological advances have increased the size of the optimum scale of operation substantially in many industries making it necessary to have foreign market, in addition to the domestic market, to take advantage of the scale economies. It is the thrust given to exports that enabled certain countries like South Korea to set up economic size plants. In the absence of foreign markets, domestic market constraint comes in the way of benefiting from the economies of scale in some industries. For example, for a certain chemical product, the minimum economic size of the plant is 35,000 tonnes but the demand for it in India by the end of the century is expected to be less than 10,000 tonnes.

Particularly when the domestic market is very small, internationalisation is the only way to achieve significant growth. For example, Nestle derives only about two per cent of its total sales from its home market, Switzerland. Similarly, with only 8 per cent of the total sales coming from the home market, Holland, many different national subsidiaries of the Philips have contributed much larger share of total revenues than the parent company.

Domestic recession often provokes companies to explore foreign markets. One of the factors which prompted the Hindustan Machine Tools Ltd. (HMT) to take up exports very seriously was the recession in the home market in the late 1960s. The recession in the automobile industry in the early 1990s, similarly, encouraged several Indian auto component manufacturers to explore or give a thrust to foreign markets.

Even when the domestic market presents good growth prospects, foreign markets may be more attractive. For example, a number of Indian pharmaceutical firms have been deriving major part of their growth from abroad. The U.S. generics market, for instance, provides an enormous opportunity for Indian firms. The size of this market will expand substantially as a number of products will be going off-patent in the near future in the U.S.

Competitive forces

Competition may become a driving force behind internationalisation. A protected market does not normally motivate companies to seek business outside the home market. Until the liberalisation which started in July 1991, the Indian economy was a highly protected market. Not only that the domestic producers were protected from foreign competition but also domestic competition was restricted by several policy induced entry barriers, operated by such measures as industrial licensing and the MRTP regulations.

Being in a seller's market, the Indian companies, in general, did not take the foreign market seriously. The economic liberalisation, ushered in India since 1991, which has increased competition from foreign firms as well as from those within the country have, however, significantly changed the scene. Many Indian companies are now systematically planning to go international in a big way.

Many companies also take an offensive international competitive strategy by Way of counter-competition.

The strategy of *counter-competition* is to penetrate the home market of the potential foreign competitor so as to diminish its competitive strength and to protect the domestic market share from foreign penetration. "Effective counter-competition has a destabilising impact on the foreign company's cash flows, product related competitiveness and decision making about integration. Direct market penetration can drain vital cash flows from the foreign company's domestic operations. This drain can result in lost opportunities, reduced income, and limited production, imparing the competitors ability to make overseas thrusts." Thus, IBM moved early to establish a position of strength in the Japanese mainframe computer industry before two key competitors, Fujitsu and Hitachi, could gain dominance. Holding almost 25 per cent of the market, IBM denied its Japanese competitors vital cash flow and production experience needed to invade the U.S. market. They lacked sufficient resources to develop the distribution and software capabilities essential to success in America. So the Japanese have finally entered into joint ventures with U.S. companies having distribution and software skills (Fujitsu with TRW, Hitachi with National Semiconductor). Infact, in Fujitsu's case, it was an ironic reversal of the counter. Competitive strategy by expanding abroad to increase its economies of scale for the fight with IBM back home.

Texas Instruments established semiconductor production facilities in Japan "to prevent Japanese manufacturers from their own markets." Even after much development work, the Japanese producers could muster neither the R & D resources nor the manufacturing capability to compete at home or overseas with acceptable product in sufficiently large quantities.

General Electric (U.S.), by licensing its advanced gas turbine technology to foreign producers, who were potential major competitors, created a captive market for its technology among such heavy weights such as AEG (Germany), Hitachi (Japan), Nuovo Pignone (Italy), and Alsthom Atlantique (France), in their respective countries. This move has eliminated competition for the huge U.8 market from these sources.

Mr. B.K. Khaitan, MD, Wires and Fabriks, had disclosed that one of the strategic considerations behind the plan to substantially increase the company's exports was that "instead of waiting for the global onslaught into India, we will fight them in their playing field." Although counter competitive moves by Indian companies are not very conspicuous, there are indeed several Indian companies who look upon foreign business as a means, inter alia, to improve their competitiveness in the domestic market.

Government Policies and Regulations

Government policies and regulations may also motivate internationalisation. There are both positive and negative factors which could cause internationalisation.

Many governments offer a number of incentives and other positive support to domestic companies to export and to invest in foreign countries. Similarly several countries give encourage import development and foreign investment.

Sometimes, as was the case in India, companies may be obliged to earn foreign exchange to finance their imports and to meet certain other foreign exchange requirements like payment of royalty, dividend, etc. Further, in India, permission to enter certain industries by the large companies and foreign companies was subject to specific export obligation.

Some companies also move to foreign countries because of certain regulations, like the environmental laws in advanced countries.

Government policies which limit the scope of business in the home country may also provoke companies to move to other countries. Here is an interesting case: In the early seventies, having failed to make any headway within India, the only alternative left for the Birla was to set up industries in other countries and it put up .several successful companies in all the ASEAN countries. "This was surely a paradox. The same government which refused us permission to set up manufacturing capacities within the country allowed us to set up industries outside the country for the same products for which it has said 'no' in India. Thus, we set up a viscose staple fibre plant in Thailand, and started exporting fibre back to India.” According to one study, "the evidence suggests that one of the most important motivations behind foreign direct investment by Indian firms has been the desire to escape the constraining effects of Government of India's policy. It appears that a number of Indian locally domiciled foreign collaboration industries, those involved in manufacturing at least, go overseas to avoid a policy environment that restricts their domestic growth and undermines their competitiveness. To the extent that foreign direct investment from India takes place for such negative reasons, the phenomenon may be regarded as disguised form of capital flight from India.”

With recent changes in the government of India's economic policy, the situation, however, has changed. Many Indian companies are entering into international market or are expanding their international operations because of positive reasons.

Monopoly power

In some cases, international business is a corollary of the monopoly power which a firm enjoys internationally. Monopoly power may arise from such factors as monopolisation of certain resources, patent rights, technological advantage, product differentiation, etc. Such monopoly power need not necessarily be an absolute one but even a dominant position may facilitate internationalisation.

As Czinkota and Ronkainen observe, exclusive market information is another proactive stimulus. This includes knowledge about foreign customers, market places, or market situations not widely shared by other firms. Such special knowledge may result from particular insights by a firm based on international research, special contacts a firm may have or simply being in the right place at the right time (for example, recognising a good business situation during a vacation). Although such monopoly element may give an initial advantage competitors could be expected to catch up soon.

Spin-off Benefits

International business has certain spin-off benefits too. International business may help the company to improve its domestic business; by doing so it helps improve the image of the company. Mr. B.K. Khaitan, M.D., Wires and Fabriks, points out that there will always be the 'white skin' advantage associated with exporting-when domestic consumers get to know that the company is selling a significant portion of the production abroad, they will be more inclined to buy from such a company. International business, thus, become a means of gaining better market share domestically. Further, exports may have pay-offs for the internal market too by giving the domestic market better products.

Further, the foreign exchange earnings may enable a company to import capital goods, technology, etc. which may not otherwise be possible in countries like India.

Another attraction of exports is the economic incentives offered by the government.

Strategic Vision

The systematic and growing internationalisation of many companies is essentially a part of their business policy or strategic management. The stimulus for Internationalisation comes from the urge to grow, the need to become more competitive, the need to diversify and to gain strategic advantages of internationalisation. Many companies in India, like several pharmaceutical firms, have realised that a major part of their future growth will be in the foreign markets.

GLOBALISATION

The term "globalization" has acquired considerable emotive force. Some view it as a process that is beneficial—a key to future world economic development—and also inevitable and irreversible. Others regard it with hostility, even fear, believing that it increases inequality within and between nations, threatens employment and living standards and thwarts social progress. This brief offers an overview of some aspects of globalization and aims to identify ways in which countries can tap the gains of this process, while remaining realistic about its potential and its risks.

Globalization offers extensive opportunities for truly worldwide development but it is not progressing evenly. Some countries are becoming integrated into the global economy more quickly than others. Countries that have been able to integrate are seeing faster growth and reduced poverty. Outward-oriented policies brought dynamism and greater prosperity to much of East Asia, transforming it from one of the poorest areas of the world 40 years ago. And as living standards rose, it became possible to make progress on democracy and economic issues such as the environment and work standards.

By contrast, in the 1970s and 1980s when many countries in Latin America and Africa pursued inward-oriented policies, their economies stagnated or declined, poverty increased and high inflation became the norm. In many cases, especially Africa, adverse external developments made the problems worse. As these regions changed their policies, their incomes have begun to rise. An important transformation is underway. Encouraging this trend, not reversing it, is the best course for promoting growth, development and poverty reduction.

The crises in the emerging markets in the 1990s have made it quite evident that the opportunities of globalization do not come without risks—risks arising from volatile capital movements and the risks of social, economic, and environmental degradation created by poverty. This is not a reason to reverse direction, but for all concerned—in developing countries, in the advanced countries, and of course investors—to embrace policy changes to build strong economies and a stronger world financial system that will produce more rapid growth and ensure that poverty is reduced.

How can the developing countries, especially the poorest, be helped to catch up? Does globalization exacerbate inequality or can it help to reduce poverty? And are countries that integrate with the global economy inevitably vulnerable to instability? These are some of the questions covered in the following sections.

What is Globalization?

Economic "globalization" is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders.

There are also broader cultural, political and environmental dimensions of globalization that are not covered here.

At its most basic, there is nothing mysterious about globalization. The term has come into common usage since the 1980s, reflecting technological advances that have made it easier and quicker to complete international transactions—both trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity—village markets, urban industries, or financial centers.

Markets promote efficiency through competition and the division of labor—the specialization that allows people and economies to focus on what they do best. Global markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets. But markets do not necessarily ensure that the benefits of increased efficiency are shared by all. Countries must be prepared to embrace the policies needed, and in the case of the poorest countries may need the support of the international community as they do so.

- **Movement of people**: Workers move from one country to another partly to find better employment opportunities. The numbers involved are still quite small, but in the period 1965-90, the proportion of labor forces round the world that was foreign born increased by about one-half. Most migration occurs between developing countries. But the flow of migrants to advanced economies is likely to provide a means through which global wages converge. There is also the potential for skills to be transferred back to the developing countries and for wages in those countries to rise.
- **Spread of knowledge (and technology)**: Information exchange is an integral, often overlooked, aspect of globalization. For instance, direct foreign investment brings not only an expansion of the physical capital stock, but also technical innovation. More generally, knowledge about production methods, management techniques, export markets and economic policies is available at very low cost, and it represents a highly valuable resource for the developing countries.

GLOBALISATION OF BUSINESS - Meaning and Dimensions

Globalisation in its true sense is a way of corporate life necessitated, facilitated and nourished by the transnationalisation of the World economy and developed by corporate strategies. Globalisation is an attitude of mind-it is a mind-set which views the entire world as a single market so that the corporate strategy is based on the dynamics of the global business environment. International business or international investment does not amount to globalisation unless it is the result of such a global orientation.

- Globalisation encompasses the following:
- Doing, or planning to expand, business globally.
- Giving up the distinction between the domestic market and foreign market and developing a global outlook of the business.
- Locating the production and other physical facilities on a consideration of the global business dynamics, irrespective of national considerations.
- Basing product development and production planning on the global market considerations.
- Global sourcing of factors of production, i.e., raw materials, components, machinery/technology, finance, etc. are obtained from the best source anywhere in the world.
- Global orientation of organisational structure and management culture.

Companies which have adopted a global outlook stop "thinking of themselves as national marketers who venture abroad and start thinking of themselves as global marketers. The top management and staff are involved in the planning of world-wide manufacturing facilities, marketing policies, financial flows and logistical systems. The global operating units report directly to the chief executive or executive committee, not to the head of an international division. Executives are trained in world wide operations, not just domestic or international management is recruited from many countries, components and supplies are purchased where they can be obtained at the least cost, and investments are made where the anticipated returns are the greatest."

A truly global corporation views the entire world as a single market-it does not differentiate between domestic market and foreign markets. In other words, there is nothing like a home market and foreign market-there is only one market, the global market.

As Kenichi Ohmae observes in his well known book *The Borderless World*, a global corporation develops a genuine equidistance of perspective. That is, managers with a truly global orientation consciously try to set plans and build organisations as if they view all key customers equidistant from the corporate centre. For example, the managers of Honda, which has operations in several parts of the world, do not think or act as if the company were divided between Japanese and overseas operations. Indeed, the every word "overseas" has no place in Honda's vocabulary because the corporation sees itself as equidistant from all its key customers. At Casio, the top managers gather information directly from each of their primary markets and then sit down together once a month to layout revised plans for global product development.6

Multinationals develop integrated international production logistics and business system. The *production sharing* between various units in different countries. For example, about two thirds of Toyota's total business is outside Japan. More than half of its vehicles sold overseas is manufactured overseas and the remaining exported from Japan. Toyota has established integrated manufacturing systems in all three of its main markets-North America, Europe and Asia. Plants in China, Indonesia, Malaysia, Philippines, Taiwan and Thailand turned out nearly a third of the company's overseas production. These manufacturing units are inter-linked by flows of components/parts, production planning, etc. To cite a different example, Mazda's sports car, *MX-5 Miata,* was designed in California, had its prototype created in England, was assembled in Michigan and Mexico, using advanced electronic components invented in New Jersey and fabricated in Japan, financed from Tokyo and New York, and marketed globally.

Stages of Globalisation

Normally, a firm passes through different stages of development before it becomes a truly global corporation. Typically, a domestic firm starts its international business by exporting. Later it may establish joint ventures or subsidiaries abroad. From an international firm it may then develop into a multinational firm and finally into a global one.

Ohmae identifies five different stages in the development of a firm into a global corporation. The first stage is the arm's length service activity of essentially domestic company which moves into new markets overseas by linking up with local dealers and distributors. In stage two, the company takes over these activities on its own. In the third stage, the domestic based company begins to carry out its own manufacturing, marketing and sales in the key foreign markets. In stage four, the company moves to a full insider position in these markets, supported by a complete business system including R&D and engineering. This stage calls on the managers to replicate in a new environment .the hardware, systems and operational approaches that have worked so well at home. It forces them to extend the reach of domestic headquarters, which now s to provide support functions such as personnel and finance, to all overseas activities. Althrough stage four, the headquarters mentality continues to dominate. Different local operations are linked, their relation to each other established by their relation to the centre.

In the fifth stage, the company moves toward a genuinely global mode of operation. In this context, Ohmae points out that a company's ability to serve local customers in markets around the globe in ways that are truly responsive to their needs as well as to the global character of its industry depends on its ability to strike a new organisational balance. What is called for is what Akio Morita of Sony has termed *global localisation*, a new orientation that simultaneously looks both directions. Getting to stage five, however, means venturing onto new ground together. Ohmae argues that to make this organisational transition, a company must denationalise their operations and create a system of values shared by corporate managers around the globe to replace the glue a nation based orientation once provided.

Ohmae further observes that today's global corporations are nationality-less because consumers have become less nationalistic. True global corporations serve the interests of customers, not Governments. They do not exploit local situations and then repatriate all the profits back home, leaving each local area poorer for their having been there. They invest, they train, they pay taxes, they build up infrastructure and they provide good value to customers in all the countries here they do business. IBM Japan, for instance, has provided employment to bout 20,000 Japanese and over the past decade has provided three times more tax revenue to the Japanese Government than has the Japanese company Fujitsu.

FORCES INFLUENCING GLOBALISATION

There are a number of forces which induce and propel globalisation. On the other hand there are also forces which restrain globalisation.

I. Driving Forces

The important forces driving globalisation are the following.

1) Liberalisation

One of the most important factors, which have given a great impetus to globalisation since the 1980s is the almost universal economic policy liberalisations which are fostering a borderless business world. While a lot of the liberalisations owe it to the GATT/WTO, substantial liberalisations have been occurring outside the GATT/WTO as well, for example, the revolutionary economic policy changes in China and other socialist/communist nations. It may be noted that it has become quite common to describe the global trend as LPG (liberalisation, privatisation and globalisation) indicating the mutually interdependent and reinforcing nature of these forces. One of the impacts of liberalisation and privatisation is the surge in cross-border M&As and other Fill resulting in greater global economic integration.

2) Network of MNCs

Multinational enterprises which link their resources and objectives with world market opportunities, have been a powerful force driving targets globalisation. Taking advantage of the liberalisation trend, there has been a fast growth of the number of MNCs and their global network of affiliates. According to the *World Investment Report* 1997, there were about 44,500 MNCs in the world with nearly 2.77 lakh foreign affiliates. The respective numbers were over 65,000 and 8.5 lakhs according to the WIR 2002. The MNCs leverage their strengths to link global resources and opportunities and thereby strengthen the globalisation trend.

3) Technological growth

As pointed out, technology is a powerful driving force of globalisation. .Technological advances have tremendously fostered globalisation. Technology has in fact been a very important facilitating factor of globalisation, "with its rising costs and risks which makes it imperative for firms to tap world markets and to share these costs and risks. On the other hand, falling transport and communication costs - the "death" of distance have made it economical to integrate distant operations and ship products and components across the globe in the search of efficiency. This contributes, in particular, to efficiency-seeking FDI, with important implications for the export competitiveness of countries." "Technology is a universal factor that crosses national and cultural boundaries. Technology is truly "stateless"; there are no cultural boundaries limiting its application. Once a technology is developed, it soon becomes available everywhere in the world."

Several technological developments become a compelling reason for internationalisation. Technological break-throughs are substantially increasing the scale economies and the market scale required to break-even.

Monopoly of technology, like possession of patented technology, encourages internationalisation because the firm can exploit the respective demand without any competition.

The technological revolution has immensely facilitated globalisation of the medical and health care sector. Here is a report in a business magazine, for illustration: A hospital in the U.S. performs the required diagnostics-an X-ray and assorted scans. In the next three minutes, a radiologist in Bangalore receives the scanned images and sends back his report (teleradiology). The entire process, from the time the patient got admitted, takes 20 minutes. The cost of this work is over 30 per cent lower in India compared to U.S. and the time difference makes it easier for them to look for India. Medical transcription has also emerged as an important business. In short, the long distance on-line services made possible by the technological developments have given an impetus to globalisation and this presents a great opportunity for countries like India.

4) Transportation and Communication Revolutions

The pace of globalisation has been accelerated by several enabling technologies, Technological revolution in several spheres, like transport and communication, has given a great impetus to globalisation by their tremendous contribution to the reduction of the disadvantages of natural barriers like distance and cost.

The IT revolution has made an enormous contribution to the emergence of the global village. Indeed the microprocessor, which enabled the explosive growth of high-power, low-cost computing, vastly increasing the amount of information that can be processed by individuals and firms, has been doing wonders. The microprocessor also underlies many recent advances in telecommunications technology. Over the past 30 years, global communications have been revolutionised by developments in satellite, optical fiber, and wireless technologies, and now the internet and the World Wide Web. These technologies rely on the microprocessor to encode, transmit, and decode the vast amount of information that flows along these electronic highways. The *internet* and the *world wide web* have revolutionized the speed, dimensions and volume of information search and dissemination and global business. In 1990, fewer than one million users were connected to the Internet. By 1995 the figure had risen to 50 million. In 2001 it grew to 490 million. By the year 2005, forecasts suggest that the Internet may have over 1.12 billion users, or about 18 percent of the world's population.

The internet and world wide web promise to develop into the information backbone of tomorrow's global economy.

The developments in the field of air cargo transportation has fostered globalisation by enabling quick and safe transportation of sensitive goods (like perishables and goods subject to quick changes in fashion/taste). Developments of containerisation and refrigeration have also been of high significance. The steep fall in the cost of transportation and communication have considerably accelerated pace of globalisation. All these have contributed to the drastic transformation of the logistical and global distribution of the value chain system. The world-wide web has a stupendous impact on globalisation.

Global sourcing was encouraged not only by trade liberalisation but also by technological developments which reduced transport costs. Advent of containarisation and supertonnage cargo ships drastically reduced transport costs.

5) Product Development Costs and Efforts

The cost of new product development is very huge in several industries such as pharmaceuticals. To recoup such high costs a global market is required. A corollary is that the fast technological changes, which hasten product obsolescence, necessitate a short pay back period, which can be realized only with a very large market.

Further, because of the huge investment and diverse requirements of skill associated with new product development, cross-border alliances in research and development are becoming more and more popular. Again, in a number of cases different phases of the product development are carried out in different countries either by a company's own affiliates or by outsourcing.

6) Quality and Cost

The two most important determinants of demand are the quality and price of the offering. These can be better achieved when a firm is global in its operations.

7) Rising Aspirations and Wants

Because of the increasing levels of education and exposure to the media particularly the electronic media, the aspirations of people all around the world are rising. They aspire for everything that can make life more comfortable or satisfying. If domestic firms are not able to meet the wants, they would natural turn to the foreign firms. The customer today is, by and large, global. He wants a world-class product or a product of desired attributes at international price. He may desire a product available anywhere in the world. His aspirations cannot tied down to the domestic availability.

8) Competition

Another important force driving the globalisation is increasing competition. Heightened competition compels firms to explore new ways of increasing their efficiency, including by extending their international reach to new markets at an early stage and by shifting certain production activities to reduce costs. It also results in international production taking new forms, with new ownership and contractual arrangements, and new activities being located in new sites abroad.

9) World Economic Trends

There are some world economic trends, which add momentum to the globalisation trend.

One of the important trends is the difference in the growth rates of the economies/markets. The comparatively slow growth of the developed economies or the stagnation of some of their markets and the fast growth of a number of developing countries prompt firms of developed countries to turn to the expanding markets elsewhere. The differences in the growth characteristics exist even within the categories of developed and developing countries.

Secondly, the domestic economic growth and the outside opportunities reduce the opposition to globalisation. A classic example is China. China has benefitted tremendously out of foreign investment; the fast growing Chinese economy provides scope for a large number of players in the expanding market. At the same time, China is enormously exploiting the business opportunities outside the country. Globalisation should be a two-way process, which can be mutually beneficial.

Another driving force of globalisation is the economic liberalisation, as pointed out earlier, characterised by deregulation and privatisation.

10) Regional Integration

The proliferation of regional integration schemes, like the European Union (EU), North American Free Trade Agreement (NAFTA), etc., by creating a borderless world between the members of such trade blocs, foster the globalisation trend. As pointed out in the *Regional Economic Integration*, a major I part of the global trade now is intra-regional trade (i.e., trade between the members of the trade blocs). Some of these regional blocs also give a fillip to the cross-border investments and financial flows.

11) Leverages

A very important factor that supports globalisation is the unique opportunity global company possesses to develop leverage. A global company can leverage its experience to expand its global operations. The more the number of countries it operates in a business sector, the more could be the scope for leverage.

According to Keegan, "leverage is simply some type of advantage that a company enjoys by virtue of the fact that it conducts business in more than one country" and a global company posses the following four important types of leverage .

1. Experience transfers. A great strength of a global corporation is the experience it can leverage for expanding or strengthening its global operations. "It can draw on management practices, strategies, products, advertising appeals, or sales or promotional ideas that have been tested in actual markets and apply them in other comparable markets."

2. Scale economics. As pointed out earlier, the cost is one of the important determinants of success. Cost advantage, in many cases, derives out of scale economies. The scale economies have been expanding in a number of industries. To realise scale economies, it is often essential to go after the global market.

Technological breakthroughs are substantially increasing the scale economies and the market scale required to break-even. The replacement of vacuum tubes by transistor substantially expanded the efficient scale for production of key components, and the subsequent development of printed circuit boards made mass production feasible by reducing both the amount and skill level of labour required to assemble radios, TVs, tape recorders, etc. The introduction of integrated circuits which further reduced the number and cost of components, automated insertion machines, automation of on-line testing, materials handling and final assembling and packaging increased the efficient scale of production of colour TVs from 50,000 sets per year in the early 1960s to 500,000 sets in the early 1980s. The switch from electrochemical to electronics technologies revolutionised the economies of many industries. Meanwhile, scale economies in R&D and marketing were also increasing. No single market could generate the revenues needed to fund the required state-of-the art skills in industries such as micro mechanics, micro-optics and electronics. Similarly the emergence of giant retail chains was changing the rules of marketing certain products like consumer electronics products. Given the new manufacturing, research and marketing economies, some industry observers estimated that a total annual volume of 2.5 to 3 billion sets was needed to remain viable as a global player in the cola TV business-at least twenty times the volume required just two decade earlier. Bartlett and Ghoshal point out that the overall strategy that emphasised world wide exports of fairly standard models produced in world scale plants enabled Matsushita, once a relatively minor player in the consumer electronics, to catapult to the number one position within less than two decades. In the same business, Philips, a prominent player, began to experience problem as industry economics and global competitive conditions changed in the early 1970s. Thus, certain technological developments become a compelling reason for inter- nationalisation.

Although scale economies are often most conspicuous in manufacturing, a global company may achieve economies on a global scale by centralizing other functional activities too.

3. Resource utilisation. Another strength of a global company is its competence in sourcing the resources globally.

4. Global strategy. Keegan observes that "the global company's greatest single advantage can be its global strategy. A global strategy is built on an information system that scans the world business environment to identify opportunities, trends, threats, and resources. When opportunities are identified, the global company adheres to the three principles identified earlier: It leverages its skills and focuses its resources to create superior perceived value for customers and achieve competitive advantage. The global strategy is a design to create a winning offering on a global scale. This takes great discipline, much creativity, and constant effort. The reward is not just success-it is survival."

II. Restraining Forces

There are also several forces, which restrain the globalisation trend. There are two types of factors, which hamper globalisation, viz., external factors and internal factors.

External factors. External factors include government policies and controls, which restrain cross-border business, social and political opposition against foreign business, etc.

Internal factors. Internal factors refer to factors within the organization, which discourage globalisation. One such factor is the management myopia or "nearsightedness" which comes in the way of a global orientation. Further, the organizational culture may hamper or pamper globalisation.

REVIEW QUESTIONS

1) How Globalisation influences the International business environment?
2) What are the problems faced by the International business?
3) What is need for entering into International business?
4) How does the International business differ from the domestic business?
5) How do the Inter-country differences affect the growth of International business?
6) Give an account of the various forces that contribute towards the globalisation of the economy?
7) ‘Globalisation is a milestone in the Internationalisation of the Business’ – Comment on the statement.
8) Explain the growth in the international business scenario of the various economic nations.
9) Explain the strategies followed in globalizing the business.

MBA - HRM

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GLOBAL HR PRACTICES

UNIT – I CHAPTER – II

HR AND THE INTERNATIONALIZATION OF BUSINESS

GLOBAL HR – AN OVERVIEW

U.S.-based companies are increasingly doing business abroad. Huge firms like Procter & Gamble, IBM, and Citicorp have long had extensive overseas operations, of *course.* But with the European market unification, the introduction of the euro currency, the opening of Eastern Europe, and the rapid development of demand in Asia and other parts of the world, even small firms are finding that success depends on their ability to market and manage overseas.

This confronts firms with some interesting management challenges. Market, product, and production plans must be coordinated on a worldwide basis, for instance, and organization structures capable of balancing centralized home-office control with adequate local autonomy must be created. And, of *course*, the firm must extend its HR policies and systems abroad: For example, "Should we staff the local offices with local or U.S. managers?" "How should we appraise and pay our local employees?" "How should we deal with the unions in our offices abroad?"

At Ford Motor Company, for instance, managers try to make decisions on a global basis. They plan activities such as product development and vehicle design on a worldwide basis, rather than just in regional development centers. They handle manufacturing and purchasing globally. Ford approaches HR the same way, "moving employees from anywhere to anywhere if they're the best ones to do the job." The firm's new head of auto operations, for example, spent most of his career abroad.

THE INTERNATIONAL BUSINESS & CHALLENGES OF HR

When researchers asked senior international HR managers in eight large companies, "What are the key global pressures affecting human resource management practices in *your* firm currently and for the projected future?" the three that emerged were:

- *Deployment.* Easily getting the right skills to where we need them, regardless of geographic location.
- *Knowledge and innovation dissemination.* Spreading state-of-the-art knowledge and practices throughout the organization regardless of where they originate.
- *Identifying and developing talent on a global basis.* Identifying who can function effectively in a global organization and developing his or her abilities.

Dealing with global staffing pressures like these is quite complex. For example, it involves addressing, on a global basis, activities including candidate selection, assignment terms and documentation, relocation processing and vendor management, immigration processing, cultural and language orientation and training, compensation administration and payroll processing, tax administration, career planning and development, and handling of spouse and dependent matters.

At firms like Ford, having a global HR perspective "requires understanding different cultures, what motivates people from different societies, and how that's reflected in the structure of international assignments." In China, for instance, special insurance should cover emergency evacuations for serious health problems; telephone communication can be a "severe handicap" in Russia; and medical facilities in Russia may not meet international standards. So the challenge of conducting HR activities abroad comes not just from the vast distances involved (though this is important), but also from the cultural, political, legal, and economic differences among countries and their peoples.

IMPACT OF INTERCOUNTRY DIFFERENCES AFFECTING HRM

Companies operating only within the borders of the United States generally have the luxury of dealing with a relatively limited set of economic, cultural, and legal variables. The United States is a capitalist, competitive society. And while the U.S. workforce reflects a multitude of cultural and ethnic backgrounds, shared values (such as an appreciation for democracy) help to blur potentially sharp cultural differences. Although the different states and municipalities certainly have their own laws affecting HR, a basic federal framework helps produce a fairly predictable set of legal guidelines regarding matters such as employment discrimination, labor relations, and safety and health.

A company operating multiple units abroad isn't blessed with such homogeneity. For example, minimum legally mandated holidays range from none in the United Kingdom to 5 weeks per year in Luxembourg. And while Italy has no formal requirements for employee representatives on boards of directors, they're required in Denmark for companies with more than 30 employees. The point is that the need to adapt personnel policies and procedures to the differences among countries complicates HR management in multinational companies. For example, consider the following.

1. Cultural Factors

Countries differ widely in their *cultures-in* other words, in the basic values their citizens adhere to, and in the ways these values manifest themselves in the nation's arts, social programs, politics, and ways of doing things.

Cultural differences from country to country necessitate corresponding differences in management practices among a company's subsidiaries. For example, in a study of about 330 managers from Hong Kong, the People's Republic of China, and the United States, the U.S. managers tended to be most concerned with getting the job done. Chinese managers were *most* concerned with maintaining a harmonious environment, and Hong Kong managers fell between these extremes. A classic study by Professor Geert Hofstede identified other international cultural differences. For example, Hofstede says societies differ in power distance- in other words, the extent to which the less powerful members of institutions accept and expect an unequal distribution of power. He concluded that acceptance of such inequality was higher in some countries (such as Mexico) than in others (such as Sweden).

Studies show how such cultural differences can influence HR policies. For example, compared to U.S. employees, "Mexican workers expect managers to keep their distance rather than to be close, and to be formal rather than informal." Similarly, compared to the United States, in Mexican organizations "formal rules and regulations are not adhered to, unless someone of authority is present." In Mexico, individualism is not valued as highly as it is in the United States. As a result, some workers don't place as much importance on self-sufficiency. They tend to expect to receive a wider range of services and benefits (such as food baskets and medical attention for themselves and their families) from their employers.

In fact, the list of cultural differences is endless. In Germany, you should never arrive even a few minutes late and should always address senior people formally, with their titles. Such cultural differences are a two-way street, and employees from abroad need orientation to avoid the culture shock of coming to work in the United States. For example, in the Intel booklet "Things You Need to Know About Working in the U.S.A.," topics covered include sexual harassment, recognition of gay and lesbian rights, and Intel's expectations about behavior.

2. Economic systems

Differences in economic systems also translate into differences in HR practices. For one thing, some countries are more wedded to the ideals of free enterprise than are others. For instance, France-though a capitalist society- recently imposed tight restrictions on employers' rights to discharge workers, and limited the number of hours an employee could legally work each week.

3. Legal and Industrial Relations Factors

Legal as well as industrial relations (the relationships among the worker, the union, and the employer) factors vary from country to country. For example, the U.S. practice of employment at will does not exist in Europe, where firing and laying off workers is usually time consuming and expensive. And in many European countries, *work councils* replace the informal or union-based worker-management mediations typical in U.S. firms. Works councils are formal, employee-elected groups of worker representatives that meet monthly with managers to discuss topics ranging from no-smoking policies to layoffs.

4. The European Union

In the 1990s, the separate countries of the former European Community (EC) were unified into a common market for goods, services, capital, and even labor called the European Union (EU). Tariffs for goods moving across borders from one EU country to another generally disappeared, and employees (with some exceptions) now find it easy to move freely between jobs in the EU countries. The introduction of a single currency-the euro-has further blurred many of these differences. The euro replaced the local currencies of most member countries in early 2002.

In addition to participative processes (like codetermination) found in some EU countries, European Union law currently requires multinationals to consult workers about certain corporate actions such as mass layoffs. However, a new EU directive will greatly expand this requirement. By 2008, more companies-including all those with 50 or more employees in the EU-must "inform and consult" employees about employee-related actions, even if the firms don't operate outside their own borders. And the consultation will then be "ongoing" rather than just for major, strategic decisions.

However, intra-EU differences remain. Many countries have minimum wages while others don't, and workweek hours permitted vary from no maximum in the United Kingdom to 48 per week in Greece and Italy. Other differences exist in minimum number of annual holidays, and minimum advance notice of termination. Employment contracts are another big difference. For most U.S. positions, written correspondence is normally limited to a short letter listing the date, job title, and initial compensation for the new hire. In most European countries, employers are usually required to provide a detailed statement of the job. The European Union, for instance, has a directive requiring employers to provide such a statement (including details of terms and conditions of work) within two months of the employee's starting work.

Even within the EU, however, requirements vary. In England, a detailed written statement is required, including rate of pay, date employment began, hours of work, vacation entitlement, place of work, disciplinary rules, and grievance procedure. While

Germany doesn't require a written contract, it's still customary to have one specifying most particulars about the job and conditions of work. In Italy, as in Germany, written agreements aren't legally required. However, "even more so than in Germany, prudence dictates providing written particulars in the .I complex, and at times confusing, legal structure in Italy."

The EU's increasing internal coordination will gradually reduce these differences. However, cultural differences will remain, and will translate into differences in management styles and practices. Such differences "may strain relations between headquarters and subsidiary personnel or make a manager less effective when working abroad than at home." Firms therefore risk operational problems abroad unless they take special steps to select, train, and compensate their international employees and assignees.

INTERNATIONAL PERSPECTIVES OF HRM

International human resource management (IHRM) involves ascertaining the corporate strategy of the company and assessing the corresponding human resource needs; determining the recruitment, staffing and organisational strategy; recruiting, inducting, training and developing and motivating the personnel; putting in place the performance appraisal and compensation plans and industrial relations strategy and the effective management of all these. "The strategic role of HRM is complex enough in a purely domestic firm, but it is more complex in an international business, where staffing, management development, performance evaluation, and compensation activities are' complicated by profound differences between countries in labor markets, culture, legal systems, economic systems, and the like."

It is not enough that the people recruited fit the skill requirement, but it is equally important that they fit in to the organisational culture and the demand of the diverse environments in which the organisation functions.

The strategic HRM components and requirements depend on, inter alia, the organisational modes.

Table 1.1: Strategy, Structure and Control Systems

Structure and controls	*Multidomestic*	*International*	*Global*	*Transnational*
Centralisation of operating decisions	Decentralised	Core competency centralised Rest decentralised	Some centralised	Mixed centralised and decentralised Informal matrix
Horizontal differentiation	Worldwide area structure	Worldwide product division	Worldwide product division	Informal Matrix
Need for coordination	Low	Moderate	High	Very high
Integrating mechanisms	None	Few	Many	Very many
Performance ambiguity	Low	Moderate	High	Very high
Need for cultural controls	Low	Moderate	High	Very high

Today's economy has globalised in which geographical boundaries of a country have only political relevance; the economic relevance has extended these. Today, the world is known as global village, a term that reflects the state of business in the world. The rise of multinational and transnational corporations has placed new requirements on HR managers. For instance, HR managers must ensure that the appropriate mix of employees in terms of knowledge, skills, and cultural adaptability is available to handle global assignments. A few decades ago, the concept of globalisation was mainly discussed in theory. There was no pressing economic need to understand and appreciate the human implications of globalisation. However, rapid globalisation has compelled management researchers to explore the HRM implications of globalisation. The result is the emergence of international HRM (IHRM) which deals with how a global company can manage its human resources spread throughout the world.

Understanding of international perspective of HRM is required because of cultural diversity, workforce diversity, language diversity, and economic diversity.

1. Cultural Diversity

Culture is one of the most important factors affecting HRM practices. However, when we consider international perspective of HRM, we find cultural diversity across the globe, that is, culture of two countries is not alike. Cultural diversity exists on following dimensions:

a. ***lndividualism and Collectivism*.** After the study of culture of sixty countries, Hofstede, a Dutch researcher, has concluded that people differ in terms of individualism and collectivism. *Individualism* is the extent to which people place value on themselves; they define themselves by referring themselves as singular persons rather than as part of a group or organisation. For them individual tasks are more important than relationships. *Collectivism* is the extent to which people emphasise the good of the group or society: They tend to base their identity on the group or organisation to which they belong. At work, this means that relationships are more important than individuals or tasks; employer-employee links are more like family relationships.

Countries that value individualism are USA. Great Britain, Australia. Canada. Netherlands, and New Zealand. Countries that value collectivism are Japan, Columbia, Pakistan, Singapore, Venezuela, and Philippines. India may be placed near to collectivism.

b. ***Power Orientation.*** Power orientation, also known as *orientation to authority,* is the extent to which less powerful people accept the unequal distribution of power; people prefer to be in a situation where the authority is clearly understood and lines of authority are never bypassed. On the other hand, in culture with less orientation to power, authority is not as highly respected and employees are quite comfortable circumventing lines of authority to accomplish jobs.

c. ***Uncertainty Avoidance.*** Uncertainty avoidance also known as *preference for stability,* is the extent to which people feel threatened by unknown situations and prefer to be in clear and unambiguous situations. In many countries, people prefer unambiguity while in many other countries, people can tolerate ambiguity.

d. ***Masculinity*.** Masculinity, also known as *assertiveness* or *materialism,* is the extent to which the dominant values in a society emphasise aggressiveness and the acquisition of money and material goods, rather than concern for peop1e and overall quality of life.

e. ***Time Orientation.*** Time orientation dimension divides people into two categories: long-term orientation and short-term orientation. People having longterm orientation focus on future, prefer to work on projects having a distant payoff, and are persistent and thrift. People having short-term orientation are more oriented towards past and present and have respect for traditions and social obligations.

The basic implication of cultural diversity for HRM is that same set of HRM practices is not suitable for all cultures; consideration has to be given to cultural diversity.

2. Workforce Diversity

Workforce is the building block of any organisation but there is workforce diversity in global companies. Based on their place of origin, employees of a typical global company can be divided into the following groups:

a. Parent-country national – permanent resident of the country where the company is headquartered.

b. *Host-country national-permanent* resident of the country where the operations of the company are located.

c. Third-country national - permanent resident of a country other than the parent country and the host country.

Further, workforce diversity can be seen in the context of employee mobility from one country to another country for performing jobs. On this basis, an employee can be put in one of the following categories:

a. *Expatriate-a* parent country national sent on a long-term assignment to the host-country operations.

b. *Inpatriate-a* host-country national or third-country national assigned to the home country of the company where it is headquartered.

c. *Repatriate-an* expatriate coming back to the home country at the end of a foreign assignment.

Workforce diversity implies that various categories of employees not only bring their-skills and expertise but also their attitudes, motivation to work or not to work, feelings, and other personal characteristics. Managing such employees with pre-determined HRM practices may not be effective but contingency approach has to be adopted so that HRM practices become tailor-made.

3. Language Diversity

Language is a medium of expression but employees coming from different countries have different languages. Though English is a very common language, it does not serve the purpose adequately as it does not cover the entire world. While employees coming from different countries may be encouraged to learn the language of the host country for better dissemination of the information, it does not become feasible in many cases. An alternative to this is to send multilingual communications. It implies that anything transmitted to employees should appear in more than one language to help the message get through. While there are no hard-and-fast rules in sending such messages, it appears safe to say that such a message should be transmitted in the languages the employees understand to ensure adequate coverage.

4. Economic Diversity

Economic diversity is expressed in terms of per capita income of different countries where a global company operates. Economic diversity is directly related to compensation management, that is, paying wages / salaries and other financial compensation to employees located in different countries. One of the basic principles of paying to employees is that "there should be equity in paying to employees." However, putting this principle in practice is difficult for a global company because its operations are located in different countries having different economic status. In such a situation, some kind of parity should be established based on the cost of living of host countries.

IMPLICATIONS FOR HRM PRACTICES

Diversity of various types in a global company suggests that HRM practices have to be tailor-made to suit the local conditions. Such practices can be seen in the context of different HRM functions.

Recruitment and Selection

A global company has the following alternative approaches to recruitment and selection of employees:

a. *Ethnocentric-all* key positions, in headquarters as well as subsidiaries, are staffed by parent-country nationals.

b. Polycentric-key positions in subsidiaries staffed by host-country nationals and those in headquarters staffed by parent-country nationals.

c. Regiocentric-key positions staffed by host-country nationals within particular geographical regions (such as continent-wise).

d. Geocentric-key positions in headquarters as well as subsidiaries staffed by people based on merit, irrespective of their nationality.

Different MNCs adopt different approaches for recruitment. For example, a survey of recruitment practices adopted by MNCs reveals that 50 per cent MNCs believe in geocentric approach while 35 per cent MNCs believe in ethnocentric approach and key functionaries from parent country national are put on foreign assignments for two-three years.

While selecting personnel, MNCs generally place emphasis on technical skills. Not much emphasis is placed on skills for cultural adaptability. With the result, expatriate failure rate is high. In order to overcome this problem, many MNCs have adopted the practice of recruiting fresh graduates from host countries and providing training in parent country.

Performance Management

Performance management, that is, assessment of employee performance, discussing its results with employees, and suggesting and working out way for improvement in performance, is based on the practices adopted by MNCs in this respect for parent-country nationals. However, this has posed a serious limitation in the American MNCs which adopt, generally, management by objectives (MBO). MBO works in an environment which is open and provides platform for discussion between superior and subordinate on equal footing. In countries where people are highly oriented towards authority, any open discussion with superior by subordinate is treated as insubordination, and MBO system does not work. Therefore, the alternatives suggested are recognising and formally incorporating the difficulty level of operating in different countries, relying the foreign on-site manager to consult the home-site manager before finalising assessment, and involving the expatriate in deciding on performance criteria and making them more appropriate to the expatriate's position and circumstances.

Training and Development

MNCs provide pre-departure training to expatriates. However, in many cases, such a training is superficial without really addressing the issues uppermost in the minds of expatriates and their families. The depth and breadth of training can vary from a simple information-giving approach (films/books) to effective approach (culture and language training) and impression approach (field experience) depending on the length of stay and nature of the position.

Regarding training and development, it is suggested that MNCs develop a global pool of international managers and rotate them across foreign locations to facilitate transfer of best HRM practices and mentoring of future global managers. Emphasis should be placed on making managers sensitive to cultural differences and adept at managing them.

Compensation Management

There are two commonly used approaches in international compensation systems – going-rate approach in which compensation is tied to host-country norms and the balance-sheet approach in which compensation is tied to home-country norms. In both approaches, additional expenses in the form of housing and additional taxes are reimbursed. Both the approaches have their own merits and limitations.

Industrial Relations

Industrial relations depend on the history, legal framework, power relations, and ideologies of management and trade unions in each country. Therefore, MNCs have to adopt specific industrial relations strategies to suit local conditions. However, MNCs face pressure for standardisation in terms of productivity at least within a region if not internationally. Therefore, they have to strike a balance between industrial relations strategies to suit local conditions and standardisation. Some MNCs lobby with local governments to have better industrial relations.

CHANGING INDIAN BUSINESS ENVIRONMENT AND HRM

Indian business environment is changing at a fast pace due to liberalisation which started during 1990s. Liberalisation means more freedom to conduct business operations. Liberalisation has brought the following changes in Indian economy:'

Industrial Policy Changes

1) Very few industries requiring licenses,
2) Replacement of FERA,
3) Almost no control under MRTP Act,
4) Role of public sector getting diluted,
5) Liberalisation of foreign direct investment, and
6) More freedom in capital market.

International Trade Policy Changes

1) Globalisation of economy,
2) Continuous lowering down of import tariffs,
3) More items of import under general category,
4) Emphasis on export but not through financial incentives, and
5) Convertibility of rupee to a great extent.

Structural Changes

1) Phasing out of subsidies,
2) Gradual dismantling of administered price mechanism,
3) Public sector disinvestment,
4) Exit policy for business, and

5) Smoother way for merger and acquisition.

These changes have changed the nature of competition from a protected market to competitive market and most of the companies which were used of protected market felt real threats for their survival. These threats have been narrated by Arun Bharat Ram. Senior Managing Director of SRF Limited, as follows:

"Around 25 to 30 per cent companies might be forced to stop their operation in the country in the next 2-3 years. This trend is likely to take place because of the increasing change in the Indian economy which has moved from a regulated and protected regime towards a more open and competitive economy. In this changing perspective, only those who have the capacity to compete and survive would emerge and take over the place of old ones,"

Various threats generated by liberalisation of economy can be met only through bringing corresponding changes in management practices including practices related to HRM. Such changes may be of the following nature (Table 1.2).

Table 1.2 : Management practices in pre and post-liberalisation era

	Factors	***Pre-liberalisation***	***Post-liberalisation***
1.	Nature of market	Sellers'market	Buyers'market
2.	Competitive tools	Licences and quotas	Developing competitive competence
3.	Competitive postures	Revenue-generation emphasis	Revenue generation through cost-cutting
4.	Role of human resources	Secondary	Primary
5.	Growth objectives	Asset creation	Value creation
6.	Concern for	Promoters	Various stakeholders

In the newer management practices, more emphasis has been given to HRM because of the following factors:

1. Emphasis on Core Competency.

Post-liberalisation, many organisations have started focusing on their core competence and businesses are being organised around that. A core competence is unique strength of an organisation which may not be shared by others. This may be in the form of unique financial resources (finance available at a much lower cost), manpower resources, marketing capability, or technological capability. If the business is organised on the basis of core competency, it is likely to generate competitive advantages. Because of this reason, many organisations have restructured their businesses-divesting those businesses which do not match core competence such as Tata Group divesting many businesses and acquiring Tetley, a UK tea processing company, divestment of businesses by Voltas, Birla Group, etc. or acquiring those businesses which fit core competence such as Reliance acquiring four yarn/fibre manufacturing companies, Gujrat Ambuja acquiring cement companies, and so on. The organisation of business around core competence has changed the mind set and in this change, more emphasis has been given to human factor.

2. Reorganisation.

Along with restructuring, there has been emphasis on reorganisation too. Many companies are restructuring their organisation structure by thinning their management levels and expanding span of control. Thus, there is emphasis on flat structure against tall structure as followed earlier. The old concept of "seven layers in the pyramid and seven direct subordinates under each boss" which has been the historic norm for many large companies in the past is becoming extinct. Further, departmentation based on functional lines is being changed to strategic business unit departmentation to focus more sharply on products or services. This reorganisation has created need for additional skills on the part of the organisational human resources which can be met by appointing new managerial talents or by developing the existing human resources. The latter course of action is preferable because of the increasing competition for human talents.

3. Competition for Human Resources.

With the entry of foreign firms in the Indian industrial scene, nature of competition for human resources has changed. Foreign firms, particularly those operating in sector such as consultancy, merchant banking, investment banking, etc. and computer software companies of Indian origin, have put lot of competition for acquiring managerial talents. With the result, most of the IIMs are able to place their PGP students with a very hefty financial compensation on the very first day of their recruitment programmes. This increased competition for human resources has forced the Indian companies to have a relook about their human resources by adding more talents and developing existing talents.

4. **Technological Changes.**

With the removal of restrictions on technology import and acquisition, many organisations have opted for newer technologies. Increased use of computers has added another dimension to technological innovation. With the result, old skills are fast becoming obsolete. In their place, the operatives have to acquire newer skills which have increased the training needs in such organisations, and HR departments have to be more active.

5. **Need for Workforce Empowerment.**

Throughout the world, there has been increasing emphasis on workforce empowerment, that is, giving them authority matching their responsibilities. India cannot lag far behind because of the international impact. For workforce empowerment, there has to be a change in mindset as well as there should be change in skills of workforce. The role of HRM is crucial in both these respects. With the increasing role of human resources and their management, organisations have accorded HRM a higher status than what it previously was.

EMERGING CHALLENGES IN INTERNATIONAL HRM

Beginning with the last decade of 20th century, globalisation, liberalisation and technological advances have changed the way the business is being done across the world, and India has not been exception to that. These three factors are still continuing to haunt business organisations to align their strategies to the needs of fast changing environment. Since HRM is the prime mover of human resources through which organisations have to encounter threats posed by the environment, it is facing lot of challenges in managing people effectively. In order to meet its basic objectives, HR personnel have to identify the nature of these challenges and define their roles and responsibilities more sharply to counter these challenges. HR challenges posed by the present dynamic environment may be broadly classified into following four categories:

1. Mergers and acquisitions,

2. Changing workforce profile,

3. Newer organisational designs, and

4. Increasing quality consciousness.

These are the major categories of challenges, and within each category, there might be several challenges that HR personnel have to face.

The following are some of the important factors which make international HRM complex and challenging.

Labour Market Conditions

The skill levels, the demand and supply conditions and the behaviour characteristics of labour vary widely between countries. While some countries experience human resource shortage in certain sectors, many countries have abundance. In the past, developing countries were regarded, generally, as pools of unskilled labour. Today, however, many developing countries have abundance of skilled and scientific manpower as well as unskilled and semiskilled labour. This changing trend is causing significant shift of location of business activities. Hard disk drive manufacturers are reported to be shifting their production base from Singapore to cheaper locations like Malaysia, Thailand and China. While in the past unskilled and semiskilled labour intensive activities tended to be located in the developing countries, today sophisticated activities also find favour with developing countries. The changing quality attributes of human resources in the developing countries and wage differentials are causing a locational shift in business activities, resulting in new trends in the global supply chain management. India is reported to be emerging as a global R&D hub. India and several other developing countries are large sources of IT personnel. In short, the labour changing labour market characteristics have been causing global, restructuring of business processes and industries. And this causes a great challenge for strategic HRM.

Cultural Differences

Cultural differences cause a great challenge to HRM. The behavioural attitude of workers, the social environment, values, beliefs, outlooks, etc., are important factors, which affect industrial relations, loyalty, productivity, etc. There are also significant differences in aspects related to labour mobility. Cultural factors are very relevant in inter personal behaviour also. In some countries it is common to address the boss Mr. so and so but in countries like India addressing the boss by name would not be welcome. In countries like India people attach great value to designations and hierarchical levels. This makes delaying and organisational restructuring difficult.

Changing Political Environment

A firm operating in different countries is confronted with different environments with respect to government policies and regulations regarding labour.

Attitude towards Employment

The attitude of employers and employees towards employment of people show great variations among different nations. In some countries *hire and fire* is the common thing whereas in a number of countries the ideal norm has been lifetime employment. In countries like India workers generally felt that wile they have the right to change organisations as they preferred, they had a right to lifetime employment in the organisation they were employed with. In such situations it is very difficult to get rid of inefficient or surplus manpower. The situation, however, is changing in many countries, including India.

Variance in employment

Besides the tenancy of employment, there are several conditions of employment the differences of which cause significant challenge to international HRM. The system of rewards, promotion, incentives and motivation, system of labour welfare and social security, etc., vary significantly between countries.

REVIEW QUESTIONS

1) Explain the significance of the Human resource in the International Business.
2) What is the impact of globalisation on the International HRM?
3) 'India is a country of abundant Human resource'. What impact has it got in the global scenario?
4) Explain the International perspectives of HRM.
5) What are the challenges that are faced by the HRM in the International business scenario?
6) Describe the implications of the global market with respect to the HR functions.

7) Comment on the employment scene that is prevailing in the different economic nations.

8) Give an account of the HRM of the Indian business which contributes to the global market.

9) Explain the factors that influence the Intercountry differences on HRM.

10) What are the various strategies to develop an effective HR for the global competition?

MBA - HRM

SECOND YEAR – FOURTH SEMESTER

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GLOBAL HR PRACTICES

UNIT – I CHAPTER – III

LINKAGES AMONG PEOPLE, STRATEGY AND PERFORMANCE - BALANCED SCORE CARD

BALANCED SCORECARD – A NEW APPROACH TO STRATEGIC MANAGEMENT

A new approach to strategic management was developed in the early 1990's by Drs. Robert Kaplan (Harvard Business School) and David Norton. They named this system the 'balanced scorecard'. Recognizing some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective.

The balanced scorecard is a ***management system*** (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.

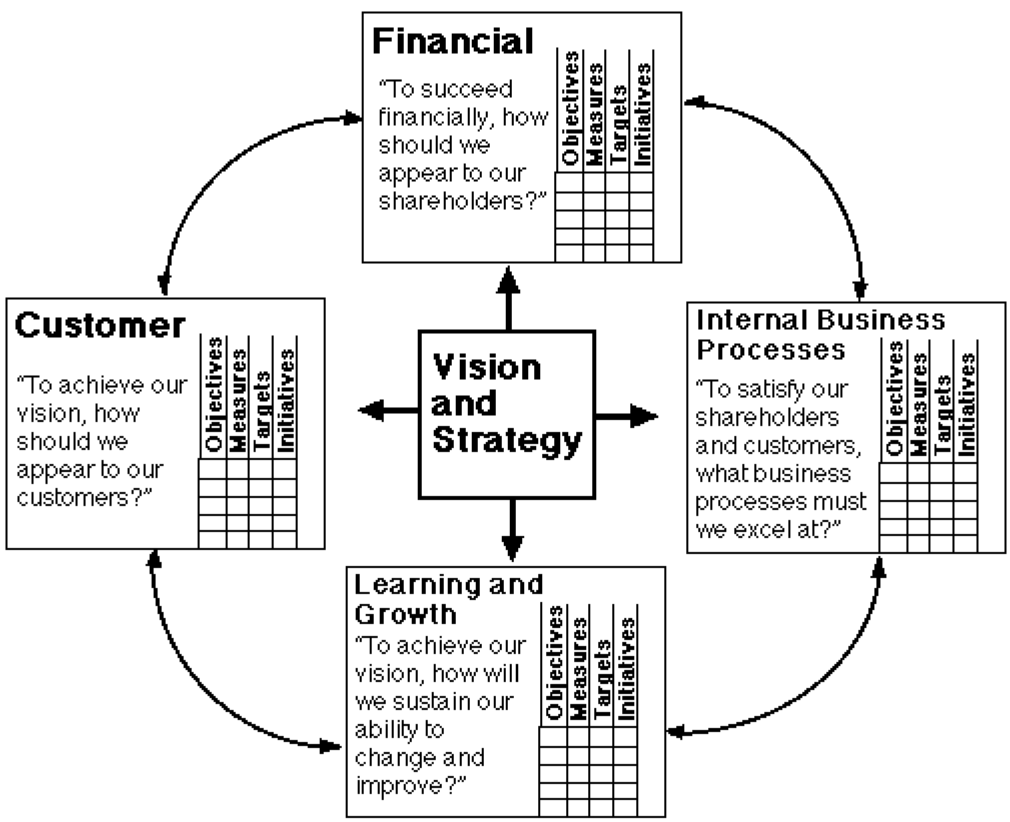
Kaplan and Norton describe the innovation of the balanced scorecard as follows:

"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

The balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives:

- **The Learning and Growth Perspective**
- **The Business Process Perspective**
- **The Customer Perspective**
- **The Financial Perspective**

Figure 1.1: Perspectives of Balanced Scorecard



The Learning and Growth Perspective

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, *people* -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Government agencies often find themselves unable to hire new technical workers, and at the same time there is a decline in training of existing employees. This is a leading indicator of 'brain drain' that must be reversed. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, *learning and growth constitute the essential foundation for success of any knowledge-worker organization.*

Kaplan and Norton emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools; what the Baldrige criteria call "high performance work systems." One of these, the Intranet, will be examined in detail later in this document.

The Business Process Perspective

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by outside consultants.

In addition to the strategic management process, two kinds of business processes may be identified: a) mission-oriented processes, and b) support processes. Mission-oriented processes are the special functions of government offices, and many unique problems are encountered in these processes. The support processes are more repetitive in nature, and hence easier to measure and benchmark using generic metrics.

The Customer Perspective

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good.

In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups.

The Financial Perspective

Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives.

There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

THE EVOLVING PICTURE OF HR: FROM PROFESSIONAL TO STRATEGIC PARTNER

The table below summarizes comparisons of three different management approaches or methodologies. The comparisons are shown for several different features. It is evident from this comparison that BPI and the Balanced Scorecard are quite different in most respects from project management. They have different purposes and meet different needs.

Table 1.3: Management Approaches to Strategic Management

	Project Management	Business Process Improvement	Balanced Scorecard
Age of Approach	Decades	Began in DoD 1992	Began in 1990
Prime Customer	External Sponsor	Internal Director	External IG, Internal Director
Goal Definition	Project Requirements, Mission Needs Statement	Cost, cycle time reductions	Strategic management system
Focus	Technical Mission	Business Processes	Multiple perspectives
Scope	Specialized unit	unit to enterprise	dept. to enterprise
Plans	Plan of Action & Milestones	Process Improvement Plan	Strategic Plan, Performance Plan
Schedule & teaming	Work Breakdown Schedule, Action Items	Team directed, focus groups	Cross-functional teams, 1-2 yr. implementation
Management Activities	Team building, Budgeting, Task Tracking, Reviews	Baseline process analysis, to-be process design, automation	Define metrics, collect data, analyze data, decide on changes
Tools	Microsoft Project, Primavera	TurboBPR, IDEF0	Data collection system, scorecards
Measures of success	Deliverables on time, on budget	Cost reductions minus cost of BPI effort	Learning what strategies work; improved results on many metrics

Recent decades have witnessed dramatic shifts in the role of HR. Traditionally, managers saw the human resources function as primarily administrative and professional. HR staff focused on administering benefits and other payroll and operational functions and didn't think of themselves as playing a part in the firm's overall strategy.

Efforts to measure HR's influence on the firm's performance reflected this mindset. Specifically, theorists examined methodologies and practices that are focused at the level of the individual employee, the individual job, and the individual practice (such as employee selection, incentive compensation, and so forth). The idea was that improvements in individual employee performance would automatically enhance the organization's performance.

Although such research attempted to extend the range of HR's influence, it did little to advance HR as a new source of competitive advantage. It provided scant insight into the complexities of a strategic HR architecture. And simply put, it didn't encourage HR managers to think differently about their role.

In the 1990s, a new emphasis on strategy and the importance of HR *systems* emerged. Researchers and practitioners alike began to recognize the impact of aligning those systems with the company's larger strategy implementation effort — and assessing the quality of that fit. Indeed, although many kinds of HR models are in use today, we can think of them as representing the following evolution of human resources as a strategic asset:

- *The personnel perspective*: The firm hires and pays people but doesn't focus on hiring the very best or developing exceptional employees.
- *The compensation perspective*: The firm uses bonuses, incentive pay, and meaningful distinctions in pay to reward high and low performers. This is a first step toward relying on people as a source of competitive advantage, but it doesn't fully exploit the benefits of HR as a strategic asset.
- *The alignment perspective*: Senior managers see employees as strategic assets, but they don't invest in overhauling HR's capabilities. Therefore, the HR system can't leverage management's perspective.
- *The high-performance perspective*: HR and other executives view HR as a system embedded within the larger system of the firm's strategy implementation. The firm manages and measures the relationship between these two systems and firm performance.

We're living in a time when a new economic paradigm — characterized by speed, innovation, short cycle times, quality, and customer satisfaction — is highlighting the importance of intangible assets, such as brand recognition, knowledge, innovation, and particularly human capital. This new paradigm can mark the beginning of a golden age for HR. Yet even when human resource professionals and senior line managers grasp this potential, many of them don't know how to take the first steps toward realizing it.

In our view, the most potent action HR managers can take to ensure their strategic contribution is to develop a measurement system that convincingly showcases HR's impact on business performance. To design such a measurement system, HR managers must adopt a dramatically different perspective, one that focuses on how human resources can play a central role in *implementing* the firm's strategy. With a properly developed strategic HR architecture, managers throughout the firm can understand exactly *how people can create value* and *how to measure the value-creation process*.

Learning to serve as strategic partners isn't just a way for HR practitioners to justify their existence or defend their turf. It has implications for the very survival of the firm as a whole. If the HR function can't show that it adds value, it risks being outsourced. In itself, this isn't necessarily a bad thing; outsourcing inefficient functions can actually enhance a firm's overall bottom line. However, it can waste much-needed potential. With the right mindset and measurement tools, the HR architecture can mean the difference between a company that's just keeping pace with the competition and one that is surging ahead.

A recent experience of ours graphically illustrates this principle. In a company we visited, we asked the president what most worried him. He quickly responded that the financial market was valuing his firm's earnings at half that of his competitors'. In simple terms, his firm's $100 of cash flow had a market value of $2,000, while his largest competitor's $100 of cash flow had a market value of $4,000. He worried that unless he could change the market's perception of the long-term value of his organization's earnings, his firm would remain undervalued and possibly become a takeover target. He also had a large portion of his personal net worth in the firm, and he worried that it was not valued as highly as it could be.

When we asked him how he was involving his HR executive in grappling with this problem, he dismissed the question with a wave of his hand and said, "My head of HR is very talented. But this is business, not HR." He acknowledged that his HR department had launched innovative recruiting techniques, performance-based pay systems, and extensive employee communications. Nevertheless, he didn't see those functions' relevance to his problem of how to change investors' perceptions of his firm's market value.

Six months after our meeting, a competitor acquired the firm.

The sad truth is that the HR executive in this story missed a valuable opportunity. If he had understood and known how to measure the connection between investments in HR architecture and shareholder value, things might have turned out differently. Armed with an awareness of how investors value intangibles, he might have helped his president build the economic case for increased shareholder value.

The story of Sears, Roebuck and Co.'s recent transformation stands in stark contrast to this anecdote and shows what companies can achieve when they *do* align HR with the larger organization's strategy. After struggling with lack of focus and losses in the billions in the early 1990s, Sears completely overhauled its strategy implementation process. Led by Arthur Martinez, a senior management team incorporated the full range of performance drivers into the process, from the employee through financial performance. Then, they articulated a new, inspiring vision: For Sears to be a compelling place for investors, they said, the company must first become a compelling place to shop. For it to be a compelling place to shop, it must become a compelling place to work.

But Sears didn't just leave this strategic vision in the executive suite or type it up on little cards for employees to put in their wallets. It actually *validated* the vision with hard data. Sears then designed a way to *manage* this strategy with a measurement system that reflected this vision in all its richness. Specifically, the team developed objective measures for each of the three "compellings." For example, "support for ideas and innovation" helped establish Sears as a "compelling place to work." Similarly, by focusing on being a "fun place to shop," Sears became a more "compelling place to shop." The team extended this approach further by developing an associated series of required employee competencies and identifying behavioral objectives for each of the "3-Cs" at several levels through the organization. These competencies then became the foundation on which the firm built its job design, recruiting, selection, performance management, compensation, and promotion activities. Sears even created Sears University in order to train employees to achieve the newly defined competencies. The result was a significant financial turnaround that reflected not only a "strategic" influence for HR but one that could be measured directly.

Few firms have taken such a comprehensive approach to the measurement of strategy implementation as Sears has. Granted, retail service industries are characterized by a clear "line of sight" between employees and customers. Thus their value-creation story is easier to articulate. But that doesn't mean that other industries can't accomplish this feat. The challenges may be greater — but so are the rewards.

THE HR SCORECARD: LINKING PEOPLE, STRATEGY, AND PERFORMANCE

Human capital has become the key element in creating and sustaining value in business. Yet there is no consensus blueprint for recognizing, developing, managing, or measuring this intangible asset. It is not enough for HR managers to be able to explain why and how they do what they do. For human resources to transform to a truly strategic role, HR professionals must be able to measure performance and to link HR's contribution to the mission of the organization. The HR Scorecard is a management system for filling the gap between what is usually measured in HR and what is actually essential to the firm.

This is not a trendy pop-business read about sixty-second solutions or lost cheese. It is a research-driven analysis of HR, complete with detailed guidelines, a demonstration of in-depth research, case studies, and a prescription for transforming a function long seen as irrelevant to the success of the organization. Although the presentation is sometimes symptomatic of having three authors, the through-line of the vision is consistent.

After a decade of research including data from almost 3000 firms, the authors' conclusion is: "Firms with more effective HR management systems consistently outperform their peers." In other words, it's HR architecture alignment with strategy implementation.

HR professionals must achieve six core competencies to operate a strategic HR architecture.

They are, in order of relative importance:

1. Individual credibility – Sustain credibility by “living” the values you espouse, working with others, establishing win-win relationships, being honest and taking initiative.
2. Ability – Be able to organize, orchestrate, manage and deliver change initiatives.
3. Cultivate the company’s culture – Deliberately weave the company’s values, mission, vision and strategy into the way the business operates day-to-day.
4. Proficiency – Become capable in HR practices, theories and procedures. Commit to learning and to delivering results based on what you learn.
5. Business knowledge – Understand how your company operates. Know its technological, strategic, financial, sales and marketing functions. Understand how they interact with each other and with HR, so you can identify ways HR can help.
6. Strategic performance management – This new set of skills has four dimensions:
    - Identify and link the strategic ways that HR can contribute to the company’s overall strategy and success – also called “critical causal thinking.”
    - Identify and implement appropriate, accurate ways to measure the influence of HR activities on performance drivers and corporate strategy.
    - Estimate the potential implications of a change in HR to identify patterns and connections in seemingly unrelated data, and to determine the impact that this change will have on the company’s profits.
    - Communicate how HR affects overall strategy and profits, so senior management can understand that the change in HR represents a positive return on investment.

To develop, manage and reinforce these competencies, hire professionals with the right skills. Assess individual employee performance, and the HR department’s achievements, against these competencies. Evaluate results and specific behaviors. Link the way you compensate HR professionals directly to these competencies. Continually build competence with workshops, seminars, mentoring, college courses, training, job rotation, networking, reading, assignments and specific experiences.

Creating a strategic-minded HR architecture that incorporates an HR Scorecard does involve a corporate change effort. As with other changes, success requires:

• Clearly defining the reason for the change.
• Clearly outline its technical elements.
• Use a checklist to stay on track.
• Identify project leaders, sponsors and a responsible project champion.
• Get agreement on the desired outcomes of the change.
• Assure that everyone is committed to the change and to the desired result.
• Openly share information, including Scorecard results and progress.
• Establish financial support for technology and other structural adjustments.
• Develop systems that support and reinforce the change at every level.
• Monitor the company's progress toward the desired outcome.
• Begin with small changes to achieve early successes that inspire continued change.
• Learn from and developing the program as you go, adjusting as necessary.
• Celebrate progress and successes, however small.

HR systems should support the organization's larger plan. For instance, say your company's strategic plan calls for knowledgeable, experienced staff members who provide exceptional customer service. The goal is to boost customer loyalty and retention. To align with this goal, HR policies and systems must help the company attract and retain employees with excellent customer service skills. If HR cannot do that, perhaps because the company lacks internal connection, then the firm cannot achieve its strategic objectives.

Envision an alternative in which the organization's strategy and the HR department's strategy are aligned – that is, HR has designed its strategy specifically to support the organization's strategy. Under this scenario, in the example above, HR's primary objective would be to hire, train and keep customer service professionals who can achieve the organization's long-term goals. As part of this strategic orientation, the

HR department's policies and systems should reward employees who keep learning and develop their customer service expertise.

CREATING AN HR SCORECARD

1. The ideal scorecard for an HR measurement system will include four themes: identifying the HR deliverables, identifying and measuring the High-Performance Work System elements that generate those deliverables, developing a validated competency model that will focus on outcomes, and identifying HR efficiency measures that link costs and benefits.
2. In terms of architecture, the scorecard will include the leading indicators of HPWS and HR system alignment, and the lagging indicators of HR efficiency and HR deliverables.
3. A measurement system must strike a balance between cost control and value creation, and it is more important to understand the reasoning behind the scorecard than it is to mimic any particular model.
4. HR doables are cost-focused with little opportunity to impact the bottom line; DR deliverables are benefits-focused with a connection to the overall strategy. Both must be measured, but the emphasis must be on the value creation of deliverables.
5. Measures of the High-Performance Work System reflect more of what should be rather than what is.
6. HR system alignment measures will link directly to specific deliverables in the scorecard. They will prompt managers to routinely think about alignment issues.
7. Efficiency measures come in two categories: core items represent expenditures that are important but do not contribute to strategy implementation, and strategic items that are designed as investments that produce value.
8. Measures of HR deliverables identify the ways the HR system creates value; if a metric cannot be tied to the strategy map, it should not be included on the scorecard. Measures that describe HR deliverables only in terms of capabilities

tend to miss the connection with strategy. To be concrete, focus on HR drivers and enablers that represent the human capital of the firm.

9. Avoid the temptation merely to fill in the boxes on the scorecard; the key is to ask what you want the tool to do. Each item should:
    - Reinforce the distinction between doables and deliverables
    - Enable cost control and value creation
    - Measure leading indicators
    - Assess contribution to the bottom line
    - Let HR professionals effectively manage their strategic responsibilities
    - Encourage flexibility and change

TRANSFORMATION OF HR TO STRATEGIC HR

Many attempts at HR effectiveness start without defining value. For example, some companies invest in e-HR services such as portals and online employee services and believe that they have transformed HR, but they have not. While e-HR may be a part of an overall transformation, it is merely a way to deliver HR administrative services. HR transformation must change the way to think about HR's role in delivering value to customers, shareholders, managers and employees and not just about how HR services are delivered and administered.

Moving toward service centers, centers of expertise, or outsourcing does not mean that HR has been transformed. If new delivery mechanisms provide basically the same old HR services, the function has changed but not transformed itself. HR transformation changes both behavior and outputs. The changes must improve life for key stakeholders in ways that they are willing to pay for.

Changing any single HR practice (staffing, training, appraisal, teamwork, upward communication) does not create a transformation. Unless the entire array of HR practices collectively adds value for key stakeholders, transformation has not occurred. Transformation requires integrating the various HR practices and focusing them jointly on value-added agenda such as intangibles, customer connection, organization capabilities, and individual abilities.

Writing an HR strategy or making a statement about HR roles does not necessarily create a transformation. HR transformation must be more than rhetoric; it must shape behavior and create and ensure stakeholder value.

Sending one or two HR professionals to a seminar does not transform an HR department. Often, people return from training with great ideas but little opportunity to apply them. Transformation requires whole new agenda, thoughts, and processes across the entire department, not just on the part of a few individuals.

Finally, gaining credibility and acceptance by management or employees is not transformation. Doing so may be a good stepping-stone to future work, but real transformation must turn relationships into results and also create value for customers, shareholders, managers, and employees.

We believe that a fundamental transformation of HR starts with a definition of HR value—who the receivers are and a clear statement of what they will receive from HR services. It also requires a complete picture of all the elements of HR transformation, so that piecemeal attempts do not become isolated events.

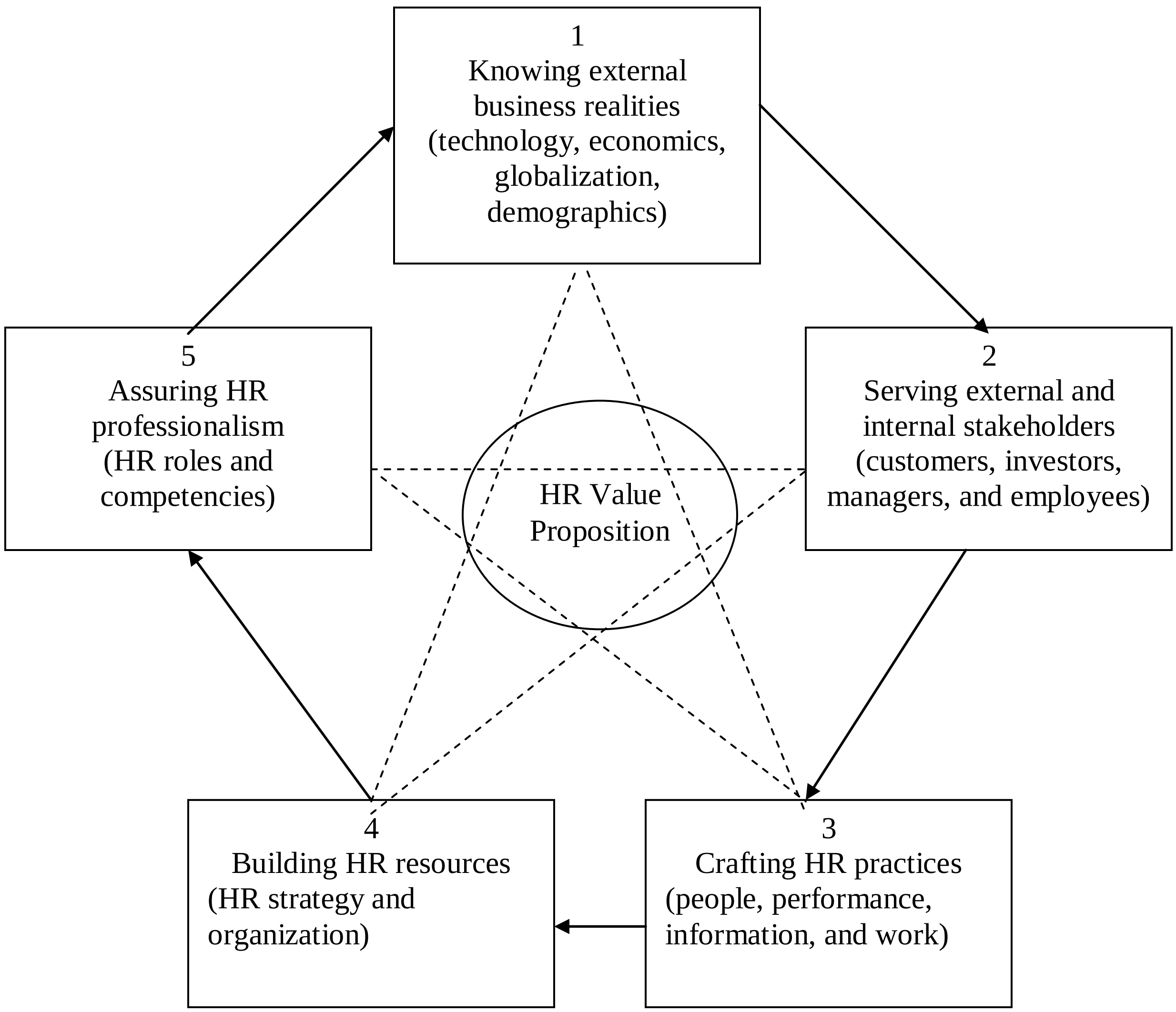
THE VALUES OF STRATEGIC HR

Since value is defined by the receiver not the giver, any value proposition begins with a focus on receivers not givers. For HR professionals, the value premise means that rather than imposing their beliefs, goals, and actions on others, they first need to be open to what others want. This fundamental principle is too often overlooked. Often HR professionals have beliefs, goals, and actions that translate into things that they want to have happen in their organization—so they go straight for their desired results, without paying enough attention to the perspectives of others.

Influence with impact occurs when HR professionals start with the beliefs and goals of the receivers. Who are the key stakeholders I must serve? What are the goals and values of the receiving stakeholders? What is important to them? What do they want? When these requirements are fully understood, then the HR professional can show how an investment in an HR practice will help the stakeholder gain value as defined by that stakeholder.

To an employee worried about getting laid off, HR professionals should demonstrate that being more productive will help the employee stay employed. To a line manager worried about reaching strategic goals, HR professionals need to show how investment in HR work will help deliver business results. With customers, HR professionals need to remember that their interest in customers must create value in the products or services customers receive. For shareholders who are worried about shared returns and growth, HR must create organizations that deliver results today and intangibles that give owner confidence that results will be delivered in the future.

Figure 1.2: The HR Value Proposition



The HR Value Proposition grounds HR and has five elements that form an integrated HR blueprint. Figure 1.2 shows the framework, with each element representing a section of this book: external realities, stakeholders, HR practices, HR resources, and HR professionals. External realities and stakeholder interests determine why HR matters to an organization and why HR needs to focus on what it delivers more than on what it does. HR practices, HR resources, and HR professionals are the elements that encompass the HR function within your organization.

In implementing HR transformation, the ideal logic is to move through these five elements sequentially, following the solid lines in Figure 1.2, but sometimes it is useful to follow the dotted lines instead. For example, you might start your transformation of HR with a competency assessment of your staff, but to ensure that this competency assessment leads to an integrated transformation, it must be connected to the other elements of the overall blueprint. Or, you might start by investing in e-HR, then move to the other four boxes to complete the transformation.

REVIEW QUESTIONS

1) What do you mean by a Balanced Scorecard? Where it is used?
2) Explain the utility of Balanced Scorecard in the strategic management.
3) Describe the applications of Balanced Scorecard in the International Business.
4) Explain the different perspectives based on which the balanced scorecard is developed.
5) How Scorecard is used in evolving the strategic HR?
6) Explain the criteria to determine and develop the HR Scorecard.
7) Does the HR Scorecard provide the base for developing a strategic HR for International Business? Explain.
8) Explain the values of strategic HR as viewed in the International HRM.
9) Give an account of the linkage established between people, strategy and performance through the HR Scorecard.
10) Describe the significance of HR Scorecard in strategic International HRM.

MBA - HRM

SECOND YEAR – FOURTH SEMESTER

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GLOBAL HR PRACTICES

UNIT – I CHAPTER – IV

DEVELOPING COMPETITIVE STRATEGIES AND STRATEGIC OPTIONS

INTERNATIONAL COMPETITIVE STRATEGIES

Firms which succeed in implementing competitive strategy can gain competitive advantage: this latter improves the firm's competitive position, creates a barrier to entry, and enables a firm to change its competitive stance in response to market changes. Two constructs appear significant at this strategic level.

First, *distinctive competence;* this refers to activities which a firm does better than its competitors, but which require superior skills and resources. The latter are basically tangible assets such as the technology, the distribution network or superior resources; access to supply can also enhance the position. Distinctive competence can create barriers to imitation and help sustain competitive advantage; and superior skills and resources improve the firm's position when they can lower costs (through scale economies, the learning curve or capacity utilisation) or create value to customers. Organisation is another element of distinctive competence: a better organisational design and appropriate structure enables a firm to adapt more responsively and faster to changes in markets and the environment.

Secondly, *strategic fit;* in internal and external conditions this is relevant to dynamic competitiveness. Firms can achieve competitiveness only when management accurately identifies the skills and resources matched to strategic choices, including objectives, the target of market entry, and the quality of tactics and implementation. Some firms invest in unprofitable projects to establish a toehold in a potentially attractive market or technology in order to make a later move. Especially in the case of new technologies, the first investment often provides experience and useful information for making further investments. A first- mover strategy provides a competitive advantage, especially when ambiguity and a largely non-recoverable cost associated with entry are high. Uncertainty also affects strategic fit. When a market is volatile due to changing technology, political risk or economic uncertainty, a first-mover bears the risk and high cost of pioneering since new products can often be replaced quickly. This unstable condition requires a quick response. Changes in demand and competitive conditions in the host market also affect a firm's strategic flexibility.

Effective competitive strategy also depends on product and market characteristics, and types of products do influence the degree of standardisation. High-technology firms tend to use international diversification strategies since high-technology goods are more likely to have culture-free preferences, and only aspects of product design need to be customised. And expansion or switching strategic fit into a time horizon also affects competitiveness. An organisation's success depends on its ability to reshape strategies in response to changing global environments and markets.

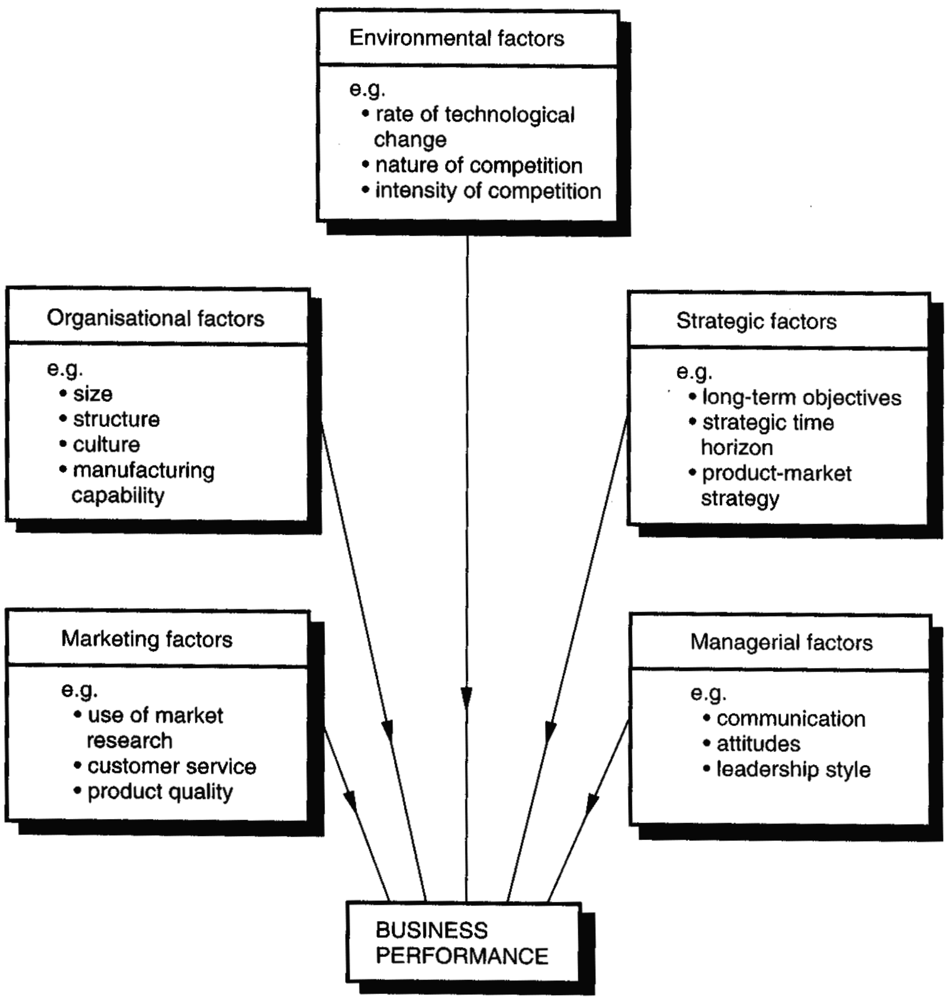
COMPETITIVE ADVANTAGE OF STRATEGIES

First, the structure of competition is undergoing a profound change. Competitiveness is moving rapidly from a national to an international - indeed, global-scale; the oil and pharmaceutical industries experienced this years ago. It is clear that, even with government purchasing, fewer segments of industry remain defensible at the national level in, for example, consumer electronics, telecommunications, transport technology and power engineering; and there is a growing list of sectors where companies are experiencing the benefits of value-added from design to sales. In some sectors, it can be in terms of designing products for many markets, thus lowering production costs earlier than is possible for purely national forms (worldwide designs can cover 80 per cent of customer needs, with 20 per cent for local adaptations).

Secondly, competitive advantage, as the basis for strategy, must rest on some clear sustainable product or market factor, controlled by the firm, which is superior to what other companies can offer or deliver. This can relate to one or more of the following:

- purchasing and supply,
- research and development,
- innovation,
- design,
- production technology,
- quality and intensity of promotion,
- product/brand performance,
- delivery and technical support services,
- financial terms.

Figure 1.3: Factors influencing Competitive Success



Of course, competitive advantage can also be based on market position: on strength in a particular sector or in some defined area of product/market operations. And a change has come about in the orientation of human resource management thinking in the last decade: there is now more concern with competitors and competitive strategy, compared with, previously, exclusive concern with customers. The building of competitive position and reaction to competitive attack are now accorded a prominent place in planning and plans, where a decade ago they would have been typically eclipsed by the focus on the customer.

The reality behind this change is simple: over-concentration on customers can result in a loss of competitive advantage by which to gain and keep customers. The strategy then is, equally, to gain and to keep competitive advantage, and thereby to secure a sustainable and profitable market position. At the same time, management must be ready to make country moves to prevent other firms from eroding this position; indeed, impeding a competitor can still bring greater relative gains, even though the firm's own performance may suffer in the short term. Lowering prices in a market where a competitor would otherwise make high profits can remove his funds from attack on some other front. The importance of some degree of international positioning is underlined by the danger of allowing a competitor to attack from a secure base (contrast, in this context, the failure of the British motorcycle industry and the success of the British ceramics/chinaware industry).

ANALYSIS OF COMPETITIVE STRATEGIES & OPERATIONS

Competitive strategy requires, ideally, a process of scanning actual and potential competitors and planning competitive counter-moves to maintain market position. Often the strongest competing company will make the first move (for example to introduce a new range of discounts), or counter-move (for example match, in expenditure and intensity, a promotional campaign). This means that in initiating competitive moves of its own, the medium-sized company should direct them at firms whose resources and profits are more closely matched to its own. Of course competitive opportunities or threats can arise from almost any direction, requiring a series of tactics rather than a single move. In general, management should endeavour to allocate resources to maximise the value of its competitive position. This is often easier said than done. Factors to be taken into account include: the closeness of a competitor's position in terms of pro- duct and market offering; the financial strength of the competitor and the nature of its speedy retaliation; and the distance of a competitor from a firm's own market position who appears likely to move closer and reduce the market boundary. Indeed, it is important that management does not draw these market boundaries too closely, but leaves some ground to be occupied by other firms who can then use this factor to counteract what is otherwise a competitive disadvantage.

Such a strategic planning process clearly requires competitive analysis by management as a data-base for setting up strategy. This involves several separate, though related, aspects. First, financial analysis: this refers to the link between competitive advantage and profit, and to the need to reinforce that position. Indeed, the competitive position becomes the company's most valuable asset, and it is this value that determines the worth of the business, not physical assets; volume of sales revenue does not guarantee competitive position in a declining market, the firm that can trade market share for high profits may well be increasing the value of its present position. Competitors' relative liquidity and borrowing capacity are also important in determining competitive threats. A high-cost competitor may still be an aggressive threat if it has the funds and determination to attack and overtake those who otherwise have the advantage.

CHOICE OF THE INTERNATIONALIZATION STRATEGY

Choice of the strategy does not consist merely of a collection of isolated decisions on products, markets, channels, partners and operation modes. These decisions are also core issues of a competitive strategy. Therefore, the choice of a strategy is all about choosing an appropriate framework for the growth and internationalization strategy for the company’s competitive success. That is, the choice of strategy must be understood within the context of strategic planning.

The strategy of the firm is concerned with matching a firm’s resources and capabilities to the opportunities and challenges arising from the external environment. This could just as easily be restated as, “The choice of the growth and internationalization strategy is concerned with matching a firm's resources and capabilities to the opportunities and challenges arising from the external environment."

According to the view adopted here:

"The central task of strategic planning is defining, building, utilizing, maintaining, and developing a company's basis of success that consists of superior customer benefit and superior competences as well as of threshold factors."

The strategy statement itself consists of the following three components:

1. Business concept or Business model
2. Basis for success
3. Strategic principles and strategic actions

The business concept refers to the types of products the company provides and the types of customers it serves. In other words, the company selects and defines the competitive arena in which it plans to operate. Jay Bourgeois has called this "domain definition." Business model includes wider issues such as choice of the company's position in the industry value chain, outsourcing and cooperation relationships with other players, and earnings model.

Strategic principles and strategic actions: the third part of the strategy definition consists of defining how the company is going to act. The strategy is carried out by business functions wherein the company defines what is special about the way it carries out its functions when compared to its competitors. Each company must determine what strategic actions are required in its particular market and competitive situation. For example, acquisition, a special distribution arrangement or customer service may be strategic choices for some companies, whereas others may treat distribution and service as operative issues.

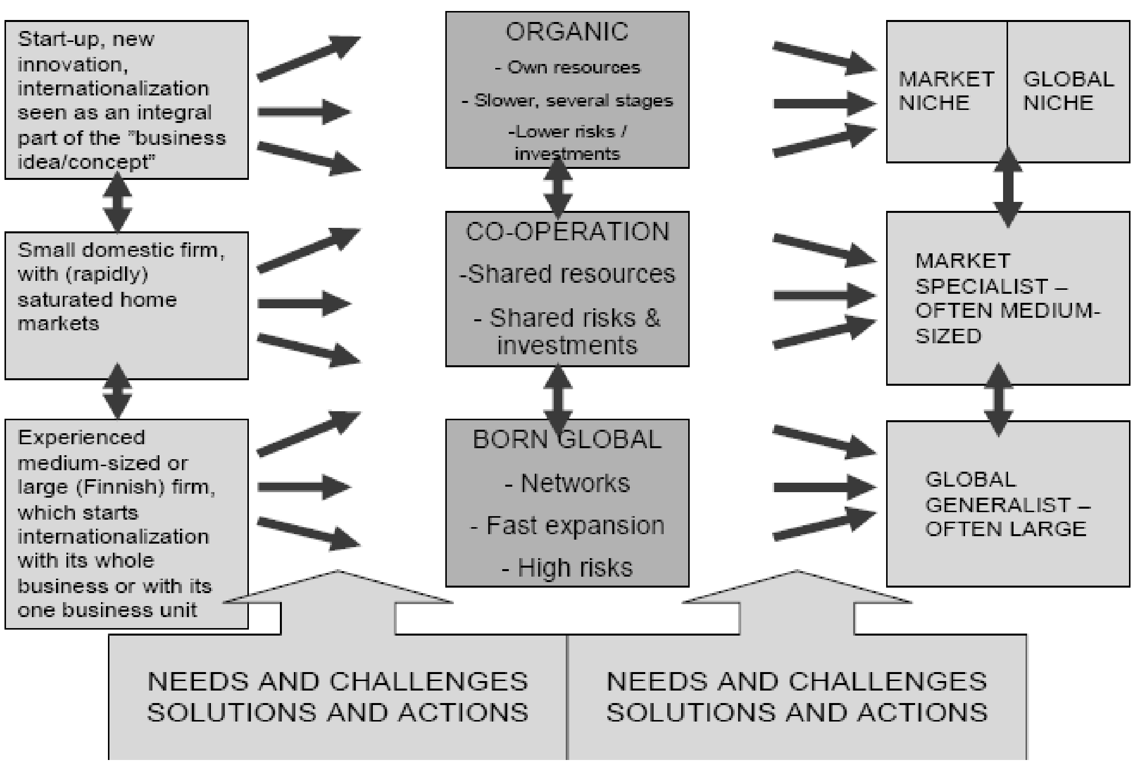
Choice of the strategy is the preliminary or general part of defining the strategic principles and strategic actions for achieving growth and internationalization. The choice of the strategy depends on the business model, on the basis of success that must lead to a perfect match between the firm's resources and capabilities and opportunities and challenges in the external environment.

It would be impossible to present a planning model that would fit all situations. The contents and scope of planning vary in relation to the firm's life cycle, internationalization stage, organizational level, scope of planning, and competitive situation. Often, the first question that needs to be asked is: What is the strategic planning situation of the company and what are the special challenges of the company's situation?

The following Figure 1.4, depicts the main paths related to international growth:

- The three archetypes of the starting situation are on the left.
- Three typical paths through which a firm's internationalization process proceeds are presented in the middle.
- The right-hand column shows some possible outcomes of the internationalization process in relation to existing competition: different types of niche strategies, market specialist strategy (focus) and global generalist strategy.

Figure 1.4: The Internationalisation Challenge – Starting points, Paths and Possible Outcomes



FACTORS INFLUENCING CHANGES IN STRATEGY

So far, special emphasis has been placed on: competitive advantage and the effects of the experience curve; the contribution of business analysis, in all phases, to an understanding of competitive position; the financial implications of competitive strategy; and international aspects, notably the different stances of *innovator* and *follower* companies. Having absorbed these policy aspects, management needs to be alert to two particular operating points. The first is the hazard of planning competitive strategy in isolation; that is, without sufficient regard to the company's resources and key management functions, such as finance and human resource, that are needed to implement it. **In** particular an inadequate data-base, especially on markets, can lead to incorrect strategies, and the pressure to innovate can push up costs with an adverse effect on short-term profits. The second point is that, at the same time, management must remain alert to signals that indicate a possible/desirable change in competitive strategy; these are summarised in Table 1.4.

Table 1.4: Reasons for changing competitive strategy

Demographic	Changes in profile by age, sex, socioeconomic class or geographical location
Psychographic	Changes in the life-styles of buyers and the way these reflect upon purchasing habits
Demand	Fundamental changes in taste, usage patterns or consumption. Changes in the relative strengths and profitability of market segments
Technological	New processes on the one hand, obsolescence on the other
Market position	New forms of direct or indirect competition; changes in comparative market position (strengths and weaknesses in product, service, marketing, etc.)
Distributive	Changes in sales and distribution channels (either as an act of initiative or as a reflection of the way buyers purchase)
Price/profit relationships	Changes in search of improved results, for example low profit/high turnover versus high profit/low turnover
Regulations	Response to laws, codes, standards, regulations, inspectorates

LINKING STRATEGY, ENVIRONMENT AND PLANNING

International strategy must be designed to meet clear objectives, and the strategic planning process must have regard to the interests of stakeholders such as shareholders, customers, managers and other staff, creditors, suppliers, bankers and distributors. Corporate objectives represent a statement as to what the company will achieve over a known time in terms of asset-management, return on investment, market positions and development of key business sectors in all countries of operation. These objectives must be expressed precisely.

Thus, if the corporate objectives prescribe building market shares{s) the human resource department must plan how to achieve this within the strategy. So the planning process becomes the operational means by which strategy is implemented.

Of course, in all International-oriented companies, Human resource management will be involved in, and will influence the setting up of, strategy at both corporate and functional levels. This sequence can be described as follows:

1. Develop long-term strategy;
2. Determine objectives and timing;
3. Design and develop plans to meet these objectives; .Allocate resources for plans, and agree costs; Implement plans;
4. Control, review progress and amend (within agreed limits);

There are certain key factors that management must take into account in setting and developing Human resource strategy in the company's international operations. These include:

1. *Demand* -elasticities of demand; developments in taste, usage patterns and consumption; movement of economic indicators; demand stimulation and forecasting as an integral part of the Human resource programme.

2. *Demographic factors* -changes in profile by age, socioeconomic status, population density and geographical locations of new business/industrial zones.

3. *Technology* -impact of microcomputers on purchasing and production methods; reformulation of products and the impact on life-cycles of products of new manufacturing processes.

4. *Competition* -new forms of direct or indirect competition; competitive strengths and weaknesses in product development; creativity in promotion and service provision.

5. *Distribution* -changes in channels and uses of logistics, and changes in customer uses of channels; purchasing and bargaining powers of key sectors of the distribution system.

6. *Finance* -profit implications of alternative Human resource strategies; profit improvement projects; high turnover/low profit versus low turnover/high business profit, and the movement of margins; key financial ratios in alternative pricing decisions; control of direct Human resource costs.

7. *Environment-legal,* cultural and political codes; standards and the effect of regulatory laws and inspectorates.

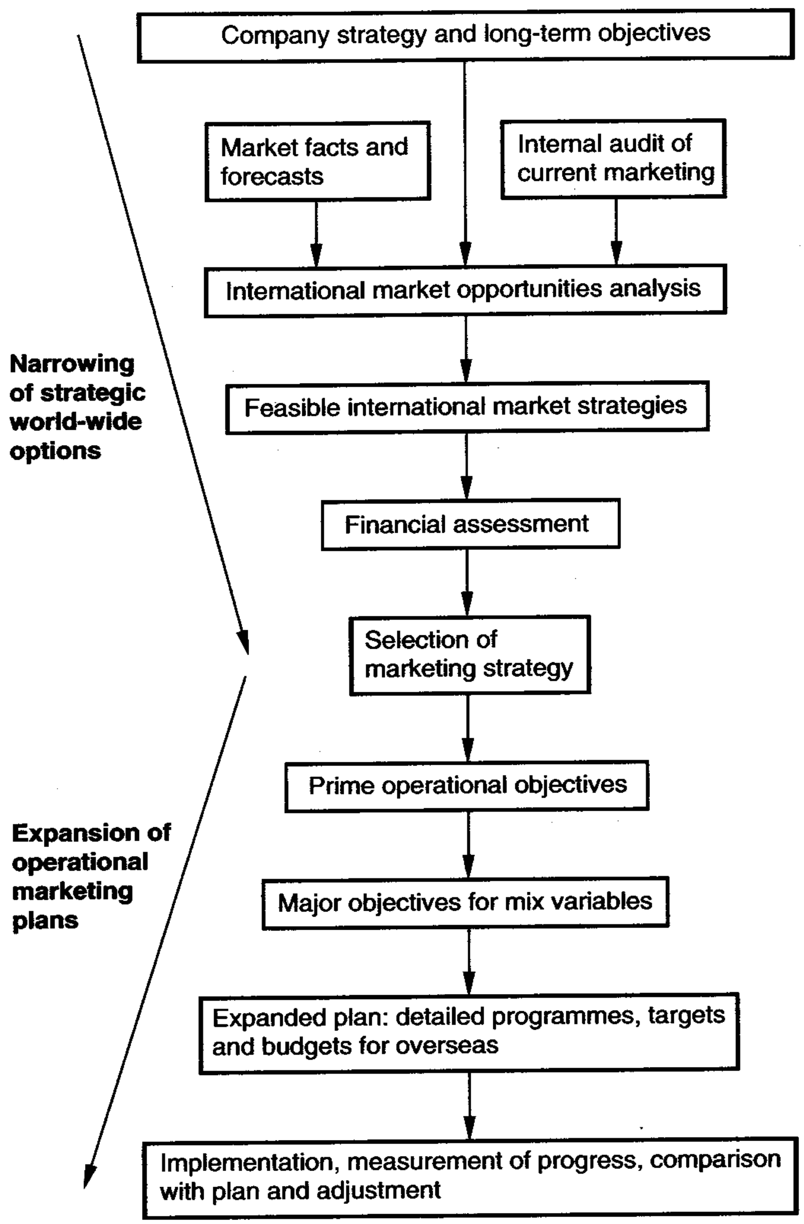
So long-term plans, also known as corporate or strategic planning, endeavour to assess future developments in the international environment and the Human resource policies required to exploit them.

OPERATIONAL COMPETITIVE STRATEGY

Often it is the failure to develop long range international objectives, together with an underestimation of difficult and different operating conditions, that can lead to abortive and unprofitable Human resource programmes.

While international Human resource operations must be soundly based on strategy and planning, it is the heterogeneous environment in which the firm operates that requires both analysis and responsiveness: it is this environment that typically requires the firm to set its strategy so that, operationally, Human resource components such as the communications-mix, the product portfolio and market coverage/concentration are modified for specific regions of the world to achieve the best possible fit. Indeed, the critical distinction between international and domestic operations derives from the fact that the differential international Human resource environment makes it likely that some heterogeneous strategies will be required to achieve and hold substantial market shares. Most mistakes that' have occurred in international operations derive from, the lack of a clear strategy, and attempts to transport a Human resource strategy that proved successful in one country, intact, to another country.

Figure 1.5: The link between strategy and planning



In addition, there are special factors relating to trade barriers which can frustrate the implementation of an international strategy; these barriers directly affect access to markets, and require as much analysis and interpretation as research into demand factors such as sales potential. The options available to management in tackling these environmental factors require analysis. For example, the international company can come to assume increasing control of distribution operations as it moves from exporting through joint ventures, licensing to owning subsidiaries and manufacturing plants overseas. Whether such increased control is worth the higher initial investment costs will depend on such factors as sales potential, market access, the nature of the product, the resources of the company, competitors' policies and, of course, the long-term strategic objectives of the company itself.

REVIEW QUESTIONS

1) How will you formulate a competitive strategy in International business?
2) "An International competitive strategy is an essential criteria for development of business" – Explain
3) Give an account of the various competitive strategies to be adopted for a business to enter the global market.
4) How far does the implementation of the competitive strategies help in the growth of a business in global environment?
5) Explain the significance of competitive strategies utilised in the International HRM.
6) How International HRM is made effective?
7) Explain the strategic operations to be made in International HRM.
8) Explain the process of implementing the competitive strategies in HRM of International business?
9) Give an account of the linkage between strategy, environment and planning.
10) What are the factors that influence the changes in strategy?
11) How competitive strategies are analysed and selected for better planning?

UNIT II

GLOBAL HR PRACTICES

LESSON-ONE

HR CHALLENGES AND OPPERTUNITIES

Globalization of business has probably touched the HR manager more severly than any other functional head. The HR executive needs to give international orientation to whether he or she does employee hiring training and development, performance review, remuneration, motivation, welfare, or industrial relation. International orientation assumes greater relevance as business get increasingly interlinked across nations.

Just as the success of a domestic business depends on its human resources, so is the case with an international business. The type of people, the willingness with which they work and the commitment they exhibit towards the organisation determines the competitive edge of an MNC in the international market. The resources cannot be effectively utilised or transferred to foreign affiliates without using the human power.

An international business must procure, motivate, retain, and effectively utilize services of people both at the corporate office and at the foreign plants. The process of procuring, allocation and effectively utilising human resources in an international business is called international human resources management (IHRM).

IHRM is the interplay among the following three dimensions-HR activities, types of employees, and countries of operation:

1. The three broad activities of IHRM, namely procurement, allocation and utilising cover all the six activities of domestics HRM. The six functions of domestic HRM are – HR planning, employee hiring, training and development, remuneration, performance management, and industrial relations. These six functions can be dovetailed with the three broad activities of IHRM.

2. The three national or country categories involved in IHRM activities are – the host country where a subsidiary may be located, the home country where the company has its headquarters, and 'other' countries that may be the source of labour or finance.

3. The three types of employees of an international business are – host country nationals, parent country nationals, and third country nationals. Thus, for example, IBM, which employs Australian citizens in its Australian operations, often sends US citizens to Asia-Pacific countries on assignment, and may send some of its Singaporean employees to its Japanese operations.

Major challenges of HRM and OPPERTUNITIES in the present competitive and Globalize environment.

The major challenges of HRM are:

Outsourcing HR activities

BPO and Call Centres

To balance work-life

To make HR activities ethical

To manage diversity

Attitude towards unions

Globalization

Organizational restructuring

Changing demographics of work force

Changed employee expectations

Outsourcing HR Activities

Increasingly many large firms are getting their HR activities done by outside suppliers and contractors. Employee hiring, training and development and maintenance of statutory records are the usual functions contracted out to outsiders. P&G has signed a 10-year; $400 million deal with IBM to handle employee services. IBM will support almost 98,000 of P&G employees in nearly 80 countries with services such as payroll processing, benefits administration, compensation, planning, expatriate and relocation services, and travel and expense management.

BPO and Call Centres

Business Process Outsourcing (BPO)

Several MNCs are increasingly unbundling or vertical disintegrating their activities. Put in simple language, they have begun outsourcing (also called business process outsourcing, or BPO) activities formerly performed in-house and concentrating their energies on a few functions. Outsourcing involves withdrawing from certain stages/activities and relying on outside vendors to supply the needed products, support services, or functional activities.

Call Centres-Challenges

If an external company develops the software for a company, if someone else does advertising for the company's products and if some other firm administers benefits for the company's employees, it is BPO. Similarly, if some other company makes calls to the company's customers or receives their calls, it is call centre business – a part of BPO itself. But because of its high visibility, call centre business is treated independently.

How to Balance Work with Life

Balancing work and life assumes relevance when both husband and wife are employed. Travails of a working housewife are more than a working husband, as the opening case to this chapter shows. Work-life balance is becoming a major challenge to HR manager as more women are taking up jobs to add to finances of their families or to become careerists. In India, workingwomen now account for 15 per cent of the total urban female population of 150 million. The number is likely to increase as more number of girls is coming out of colleges and universities with degrees in their hands.

Making HR Activities Ethical

The HR manager's role in building an ethical climate in the organisation is significant. The HR manager needs to carefully screen applications for jobs, weed out those who are prone to indulge in misdemeanors and hire those who can build a value driven organisation.

Hiring ethically strong employees is only the beginning. The HR manager needs to institute; mechanisms to ensure ethical conduct of employees.

Managing Diversity

Employees of organizations are becoming increasingly heterogeneous. As days go by, diversity is going to be an important issue for the HR manager for the following reasons:

- The number of young workers in the work-force is increasing
- More women rejoining the work force.
- The proportion of ethnic minorities in the total work-force is increasing
- Work force mobility is increasing
- International careers and expatriates are becoming common
- International experience is becoming a pre-requisite for career progression to many top-level managerial positions.

Globalization

How to face competition from MNCs is a worry for Indian firms. As globalization spreads, more foreign firms are entering Indian market and the challenge before domestic firms is going to be much more severe in the years to come. Many Indian firms are compelled to think globally, something which is difficult for managers who were accustomed to operate in vast sheltered markets with minimal or no competition either from domestic or foreign firms. The Internet is adding fuel to globalization and most large MNCs are setting up green field projects in India or entering into joint ventures with local companies.

Corporate Reorganizations

It is difficult to imagine circumstances that pose a greater challenge for HRM than reorganizations resulting from acquisitions, mergers, divestitures or take-over threats. The reorganizations will have impact on organizational levels and employees. Employees experience anxiety and uncertainty about their places in a new organisation. The strength of unionized staff of Shaw Wallace, for example, has risen considerably in 1995, thanks to the acquisition of 14 distilleries. Executive strength has also gone up by 20 per cent in one year. As a trimming exercise, the company decided to retrench as many as 400 executives.

The employees of both the ‘taking over’ as well as the ‘taken over’ companies will have anxious moments because of:

- Fear of loss of jobs

- Job changes, including new roles and assignments

- Transfers to new geographic locations
- Changes in remuneration and benefits

- Changes in career possibilities

- Changes in organizational power, status, and prestige

- Staff changes, including new peers, supervisors, and

- Changes in corporate culture and loss of identity in the company.

Changing Demographics of Workforce

The major challenge that has resulted from changing workforce demographics concerns dual career couples, couples where both partners are actively pursuing professional careers. Organizations have been accustomed to using job moves and physical relocation as an important means of developing talent. Men or women moving through organizational ranks to upper-level positions need experience in a variety of roles in different organizational units. Frequently, physical relocation is required. The increasing number of dual-career professionals limits individual flexibility in accepting such assignments and may hinder organizational flexibility in acquiring and developing talent.

Changed Employee Expectations

With the changes in workforce demographics, employee expectations and attitudes also have shifted. Traditional allurements such as job security, attractive remuneration, housing and the like do not attract and motivate today's workforce.

Employees demand empowerment and expect equality with the management. Previous notions on managerial authority are giving way to employee influence and involvement alongwith mechanisms for upward communication and due process.

Loss of Joy and Pleasure

The HR manager of today is an unfortunate individual. He/she has been denied the joy and pleasure of hiring and managing thousands of employees under one roof. Which HR manager of today claims to have experienced the real HR challenges of yester years? Which HR manager today has received bricks, encountered menacing body language of irate workers, faced strikes, saw lockouts, witnessed vehicles being burnt, executives being lynched, saw graffiti on the walls in which his own name is dragged and maligned by militant union leaders? The HR manager of today is a poor legacy of the one lived in the past.

With regard to the HR function, the focus in the coming years would be on the following lines:

- HRM to become integral of business,
- Empowerment of employees,
- Focus on productivity through team building,
- Dynamic/flatter/matrix organizational structures,
- People-sensitive management styles and practices,
- Management of the changing workforce skill/sex/turnover,
- Managing the changing work diversification – change of priorities,
- Efficient use of information technology,

- Strengthening organizational communication,
- Greater focus on man-machine interface,
- Institutionalizing employee involvement,
- Sustaining individual effectiveness through performance feedback and counselling.

LESSON-TWO

NATIONAL DIFFERENCES FACEING OPERATIONS

Working in another country or with an organisation from another countries demands knowledge and consideration of their environmental forces in order to create a good strategic plan. To be successful in international business manager must be students of the culture with which they deal. International operating companies must have a strategic management plan that takes in to consideration the real and potential forces in a foreign environment, as well as the forces at work in the domestic environment. A manager has to understand the new environment, which means understanding the people and their culture. Physical forces and geographic factors determine transportation and production cost. Mountains and deserts are barriers to the movement of people; ideas goods and services can be an advantage if the infrastructure is good. However, it can also be a disadvantage, because real estate and labor are more expensive.

Another important area is legal considerations, both domestic and international. Where a company decides to register its headquarters affects jurisdiction. Knowledge of the laws in both host and home countries, as well as international law, is essential. Specific legal considerations include tax laws and their relative enforcement, liability laws, employee-employer relations, and, most importantly, quotas and other restrictions on imports and exports. In dealing with foreign countries, agreeing on the legal basis for internationals relations and enforcing such laws are equally problematic.

Political forces can have an impact on organizations operating in foreign countries. Political instability should be reason enough for a company to carefully weigh potential gains and losses. Two volatile political forces are nationalism and expropriation. The political environment is a critical variable in the long-term efficiency of a firm. Government involvement is of particular concern in terms of regulation, and firms in regulated industries should pay special attention to environmental trends to predict future courses of action. Strategic management should be based on careful observation and analysis of the political environment.

An organizatio9n that plans to establish a branch in a foreign country should examine the labor pool; skills, social status, religion, gender, and age are major factors that can influence the success of a business. Unknown competitive and distributive forces can interfere as well. A strategist must explore the strengths, weaknesses, and competitive forces in a host country as part of the strategic management process. Distribution channels for goods and services must also be considered. A more highly developed country also has a higher concentration of wholesalers and retailers. Finally, measuring the economy in terms of gross national product (GNP), per capita GNP, and income structure can indicate whether a country would provide an appropriate environment.

Examining all of these variables is mandatory for successful strategic management in the international arena. Strategic management in a company that operates exclusively in a domestic environment, where management is familiar with most of the influencing factors and has ready access to reliable information, might be noting more than determining cost, revenue, and profit; the same cannot, however, be said for a company that goes international.

Larger corporations are more likely to affect developing countries, as opposed to smaller corporations with fewer international operations. This is due to several factors:

Magnetism – This refers to the ability of multinational corporations to integrate and coordinate a global system, which gives them the power to affect the social, political and economic development of the nations with which they do business.

Diversity – Because these large corporations are geographically diversified in their operations, they are minimally dependent on any location. This increases their bargaining power in dealing with their host countries. Influence in a relationship is the result of the power differential between the two parties. There4fore, the greater the balance of power in favor of a multinational corporation, the more likely that it can affect the environment of its host country.

Flexibility- This refers to the ability of multinational corporations to adapt to changing environments. They diversify in numerous ways (locations, products, processes etc.), which enables them to respond to any threats or opportunities in their environments.

The Domestic Environment

The domestic environment is composed of internal forces, such as personnel, production, finance, marketing and external (uncontrollable) forces, such as the social cultural, political-legal, business economic and technological forces that operate within a country. These forces are the basis of any organization and are extremely important in the international environment. Social-cultural forces include education, religion, values, tradition, language, population trends and other factors that provide the basis for the social behavior of individuals in a society. Political legal forces include the government, the legal and judicial system, politics and other factors that affect how a society governs itself and the stability of the process. Business-economic forces include GNP, income distribution, structure of the economic sector, taxes, labor marketing and distribution, the financial sector, infrastructure, foreign trade, and management style. Technological forces include computerization, automation, telecommunications, research and development, and other factors that relate to the overall level of technological development in a country.

Changes in the political factors may mean that a government suddenly restricts exports and imports, which would have a definite impact on doing business overseas. Therefore, a through strategic management effort in a multinational company should include research into all domestic laws that regulate international trade or transfers.

The International Environment

The international environment of a multinational enterprise consists of independent multinational organizations, such as the United Nations, the World Bank, the International Monetary Fund, and the International Organization for Standardization, as well as international treaties and exchange rates. The main purpose of these organizations is to facilitate, promote, and provide security for the international exchange of products, services and money. Therefore, these valuable resources should be integrated into the strategic planning process of a multinational operation.

The World Bank consists of the International Bank for Reconstruction and Development, the International Finance Corporation, and the International Development Association. It mainly serves to provide less developed countries with loans and credit. The borrowers spend millions of dollars provided by the World Bank to buy the products they need for a variety of projects. Therefore, an international company should improve its understanding of these new potential markets. Information about the activities of the World Bank can be a valuable asset in identifying potential buyers in (Least developed countries) LDCs. The World Bank also facilitates business relations by addressing the money needs of future business partner in LDCs. In addition, the bank's center for arbitration works to resolve difficulties encountered by businesses in foreign countries. Awareness of the existence of the center for arbitration can radically change the basis of international strategic management, because it creates an atmosphere of fair play. This is particularly critical when dealing with cultures where business philosophies and missions vary. Foreign partners, whether governments or companies supported by such organizations as the World Bank tend to have better infrastructures, which facilitates business relations in terms of transporting products and communicating.

The World Bank is an example of a multinational organization that facilitates large projects between nations and multinational enterprises. The International Organization for Standardization (ISO) is an example of an organization that facilitates business relations of all sizes by standardizing measurements. Both are representative examples of multinational organizations in the international environment that facilitate relations, supply information, and provide security. International organizations are catalysts of international business and should be integrated into the strategic planning process right from the start. They can offer a variety of reasonable alternatives and provide information to help evaluate those alternatives. Even more important is their impact on implementation and control. The World Bank has a major interest in the success of any project it funds. Therefore, integrating the services of this organization adds the support of one of the most powerful forces in the world.

LESSON-THREE

PERSPECTIVES, LINKAGE AMONG COUNTRIES,

STAKE HOLDERS, THEIR CONCERN AND OF OPERATIONS

In our rapidly changing world the demand on countries to produce expand develop and advance has become over whaling international competition for goods and services has gone for beyond national boundaries.

The international dimension of business has not always been a significant part of American managerial thought. The demand for American goods and services all over the world in the past was not the result of US. Managers being highly dedicated to international business or trade. The demand for US product was due to the fact that the label Made in the USA stood for excellence in quality and durability. American business and industries by and large has had no real interest or need to compete in international markets. The country also had the worlds consumer market and led the world in technology and management's.

Such a combination enabled the US to become one of the most productive of all industrialized nations. Increasing productivity led to a high standard of living, and the US economy become one of the most developed in the history of nations. It is not surprising therefore those American managers were not concerned with the rest of the business world. Business was concentrated at home and was not well developed abroad. However the world has advanced dramatically in all areas of life. In such areas as communication and travel, the of time it takes to visit and communication with other nations has been shortened considerably.

In no time at all we can converse with some one on the other side of the world via telephone, fax or modem. A phone call or fax now produces a link of trucks; planes and ships ready to carry goods to other parts of the world. Any thing can go any where in days the world has become one largest business community.

Conducting business on a global scale is far more complex than operating in a domestic setting. The study of international business has become increasingly important in recent years, so important that since 1974 the American Assembly of the Collegiate Schools of Business (AACSB) has called for the "internationalization" of business curricula. All of the schools that are accredited by the AACSB must require students to complete at least one course in international business. The AACSB suggests that a portion of the curriculum should include an international dimension. Since 1977, the AACSB has launched programs to encourage faculty to internationalize their curricula. However, according to recent survey that most business school curricula still do not offer these important international business courses.

By the beginning of the 1990, about 40 seminars/workshops had been conducted in various parts of the country, and about 1500 faculty members and deans of business schools participated in these seminars. In addition to the efforts of the AACSB, the internationalization process has received extensive publicity in most business periodicals and journals. Despite these efforts, Cohen indicated that as of 1989 only about 33% of the AACSB schools in the southern part of the United States had developed the required courses in international business. A similar percentage of schools in other areas had developed an elective course in international business/management. If this process is to succeed, universities must support their interested faculty members. The support and sponsorship of business schools around the country for professional international organizations is a contributing factor in the internationalization of business curricula. Conferences, proceedings, articles, and books published recently on managing in a global environment have contributed to the advancement and the importance of the internationalization process. The future of business is obviously international, a fact that today's business students cannot afford to ignore.

With the growth of international trade and investment and the emergence of multinational corporations, the utilization of resources has become more efficient. This has led to economic progress and increasing prosperity for many nations. These developments, however, have caused some profound problems for multinational corporations. Cultural differences, trade policies, and the division of the economic benefits of trade have led to fervent debates among nations. As the economies of nations become more tightly intertwined and interdependent, the economic health of those same nations becomes more dependent on external forces.

The emergence of the international arena has created many challenges for business managers. Unfamiliar economic, political, and cultural conditions, alongwith the various national laws and attitudes toward business, must be dealt with by multinational companies in a way that will allow them to retain their competitive advantages in the international market.

The emergence of a global economy and a global trade market has transformed the world into one massive business community. American corporations must prepare for the global markets of America may well decline as a major industrial power. In recent years, the American competitive advantage in this new global economy has been damaged severely, largely as a consequence of loss of market share to such Asian competitors as Japan, South Korea and Taiwan, as well as a unified Europe.

Adapting to the globalization of the world economy and to the related shift from domestic to global business requires adopting a new strategy as well as new managerial skills. If America is to succeed, the business leaders of tomorrow will have to be able to operate effectively and comfortably in a global, multicultural, multilinguial and geocentric environment. As communication and transportation system are improved throughout the world, the power and influence and scope of Multinational Corporation have yet to be decided. However the role these corporation play in a global society will have a significant impact.

Human resource management (HRM) is the basis for the success of any organization. In today's world, people understand more about the importance of the human resource professional and the need for knowledge in this field. An analysis of international human resources aimed at exploring issues that are important to present and future managers, businesses, and the academic community at large is presented. In making the transition from domestic to international positions, human resource professionals must recognize the importance of cultural as well as cross-cultural training, know the recruitment philosophies and selection criteria used by multinational corporations in identifying managers to represent them, and be able to deal with the problems that managers families will encounter.

Managers are facing global changes. In order to meet these challenges, managers will have to perform effectively using their personal knowledge. Shaping a company to reach the global medium is difficult for many reasons, including cultural values, motivation through incentives, and the different levels of expectation that employees have of their managers. The diversity of the work force in the United States and in other countries and governments dramatically increases the complexity of the workplace. Managers will be called on to perceive problems with a broader and deeper understanding.

Sending managers overseas to run a subsidiary company is not always the right decision. Managers have a difficult time adjusting to and understanding the different cultures. Employees in the United States, Europe, Australia, the Arab countries and Japan all expect something different from their managers. Adjusting to the different values is not always as smooth as managers might expect. In order for a company to become successful overseas, it must set up a multination human resource management strategy that provides managers with direction and guidance.

During the past half-century, Japanese industries have acquired an economic strength and influence over the world economy. The literature is full of examples about the unique Japanese management system and attempts to analyze how Japan achieved such remarkable economic success in recent years. Those aspects of Japanese management that do not generally receive much attention are examined in this chapter, which also includes a discussion of why America seems to have difficulty keeping its position as a world-class competitor. Finally, suggestions are offered as to how the United States can meet the economic challenge of the mid-1990 and beyond.

The rate of technological innovation and development of technology has recently come to be considered a major factor in determining economic growth. The various theories of technology transfer and the debate surrounding them are presented in this chapter. It can be concluded from the discussion that this issue will be an important factor in decision making at the top level of management. The complications and the importance of transferring modern technology are addressed. A framework to assist management in less developed countries to acquire and adopt technology is introduced.

LESSON- FOUR

INDIVIUAL AND COMPANY CONCERN

ETHICAL AND SOCIALLY

Ethics refers to a system of moral principles – a sense of right and wrong and goodness and badness of actions and the motives and consequences of these actions. Ethics is the study of good and evil, right and wrong and just and unjust actions of businessman.

Business ethics does not differ from generally accepted norms of good or bad practices. If dishonesty is considers to be unethical and immoral in ethics society, then any business person who is dishonest with his or her employees, customers, shareholders or competitors is an unethical and immoral person. If protecting others from any harm is considered to be ethical, then a company, which recalls a defective or harmful product from the market, is an ethical company. To be considered ethical businessman must draw their ideas about what is desirable behavior from the same sources as anybody else would draw.

SOURCES OF INDIVIDUAL AND COMPANY CONCERN

The individual in every society are influenced by three repositories of ethical values Religion, Culture and Law. These repositories contain unique system of values that exert varying degrees of control over individual and companies. Ethical values constitute a mechanism that

control behavior in all situations and in other walks of life. Ethics –driven restrains are more effective than restrictive control such as police, law suit or economics incentives. Ethical values channellise the individual energies in to pursuits that are begin to others and beneficial to the society. The three repositories of ethical values are
As under-

RELIGION- **It is one of the oldest sources of ethical inspiration. More than 100000 different religions exist across the globe. The major religion converges on the belief that ethics is an expression of divine will that reveal the nature of right and wrong in business and other walks of life. The great religions peach the necessity for an orderly social system and emphasis social responsibility with an objective to contribute to the general welfare.**

CULTURE- **Culture refer to a set of values, rules and standard transmitted among generations and are aimed at modeling behaviors so that they fall within acceptable limits. These rules and standard always play an important part in determining values, because individual anchor their conduct in the culture of the group in which they belong. Civilization itself is a cumulative culture experience in which people have passed through three distinct phases of moral codification. These phases correspond to the changes in economic and social arrangements. Two centuries ago the societies entered in to an industrial stage of cultural experience and ethical system, which once again began evolving to reflect the changing, physical, cultural, institutional and intellectual environment. Large factories and corporations, growth of population, capitalist and socialist, economic doctrines and technology has all replaced the ethical standards of the agrarian stage. Industrialism has not created any distinct ethics, but it has created tensions with old ethical systems based on the values of agricultural societies. Managers run industrial enterprises on the cutting edge of cultural**

experience. The tensions that their actions create make business ethically more complex. For examples, the widespread use of computers for data storage and communication has raised security-related issues.

LEGAL-

Laws are rules of conduct, approved by legislatures that guide human behavior in any society. They codify ethical expectations and change as new evils emerge. But laws cannot cover all ethical expectations of the society. Law is reactive – new statute and enforcement always lags behind the opportunity for corporate expediency.

Whatever ethics the law codifies, it is binding on businesses. The society expects businesses to abide by the law. Obeying the law is presumed to be ethical behavior.

Although the society expects businesses to be law abiding, seldom do the businesses adhere to the rules. Law breaking in business is common. Taxes are evaded, hundreds of employees die because of occupational diseases, many perish because of industrial accidents, and millions others receive disabling injuries on the job. The blame for these death and injuries had to be shared by careless employees and employers who fail to adhere to occupational health and safety laws.

Consumers suffer because of poor-quality and high-priced products supplied by businessmen. Businesses that degrade the environment by disregarding environment protection laws cause misery to the society.

Ethics is important to business in general, and HR in particular, for several reasons as stated as follows:-

1. Ethics corresponds to basic human needs. It is man's basic nature that he desires to be ethical; not only in his private life but also in his business affairs where, being a manager, he knows that his decisions may affect the lives of thousands of employees. Moreover, most people want to be a part of an organisation, which they can respect and be proud of, because they perceive its purpose and activities to be honest and beneficial to the society. Most HR managers would like to respond to this need of their employees, and they (managers) themselves feel an equal need to be genuinely proud of the company they are directing. These basic ethical needs compel the organizations to be ethically oriented.

2. A company perceived by the public to be ethically and socially responsive will be honored and respected even by those who have no intimate knowledge of its actual working. There will be an instinctive prejudice in favour of its products, since people believe that the company offers value for money. Its public issues will attract an immediate response.

3. Values give the management credibility with its employees. Values are supposed to be a common language to bring the leadership and its people together. Organizational ethics, when perceived by employees as genuine, create common goals, values, and language. The HR management can have credibility with its employee's simply because it has credibility with the public. Neither a sound business strategy, nor a generous compensation policy and fringe benefits can win employee credibility, but perceived moral and social uprightness can.

4. Values help better decision-making. Another point of great importance is that an ethical attitude helps the management make

better decisions, that is, decisions which are in the interest of the public, their employees, and the company's own long-term good, even though the decision making is slower. This is so because respect for ethics will force a management to take various aspects – economic, social and ethical – in making decisions.

5. Ethics and profit go together. A company, which is inspired by ethical conduct, is also profitable. Value – driven companies are most likely to be successful in the long run, though in the short run, they may lose money.

6. Law cannot protect the society, ethics can. Ethics is important because the government, law and lawyers cannot do everything to protect the society. Technology develops faster than the government can regulate. People in an industry know the dangers in a particular technology better than the regulatory agencies. Further, the government cannot always regulate all activities, which are harmful to the society. Where law fails, ethics can succeed. An ethically oriented management takes measures to prevent pollution and protect workers' health even before being mandated by the law. An ethically sound HR manager, who can reach out to agitated employees, will quell a trouble more effectively than the police.

IMPROVING ETHICAL DECESION MAKING

Ethical decisions are difficult to make. They cannot be programmed like production and inventory decisions. This section contains practical difficulties in decision-making and guidelines, which help managers in making a choice.

Difficulties in Decision Making

There are at least nine reasons that can be attributed to decision-making in the ethical context.

First, managers face, as stated earlier, dilemmas in deciding on a course of action.

Second, managers confront situations where a distinction between facts and values has to be made while making ethical decisions. Facts are statements about 'what ought to be'. 'What is' can never define 'what ought to be'. For example, the cost of researching, developing and producing a life-saving drug may necessitate fixing a high price, as far as the company is concerned. But the price may be perceived as exploitative by users.

Third, the good and evil exist simultaneously, in tandem, and are inter-related. Nestlé's sales of infant formula in Kenya and Zambia have led to infant deaths as mothers mixed the powdered food with contaminated local water and their babies died of dysentery. But evidence also shows that the same formula has saved other infants. Evils should be minimised if not eliminated.

Fourth, knowledge about the consequences of an action is limited. One of the principles of decision-making is utilitarian. This implies that if an act results in the greatest good of greatest numbers, it is taken as morally acceptable. This principle assumes that the consequences of the act are defined. But in an uncertain environment, consequences cannot be easily predicted.

Fifth, antagonistic interests frequently use incompatible ethical arguments to justify their intentions. Thus, the ethical stand of an organisation is often based on entirely different premises from the ethical stand of critics. Animal lovers may argue against slaughter on the ground that animals are entitled to rights similar to those enjoyed by humans, including the right to live. Poultry growers, on the other hand, contend that raising animals for food ensures benefits to society.

Sixth, some ethical standards vary with the passage of time. Donatio9ns to political parties were forbidden earlier, but it is allowed now. In addition, certain bribes and payments are practiced in the Asian, African, and Latin American countries but are not regarded as ethical in the US. Doing business with close friends and family is a standard practice in the Arab world, but is treated as nepotism in Western Europe.

Seventh, ethical behavior is moulded from the clay of human imperfection. Unethical practices abound everywhere. An honest HR manager finds himself or herself like a babe in the woods, not able to do anything, surrounded as he or she is, by dishonesty everywhere.

Eighth, the early 21st century presents managers with newer and emerging ethical problems that are not solved easily with traditional ethical guidelines. For example, modern ethical theory has not yet developed an adequate principle for weighing human life against economic factors in a decision. Cancer studies may predict that workers exposed to chemicals will become ill in small numbers far in the future. How should this information be balanced against costs of regulation, capital investment or job loss?

Finally, the growth of large-scale organizations in the 21st century gives new significance to ethical problems such as committee decision-making that masks individual responsibility, organizational loyalty versus loyalty to the public interest, and preferential hiring of disadvantaged sections of society.

Ways of Resolving Ethical Issues

The individual in business can take number of steps to resolve ethical problems:-

First, he or she can consider three well-known principles to resolve an ethical issue: moral idealism, intuitionism and utilitarianism.

Moral idealism postulates that certain acts are good and others are bad. Pursue those acts, which are good and avoid the bad ones. Moral idealism gives definite answer to ethical issues.

Intuition leaves it to the individual HR practitioner to sense the moral gravity of the situation. If he or she feels that his or her motives are good and that they do not intend to hurt anyone, he or she is taking an intuitive approach to morally difficult situations.

Utilitarianism seeks to establish the moral locus not on the act or the motives but on the consequences. If the consequences represent a net increase in the society's happiness, or at least not a decrease, the act is morally right.

Principles of the type described above help a manager in making a decision in ethically difficult circumstances.

Second, Consider some decision tactics that illuminate moral choices. One such device is to engage in imaginary conversations with a hypothetical opponent as an antidote for certitude. Have a debate with an intelligent person who takes a different view. Seek out a more experienced, ethically sensitive person in the organisation to be your adviser. Alternatively, write an essay in favour of a stand and then a second, to oppose it. Write a case study in the third person about your situation. Try to apply ethical principles in answers to questions raised by the case.

Third, write down pros and cons in the form of a balance sheet. The balance-sheet approach helps decision making by presenting information in an organized way.

Fourth, Sort out ethical priorities before problems arise. Prioritization shall help consider alternatives when one is not under stress.

Fifth, one should commit oneself publicly on ethical issues. He or she should identify potential areas of ethical conflict and make clear his or her opposition to padding expense accounts, stealing supplies from the company, bias in performance appraisal or unjust laying-off of employees. Once the stand is made clear, employees will be less tempted to approach with corrupt intentions.

Finally, ethical perfection is illusionary. We live in a morally complex civilization with profuse rules, norms, obligations and duties, like road signs that generally point in the same direction, but sometimes do not. No method of decision-making ends conflicts, no principle penetrates unerringly to the good, and no manager achieves an ethical ideal.

But the HR practitioners cannot absolve themselves of their responsibility to ensure ethical conduct. In fact, the special role of the HR function has resulted in significant exposure to ethical challenges for the HR manager. As the function is integrated into the strategic management of the enterprise, and the HR executive is routinely involved in the process that deals with company-wide issues, the exposure to ethical issues grows.

As a result, the HR manager deals with more stakeholders than other functional managers: the interests of the company, as seen from management's perspective; the interest of the employees, where the HR manager historically has been expected to play the role of advocate; and the interests of shareholders and other stakeholders.

The HR manager is often involved into an ethical dilemma particularly when employee's interests conflict with those of the organisation. His or her position becomes more embarrassing when the organization's leadership engages in unethical actions or promotes unethical behaviors. The HR executive, who is a member of the top-management team, can influence and sometimes bring about changes in the ethical culture of the organisation. However, one who expects to substantially and positively influence an organization's ethical behavior is probably deemed to disappointment.

LESSON -FIVE

CAREER IN INTERNATIONAL BUSINESS.

Today's business environment is constantly changing, and the ability to adapt to this changing environment is critical to the future success of large companies. As companies adapt, they will have to expand into international markets. As firms move from domestic to international markets, management philosophy must change to better suit the cultural diversity of the personnel of a multinational corporation. The way management handles the move to a foreign market can increase the probability of success in the foreign arena. With proper recruitment and selection criteria, the appropriate staff can be chosen to help run foreign subsidiaries.

Competitive advantage in international business has changed the world's manufacturing environment considerably. While there are many reasons for this change, technical advances seem to be the most significant. There is scant literature to guide an examination of the similarities and differences between international and domestic HRM. Given that the rapid growth of international business enterprises is a relatively recent event, this lack of research material on either international HRM or the differences between international and domestic HRM is not surprising. As Leap and Oliva point out, an examination of the history of HRM shows that changes in organizational practice typically occur well in advance of academic interest in these issues.

An international human resource department must engage in a number of activities that differentiate domestic and international HRM. One management guru states that a domestic human resource department at corporate headquarters or field locations typically divides its time among eight activities. Employment and resources planning, wage and salary administration, employee benefits, training and management development, labor relations, safety, personnel systems and policy, and equal employment opportunities. At the corporate headquarters level, the two major activities that differentiate domestic and international HRM are taxation relocation and orientation.

A firm generally begins with a domestic operation, which concentrates on the hom market. As the home market becomes saturated, usually due to competition, a domestic firm begins to rely more heavily on exports. By exporting products to foreign markets, a company can make up lost earnings in the home market. In addition, the need for cheap labor, additional resources, and new technology can lead to expansion into a new market in the international arena.

As a firm begins to export and eventually branch out, establishing production facilities and offices abroad, it must also find ways to better service its new market. A MNC must recognize the new environment in which it is operating and make changes to fit the different needs of the individuals in this market. A firm must understand many different criteria in order to be successful in a foreign market. Managers of MNCs must familiarize themselves with the differences in culture, social beliefs, language, philosophy, religious beliefs, work habits, and overall customs of the market in which they will function. Adapting to these differences is a key element in the ongoing success of a company competing in the international marketplace. As a firm grows, understanding these differences becomes essential. In other words, cultural and political differences do not necessarily restrict business opportunities.

After a corporation has dealt with the external environment, it must then begin to look at the internal environment. One important area is developing a corporate culture and establishing HRM policies.

RECRUITMENT PHILOSOPHY

An objective selection process should be used when hiring from a global pool of applicants, which means that the best-qualified applicant should be chosen for each job. However, research indicates that a major influence on hiring decisions is the attitude of top executives toward host country nationals. There are four approaches to recruitment that are used by MNCs.

The first approach is ethnocentrism. Management staffs all key positions, both at home and abroad, with home country executives. This approach is found in firms that are highly centralized and that rely on low-cost production of products.

The second approach is polycentrism. The attitude here is that host country management should be done by host country nationals. It is based on the belief that home country nationals are better able to understand their own markets.

The third approach is regiocentrism. This means that global markets should be handled regionally. For example, the main headquarters for all European markets might be located in France, or headquarters for all markets in North and South American would be in the United States. This style is used when similar products are sold all over the world and only the marketing is tailored to meet different cultural needs.

The fourth approach is geocentrism. According to this approach, qualified people can come from any background or culture. Resource allocation, staffing, manufacturing, and marketing are done on a global basis.

SELECTION CRITERIA

Selecting a manager to operate a corporation in a foreign market is a major decision. To the people of a host country, the manager represents both the MNC and its home country. The impression a manager leaves lasts a long time, long after the manager returns home. Therefore, choosing the right manager to go abroad could mean the difference between success and failure.

What criteria should be used when selecting a manager for a foreign assignment? What characteristics should a manager possess? Opinions differ as to what makes a good manager, but the following seven criteria are among the most frequently mentioned.

Technical and managerial skills:

These skills are usually based on past performance at the managerial level. The technical, administrative, and managerial skills that make a manager successful at home are applicable in a foreign assignment.

Motives and desires:

Motivation for wanting a job is an important factor. The best candidates have a genuine interest in the host country, rather than just a financial incentive. A good candidate should know something about the host country, preferably through travel or by learning the language.

Social skills:

This may be the most important attribute. A manager must be able to interact with and understand people in the host country. He or she must be able to form relationships and understand the norms of the society in order to effectively deal with the people, whether on a business or social level. Social activities, such as attending a sporting event or eating out, often provide an opportunity for interaction.

Diplomatic skills:

A manager's ability to interact with business associates, government officials, and political leaders.

Maturity and stability:

The ability of a manager to deal with a situation logically.

Family factors:

The ability of a manager's family to adapt to a new environment is a major factor in the success or failure of a MNC in a foreign country.

Other attributes:

Less specific criteria that may vary from culture to culture. For example, age is a sign of authority in some countries. Women may find it difficult to deal with host country nationals, subordinates, colleagues, or clients in some countries due to societal restrictions.

Managers should be fully aware of differences in culture and ethics. They should be fluent in their host country's language and aware of its traditional business practices.

The process of selecting host country and third country national managers is time consuming. Technical expertise, adaptability, flexibility, communication and decision-making skills are key ingredients in the process.

There are many reasons for hiring qualified international managers. Host country personnel may not have received the professional training that would allow them to assume managerial roles. A combination of poor educational opportunities and depressed economic conditions in a host country may limit the number of talented and qualified people available for employment.

Foreign investors and managers may find that work setting and employee attitudes in foreign countries are, in some instance, more conductive to business. Obedient employees are less likely to confront employers or managers, labour dispute, which are common in western countries. Managers should understand that emphasis on technical skills, which is considered very important in measuring the success of organisation in the west, might not be quite as appealing in foreign countries.

Foreign managers and investors should understand that workers in other countries like to know that they are approached by the organisation as demonstrated through its HRM practices. These practices include selection and training geared toward overall concern for employees and collective negotiation in the workplace.

SELECTION CRITERIA AND TECHNIQUES

An executive who serves abroad not only represents his company but is also viewed as and ambassador without portfolio'. He must have adaptive capabilities in addition to managerial and technical competence. Open mindedness, tolerance and respect for other viewpoints and traditions, and knowledge of the history and culture of the host country are some of the prerequisites of success in overseas assignments. A sense of politics, organizational abilities and overall abilities to achieve company's goals through acceptance and cooperation are other attributes required. The attitude of executive's spouses is also a critical factor. A survey of large number of American executives overseas by Gonzalez and Negandhi has shown that adaptability of spouse and children is considered a major source of success. The attributes that contribute to ideal background for overseas manager are listed below.

Ideal Background for an Overseas Career Background

Wife and family adaptability, leadership ability, knowledge of job, higher education, respect for laws and people of host country, previous overseas experience, desire to serve overseas, knowledge of the language of host country, managerial understanding and credentials are important for career overseas. For assessing the credibility, organizations now a days are practicing "adaptability Screening' which account factors such as, measuring suitability for life abroad and its of the stresses that life in foreign country will experience.

Managers who had shown adaptability to transfers and who are not too tied to their own culture, traditions are likely to adapt abroad. The spouse, in most cases the wife, as it is she, who has to bear the brunt of the transfer. For the husband it is largely in the nature of advancement of career and opportunity to grow. The wife is required to develop a new set of social relations, so that she may not feel lonely in new environment. While she may need more time and attention of husband who may be her only companion for quite some time the husband may find little time because of the demands of new job at a new place in a new environment. But this may sometimes lead to marital stress, which may affect performance at work May therefore, not only take into account the adaptive ness but also values strength of the marital ties. Selection decision should be based on the expatriate adjustment needed in the workplace. The issues that will be important here in this case are interaction with host nationals, technical competence, culture novelty, family situation, and communication all considered in this decision-making framework. This also gives a consideration to the fact that verses jobs differ, and that some jobs need much more interaction with host nationals than others. Therefore the criteria need not to be same for all overseas assignments. The framework needed does not specify exactly how candidates can be measured and evaluated on the proposed criteria's, which are considered important in the selection process.

The MNE, which follow a rigorous procedure of selection to assess necessary competences, have less failure rate. The cost of screening be4fore placement is always much lower than the cost of failure in the new environment.

Conclusion

A company's international human resources efforts should complement its level of international development and grow with its international commitments An MN
E is always highly dependent and committed to international operations. Its international human resource needs a more extensive than the organizations those of a company that merely exports or import a small portion of its output of supplies. Such companies' need is for the persons that are technically trained or knowledgeable about trade documents, documentation, foreign exchange risk, and political – economic conditions that may affect the trade flows. And MNEs also needs a multinational workforce and managers who can integrate the work effectively.

As a company moves to other foreign operations, it must consider how to staff, motivate, and compensate its foreign work force. The norms in these human resource activities vary substantially form one country to other country and the cause of it is economic, cultural and legal conditions.

REVIEW QUESTIONS

1 What is I HRM? How it differs from domestic HRM?

2 Explain the different activities of IHRM.

3 In what way has increased international competition influenced HRM?

4 Identify and discuss the major forces influencing HRM in future.

5 Define the term ethics. Explain the sources of ethics. Why is ethics important?

6 Explain the various HR ethical issues.

7 How we can manage ethics in the present Globalize and competitive environment.

8 Please discuss about the career in International Business.

Human Resource Management(HRM) is a management function that helps Mangers recruit, select, train and develop members for an organization. HRM is concerned with the people's dimension in organization. It focuses on people in organizations. HRM refers to a set of Program's, functions and activities designed and carried out in order to maximize both employee as well as organizational effectiveness.

Human resource management encompasses those activities designed to provide, motivate and coordinate a the human resources of an organization. Human resource management is a modern term for what has traditionally been referred to as personnel administration or personal management.

HUMAN RESOURCE FUNCTIONS

Human resource functions refer to tasks performed in an organization to provide for and coordinate human resources. Human resource functions are concerned with a variety of activities that significantly influence almost all areas of an organization and aim at:

- Ensuring that the organization fulfils all of its equal employment opportunities and other government obligations.
- Carrying out job analysis to establish the specific requirements for individual jobs within an organization.
- Forecasting the human resource requirements necessary for the organization to achieve its objectives-both in terms of number of employees and skills
- Developing and implementing a plan to meet these requirements.
- Recruiting and selecting personnel to fill specific jobs within an organization.
- Orienting and training employees.
- Designing and implementing management and organizational development programmes.
- Designing systems for appraising the performance of individuals.
- Assisting employees in developing career plans.

In Global village, organizations have crossed the boundary of the country in terms of their business operations. The success of a domestic business depends on its human resources, so in the case with an international business. The type of people, the willingness with which they work and the commitment they exhibit towards the organization determine the competitive edge of an MNC in the international market. The international firm may have the best of resources at its headquarters. The resources cannot be effectively utilized or transferred to foreign affiliates without using the human power.

An international business must procure, motivate, retain, and effectively utilize services of people both at the corporate office and at the foreign plants. The process of procuring, allocation, and effectively utilizing human resources in an international business is called international human resources management (IHRM).

IHRM is the interplay among the three dimensions - HR activities, types of employees, and countries of operation

1. The three broad activities of IHRM, namely procurement, allocation and utilizing cover all six activities of domestics HRM. The six functions of domestic HRM are HR planning, employee hiring, training an development, remuneration, performance management, and industrial relations. These six functions can be dovetailed with the three broad activities of IHRM..
2. The three national or country categories involved in IHRM activities are - the host country where a subsidiary may be located, the home country where the company has its headquarters, and other countries that may be the source of labour or finance.
3. The three types of employees of an international business are host country nationals, parent country nationals, and third country nationals. Thus, for example, IBM which employs Australian citizens in its Australian operations, often sends US citizens to Aisa Pacific countries on assignment, and may send some of its Singaporean employees to its Japanese operations.

DOMESTIC HRM AND IHRM COMPARED

Several factors differentiate IHRM from domestic HRM. The main characteristics of IHRM are.

1. More HR activities.
2. Need for a borader perspective.
3. More involvement in employee personal lives,

4. Changes in emphasis as the workforce mix of expatriates and locals varies.
5. Risk expousure, and
6. More external influences.

More Human Resources Activities :

The scope of IHRM is much broader than managing domestic HR activities. There are issues connected with international taxation, international orientation and relocation, administrative services for expatriates, host government regulations, and language translation services.

Need for Broader Perspective :

When compared to domestic HRM, IHRM requires a much broader perspective on even the most common HR activities. For example, while dealing with pay issues, the corporate HR manager must co-ordinate pay systems in different countries with different currencies that may change in relative value to one another over time. While handling fringe benefits too, complications tend to arise. It is a common practice in most countries to provide health insurance to employees and their families. The family in some countries is understood to include the employee's spouse and children. In other countries, the term family may encompass a more extended group of relative multiple spouses, aunts, uncles, grandparents, nephews and nieces. It is a difficult task for an international business to deal with the different definitions of family.

More Involvement in Employee's Personal Lives:

A greater degree of involvement in the employee's personal lives is necessary for the selection, training and effective management of both parent country and third country nationals. The HR department needs to ensure that the expatriate employee understands housing arrangements, health care, and all aspects of remuneration packages provided for the foreign assignment. Many international business maintain an " International Human Resource Service " section that coordinate administration of the above programmes and provides service for the parent country and third country nationals such as handling their banking, investments, home rental while on assignment, coordinating home visits, and final repatriation.

Involvement of the HR department in the personal lives of the employees is limited in domestic HRM. The firm may, for example, provide employee insurance programme, or when a transfer is involved, the HR department may provide some assistance in relocating the employee and his or her family. But in the international setting, the HR department must involve itself more and understand the personal lives of employees to provide the service and support needed by them. For example, some governments ask to submit a marriage certificate before granting visa to an accompanying spouse. Thus, martial status could become an important consideration in the selection process. In such a situation, the HR department should advises all candidates being considered for the positions of the host country's visa requirement with regard to martial status and allow each candidate to decide whether he or she wishes to remain in the selection process. Apart from providing suitable housing and schooling in the home country. These issues do not figure in domestic HR management .

Changes in Emphasis

As an international business matures, the emphasis placed on various HR activities change. For example, as the need for parent company and third country nationals declines and more trained locals become available, resources previously allocated to areas such as expatriate taxation, relocation, and orientation are transferred to activities such as staff selection, training, and management development. The later activity may require establishment of a programme to bring high potential local staff to corporate headquarters for development assignments. The need to enhance emphasis in HR activities, as a foreign subsidiary matures, is clearly a factor that broadens the responsibilities of local HR activities.

Risk Exposure

Risk exposure is high in domestic HRM. Unfair hiring practice may result in a firm being charged with the violation of the Constitutional provisions and be liable for penalties. Failure to maintain cordial relations with unions may result in strikes and other forms of labour unrest. In IHRM, these risks exit and in addition, there are other hazards that are unique and more threatening. Depending on the countries where the MNC operates, the headquarters and subsidiary HR managers may have to worry about the physical safety of the employees. In many countries Kidnapping and terrorism are common and the international HR managers must learn to live with them. Terrorism poses a great risk to international operations. Firms are, therefore, forced to speed

1 to 2 per cent of their revenues on protection against terrorism. These are not the problems usually confronted by domestic HR managers.

Besides these risks, it has been estimated that an average expatriate manager, with family, costs an MNC nearly $ 2,50,000 (US) per year and that rates for American Expatriate managers have ranges from 25 to 40 percent between 1965 and 1985. If managers do not perform well and must be recalled to the home country, their failure represents huge financial losses for the firms. The risks associated with the poor selection decisions are high.

Yet another risk is that of expropriation of seizure of MNC's assets in a foreign country. If HR policies antagonize the host country unions or important political groups, the MNC may be asked to leave the country, have its assets seized, or find the local government taking the majority control of its operations. This is not the sort of risk that most domestic HR managers face.

External Influence

The IHRM activities are influenced by a greater number of external factors than are domestic HRM functions. Because of the visibility that the international business tend to have in host countries (particularly in developing countries) the subsidiary HR managers may have to deal with ministers, political figures, and a greater variety of economic and social interest groups than domestic HR managers would normally encounter. A host country government can dictate hiring procedures as is the case in Malaysia. During the 1970s, the Malaysian government introduced an injunction according to which foreign firms must comply with an extensive set of affirmative action rules designed to provide additional employment opportunities for the Malaysians.

In developed countries, labour is more expensive and better organized than in less developed countries, and governments require compliance with guidelines on issues such as labour relations, taxation, health and safety. These factor shape the activities of the subsidiary manager considerably. The subsidiary HR manage also needs to spend time learning and interpreting the local ways of doing business and the general code of conduct regarding activities such as giving gift. It is also likely the that subsidiary HR manager will become more involved in administering benefits such as housing, education and other facilities the are readily available in the local country.

MANAGING INTERNATIONAL HR ACTIVITIES:

Managing international HR activities is an elaborate and complex task. The basic steps involved in international HR activities are

1. HR Planning
2. Recruitment and Selection
3. Training and Development
4. Performance Management
5. Remuneration
6. Repatriation
7. Employee Relations

HR Planning

HRP assumes greater relevance in international business where efficient use of human resources is necessary to realize strategic global objectives. But the implementation of HRP procedures may be difficult in some host countries than in others. In cultures where people are viewed as being basically subjugated to nature, there is very little need for HRP. After all, why plan when people are unable to determine what happens? The implementation of extensive HRP systems in such cultures would be met with bewilderment at best and significant resistance at worst. Likewise, societies that are oriented towards the present would not view long term planning as valuable. In societies oriented towards the past, planning, would tend to focus on purely historical data and the use of these data in predicting future HR needs.

Such an approach might be appropriate for firms that operate in relatively stable environments, but would not work well for firms operating in highly volatile environments, where the past has little to do with the future.

Six other key issues in international HRP are as follows :

1. Identifying top management potential early.
2. Identifying critical success factors for future international managers.
3. Providing developmental opportunities.
4. Tracking and maintaining commitment to individuals in international career paths.
5. Tying strategic business planning to HRP and vice versa.

6. Dealing with multiple business units while attempting to achieve globally and regionally focused (e.g European or Asian) strategies.

The Importance of International Human Resources

Attracting the most qualified employees and matching them to the jobs for which they are best suited is important for the success of any organization. For international organizations, the selection and development of human resources is especially challenging and vitally important. As prevalent and useful as e-mail and Web- and teleconferencing have become, and despite the increasing incidence of subcontracting and outsourcing, face-to-face human contact will remain an important means of communication and transferring "tacit" knowledge —knowledge that cannot be formalized in manuals or written guidelines. Hence, most companies continue to deploy human resources around the world as they are needed, although the range of options for filling human resources needs is expanding.

SOURCES OF HUMAN RESOURCES

MNCs can tap four basic sources for positions: (1) home-country nationals; (2) host-country nationals; (3) third-country nationals; and (4) inpatriates. Inaddition, many MNCs are outsourcing aspects of their global operations and in so doing are engaging temporary or contingent employees. The following sections analyze each of these major sources.

Home-Country nationals

Home-country nationals are managers who are citizens of the country where the MNC is headquartered. In fact, sometimes the term *headquarters nationals* is used. These managers commonly are called **expatriates,** or simply "expats," which refers to those who live and work outside their home country. Historically, MNCs have staffed key positions in their foreign affiliates with home-country nationals or expatriates. Based on research in U.S., European, and Japanese firms, Rosalie Tung found that U.S. and European firms used home-country nationals in less developed regions but preferred host-country nationals in developed nations. The Japanese, however, made considerably more use of home-country personnel in all geographic areas, especially at the middle- and upper-level ranks.

There are a variety of reasons for using home-country nationals. One of the most common is to start up operations. Another is to provide technical expertise. A third is to help the MNC maintain financial control over the operation.

In the past, expatriates were almost always men, but over the last decade there has been a growing number of female expatriates as companies realize that women want international assignments and are prepared to assume the challenges that accompany these jobs.

In recent years, there definitely has been a trend away from using home-country nationals. This is true even among Japanese firms, which long preferred to employ expats and were reluctant to allow local nationals a significant role in subsidiary management.

Beamish and Inkpen conducted an analysis of over 3,200 Japanese subsidiaries and found that the percentage of expats in larger units has been declining steadily over the last four decades. What has caused this? Four reasons for the declining use of Japanese expats have been cited. First, as the number of Japanese subsidiaries worldwide has increased, it has become more difficult to find the requisite number of qualified expats to handle these assignments. Second, the growing number of effective local managers makes it no longer necessary to rely as heavily on expats. Third, the high cost of keeping expats overseas is having a strong negative effect on company profits. Fourth, Japanese human resource management policies are changing, and the old "rice paper ceiling" that prevented non-Japanese from being promoted into the upper management ranks of subsidiaries is now beginning to disappear. This last development, in the United States in particular, is a result of Japanese firms realizing that their American subsidiaries have not been able to compete effectively. Japanese expat managers have been outflanked by their American counterparts. In particular, Japanese managers have not known how to fine-tune products for the U.S. market; did not understand how to tailor market approaches to different customer segments; and were unable to develop the speed, flexibility, and responsiveness needed to compete with the Americans.[15] It is highly likely that MNCs from other countries besides Japan are also following this trend of using local managers in lieu of expats.

Host-Country Nationals

Host-country nationals are local managers who are hired by the MNC. For a number of reasons, many multinationals use host-country managers at the middle and lower-level ranks: Many countries expect the MNC to hire local talent, and this is a good way to meet this expectation. Also, even if an MNC wanted to staff all management positions with home-country personnel, it would be unlikely to have this many available managers, and the cost of transferring and maintaining them in the host country would be prohibitive.

In European countries, home-country managers who are assigned to a foreign subsidiary or affiliate often stay in this position for the remainder of their career. Europeans are not transferred back to headquarters or to some other subsidiary, as is traditionally done by U.S. firms. Another approach, the least common, is always to use a home-country manager to run the operation.

U.S. firms tend to rely fairly heavily on host-country managers. Tung identified four reasons that U.S. firms tend to use host-country managers: (1) These individuals are familiar with the culture. (2) They know the language. (3) They are less expensive than home-country personnel. (4) Hiring them is good public relations. European firms that use host-country managers gave the two major reasons of familiarity with the culture and knowledge of the language, whereas Japanese firms gave the reason that the host-country national was the best-qualified individual for the job.

Third-Country Nationals

Third-country nationals (TCNs) are managers who are citizens of countries other than the country in which the MNC is headquartered or the one in which they are assigned to work by the MNC.

Tung found that the two most important reasons that U.S. MNCs use third-country nationals were that these people had the necessary expertise or were judged to be the best ones for the job. European firms gave only one answer: The individuals were the best ones for the job.

A number of advantages have been cited for using TCNs. One is that the salary and benefit package usually is less than that of a home-country national, although in recent years, the salary gap between the two has begun to diminish. A second reason is that the TCN may have a very good working knowledge of the region or speak the same language as the local people. This helps to explain why many U.S. MNCs hire English or Scottish managers for top positions at subsidiaries in former British colonies such as Jamaica, India, the West Indies, and Kenya. It also explains why successful multinationals such as Gillette, Coca-Cola, and IBM recruit local managers and train them to run overseas subsidiaries. Other cited benefits of using TCNs include:

1. These TCN managers, particularly those who have had assignments in the headquarters country, can often achieve corporate objectives more effectively than do expatriates or local nationals. In particular, they frequently have a deep understanding of the corporation's policies from the perspective of a foreigner and can communicate and implement those policies more effectively to others than can expats.

2. During periods of rapid expansion, TCNs can not only substitute for expatriates in new and growing operations but can offer different perspectives that can complement and expand on the sometimes narrowly focused viewpoints of both local nationals and headquarters personnel.

3. In joint ventures, TCNs can demonstrate a global or transnational image and bring unique cross-cultural skills to the relationship.

Inpatriates

In recent years a new term has emerged in international management—inpatriates. An inpatriate is an individual from a host country or a third-country national who is assigned to work in the home country. Even Japanese MNCs are now beginning to rely on inpatriates to help them meet their international challenges.

This growing use of inpats is helping MNCs better develop their global core competencies. As a result, today a new breed of multilingual, multiexperienced, so-called global managers or transnational managers is truly emerging.

Subcontracting and Outsourcing

Other potential sources of international management talent are subcontracting and offshore outsourcing. Offshore outsourcing is made possible by the increasing organizational and technological capacity of companies to separate, coordinate, and integrate geographically dispersed human resources—whether employed directly by the firm or contracted out—across distant geographic borders.

On the one hand, offshore outsourcing, as well as the hiring of temporary workers from a Broad on special visas, similar to inpatriates, presents significant opportunities for cost savings and lower overhead. On the other hand, the recent wave of media attention has focused on widespread concern that in an age of cheap telecommunications, almost any job, professional or blue-collar, can be performed in India for a fraction of U.S. wages.

Moreover, although the cost for a computer programmer or a middle manager in India remains a small fraction of the cost for a similar employee in the United States (a programmer with three to five years' experience makes about $25,000 in India but about $65,000 in the United States), the wage savings do not necessarily translate directly into overall savings because the typical outsourcing contract between an American company and an Indian vendor saves less than half as much as the wage differences would imply. Microsoft recently revealed that it has been paying two Indian outsourcing companies, Infosys and Satyam, to provide skilled software architects for Microsoft project.

Though politically controversial, outsourcing can save companies significant costs and is very profitable for firms that specialize in providing these services on a contract basis. U.S.-based firms such as EDS, IBM, and Deloitte have developed specific competencies in global production and HR coordination, including managing the HR functions that must support it. These firms combine low labor costs, specialized technical capabilities, and coordination expertise.

RECRUITMENT

The response of an international firm to an international recruitment and selection depends on:

1. Its general staffing policy on key positions in headquarters and subsidiaries,
2. Its ability to attract the right candidate, and
3. The constraints placed by the host government on hiring policies.

There are four major approaches to multinational staffing decisions.

Ethnocentric approach.

Under this, parent nation employees fill all key positions in a multinational. While this approach may be common for firms at the early stages of internationalization, there are business reasons for pursuing such an approach: (a) a perceived lack of qualified host nation employees, and (b) the need to maintain good communication, coordination, and control links with corporate headquarters.

Normally, when a multinational company acquires a firm in any other country it wishes to replace local manager with the parent company nationals to ensure that the culture and values to be uniform in all the units of the MNC throughout the globe. Subsequently, based on the competency of the local people they may be inducted to the company to have the local understanding in terms of managing people and market dynamics. This policy has a lot of disadvantages.

(a) It limits the promotion opportunities of host country nationals, which may lead to decline in productivity and high labour turnover. In the process, company may lose competent people also.

(b) The parent company nationals being placed in the host country take lots of time in understanding the local dynamics leading to faulty decisions.

(c) The salary structure of the parent company nationals creates a feeling which is much better than its employees in other countries, discrimination and frustration among the employees from the host country. For example, an American multinational (parent company) posting an American employee In India (host country) and giving the salary in dollars term will create negative feeling among the Indian employees working in the same MNC in India drawing salary in Indian rupees.

Moreover, it is quite expensive to employ expatriates in foreign locations. This has been reflected in a study by Cieri, Dowling & Taylor (1991). The findings say that 50% of responding firms estimated that the average cost of expatriates was three to four times that of a normal salary and 18% indicated more than four times the salary

Polycentric approach.

This approach is basically taken up while employing host country nationals in the subsidiary of the MNC operating in that country and its basic premise is that parent country nationals will only hold positions in the corporate headquarters. This policy resolves many disadvantages of ethnocentric approach and has the following advantages:

(a) There would be no language barrier. The local dynamics can be well taken care of by the local people. The hassles of cultural adjustment are not there.

(b) Managing local politics and administration will be very easier.

(c) This is less expensive than the ethnocentric approach.

However, it also has a few disadvantages:

(a) Maintaining understanding between the corporate and the subsidiary management becomes difficult.

(b) It also becomes difficult to imbibe the original culture of the company.

(c) This will not provide the opportunity to the host country employees to get exposure and experience outside their own country, which will minimize their growth and development in the organization beyond their own country.

Geocentric approach

This approach subscribes the view of employing the best people in key positions throughout the organization without the consideration of any nationality. This addresses the disadvantages of both ethnocentric and polycentric approach. It is not necessary that the competent people are available only in the host or parent nations. They may be available in any part of the globe. Moreover, it helps the organization to develop core competency taking the best talents in the core team.

This approach has some drawbacks like the constraints in terms of the employment policy of the particular country, the paper work involved in hiring a foreign national instead of a local national, hassles 'of obtaining work permit for dependents of the employee. Moreover, this is expensive in terms of the investment towards training and development of the individual, benchmarking the salary with the international compensation package, which is definitely more than the salary to be given to the individual in his home country. Though this approach gives long-term benefits in terms of developing an international core team, the success depends on the commitment of the top management in accepting and adapting the system.

Regiocentric approach

This approach advocates the division of operations of the multinational company on the basis of some geographical regions and allows the transfer of employees within a particular region. Many companies have the regional divisions like Europe, America and Asia-Pacific and encourage the transfer of their senior managers within a particular region from one subsidiary to other. Its main advantages are:

(a) A major motive for using such an approach is that it allows interaction between executives transferred to regional headquarters from subsidiaries and parent country nationals posted to the regional headquarters.

(b) It also reflects some sensitivity to local conditions.

(c) Another advantage is that such an approach can prove highly effective for a multinational to move from a purely ethnocentric to geocentric approach.

Some of the disadvantages are:

(a) It can produce 'federalism' at a regional rather than a country basis.

(b) While this approach does improve career prospects at the national level, it only moves the barrier to the regional level.

Though there are different recruitment techniques narrated above, the company should adopt a particular strategy at a particular time or a combination of some strategies depending on the need of the organization.

SELECTION CRITERIA FOR INTERNATIONAL ASSIGNMENTS

Making an effective selection decision for an overseas assignment can prove to be a major problem. Typically, this decision is based on **international selection criteria,** which are factors used to choose international managers. These selections are influenced by the MNCs experience and often are culturally based. Sometimes as many as a dozen criteria are used, although most MNCs give serious consideration to only five or six.

General Criteria

A company sending people overseas for the first time often will have a much longer list of criteria than will an experienced MNC that has developed a "short list."

Criteria in Expatriate Selection

1. Ability to adapt
2. Technical competence
3. Spouse and family adaptability
4. Human relations skill
5. Desire to serve overseas
6. Previous overseas experience
7. Understanding of host country culture
8. Academic qualifications
9. Knowledge of language of country
10. Understanding of home country culture

Adaptability to Cultural Change

Overseas managers must be able to adapt to change. They also need a degree of cultural toughness. Research shows that many managers are exhilarated at the beginning of their overseas assignment. After a few months, however, a form of culture shock creeps in, and they begin to encounter frustration and feel confused in their new environment. One analysis noted that many of the most effective international managers suffer this cultural shock.

Organizations examine a number of characteristics to determine whether an individual is sufficiently adaptable. Examples include work experiences with cultures other than one's own, previous overseas travel, knowledge of foreign languages (fluency generally is not necessary), and recent immigration background or heritage. Others include (1) the ability to integrate with different people, cultures, and types of business organizations; the ability to sense developments in the host country and accurately evaluate them; the ability to solve problems within different frameworks and from different perspectives; (4) sensitivity to the fine print of differences of culture, politics, religion, and ethics, in addition to individual differences; and (5) flexibility in managing operations on a continuous basis despite lack of assistance and gaps in information.

Physical and Emotional Health

"Most organizations require that their overseas managers have good physical and emotional health. Some examples are fairly obvious. An employee with a heart condition would be rejected for overseas assignment; likewise, an individual with a nervous disorder would not be considered. The psychological ability of individuals to withstand culture shock also would be considered, as would the current marital status as it affects the individual's ability to cope in a foreign environment.

Age, Experience, and Education

Most MNCs strive for a balance between age and experience. There is evidence that younger managers are more eager for international assignments. These managers tend to be more "worldly" and have a greater appreciation of other cultures than older managers do. By the same token, young people often are the least developed in management experience and technical skills; they lack real-world experience. To gain the desired balance, many firms send both young and seasoned personnel to the same overseas post.

Many companies consider an academic degree, preferably a graduate degree, to be of critical importance to an international executive; however, universal agreement regarding tie ideal type of degree is nonexistent. MNCs, of course, use formal education only as a point of departure for their own training and development efforts.

Language Training

One recognized weakness of many MNCs is that they do not give sufficient attention to the importance of language training. English is the primary language of international business, and most expatriates from all countries can converse in English. Those who can speak only are at a distinct disadvantage when doing business in non-English-speaking countries.

Motivation for a Foreign Assignment

Although individuals being sent overseas should have a desire to work abroad, this usually is not sufficient motivation. International management experts contend that the candidate also must believe in the importance of the job and even have something of an element of idealism or a sense of mission. Applicants who are unhappy with their current situation at home and are looking to get away seldom make effective overses managers.

Some experts believe that a desire for adventure or a pioneering spirit is an acceptable reason for wanting to go overseas. Other motivators that often are cited include the desire to increase one's chances for promotion and the opportunity to improve one's economic status. For example, many U.S. MNCs regard international experience as being critical for promotion to the upper ranks. In addition, thanks to the supplemental wage and benefit package, U.S. managers sometimes find that they can make, and especially save, more money than if they remained stateside.

Spouses and Dependents or Work-Family Issues

Spouses and dependents are another important consideration when a person is to be chosen for an overseas assignment. If the family is not happy, the manager often performs poorly and may either be terminated or simply decide to leave the organization.

One popular approach in appraising the family's suitability for an overseas assignment is called **adaptability screening.** This process evaluates how well the family is likely to stand up to the rigors and stress of overseas life. The company will look for a number of things in this screening, including how closely knit the family is, how well it can withstand stress, and how well it can adjust to a new culture and climate.

Leadership Ability

The ability to influence people to act in a particular way-leadership-is another important criterion in selecting managers for an international assignment. Determining whether a person who is an effective leader in the home country will be equally effective in an overseas environment can be difficult, however. When determining whether an applicant has the desired leadership ability, many firms look for specific characteristics, such as maturity, emotional stability, the ability to communicate well, independence, initiative, creativity, and good health. If these characteristics are present and the person has been an effective leader in the home country, MNCs assume that the individual also will do well overseas.

International Human Resource Selection Procedures

MNCs use a number of selection procedures. The two most common are tests and interviews. Some international firms use one; a smaller percentage employ both. Theoretical models containing the variables that are important for adjusting to an oversea assignment have been developed. These adjustment models can help contribute to more effective selection of expatriates. The following sections examine traditional testing and interviewing procedures, then present an adjustment model.

Testing and Interviewing Procedures

Some evidence suggests that although some firms use testing, it is not extremely popular. For example, an early study found that almost 80 percent of the 127 foreign operations managers who were surveyed reported that their companies used no tests in the selection process. This contrasts with the more widespread testing that these firms use when selecting domestic managers. Many MNCs report that the costs, questionable accuracy, and poor predictive record make testing of limited value.

Many firms do use interviews to screen people for overseas assignments. One expert notes: “ It is generally agreed that extensive interviews of candidates (and their spouses) by senior executives still ultimately provide the best method of selection." Tung's research supports these comments. For example, 52 percent of the U.S. MNCs she surveyed reported that in the case of managerial candidates, MNCs conducted interviews with both the manager and his or her spouse, and 47 percent conducted interviews with the candidate alone. For technically oriented positions, 40 percent of the firms interviewed both the .candidate and the spouse, and 59 percent conducted interviews with the candidate alone.

The Adjustment Process

In recent years, international human resource management specialists have developed models that help to explain the factors involved in effectively adjusting to overseas assignments. These adjustment models help to identify the underpinnings of the effective selection of expatriates.

There are two major types of adjustments that an expatriate must make when going on an overseas assignment. One is the anticipatory adjustment. This is carried out before the expat leaves for the assignment. The other is the in-country adjustment, which takes place on site.

The anticipatory adjustment is influenced by a number of important factors. One factor is the predeparture training that is provided. This often takes the form of cross-cultural seminars or workshops, and it is designed to acquaint expats with the culture and work life of the country to which they will be posted. Another factor affecting anticipatory adjustment is the previous experience the expat may have had with the assigned country or with countries with similar cultures. These two factors, training and previous experience, help to determine the accuracy of the expat's expectations.

The organizational input into anticipatory adjustment is most directly related and concerned with the selection process. Traditionally, MNCs relied on only one important selection criterion for overseas assignments: technical competence. Obviously, technical competence is important, but it is only one of a number of skills that will be needed. If the MNC concentrates only on technical competence as a selection criterion, then it is not properly preparing the expatriate managers for successful adjustment in overseas assignments. Expats are going to go abroad believing that they are prepared to deal with the challenges awaiting them, and they will be wrong.

Once the expatriate is on site, a number of factors will influence his or her ability to adjust effectively. One factor is the expat's ability to maintain a positive outlook in the face of a high-pressure situation, to interact well with host nationals, and to perceive and evaluate the host country's cultural values and norms correctly. A second factor is the job itself, as reflected by the clarity of the role the expat plays in the host management team, authority the expat has to make decisions, the newness of the work-related challenges, and the amount of role conflict that exists. A third factor is the organizational culture and how easily the expat can adjust to it. A fourth is nonwork matters, such as the toughness with which the expatriate faces a whole new cultural experience and how well his or her family can adjust to the rigors of the new assignment. A fifth and final factor identified in the adjustment model is the expat's ability to develop effective socialization tactics and to undersand "what's what" and "who's who" in the host organization.

These anticipatory and in-country factors will influence the expatriate's mode and degree of adjustment to an overseas assignment. They can help to explain why effective selection of expatriates is multifaceted and can be very difficult and challenging; But if all works out well, the individual can become a very important part of the organization's overseas operations.

International business have choices of hiring three categories of employees parent country nationals(PCNs) host country nationals (HCNs) and third country nationals (TCNs) Table 1 brings out the advantages and disadvantages of each choice.

Table 1 The Advantages and Disadvantages of Using PCNs, HCNs and HCNs

	Advantages	**Disadvantages**

PCNs	• Family with the home office, goals, objectives, policies and practices. • Easy organizational control and coordination. • Promising managers are given international exposure. • PCNs are the best people for assignment because of special skills and experiences.	• Difficulty in adapting to the foreign language and the socio economic. • Excessive cost of selecting, training and maintaining expatriate managers and their familiar abroad. • Promotional opportunities for HCNs are limited. • PCNs may impose an inappropriate HQ style. • Compensation for CNs and HCNs may differ. • Family adjustment problems, especially concerning the unemployed spouses.
HCNs	• Familiarity with the socio economic, political and legal environment and with business practices in the host country. • Lower cost incurred in hiring as compared to PCNs and TCNs • Promotional opportunities to locals and consequently	• Difficult in exercising effective control over the subsidiary's operations. • Communication difficulties in dealing with home office personnel. • Lack of opportunity for the home country's nationals to gain

	their motivation and commitment. • Responds effectively to the host country's demands for localization of the subsidiary's operations. • Languages and other barriers are eliminated. • Continuity of management improves, since HCNs stay longer in positions.	international and cross cultural experience. • HCNs have limited career opportunity outside the subsidiary. • Hiring HCNs may encourage a federation of nationals rather than global units.
TCNs	• Salary and benefit requirements may be lower thatn for PCNs • TCNs may be better informed than PCNs about host country environment. • TCNs are truly international manager.	• Host country government may resent hiring TCNs • TNCs may not want to return to their own countries after assignment. • Host country's sensitivity with respect to nationals of specific countries. • HCNs are impeded in their efforts to upgrade their own ranks and assure responsible positions in the multinational subsidiaries.

THE EXPATRIATE PROBLEM

Of the three staffing policies we discussed above, two of them, namely ethnocentric and geocentric approaches and two categories of employees viz., PCNs and

TCNs rely on extensive use of expatriate employee working outside their home country with a planned return to that or a third country. As expatriates play a major role in international businesses, MNCs take great care in their selection process.

A major problem connected with expatriates is their premature return to their home country. Popularly called expatriate failure, the subject has assumed considerable importance in the literature on international business. As stated earlier, expatriate failure results in considerable losses to MNCs. Several reasons have been assigned to explain why people return home before the assignment period expires. Table 2 summarises the cause for expatriate failure.

Table 2 Reasons for Expatriate Failure (in Descending Order of Importance)

Us Firms	Japanese Firms
• Inability of spouse to adjust • Manager's inability to adjust • Other family reasons • Manager's personal or emotional maturity • Inability to cope with larger international responsibilities	• Inability to cope with larger international responsibilities • Difficulties with the environment • Personal or emotional problems • Lack of technical competence • Inability of spouse to adjust

One of the reasons for expat failure in his/ her inability to adjust to host country culture These difficulties typically include an inability to converse well in the local language, problems in obtaining certain products and food supplies of personel preference, home sickness and so on. In this stage it is characterized by what is called culture shock.

Culture shock is explained in terms of its disruption to established routines of behavior. The more routines that are disrupted, the more severe is the culture shock. In addition, the more critical the routine that is disrupted, the greater mental energy is required to adjust, and the greater the frustration, anxiety and anger. Culture shock is a critical stage, and how the individual copes with the psychological adjustment in this phase has an important outcome in terms of success or failure.

If culture shock is handled successfully, the expatriate enters the third stage, which may be called the adapting or adjusting phase. He / she begins to feel more positive, works more effectively and lives a more satisfying life. Neither the highs of tourist stage nor the lows of culture shock phase usually mark this adaptive phase. If culture shock is not handled successfully, the expatriate's work performance deteriorates and he/she will eventually return home having not really done the job well or enjoyed the time spent abroad.

One way to reduce expatriate failure is by improving selection procedures to eliminate inappropriate candidates.

TRAINING IN INTERNATIONAL MANAGEMENT

Training is the process of altering employee behavior and attitudes in a way that increases the probability of goal attainment. Training is particularly important in preparing employees for overseas assignments because it helps ensure that their full potential will be tapped. One of the things that training can do is to help expat managers better understand the customs, cultures, and work habits of the local culture. The simplest training, in terms of preparation time, is to place a cultural integrator in each foreign operation. This individual is responsible for ensuring that the operation's business systems are in accord with those of the local culture. The integrator advises, guides, and recommends actions needed to ensure this synchronization.

Unfortunately, although using an integrator can help, it is seldom sufficient. Recent experience clearly reveals that in creating an effective global team, the MNC must assemble individuals who collectively understand the local language, have grown up in diverse cultures or neighborhoods, have open, flexible minds, and will be able to deal with high degrees of stress. In those cases where potential candidates do not yet possess all of these requisite skills or abilities, MNCs need a well-designed training program that is administered before the individuals leave for their overseas assignment (and, in some cases, also on-site) and then evaluated later to determine its overall effectiveness. The most common topics covered in cultural training are social etiquette, customs, economics, history, politics, and business etiquette.

The Impact of Overall Management Philosophy on Training

The type of training that is required of expatriates is influenced by the firm's overall philosophy of international management. For example, some companies prefer to send their own people to staff an overseas operation; others prefer to use locals whenever possible.

Briefly, four basic philosophical positions of multinational corporations (MNCs) can influence the training program:

1. An **ethnocentric MNC** puts home-office people in charge of key international management positions. The MNC headquarters group and the affiliated world company managers all have the same basic experiences, attitudes, and beliefs about how to manage operations. Many Japanese firms follow this practice.

2. A **polycentric MNC** places local nationals in key positions and allows these managers to appoint and develop their own people. MNC headquarters gives the subsidiary managers authority to manage their operations just as long as these operations are sufficiently profitable. Some MNCs use this approach in East Asia, Australia, and other markets that are deemed too expensive to staff with expatriates.

3. A **regiocentric MNC** relies on local managers from a particular geographic region to handle operations in and around that area. For example, production facilities in France would be used to produce goods for all EU countries. Similarly, advertising managers from subsidiaries in Italy, Germany, France, and Spain would come together and formulate a "European" advertising campaign for the company's products. A regiocentric approach often relies on regional group cooperation of local managers. The Gillette MNC uses a regiocentric approach.

4. A **geocentric MNC** seeks to integrate diverse regions of the world through a global approach to decision making. Assignments are based on qualifications, and all subsidiary managers throughout the structure are regarded as equal to those at headquarters. IBM is an excellent example of an MNC that attempts to use a geocentric approach.

All four of these philosophical positions can be found in the multinational arena, and each puts a different type of training demand on the MNC.[81] For example, ethnocentric MNCs will do all training at headquarters, but polycentric MNCs will rely on local managers to assume responsibility for seeing that the training function is carried out.

The impact of Different Learning Styles on Training and Development

Another important area of consideration for development is learning styles. **Learning** is the acquisition of skills, knowledge, and abilities that result in a relatively permanent change in behavior. Over the last decade, growing numbers of multinationals have tried to become "learning organizations," continually focused on activities such as training and development. In the new millennium, this learning focus applied to human resource development may go beyond learning organizations to "teaching organizations." For example, Tichy and Cohen, after conducting an analysis of world-class companies such as General Electric, PepsiCo, AlliedSignal, and Coca-Cola, found that teaching organizations are even more relevant than learning organizations because they go beyond the belief that everyone must continually acquire new knowledge and skills and focus on ensuring that everyone in the organization, especially the top management personnel, pass their learning on to others.

Of course, the way in which training takes place can be extremely important those responsible for training programs must remember that even if learning does occur, the new behaviors will not be used if they are not reinforced. For example, if the head of a foreign subsidiary is highly ethnocentric and believes that things should be done the way they are in the home country, new managers with intercultural training likely will find little reward or reinforcement for using their ideas. This cultural complexity also extends to the way in which the training is conducted.

Reasons for Training

Training programs are useful in preparing people for overseas assignments for many reasons. These reasons can be put into two general categories: organizational and personal.

Organizational Reasons

Organizational reasons for training relate to the enterprise at large and its efforts to manage overseas operations more effectively. One primary reason is to help overcome **ethnocentrism,** the belief that one's way of doing things is superior to that of others. Ethnocentrism is common in many large MNCs where managers believe that the home office's approach to doing business can be exported intact to all other countries because this approach is superior to anything at the local level. Training can help home-office managers to understand the values and customs of other countries so that when they are transferred overseas, they have a better understanding of how to interact with local personnel. This training also can help managers to overcome the common belief among many personnel that expatriates are not as effective as host-country managers. This is particularly important given that an increasing number of managerial positions now are held by foreign managers in U.S. MNCs.

Another organizational reason for training is to improve the flow of communication between the home office and the international subsidiaries and branches. Quite often, overseas managers find that they are not adequately informed regarding what is expected of them although the home office places close controls on their operating authority. This is particularly true when the overseas manager is from the host country. Effective communication can help to minimize these problems. Finally, another organizational reason for training is to increase overall efficiency and profitability.

Personal Reasons

The primary reason for training overseas managers is to improve their ability to interact effectively with local people in general and with their personnel in particular. Increasing numbers of training programs now address social topics such as how to take a client to dinner, effectively apologize to a customer, appropriately address one's overseas colleagues, communicate formally and politely with others, and learn how to help others "save face." These programs also focus on dispelling myths and stereotypes by replacing them with facts about the culture.

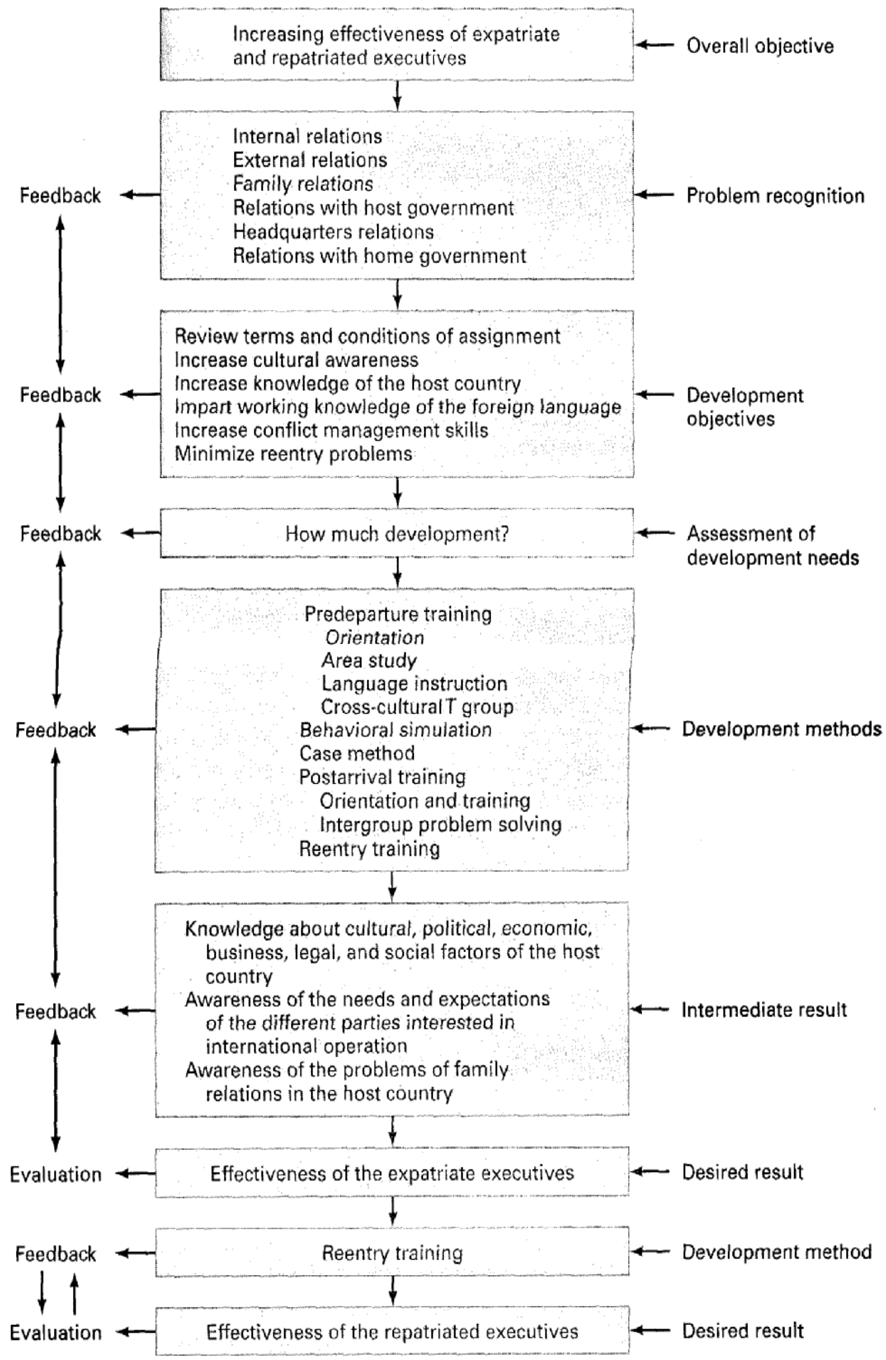
Another growing problem is the belief that foreign language skills are not really essential to doing business overseas. Effective training programs can help to minimize these personal problems.

Training can be useful in improving overall management style. Research shows that many host-country nationals would like to see changes in some of the styles of expatriate managers, including their leadership, decision making, communication, and group work. In terms of leadership, the locals would like to see their expatriate managers be more friendly, accessible, receptive to subordinate suggestions, and encouraging to subordinates to make their best efforts. In decision making, they would like to see clearer definition of goals, more involvement in the process by those employees who will be affected by the decision, and greater use of group meetings to help make decisions. In communication, they would like to see more exchange of opinions and ideas between subordinates and managers. In group work, they would like to see more group problem solving and teamwork.

Types of Training Programs

There are many different types of multinational management training programs. Some last only a few hours; others last for months. Some are fairly superficial; others are extensive in coverage. Figure 1 shows some of the key considerations that influence development of these programs. There are nine phases. In the first phase the overall objective of the

Figure 14–6 **A Model for the Development of Multinational Managers**



Source: "A Model for Developing Key Expatriate Executives," by A. Rahim, © April 1983. Reprinted with permission of *Personnel Journal*, ACC Communications, Inc., Costa Mesa, CA. All rights reserved.

program to increase the effectiveness of expats and repatriated executives is emphasized. The second phase focuses on recognition of the problems that must be dealt with in order to reach the overall objective. The third phase is identification of the developmental objectives. The fourth phase consists of determining the amount of development that will be needed to achieve each objective. The fifth phase entails choosing the specific methods to be used in the development process-from types of predeparture training to language instruction to reentry training. The sixth phase is an intermediate evaluation of how well things are going and the institution of any needed midstream corrections. The seventh phase is an evaluation of how well the expat managers are doing, thus providing evaluation feedback of the developmental process. The eighth phase is devoted to reentry training for returning expats. The ninth, and final, phase is an evaluation of the effectiveness of the executives after their return. By carefully laying out this type of planning model, MNCs ensure that their development training programs are both realistic and productive. In this process they often rely on both standardized and tailor-made training and development approaches.

Standardized vs. Tailor-Made

Some management training is standard, or generic. For example, participants often are taught how to use specific decision-making tools, such as quantitative analysis, and regardless of where the managers are sent in the world, the application is the same. These tools do not have to be culturally specific. Research shows that small firms usually rely on standard training programs. Larger MNCs, in contrast, tend to design their own. Some of the larger MNCs are increasingly turning to specially designed video and PowerPoint programs for their training and development needs.

Tailor-made training programs are created for the specific needs of the participants. Input for these offerings usually is obtained from managers who currently are working (or have worked) in the country to which the participants will be sent as well as from local managers and personnel who are citizens of that country. These programs often are designed to provide a new set of skills for a new culture. For example, MNCs are now learning that in managing in China, there is a need to provide directive leadership training because many local managers rely heavily on rules, procedures, and orders from their superiors to guide their behaviors. So training programs must explain how to effectively use this approach. Quite often, the offerings are provided before the individuals leave for their overseas assignment; however, there also are postdeparture training programs that are conducted on-site. These often take the form of systematically familiarizing the individual with the country through steps such as meeting with government officials and other key personnel in the community; becoming acquainted with managers and employees in the organization; learning the host-country nationals' work methods, problems, and expectations; and taking on-site language training. Training approaches that are successful in one geographic region of the world may need to be heavily modified if they are to be as effective elsewhere

In the final analysis, the specific training program to be used will depend on the needs of the individual. Tung, after surveying managers in Europe, Japan, and the United States, found that there are six major types of cross-cultural training programs:

1. Environmental briefings used to provide information about things such as geography, climate, housing, and schools.
2. Cultural orientation designed to familiarize the individual with cultural institutions and value systems of the host country.
3. Cultural assimilators using programmed learning approaches designed to provide the participants with intercultural encounters.
4. Language training.
5. Sensitivity training designed to develop attitudinal flexibility.
6. Field experience, which sends the participant to the country of assignment to undergo some of-the emotional stress of living and working with people from a different culture.

INTERNATIONAL COMPENSATION MANAGEMENT

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 fulfills 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

1. He expects proper compensation against his competency and performance level.
2. He expects substantial financial gain for his own comfort and for his family also.
3. He expects his present and future needs to be taken care of including children's
   Education, medical protection and housing facilities.
4. The policy should be progressive in nature.

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

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.

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 that of the home country, a differential payment may be made in lieu of overtime.

Allowance

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.

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.

Incentives

In recnt 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.

Taxes :-

The final component of the expatriate's 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 Ptotection** :- 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.

Approaches to international compensation. There are two main options in the area of international compensation-the *Market Rate Approach* and the *Balance Sheet*

Approach. The following are the advantages and disadvantages of each of the two approaches.

Market rate approach

Under this, the base salary is linked to the structure in the host country. The multinational obtains information from local compensation surveys and decides whether local employees, expatriates of different nationalities will be the points of reference for benchmarking the compensation. For instance, an American bank operating in India would decide whether its reference point would be local Indian salaries or that of other American competitors in India, or all foreign banks operating in India. This approach has the following advantages:

1. It is a simple approach to follow
2. Identification with the host country is possible
3. Equality with local nationals
4. Equity amongst people of different countries

There are certain disadvantages of such an approach:

1. There is a possibility of variation in the compensations offered to expatriates from the same country in different countries. As a result it can lead to rivalry for international assignments for a particular country.
2. It can pose problems when the expatriate is repatriated back to his country where the salary structure is lower than that in the host nation. This will create dissatisfaction.
3. There is also a danger of variation between assignments for the same employee. For instance, variations between operating in a developed economy, a developing one and underdeveloped one.

Balance sheet approach.

This approach tries to maintain relativity to parent country employee colleagues and compensating for the costs of an international assignment. The key assumption of this is that employees going for foreign assignments should not suffer any kind of tangible loss due to working in a new environment. Reynolds (1986) explained balance sheet approach as a system designed to equalize the purchasing power of employees at comparable position levels living abroad and in the home country, to provide incentives to offset qualitative differences between assignment locations. Under this approach, four main categories of expenditure incurred by expatriates are covered:

1. Goods and services-home country outlays for food, personal care, clothing, household furnishing, recreation, transportation and medical care
2. Housing-cost associated with housing in the host country
3. Income tax-host country and parent country taxes
4. Reserves-contributions to savings, payments for benefits, pension contribution, investment, education expenses, social security taxes, etc.

The advantages of the balance sheet approach are:

1. Equity between foreign assignments and between expatriates of the same country
2. Repatriation of expatriates is facilitated by the emphasis on equity with the parent country since the expatriate's compensation is fixed to the parent country compensation

On the other hand, this approach also has a few disadvantages:

1. It is quite complicated to administer and therefore involves high costs, especially in the areas of taxation and living costs in different.
2. This can result in huge disparities between expatriates of different nationalities and between expatriates and locals in different countries. For instance, if foreign employees are paid more than the locals for performing essentially the same task, problems may arise.
3. It has been observed that the balance sheet approach not only produces disparities, but also may act as a barrier to staff acceptance of international assignments.

Keeping in view the fact that compensation policy in an international context becomes much more uncertain and less precise, it has been said that strategic flexibility (Milkovich & Bloom, 1998) is important in international compensation. The strategic flexibility model of international compensation groups forms of total compensation into three sets: core, crafted and choice. Specific practices in the core section may vary according to the market and local conditions. The crafted set of compensation elements assume that regional managers have discretion to choose from a list of forms of compensation. Finally, the alternatives in the choice set offer flexibility for employees to select among various forms of compensation.

It is quite clear that such a strategic flexibility model has the potential to overcome some of the problems identified in the two approaches of market rate and the balance sheet because firms may be able to utilize aspects of both the approaches under this model.

REPATRIATION OF EXPATRIATES

Repatriation means the return to one’s home country from overseas management assignment. For most overseas managers, **repatriation,** the return to one's home country, occurs within five years of the time they leave. Few expatriates remain overseas for the duration of their stay with the firm. When they return, these expatriates often find themselves facing readjustment problems and some MNCs are trying to deal with these problems through use of transition strategies.

Reasons for Returning

The most common reason that expatriates return home from overseas assignments is that their formally agreed-on tour of duty is over. Before they left, they were told that they would be posted overseas for a predetermined period, often two to three years, and they are returning as planned. A second common reason is that expatriates want their children educated in a home-country school, and the longer they are away, the less likely it is that this will happen.

A third reason why expatriates return is that they are not happy in their overseas assignment. Sometimes unhappiness is a result of poor organizational support by the home office, which leaves the manager feeling that the assignment is not a good one and it would be best to return as soon as possible.

A fourth reason that people return is failure to do a good job. Such-failure often spells trouble for the manager and may even result in demotion or termination.

Readjustment Problems

Many companies that say that they want their people to have international experience often seem unsure of what to do with these managers when they return.

A study by Tung found that, in general, the longer the duration of an off-shore assignment, the more problem the expatriate has being reabsorbed into the home office. Here are the major reasons:

1. The "out of sight, out of mind" syndrome is common.

2. Organizational changes made during the time the individual was abroad may make his or her position in the parent headquarters redundant or peripheral.

3. Technological advances in the parent headquarters may render the individual's existing skills and knowledge obsolete.

Still another problem is adjusting to the new job back home. It sometimes takes from six months to a year before managers are operating at full effectiveness.

Other readjustment problems are more personal in nature. Many expatriates find that the salary and fringe benefits to which they have become accustomed in the foreign assignment now are lost, and adjusting to this lower standard of living is difficult. In addition, those who sold their houses and now must buy new ones find that the monthly cost often is much higher than when they left. The children often are placed in public schools, where classes are much larger than in the overseas private schools. Many also miss the cultural lifestyles, as in the case of an executive who is transferred from Paris, France, to a medium-sized city in the United States, or from any developed country to an underdeveloped country. Additionally, many returning expatriates have learned that their international experiences are not viewed as important. Many Japanese expatriates, for example, report that when they return, their experiences should be downplayed if they want to "fit in" with the organization. In fact, reports one recent *New York Times* article, a substantial number of Japanese expatriates "are happier overseas than they are back home.”

Transition Strategies

To help smooth the adjustment from an overseas to a stateside assignment, some MNCs have developed **transition strategies,** which can take a number of different forms.

One is the use of **repatriation agreements,** whereby the firm tells an individual how long she or he will be posted overseas and promises to give the individual, on return, a job that is mutually acceptable. This agreement typically does not promise a specific position or salary, but the agreement may state that the person will be given a job that is equal to, if not better than, the one held before leaving.

A proactive strategy that provides an effective support system to allay expatriate concerns about career issues while serving abroad may work best. Tung found that the successful U.S., European, Japanese, and Australian MNCs that she studied had (1) mentor programs (one-on-one pairing of an expatriate with a member of home-office senior management); (2) a separate organization unit with primary responsibility for the specific needs of expatriates; or (3) maintenance of constant contacts between the home office and the expatriate.

Some of the main problems of repatriation identified include

1. Adjusting to life back home.
2. Facing a financial package that is not as good as that overseas.
3. Having less autonomy in the stateside job than in the overseas position
4. Not receiving any career counseling from the company.

To the extent that the MNC can address these types of problems the transition will be smooth, the expatriate’s performance effectiveness once home will increase quickly. Some additional steps suggested by experts in this area include

1. Arrange an event to welcome and recognize the employee and family, either formally or informally.
2. Establish support to facilitate family reintegration.
3. Offer repatriation counseling or workshops to ease the adjustment.
4. Assist the spouse with job counseling, resume writing and interviewing techniques
5. Provide educational counseling for the children
6. provide the employee with a thorough debriefing by a facilitator to identify new knowledge, insights and skills and to provide a forum to showcase new competencies

7. Offer international outplacement to the employee and reentry counseling to the entire family if no positions are possible.
8. Arrange a post assignment interview with the expatriate and spouse to review their view of the assignment and address any repatriation issues.

MOTIVATION AT WORK

Motivation is an internal driving force, which results in persistent behavior directed towards a particular goal. Thus people who are motivated are driven by a desire to achieve the goal that they perceive as having value to them.

Motives are expressed needs and could be conscious or subconscious. They are always directed towards goals. These motives drive people to act. Needs are more basic than wants. For example, putting on clothes is a need, whereas putting on a Louis Philippe shirt is a want. A need may lead to different wants for different people. The differentiation comes from the influence of environment in which one lives. For achieving what a person wants, he will think about what alternative actions will be required to be taken by him. He will then evaluate these possible actions, and then select the one with the least cost (effort). Employees will be motivated to carry out the assigned task to the extent, if doing so satisfies their personal needs. Work is, thus, viewed only as an effort to satisfy needs and expectations.

Motivation is not a personal trait, but a result of the interaction between the individual and the situation. it may be defined as the willingness to exert high level efforts towards organization goals, conditioned by the effort's ability to satisfy some individual need. The efforts should not only be of high intensity, but must also be channelized in such a way that organizational goals are accomplished and the personal needs are satisfied.

FACTORS TO MOTIVATE EMPLOYEE

To motivate, three factors are required – trickle the mind, touch the heart, and train the hand. some of the efforts in this direction have been discussed in the succeeding paragraphs.

Provide for basic needs. If the People are worried about their salary, housing, safety job security, much effort will be wasted by them in ensuring them. It is, therefore, imperative that the basic needs of people in the organization are provided for.

Proper job design. Excessive job specialization introduced by Tayor's scientific management humanized work by making the worker's job meaningless, routine, repetitive, *removing* all challenges and making the worker a part of machine culture. This is causing frustration for workers with the outcome being work alienation. Monotony or boredom on job reduced by the following methods:

(a) ***Job rotation.*** Changing the nature of job, though of same/similar level. For instance, production worker could be transferred to the maintenance department.

(b) ***Horizontal loading***. Addition of more of same kind of content. An employee soldering wire could be asked to connect green and black wires also.

(c) ***Job enlargement.*** Also called vertical loading, it is addition to *new content* involving greater variety (functions) thus making it structurally bigger. For example, clubbing, soldering and connecting wires is job enlargement.

(d) **Job enrichment.** Addition of new context involving greater stimulation and creativity For instance, a worker is also made responsible for setting pace of work, correcting errors deciding the best way to perform the job. Job enrichment makes job as complete as possible offers more challenge, and increases job satisfaction. One job enrichment leads to another job enrichment at higher level. It increases the identification of the worker with the job (task identity), provides opportunity for growth, and results in higher motivation, job satisfaction and productivity; lesser defects/rework and supervision; and lesser movement of men material.

Proper placement. We need to put the right person in the right job (round pegs in round holes). This involves:

(a) Determining abilities and aptitude of people (using vocational and psychological tests)

(b) Analyzing jobs with respect to five core dimensions (skill variety, task identification task significance, autonomy, and feedback)

(c) Allocating suitable job to each worker

Set example of high standards. Workers tend to emulate superiors. We must, therefore, let people know through our own example that we mean business. We also need to be approaching managers-tackling problems with confidence and working out ways to overcome them with the help of others. We should also set reasonable output and quality norms for workers based on time study. Remember, very tight norms cause frustration; and, too loose sets in complacency. We must praise the good performer and condone poor performance. Reprimands could be done in two parts-first half telling what has gone wrong and how we feel about it and second half tellii1g him how much we value rest of his work.

Necessary information to employee A well informed worker considers himself a part of the system and is committed to the organization. Inform him the significance of his job in relation to overall organizational goals. There is a story of three masons who were asked as to what they were doing. Filling up tummy, joining bricks with mortar, and building cancer hospital -were their replies. The last one obviously was better informed and would be a better performer than others.

Sense of freedom. Freedom means absence of anxiety (not the control). People need to be guided (and not driven). So, let the workers feel that the superior is a part of the work situation and not something imposed on them. Mary Follet suggests that superiors should exercise situational authority', explaining people about the situation demanding a particular action. An effective manager encourages people to work independently or in a team interdependently. He trusts people and their capabilities and does not interfere with them unless absolutely necessary.

Opportunity for participation. Mental and emotional involvement of people in group situations encourage them to contribute to group goals (Keith Davis), Participation improves involvement in the change process, creating a feeling of 'its-my-baby'. We need to empower people to discharge responsibilities of a higher level.

Sense of accomplishment. Creating a thorough understanding of the relation between job and organization's goals changes worker's attitude from 'earning livelihood' to 'building –a cathedral. Workers also look forward to be rewarded for good and innovative work-not -necessarily in financial terms. Even appreciation has great value. We should never pirate our subordinate's credit for good job. Praising before others, and giving additional responsibilities make them feel 'worthy of something'. It also creates a sense of competition among other workers. For example, Autoriders Ltd. have 'best-worker-of-the-month' award. Effective managers praise people immediately when they do something right.

Organizational culture. It is extremely important to create an environment of respect for each other, build team spirit, provide enlightened leadership and capable supervision, and show that employees are wanted (and not cogs in the wheel). This will convert their lukewarm desire for achievement into a *burning passion* for accomplishment (achievement is self-oriented, whereas accomplishment is organization-oriented). Organization need to develop people into matrioshka dolls-a number of dolls which are complete in themselves and when integrated, form an exact fit.

Concern about employee welfare. There should be genuine concern for welfare of the people. Know them thoroughly-interview employees on assuming new job, ask and record – their complete personal details. Counsel them periodically. Be sensitive to their emotional needs. Ask him how are his parents when he reports ex leave. Wish him on his birthday / anniversary. Remember Field Marshal Chotwode's advice: 'the safety, honour and welfare of your country comes first, always and every time. The honor, welfare and comfort of the men you command comes the next. Your own ease, comfort and safety comes last, always and every time. '

Be tranparent. Be fair and square to people. Remember, it is not enough to do justice, justice must also appear to have been done. Don't be prejudiced-decide things based on merits.

MOTIVATIONAL TECHNIQUES IN PRACTICE

Organizations are experimenting everyday to evolve different kinds of techniques to motivate people at work. Of course, the techniques have been developed based on the sound background of Motivational theories formulated by behavioural scientists. In the changing business scenario, the working population is more knowledgeable, smart and competent. Hence, they give equal importance to intrinsic and extrinsic factors of the job at work. The following are some of the best motivational techniques in force in different organizations:

1. **Management by objectives:** A programme that encompasses specific goals particularly set for an explicit time period with feedback on goal progress.

2. **Behaviour modification:** A programme where managers identify performance related employee behaviours and then implement an intervention strategy to strengthen desirable performance behaviours and weaken undesirable behaviours
3. **Employee involvement:** A participative process that uses the entire capacity of employees and is designed to encourage increased commitments to the organization's success
4. **Participative management:** A process where subordinates share a significant degree of decision making power with their immediate supervisors
5. **Works council:** Groups of nominated or elected employees who must be consulted when management makes decisions involving personnel.
6. **Board of representatives:** A form of participation in which representatives of the employees sit with a company's board of directors and present the employees interest.
7. **Quality circle:** A work group of employees, who meet regularly to discuss their quality problems, investigate causes, recommend solutions and take corrective action.

8. **Viable pay programmes**: A portion of an employee's pay is based on some individual and on organizational measure of performance.
9. **Profit sharing plans:** Organization wide programmes that distribute compensation based on some established formula designed around a company's profitability
10. **Gain sharing:** An incentive plan where improvements in group productivity determines the total amount of money that is allocated.
11. **Skill based pay:** Pay levels are based on how many employees have or how many jobs they can do.
12. **Flexible benefits:** Employees tailor their benefit programme to meet their personal needs by choosing and picking from a menu of benefit options.
13. **Comparable worth:** A doctorine which holds that jobs equal in value to an organization should be equally compensated, whether or not the work content of these jobs is similar.

Organizations need to be performance oriented to be competitive. Acquiring competent employees is not enough to exert high performance unless they are motivated enough deliver the results. In today's organization employee motivation is actually a difficult task because of the high level of expectation and vis-a-vis opportunities. So it is a real challenge for the HR professionals to motivate people at work. It is desirable to have innovative practices keeping in view the changing employee need and expectations

EMPLOYEE GRIEVANCES:

Grievances generally gives rise to unhappiness, frustration, discontent, indifference to work, poor morale and they ultimately lead to the inefficiency of exployee and low productivity.

It is inevitable that some employees will become dissatisfied with the treatment they receive. These dissatisfactions, regardless of whether they are expressed or suppressed, valid or invalid, are referred to in personnel management terminology as grievances lead to the inefficiency of employee and low productivity.

Symptoms of Grievances

Grievances are likely to be resolved more readily if they can be recognized and acted upon promptly. Grievances may be evidenced by such symptoms as sullenness, moodiness, tardiness, indifferent, attitudes, insubordination, or decline in quality and quantity of work.

Causes of Grievances

The fact grievances may result from one or more causes can make their diagnosis difficult. Often there are factors that have contributed to the grievance other than those recognized or stated by the employee. Some of the causes of grievances that may or may not be stated include those relating to the labor agreement, to the employee's job, and to personal problems of the individual.

Causes Relating to the Labor Agreement:

Many grievances involving the agreement result from omissions or ambiguities in its provisions that cause each party to interpret differently the meaning of a particular provision or how a particular personnel decision should be made. In other instances one of the two parties may use the grievance procedure as a means of gaining changes in the agreement that it either neglected or was unable to achieve at the bargaining table.

Causes Relating to the Job :

Many grievances, including those that appeal disciplinary action, often stem from failure of employees either to meet the demands of their jobs or to gain satisfaction from performing them, or both. Employees who are placed in the wrong job or who lack adequate orientation, training, or supervision are more likely to perform unsatisfactorily, to become dissatisfied with their employment, and to become grievance or disciplinary problems.

Causes Relating to Personal Problems:

There are some individuals who will become dissatisfied regardless of the nature of their job or employer because of personal problems to which they are unable to adjust. Personal problems such as poor health, family illness, martial discord, or financial difficulties are typical of some that employees bring with them to the job. The frustration resulting from these problems may cause employees to find fault with their jobs or with others around them.

Reducing Grievances:

Although there will always be grievances wherever people are employed, competent managers can do much to prevent those situations that precipitate grievances. Whenever employee attitudes and feelings indicate that dissatisfactions may be developing, management should attempt to uncover causes and take whatever corrective action may be feasible. In some instances the appropriate corrective action may require a change in work procedures or employment conditions. In other instances the appropriate corrective action may be achieved through proper communications; for example, proper communication may be achieved in an interview if a single employee is involved or by an announcement in which management states its position if grievances seem to be developing in a group of employees.

The degree of consideration shown to employees is an important factor in minimizing grievances. One study, for example, showed that the grievance rate was definitely associated with consideration. Consideration, it will be recalled, includes behavior indicating mutual trust, respect, and a warmth between supervisors and their groups as well as encouragement of more two-way communication.

FORMAL GRIEVANCE PROCEDURES

Virtually all organizations whose employees are unionized have grievance procedures for revolving disputes. These procedures, which are set forth in the agreement, provide for the union to represent the interests of its members (and in some situations non members as well) as a grievance is processed through successive steps. When a grievance cannot be resolved by the two parties at one of these steps, most agreement provide for it to be submitted to a third party, usually an arbitrator, who constitutes the final step in the grievance procedure. The third party then renders a decision or award resoling the dispute that is binding on both parties.

In the case of nonunion zed organizations, voluntary procedures may be established by management to facilitate the hearing and hopefully the resolving of employee grievances. Grievance procedures also are to be found in certain non profit organizations and in some government jurisdictions which are unionized. These procedures typically involve a series of steps in an appeals system. The creation of the office of ombudsman to improve communication and to reconcile differences between aggrieved parties and those in the organization against whom they grievances also is becoming more common in educational and other non profit organizations.

Quality Performance in Knowledge Based Organizations: Technology – Behavioral & Technical – for HRM; Universal Quality Standards & HRM – Illustrations from PCMM & EFQM; Eastern Management Thought for Global Management with Illustrations from Sri Aurobindo's Writings & Practices there of in the areas such as Commitment, Quality, and Stress Free orientation;

The challenge from global competition has increased pressure on organizations to improve their skills and abilities, to improve the quality of their goods and services. During the past few decades, Quality management (QM) principles were universally accepted as a means of improving overall Organizational performance. This involved organizing quality control teams responsible for monitoring and continually finding new and better ways to perform their jobs and to satisfy the needs of their customers. QM focuses on analysing an organization's input, conversion, and output activities to increase product quality. This process is aided by ever more sophisticated software packages and computer controlled production, and rapidly changes the ways today's managers and employees organize the work processes.

It is commonly accepted that the people working for a firm are one of its main assets and one of the factors in determining its progress. Workers' qualities, attitudes and behaviour in the workplace, together with other factors, play an important role in determining a company's success or lack of it. Although this type of resource is one over which companies do not have complete control, there do exist certain instruments to enable them to exert their influence on the quality and performance of the human capital on which they rely. The human resource management (HRM) practices that they adopt will have a vital influence in this area and thereby on the performance achieved by the firm.

Why Knowledge Management (KM)?

Back in 1999, re-engineering followed a period of downsizing, and became a first step in the development of KM. Re-engineering was essentially a 'top-down' approach to a structured coordination of people and information, and a conviction that corporate knowledge could be contained in technological systems. This belief tends to encourage organizations to treat their employees' knowledge as something to which they have an inalienable right. Paradoxically, this approach resulted in a critical loss of knowledge and skills from organizations. KM, on the other hand, is a 'bottom-up' approach, where the focus is on effectiveness rather than efficiency. The key assumption behind the KM approach is that the marketplace is unpredictable, and therefore KM professionals foster their knowledge by responding to the inventive, improvisational ways people do things . The new KM concept is a corporate proposition based on organizations attempting to control their intellectual capacities and experiences of their employees. The KM process consists of two-thirds change and one third understanding of human learning. Therefore, KM should be defined within the emerging, evolving, and the forming learning paradigms. By the same token, KM is not stockpiling information on facts and figures, or tackling opportunities as they arise. Knowledge is neither subjective nor objective, but should be thought of as interwoven fabric. The reason for companies going multinational in the past was their 'knowledge' of the international marketplace.

Eighty percent of organizations who undertook a KM project failed to meet their objectives and 50% of those found that the cost outweighed the value (Bray, 1999), therefore questions must be asked why would an organization wish to replace its well tested TQM with the KM approach? Gourley (1999) outlined five possible reasons, why organizations embark on KM programmes:

1. *Lost knowledge after downsizing*

   Organizations have slowly awoken to the fact that knowledge is a human asset and that it is knowledge, not information, which is the primary business asset.

2. *The 'customer interface' employees have information on customers*

   For example, sales persons or delivery drivers visit customers on a regular basis, and therefore are in a strong position to build good relationships and gather useful information about customers.

3. *Pressure to innovate to gain competitive edge .*

   In the aftermath of a corporate merger, for example, when the value of 'acquired' assets has been exploited, a pressure for organic growth may become the new strategy for competitiveness and innovation would then be essential. The ability to innovate is then directly linked to a successful KM.

4. *Information and communications technologies advances*

   Phenomenal advances in systems and software provide endless opportunities to utilize available data managed within KM settings.

5. *Focus on core competencies*

   Identification of core competencies has shifted from products or services to centre more on managing knowledge.

Effective information management, organizational learning and new technology are accepted as facilitators of change; however, it is the depth of understanding of what, how and who should lead the implementation that organizations must learn. Successful KM projects must be multidisciplinary in terms of bringing together technology, culture, economics and politics in a combination that enables flexibility in dealing with whatever project and objective.

Core Concepts of Knowledge Management:

The core concepts of knowledge and knowledge management have been defined as follows:

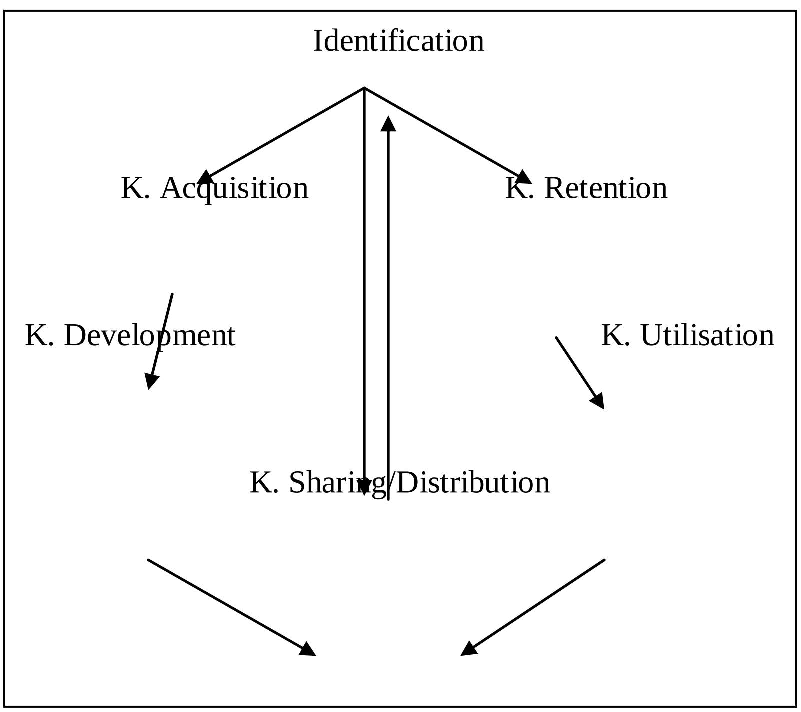
- Knowledge
    - Knowledge is the whole set of insights, experiences and procedures that are considered correct and true and that therefore guide the thoughts, behaviours and communications of people.
- Organisational knowledge
    - Organisational knowledge is the collective sum of human-centred assets, intellectual property assets, infrastructure assets and market assets.

- Knowledge Management
    - Two useful working definitions of knowledge management are:
        - The explicit control and management of knowledge within an organisation aimed at achieving the company's objectives
        - Formalisation and access to experience, knowledge and expertise that create capabilities, enable superior performance, encourage innovation and enhance customer value

Our discussion of this subject will follow the Knowledge Management Cycle in organisations (see diagram below). The knowledge life cycle in an organisation consists of Knowledge Assessment, Knowledge Acquisition, Knowledge Development, Knowledge Sharing, Knowledge Utilisation **and** Knowledge Retention. **In a setting where the power of information, leave alone knowledge, is not very much appreciated it becomes very important for a committed management to facilitate knowledge-worker sensitisation or awareness programmes.** Knowledge Assessment **enables the organisation to know what it knows. It will be able to align its strategic goals with the available knowledge resources. It involves taking a transparent account of the knowledge resource existing in the organisation. This knowledge mapping exercise is important given that the success of the organisation depends on the available knowledge resources and how easily they are accessed and well utilised. Assessing the available knowledge resources, especially the tacit type, may not be that easy. The knowledge-workers will need to be convinced about the advantages of the employer knowing as much as possible what knowledge exists in the organisation. Therefore, management must come out with a very clear statement on the purpose of the exercise, and do so** transparently**. The knowledge-workers must be fully involved in**

the exercise. Once the assessment has been done, the organisation should begin to Acquire **missing the knowledge required to fill the gap to enable the organisation achieve its goals. The required knowledge could be sourced through either internal retooling or outsourcing. There is a need for effective library and documentation services for capturing that knowledge which has been documented elsewhere. Closely associated with knowledge acquisition is** Knowledge Development. **In a competitive environment organisations that wish to retain their leadership positions must continue to develop its knowledge-base through, for instance, research and development. Every effort must be made to facilitate the generation of new ideas in very section of the organisation.** A groundbreaking idea could be lying unattended to in the most unlikely unit in the organisation**. Management, therefore, must make effort to recognise the individual/group intellectual attributes. Without this there could arise a situation where individuals** hoard **the knowledge that the organisation requires most. The organisation may have plenty of knowledge embedded in systems and procedures, and embodied in people. But it may not be aware of who knows what and where it is and whether it is being used. Knowledge must be** Distributed **and** Shared **to be of use to the organisation. Sharing of ideas through informal conversations, story telling, formal brainstorming sessions, retreats, relevant conferences and professional meetings broadens a knowledge-worker's knowledge dimension. How would anyone know who knows what if there are no open for a for the various people to trustingly exchange views? Where there is no trust, people may not be willing to give away their last card. The organisation may have a very rich knowledge base. But if it is not being utilised fully, it is as good as no knowledge at all. The organisation must, therefore, ensure**

that the knowledge existing within and without is fully Utilised. **How much of its knowledge resources should it retain? This, of course, depends a great deal on how well the organisation has aligned its knowledge resources to its goals for the present and future. Without a proper** Knowledge Retention **programme an organisation could end up throwing out through the window some of its highly prized expertise and keeping knowledge that is of little relevance today and in the foreseeable future.**



Source: Adapted from Managing Knowledge Building Blocks for Success, by G Probst, S Raub, and Kai Romhardt, (1998) John Wiley, (p.34)

Characteristics of a Knowledge-Driven Organisation

A knowledge-based organisation is characterised by the following:

- An effective leadership which is visionary, firmly values and believes in the power of knowledge in a competitive environment, is passionate, listens to the people, has a positive attitude and is responsive;
- An effective communication system throughout the organisation
- An enabling environment to encourage creativity and innovation among the employees;
- Knowledge-workers who are enthused by continuing learning and willingly share knowledge;
- ***An infrastructure that facilitate generation, storage, processing, retrieval and dissemination of knowledge***
- Use of knowledge for creating more knowledge through further research, consultancy or training.
- ❖ The staff are given more leverage to manage themselves
- ***The organisational culture encourages creation, sharing, use of new knowledge and continuing learning***
- ***Involves all stakeholders in the knowledge process***

- ***Encourages the knowledge-worker to define his/her tasks and contribution to the vision, goals and objectives of the employer;***
- ***Realises that the paradigm of ownership of knowledge has changed in that the knowledge-worker now owns quite a big chunk of the knowledge cake;***
- ***Considers a knowledge-worker as an asset and not as a cost***

Knowledge management is a comprehensive management concept which has been influenced by several disciplines. KM has to consider organisational, human (i.e. Psychological, Sociological etc) and technological aspects in order to deliver a through and successful business support.

Technology – Behavioural & Technical – for HRM

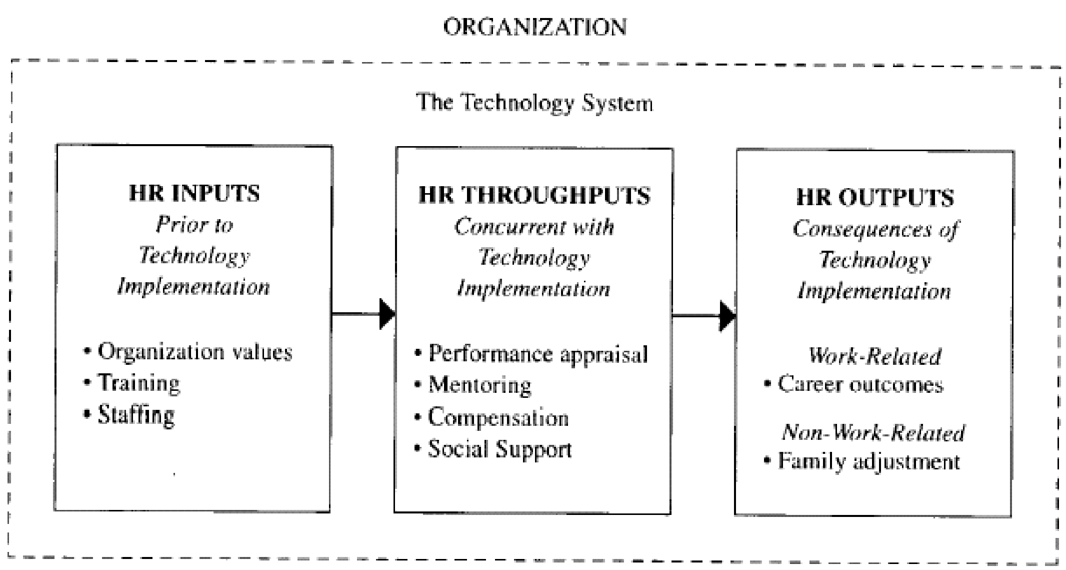
The competitive challenges supported by accelerating technological change, globalisation and liberalisation has pose a threat to organisations of 21st century. The pace of change is so rapid, and its scope so wide, that some analysts see the emergence of new technological paradigm. Traditional modes of competition, based on low costs and prices, are being replaced by the 'new competition', driven by quality, flexibility, design, reliability, and networking.

Technological advances have eroded physical, cultural, economic, and political Borders. These advances have revolutionised the nature of production, transportation, and communication systems and consequently the nature of work and Workers. The explosion in technology-use has fostered a concern about its impact on workers. Effective HRM practices are becoming increasingly important in the new knowledge-based" economy, as companies face the double challenge of the need for more highly trained employees coupled with a shortage of qualified labour. During periods of rapid technological change, shortages of particular types of skilled workers emerge. Many forms of technological change are accompanied by changes in skill requirements.

Katz and Kahn (1978) has suggested an open-systems approach to the work of organizations. In this system, environmental inputs are transformed into outputs via the social structures of human behavior. Wright and Snell (1991) adapted open systems theory to the field of human resources by incorporating the "competencies" of individual members. According to these researchers, individuals move into, through, and out of firms with the human resource system functioning as a link between the environment and the organization. This theory also provides a useful theoretical framework for combining human resources, technology, and the firm's strategic goals. Figure 1 presents the open system model of HR and technology.

Figure 1

An Open System Model of Human Resources and Technology



Wright and Snell (1991)

Technical and Behavioural Dimension of technology in HRM:

The technical and behavioural part of the influence of technology in HRM can be analysed through the training and competencies requirement of an organisation. A critical issue in training efforts among technologically focused organizations is the task of achieving a balance between a concern for mastery of mechanical facets of automation on one hand and for command of traditional "people issues" on the other. Firms that provide their members with high technology tools for performing their jobs (i.e., desktop video-conferencing systems, collaborative software systems, virtual teams) implement increasingly flat (or horizontal) organizational structures , so teaching people to master technology is only one aspect of the training process. Individuals must also acquire the interpersonal and behavioral tools necessary to implement self-management. The behavioural descriptions could provide a behavioral basis for selection interviewing or testing and for training and appraisal.

Technology can introduce such change in an organization that identification of job requirements is like chasing a moving target. Upgraded technology can bring with it changes in work content and process. Furthermore, the changes are dynamic, not static. That is, changes due to the implementation of intensive technology often bring with them decentralization in decision making and greater worker independence. Moreover, technology makes it possible to easily and quickly share information among workers and to form teams, perhaps virtual ones, around projects. Technology can reduce the time needed for previously labour-intensive tasks, but can increase the need for effective communication and interpersonal skills. Given the capabilities offered by technology the particular tasks performed by workers can change dramatically over time and across projects. This organizational reality poses serious problems for identifying the worker knowledge, skills, abilities, personality, and other characteristics needed for maximal performance in this environment. Traditional job analysis falters when confronted with a dynamic work environment (Carson and Stewart, 1996). Given the influence of technology, the tasks identified through job analysis could be out of date by the time the list of tasks is compiled. It follows that the inferred worker characteristics given those tasks could also be in error and specify technical skills and knowledge that are no longer important.

Identifying competencies needed in a dynamic environment requires an approach to job analysis that identifies underlying stable characteristics even though tasks are changing (Cardy, 1993). One approach, for example, focuses directly on identifying skills, personality, values, and other worker characteristics important for performance in the dynamic work environment. Table 1 presents a set of important worker characteristics found in a study involving managers in dynamic work environments (Cardy, 1993). The managers rated hundreds of personality traits, skills, and values for importance of performance in their organizations. Table 1 presents only those characteristics that received an average importance rating of 6 or greater on a 1 (Not at all important) to 7 (Very Important) rating scale and had standard deviations less than 1.00. As the list demonstrates, the characteristics considered most critical by managers have to do with interpersonal relations and how the worker approaches the job. Furthermore, out of a wide number of skills, the only two that met the importance criterion have to do with effective expression and reception. Obviously, these managers considered the process of work more important than the content of work. In a dynamic environment, the emphasis on process is not a surprise since content, and the technical skills it entails, is in flux. The important point is that competencies necessary for performance in dynamic work environments can be identified.

Table 1

Dimensions, Associated Characteristics, and Skills

1. Innovation	• Being Innovative • Imaginative • Creative • Perceptive
2. Facilitation	• Sharing Information Freely • Being Supportive • Praising Good Performance
3. Team Orientation	• Flexibility • Adaptability • Working in Collaboration • Honesty/Integrity • Team Oriented • Cooperative • Trustworthy
4. Reliable	• Reliable • Conscientious • Thorough • Cooperative
5. Work Orientation	• Enthusiasm • Emphasis on Quality • Recognition for Performance • Taking Initiative • High Performance • Expectations • Enthusiastic • Active
Skills Oral Comprehension Oral Expression	

Source: Miller, Janice,S.,and Cardy,Robert, *Technology and Managing People: Keeping the "Human" in Human Resources,* Journal of Labour research,

E-hr, an innovative technology for managing human resources

For a company's HR department, paper-intensive process created its own set of nightmares. Human resources found itself sinking under the weight of various booklets and forms. Managing printing, mailing, and processing proved tome consuming and expensive. The number of calls from perplexed employees had become overwhelming. Thus needs to an idea of automating the whole cumbersome process with the new technology known as e-hr.

Here are some ways that human resources can benefit through electronic systems:

- Portals can create a single interface for accessing key data.
- Online recruiting can eliminate paperwork and speed the hiring process
- Employee self service can automate record keeping
- A web accessible knowledge base can reduce questions to the HR department or a call centre.
- Electric benefits enrolment lets employees sort through options faster, while reducing paperwork and questions for HR.
- Electronic pay roll can cut costs and make data more easily accessible.
- Trading exchanges and e-market laces can reduce the cost of products and services.
- E-procurement can eliminate catalogues and manual processes that are expensive and slow.
- Online retirement planning can help employees map out their future, while reducing questions and paperwork for HR.

Employee self-service (ESS)

Growing number of accountants and consultants *are* going "paperless" within their human resource (HR) and payroll departments through the adoption of self-service technology such as employee self-service (ESS) and online benefits enrolment solutions, which help automate business processes using electronic forms and workflow. By bringing employees and managers direct into these processes online, HR/payroll departments spend less time on routine administration, while significantly reducing paperwork. Likewise, self-service solutions help create a more autonomous environment for employees, through instant access to information, career empowerment, as well as a feeling of connection with the business. ESS helps give power to employees, position HR strategically, reduce costs, and improve processes. Using ESS technologies, employees create, view, and maintain their own personal information 24/7, from work or home, with standard browser software through a secure Internet or intranet connection.

Benefiting from Online Enrolment

In addition to traditional ESS solutions, using an intranet or the Internet to distribute and collect benefits enrolment information is rapidly gaining acceptance as a new technology in HR/payroll community. Via a common Web browser, employees are guided through the process of selecting benefits and entering required information into Web-enabled enrolment forms. The HR/payroll department (defines eligibility criteria, so employees are presented with only the benefits and plan options for which they are eligible. Once employee enter data into the online enrolment technology, it is immediately available to HR/payroll for review and approval. After approval, the data from the enrolment system automatically updates the HRMS system, eliminating duplicate data entry.

QUALITY STANDARDS

Quality standards provide guidance to an organisation implementing a quality system for the first time. Quality standards are used for assessing the quality system already in place in an organisation. They are used for creating quality assurance requirements to be specified in the contract with a supplier. Typically these standards do not tell you how to run your company, but provide a structure that you then "personalize" with your own company operations.

Generic standards

These standards are set by national and international quality certification bodies as a guidance, development, or evaluation of quality system in an organisation. Generic men as that the same standards can be applied to any organisation-large or small, producing any product or service, and in any sector of activity-it could be a business enterprise, public administration department, or a government department. In India, we have the Bureau of Indian Standards (BIS) as a national organisation for setting quality standards and the most popular international standard is ISO 9000. ISO 14000 is a generic standard relating to establishing an environment management system in an organisation.

Industry related standards

These standards are set by purchasing bodies for a particular industry as the basic requirement s for purchasing products/services. For example , defence, aerospace, nuclear industries, etc. usually have a set of guidelines for purchasing due to overriding safety requirements. A new standard came in existence in 1995-96 called COPC-2000 for customer service providers such as BPOs. The capability maturity model (CMM) is another standard that has been developed by the software Engineering Institute, Carnegie Mellon University, USA, and is applicable to software organisations. Agmark is another industry related standard used in grading and standardization of agricultural and allied commodities.

Bureau of Indian Standards (BIS)

In 1982, India was among the first few countries to develop a national standards known as the IS 10201-qualty systems in six parts. The Bureau of Indian Standards(BIS) is a national standards body of India and is governed by the Bureau of Indian Standards Act, 1986. BIS had formulated a standard called IS 13967: 1993 on environment management system (EMS) Before ISO 14001 came into existence.

Formulation of Indian Standards

BIS seeks proposal from any ministry of central government , state government, union territory administrations, consumer organisations, industrial units, professional associations, professional bodies etc for establishing a standard, or for revising, amending or cancelling an established standard. BIS has created technical committees by drawing experts from all the concerned areas. These committees are used to formulate standards in the most transparent manner through a consensus process.

Certification Schemes

The certification schemes operated by BIS are product certification and systems certification schemes. For product certification, BIS gives the license to the manufacturers of products for the use of the stand for ISI mark that indicates conformity to the relevant Indian standard. This license is granted by BIS only if it is satisfied with the availability of the required infrastructure and capability of the producer to produce and test the product, conforming t the relevant Indian standard on a continuous basis.

The following system certification schemes are operated by BIS:

Quality systems certification

This scheme is operated by BIS for organisations with respect to the ISO 9000: 2000 series of standards. This scheme of BIS has been accredited by Raad Voor Accreditation (RVA), Netherlands. BIS certifies the capability of the suppliers of goods and services against the ISO 9000: 2000 standards.

Environment management system certification

This certification is done by BIS for organisations complying with the ISO 14000 standard. Hazard analysis critical point scheme For Food processing units, BIS operates this certification with respect to ISO 9000 and ISO 15000 standards under a single audit scheme. Hazard analysis and critical control point (HACCP) is a process control system designed to identify and prevent microbial and other hazards in food production. HACCP involves a systems approach to the identification of hazards, assessment of chances of occurrence of hazards during each phase, raw material procurement , manufacturing, distribution, usage of foods products, and in defining the measures for hazard control.

International Organization for Standardisation

International organisation for standardisation has been abbreviated as ISO, and not IOS, because at the outset, when this organisation was being named, it was found that the abbreviations for its name would be different in different languages. For example, in French its name would be 'Organisational International de Normalisation' so that the abbreviation would become OIN. It was therefore decided that the abbreviations would be derived from the Greek word 'isos', meaning 'Equal' implying that without any discrimination to any country or language , the organisation would be called ISO.

ISO is a non governmental organisation with a central secretariat in Geneva, Switzerland, and it represents a network of national standards organisations of 150 countries (one member per country) . ISO is the world's largest developer of standards of various types. From the day of its inception till today, ISO has published over 15,000 international standards. ISO itself does not perform certification to its ISO 9000 AND ISO 14001 management system standards and does not issue ISO 9000 and ISO 14001 certificates .There are around 750 certification bodies active around the world that issue these certificates to the organisations after conducting proper audit of their quality/environment management systems.

ISO 9000 and Other Standards

Quality professionals use the term "standards" to mean many things, such as metrics, specifications, gages, statements, categories, segments, groupings or behaviors.

But usually when they talk about standards, they're talking about quality management.

Management standards address the needs of organizations in training, quality auditing and quality-management systems. The ISO 9000 Series, for example, is a set of international standards for quality management and quality assurance. The standards were developed to help companies effectively document the elements they need to maintain an efficient quality system. They are not specific to any one industry.

The ISO 9000 Series

ISO 9000 can help a company satisfy its customers, meet regulatory requirements and achieve continual improvement. But it's a first step, many quality professionals will tell you, the base level of a quality system, not a complete guarantee of quality.

ISO 9000 Facts

- Originally published in 1987 by the International Organization for Standardization (ISO), a specialized international agency for standardization composed of the national standards bodies of 90 countries.
- Underwent major revision in 2000.
- Now includes ISO 9000:2000 (definitions), ISO 9001:2000 (requirements) and ISO 9004:2000 (continuous improvement).

The revised ISO 9000:2000 series of standards is based on eight quality management principles that senior management can apply for organizational improvement:

1. Customer focus
2. Leadership
3. Involvement of people
4. Process approach
5. System approach to management
6. Continual improvement
7. Factual approach to decision-making
8. Mutually beneficial supplier relationships

Other Standards

Standards addressing the specialized needs and circumstances of certain industries and applications also exist:

Environment. The ISO 14000 series of international standards integrate environmental considerations into operations and product standards. The standards specify requirements for establishing an environmental policy, determining environmental impacts of products or services, planning environmental objectives, implementation of programs to meet objectives, corrective action and management review.

Aerospace. AS9100, the international quality management standard for the aerospace industry, was released in November 1999.

Automotive. There are three popular standards used in the automotive industry:

- QS-9000 is a quality management system developed by Daimler-Chrysler, Ford and General Motors for suppliers of production parts, materials and services to the automotive industry.
- ISO/TS 16949, developed by the International Automotive Task Force, aligns existing American, German, French and Italian automotive quality standards within the global automotive industry.
- ISO 14001 environmental standards are being applied by automotive suppliers as a requirement from Ford and General Motors.

Telecommunications. TL 9000 defines the telecommunications quality system requirements for the design, development, production, delivery, installation and maintenance of products and services in the telecommunications industry. It uses ISO 9000 as a foundation but goes a step further to include industry-specific requirements and metrics.

Occupational Safety & Health Standards.

These management standards provide structure and framework for managing your company's occupational safety and health policies and plans. These are useful in mitigating risk in the areas of worker accidents and general shop safety.

- **Occupational Safety & Health Management for Everyone: OHSAS 18001.** This new standard provides the basic framework for managing your company's OS&H system, and fits nicely with companies that have adopted other standards such as ISO 9001 (for quality.)

Laboratory Accreditation Standards.

For those labs that provide testing services or equipment calibration, these standards help ensure your processes are compliant to international guidelines for such things as recordkeeping, traceability of physical standards, acceptable procedures, etc. The goal is to ensure your lab's activities meet international norms and that the results can be relied on with indisputable confidence.

Laboratory Accreditation: ISO 17025. This new standard may be used by any lab providing testing or calibration services; it replaces the older ISO Guide 25. Formatted along the lines of ISO 9001, this standard provides a meaningful quality system for laboratories, and accreditation to ISO 17025 brings worldwide recognition to your company's operations.

Impact of Quality standards on HRM:

Training and development programmes, regular performance appraisal, growth plans and strategies have emerged as the major human resource management practices followed by organisations with ISO certification. Also, the usage of some of the management techniques such as continuous improvement, just-in-time inventory control, and electronic work or der management are more significant in ISO certified Organisations.

People Capability Maturity Model (PCMM)

People Capability Maturity Model is a maturity framework that focuses on continuously improving the management and development of the human assets of a software or information systems organization. PCMM can be perceived as the application of the principles of Capability Maturity Model to human assets of a software organization. It describes an evolutionary improvement path from ad hoc, inconsistently performed practices, to a mature, disciplined, and continuously improving development of the knowledge, skills, and motivation of the workforce. Although the focus in PCMM is on software or information system organizations, the processes and practices are applicable for any organization that aims to improve the capability of its workforce. PCMM will be guiding and effective particularly for organizations whose core processes are knowledge intensive.

The primary objective of the PCMM is to improve the capability of the entire workforce. This can be defined as the level of knowledge, skills, and process abilities available for performing an organization's current and future business activities.

The PCMM consists of five maturity levels. Each maturity level is an evolutionary plateau at which one or more domains of the organization's processes are transformed to achieve a new level of organizational capability. The five levels (see Figure 1) are defined as follows:

Figure 2

Process Areas of the PCMM

Maturity Level	Focus	Process areas
5 Optimizing	Continuously improve and align personal, workgroup, and organizational capability	• **Continuous Workforce Innovation** • **Organizational Performance Alignment** • **Continuous Capability**

		Improvement
4 **Predictable**	Empower and integrate workforce competencies and manage performance quantitatively.	• **Mentoring** • **Organizational Capability Management** • **Quantitative Performance Management** • **Competency-Based Assets** • **Empowered Workgroups** • **Competency Integration**
3 **Defined**	Develop workforce competencies and workgroups, and align with business strategy and objectives	• **Participatory Culture** • **Workgroup Development** • **Competency-Based Practices** • **Career Development** • **Competency Development** • **Workforce Planning** • **Competency Analysis**
2 **Managed**	Managers take responsibility for managing and developing their people.	• **Compensation** • **Training and Development** • **Performance Management** • **Work Environment** • **Communication and Coordination**

		• **Staffing**
1 **Initial**	Workforce practices applied inconsistently.	

At Level 1, an organization has no consistent way of performing workforce practices. Most workforce practices are applied without analysis of impact.

At Level 2, organizations establish a foundation on which they deploy common workforce practices across the organization. The goal of Level 2 is to have managers take responsibility for managing and developing their people. For example, the first benefit an organization experiences as it achieves Level 2 is a reduction in voluntary turnover. The turnover costs that are avoided by improved workforce retention more than pay for the improvement costs associated with achieving Level 2.

At Level 3, the organization identifies and develops workforce competencies and aligns workforce and workgroup competencies with business strategies and objectives. For example, the workforce practices that were implemented at Level 2 are now standardized and adapted to encourage and reward growth in the organization's workforce competencies.

At Level 4, the organization empowers and integrates workforce competencies and manages performance quantitatively. For example, the organization is able to predict its capability for performing work because it can quantify the capability of its workforce and of the competency-based processes they use in performing their assignments.

At Level 5, the organization continuously improves and aligns personal, workgroup, and organizational capability. For example, at Maturity Level 5, organizations treat continuous improvement as an orderly business process to be performed in an orderly way on a regular basis. Usage Considerations

The People CMM was designed initially for knowledge-intense organizations and workforce management processes. However, it can be applied in almost any organizational setting, either as a guide in implementing workforce improvement activities or as a vehicle for assessing workforce practices.

EFQM Excellence Model

The EFQM Excellence Model was introduced in 1991 as the framework for organizational self-assessment and as the basis for judging entrants to the European Quality Award, which was awarded for the first time in 1992 . A
number of factors have encouraged many western countries to introduce quality awards. Among these were: the importance of quality for competitiveness, and contribution of benchmarking and self-assessment techniques to improving performance . The award models are used extensively throughout the world by leading companies and can thus be used for international benchmarking comparisons.
The EFQM Excellence Model is a non-prescriptive framework that recognizes there are many approaches to achieving sustainable organizational excellence. Excellence can be defined as the outstanding practice in managing the organization and achieving results based on fundamental concepts, which include: results orientation, customer focus, leadership
and constancy of purpose, processes and facts, involvement of people, continuous improvement and innovation, mutually beneficial partnerships, and public responsibility. Behaviours, activities or initiatives based on these concepts are often referred to as Quality
Management..

The EFQM Excellence Model is a practical tool that can be used in a number of different ways:

- As a tool for **Self-Assessment**
- As a way to **Benchmark** with other organisations
- As a guide to identify areas for **Improvement**
- As the basis for a common **Vocabulary** and a way of thinking

- As a **Structure** for the organisation's management system

The EFQM Excellence Model is a non-prescriptive framework based on 9 criteria. Five of these are 'Enablers' and four are 'Results'. The 'Enabler' criteria cover what an organisation does. The 'Results' criteria cover what an organisation achieves. 'Results' are caused by 'Enablers' and 'Enablers' are improved using feedback from 'Results'. The Model, which recognises there are many approaches to achieving sustainable excellence in all aspects of performance, is based on the premise that:*Excellent results with respect to Performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy, that is delivered through People, Partnerships and Resources, and Processes.*

The EFQM Model is presented in diagram form below. The arrows emphasise the dynamic nature of the Model. They show innovation and learning helping to improve enablers that in turn lead to improved results.

Figure 3

EFQM Model

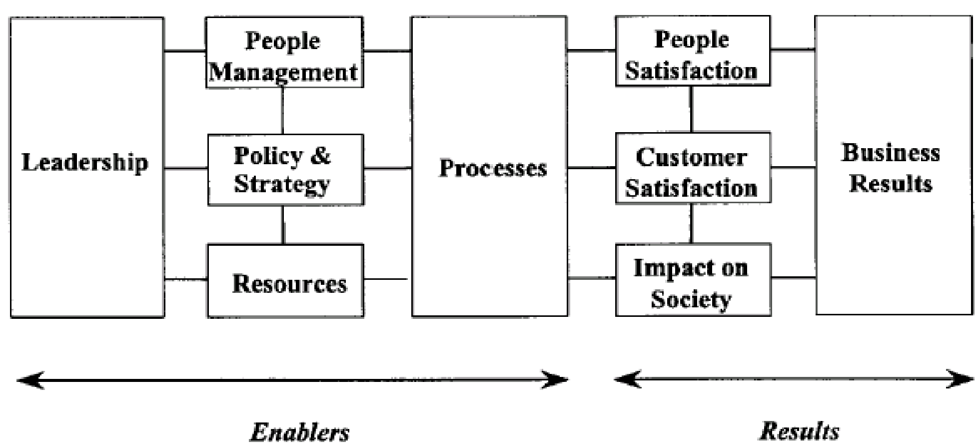


Figure 1. *EFQM Model.*

Let us first present a brief summary of the criteria under the ‘enablers ’group.

Leadership

It is expected from the top leadership of excellent organisations that they would create management systems in their organisation and would strive for their proper implementation and further improvement. They would take the employees of the organisation in confidence and would directly interact with their customers, suppliers, and society at large. These leaders should be instrumental in bringing about organisational changes as and when required. They should emerge as role models for the employees of their organisation.

Policy and Strategy

Excellent organisations must have a long-term strategic plan keeping in view the expectations of its various stakeholders. These plans should be reviewed continuously for proper implementation and updated if needed. These strategies should be based on tracking the external environment and monitoring the strengths of the organisation regularly.

People

It is desirable that organisation manage their human resource requirements effectively by identifying the competencies of their people and further improving these to derive maximum advantage. There should be proper channels pf communication between the top management and the employees so as to know their problems and expectations. The employee's good performance should be recognised and rewarded.

Partnership and Resources

External partners, such as suppliers, should be involved in improving the coordination requires for more satisfaction of the customers. The organisation must help these partners in their problems and create a synergy between them. Excellent organisations should have well defined systems for managing their finances, buildings, equipment, and materials. Outdated technology should be id3entified in their operation and replaced with latest technology whenever the need be. Proper se of information technology should be made and it should be ensured that tacit knowledge of the organisation is translated in to knowledge management systems.

Processes

Various processes should be well defined and well documented. The process should be reviewed for further improvement regularly. The organisation should design and develop its products and services on the basis of the expectations of the customers. Long-term relationships should be established with the customers.

Let us now present a brief summary of the criteria under the 'results' group.

Customers results

Hoe does the customer perceive the organisation? The organisation is expected to establish procedures to know about the customer's perceptions of itself.

People results

What are the perceptions of the employees of the organisation about the organisation? Thus, systems have to be established to monitor, understand, predict, and improve the perceptions of the employees.

Society results

What has the organisation achieved for the society at large? What does the society perceive about the organisation? Thus, systems have to be established to monitor, understand, predict, and improve the perceptions of the society.

Key performance results

Key performance outcomes or results are the results as planned by the organisation. These outcomes can be financial or non financial. What the organisation is achieving with respect to its planned performance is to monitored and analysed.

An attempt is made hereunder to analyse each criterion of the European excellence model in the light
of Human resources and capabilities that generate future sustainable competitive advantages.

Impact on People

In this section we are going to determine the kind of resources and capabilities measured by the criterion people of the EFQM model. The criterion ‘people’ of the EFQM model assesses and measures capabilities based on the human resources, particularly those related to knowledge, training and learning. This criterion analyses how the organization manages, develops and uses all the knowledge and potential of its human resources individually, in teams or within the organization as a whole. Some key concepts in the analysis of the human resources, such as the work in team, involvement, etc., are present in several sub criteria.

Sub criterion 3.a. Planning, management and improvement of the human resources.

Here we are going to analyze the development of the policies and strategies of the organization
applied to the field of human resources. The strategic planning of the human resources can be the catalyst of the change effort and free business resources useful to achieve or reinforce a future competitive advantage and also of the idea that managerial decisions on human resources can have a significant impact on the results of the organization The main conclusions are that the management of human resources is an organizational capability and that human resources practices are an organizational competence that can even be a distinguishing factor and generate a sustainable competitive advantage. This happens as long as the know-how on the coordination of human resources practices and human capital is valuable, specific, inimitable and irreplaceable.

Subcriterion 3.b. Identification, development and preservation of the knowledge and
capabilities of the members of the organization.

This sub criterion basically gathers the way in which the organization develops and accumulates its organizational knowledge. The human resource is one of the main assets that any enterprise must find, train, integrate and protect to generate a sustainable competitive advantage. The knowledge and skills of the human resources ensure that the internal process of transformation of an enterprise creates products and services valued by the customers.

Sub criterion 3.c. Involvement and empowerment by the member of the organization.

This Sub criterion focuses on the involvement of the employees in teams and activities of improvement. The capacities of the specific and un transferable human resources must be integrated into secure government structures. The synergies produced by work teams can be useful in this regard. The dimension of the work in team must be seen at three different levels:

1. Between the top-level management and the employees (vertical dimension);
2. Within the work teams and along the functional lines (horizontal dimension);
3. With the suppliers and customers (inter-organizational dimension).

**Subcriterion 3.d. Dialogue between the members of the organization and the organization
itself.**

The creation of new lateral channels of communication tries to align the individual objectives
with the goals of the organization in order to facilitate the coordination of activities and the achievement of joint successes. The ability of the enterprise to make the human resources work efficiently depends on the inter-relation ability of the employees, which in turn depends on another intangible resource we have already mentioned: the culture of the organization.

Subcriterion 3.e. Rewards, recognition and attention paid to the members of the organization.

If we want to analyze the impact of the human resources on the generation of specific competitive
advantages for the enterprise, we must consider the generic functions of the human resources (i.e. selection, evaluation, promotion and compensation) in an integrative way

instead of analyzing each one individually . In this line of reasoning, human resources practices are suitable to identify, attract and maintain highly qualified workers. Therefore, if an enterprise has created an operating system of selection and has attractive human resources programs (properly defined promotion lines, efficient incentives, etc.), it can attract and maintain highly qualified employees compared to the competition.

A resource-based approach suggests that the system of human resources can contribute to the preservation of the competitive advantage by means of the development of specific competences of the enterprise, generating complex social relationships embedded in the history and culture of the organization . The remuneration system is one of the most active mechanisms to divert towards the enterprise part of the rewards generated by the capabilities and skills of its employees. Besides, it allows us to maintain the employees with the most valuable features

for the enterprise . This implies a decrease in the risk of 'brain drain' to the competition . According to Peteraf (1993), all this, combined with a specific training of the employees

and a socialization process that stimulates their interest in the enterprise, boosts the specificity of the staff and helps to create the factors that generate competitive advantage.

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