DEPARTMENT OF MANAGEMENT STUDIES

II YEAR / III SEMESTER

BA4020 : INTERNATIONAL HUMAN RESOURCE MANAGEMENT

COURSE MATERIAL

Anna University Chennai

Regulation 2021

JEPPIAAR ENGINEERING COLLEGE
DEPARTMENT OF MANAGEMENT STUDIES

VISION

        To build Jeppiaar Engineering College as an institution of academic excellence in technology and management education, leading to become a world class university..

MISSION

- To excel in teaching and learning, research and innovation by promoting the principles of scientific analysis and creative thinking.
- To participate in the production, development and dissemination of knowledge and interact with national and international communities.
- To equip students with values, ethics and life skills needed to enrich their lives and enable them to contribute for the progress of society.
- To prepare students for higher studies and lifelong learning, enrich them with the practical skills necessary to excel as future professionals and entrepreneurs for the benefit of Nation's economy.

PROGRAMME EDUCATIONAL OBJECTIVES (PEOS):

MBA programme curriculum is designed to prepare the post graduate students

- To have a thorough understanding of the core aspects of the business.
- To provide the learners with the management tools to identify, analyze and create business opportunities as well as solve business problems.
- To prepare them to have a holistic approach towards management functions.
- To inspire and make them practice ethical standards in business.

PROGRAMME OUTCOMES (POS)

On successful completion of the programme,

1. Ability to apply the business acumen gained in practice.
2. Ability to understand and solve managerial issues.
3. Ability to communicate and negotiate effectively, to achieve organizational and individual goals.
4. Ability to understand one's own ability to set achievable targets and complete them.
5. Ability to fulfill social outreach
6. Ability to take up challenging assignments

COURSE OBJECTIVE:

 The course aims to provide students insights to HR practices followed in Global organizations

COURSE OUTCOMES:

The student gets to learn about
1. The basics of IHRM, models and practices
2. Strategic orientation and cultural context towards IHRM
3. International practices on recruitment and selection
4. International perspectives on Training, development, performance appraisal
5. International practices on Compensation management

CO-PO MATRIX

CO	PO1	PO2	PO3	PO4	PO5	PO6
CO1	3	3	0	0	0	2
CO2	3	3	0	0	0	2
CO3	3	3	0	0	0	2
CO4	3	3	0	0	0	2
CO5	3	3	0	0	3	2
Average	3	3	0	0	3	2

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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UNIT-1

Introduction

IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level. IHRM includes typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at international level and additional activities such as global skills management, expatriate management and so on.

In simple terms, IHRM is concerned about managing human resources at Multinational Companies (MNC) and it involves managing 03 types of employees namely,

1. Home country employees- Employees belonging to home country of the firm where the corporate head quarter is situated.
2. Host country employees- Employees belonging to the nation in which the subsidiary is situated.
3. Third country employees- These are the employees who are not from home country/host country but are employed at subsidiary or corporate head quarters.

As an example a American MNC which has a subsidiary at India may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee. Basics of International Human resource management International Human resource management is the process of procuring allocating and effectively utilizing the human resources in a multinational corporation. While HR Managers in these organization have to integrate HR policies and practices across a number of subsidiaries spread in several countries so that the organization goals can be achieve at the same time they have to make these policies and practices sufficiently flexible to allow significant differences in these policies in different countries. International HRM is concerned with identifying and understanding how the MNC's manage their geographically dispersed worked force in order to leverage their HR resources for obtaining local as well as global competitive advantage.

Human Resource Management is a process of managing people in the right way in an organization or company. It is more likely to put the right person in the right place and develop the employees' skills and abilities for company benefits. In one sentence, HRM manages and efficiently uses all the people of the company to achieve its goals and objectives. For example, a person who has computer knowledge and skills appoints him as a computer operator and training him with new tools and features. So, training will eventually make him more fast and efficient in his work? It ultimately benefits the organization.

Human Resource Management History

The efforts of Robert Owen first recognized HRM. He is called the founder of Human Resource Management (HRM). In 1813, his book, A New View of Society, first supported the idea of labor welfare, wage incentives, profit sharing, etc. After that, in the time between 1900-1920, Frederick Winslow Taylor took forward this thought and termed it "Scientific Management". But after some time, workers introduced Industrial Psychology which developed interviewing, training of the workers, psychological testing, and so on. It also helped HRM to take professional forms. Then, moving forward, Professor Elton Mayo and some of his companions conducted Hawthorn Experiment, which recognized that human resources have a bigger effect on production. In the decade of 1940-1950, new techniques for training, selection were developed. In modern times HRM is widely known as an independent discipline, also accepted as an important profession dealing with human resource management. Then, moving forward, Professor Elton Mayo and some of his companions conducted Hawthorn Experiment, which recognized that human resources have a bigger effect on

production. In the decade of 1940-1950, new techniques for training, selection were developed. In modern times HRM is widely known as an independent discipline, also accepted as an important profession dealing with human resource management.

Evolution of Human Resource Management
HRM evolution started a long time back, and it has many phases. Those are:
- Trade Union Era.
- Industrial Revolution Era.
- Social Responsibility Era.
- Scientific Management Era.
- Human Relations Era.
- Behavioral Science Era.
- Also, Systems Contingency Approach Era and HRM Era.

Evolution of HRM- The Industrial Revolution
Managing workers at companies began at the time of the Industrial Revolution during the late eighteenth century. Before this era, many large organizations existed, but without the advanced technology, it was hard to maintain them. During this time, the work atmosphere was very unfavorable and the employees used to put in endless hours in the company for very little pay. FW Taylor introduced scientific management in the twentieth century. He gathered that there was 'one best way' to handle every role in every company to make it run more efficiently and smoothly. Taylor examined the job and narrowed it down into essential elements, i.e. job specialization.

He believed that employees could be trained at one job role to become an expert, but he completely ignored the fact that doing the same job every day will get boring and mundane for the employees. During this Revolution, science and technology started being applied to all elements of work in modern industries. This affected every Human Resource management system in many ways such as-

• The area of the job for all the employees changed from their home to a common area, where everyone performed tasks under the same roof. The production techniques evolved from manual to machines.

• The introduction of mechanization made the work so easy that even women and kids started to get employed.

• With the help of computer technology, controlling industrial activities became very productive and efficient. Inventory control, production control, method control, manpower control, and financial control had all become very efficient with the introduction of computerized procedures.

• The expanded use of machines resulted in a vast change in employment. Working the machinery required skilled knowledge, which many employees did not have. This ended up making them unemployed and helpless.

In conclusion, the Industrial Revolution brought about discipline, monotony, materialism, job displacement, work interdependence, and impersonality. In In economic terms, the revolution increased the accumulation of capital and goods to a large extent.

Consequently, commerce and business were highly accelerated, entrepreneurs and owners performed well, but the average citizen poorly failed

Evolution of HRM (Human Resource Management)- Period of Trade Unionism

Soon after the factory system surfaced, many employees began to get together to discuss their common dilemmas. Every employee was forced to work for long hours under dangerous conditions, for practically no wage. This encouraged the employees to join together and protest to prove their worth and importance to an organization.

They used different kinds of techniques like strike, walkouts, slowdowns, boycotts, picketing, and sabotage. Even physical force was used at times. This, however, proved to be a success, as without the employees the companies would come crashing down. The employers were forced to listen to every demand of all the employees.

New organizational units were created especially to deal with the method improvements, the study of wages, and more attention was paid to the needs of every employee.

Evolution and development of HRM- Social Responsibility

As seen above, the earlier employers were not sympathetic towards their workers and their needs. With time, they started to realize the importance of every employee and started giving them the importance that they deserve. The companies started creating a positive work environment where the employees were satisfied and hence started showing more productivity.

Labour laws were renewed according to which child labor was abolished. The workers were given proper training on how to use the machinery. High wages and good working conditions helped the workers in being more productive, which in turn contributed to the growth of a company. productivity. Employees were forced to take up jobs outside of their comfort zone and skills.

Not having knowledge about that field, hampered the credibility of an employee as well as the company. Thus, Taylor introduced the best way to solve this, by picking the right man for the right job. By putting the suited employee for the right job with the correct tools, companies were able to make significant improvements in productivity. This was done by offering the employees great economic incentives and higher daily wages.

To boost up the morale of every employee, the reward and appraisal system was introduced. This created a healthy competitive environment by encouraging employees to perform harder to achieve rewards. Scientific management included a lot of essential elements such as-

• **Task planning**

Scientific task planning entails the total number of hours an employee can perform every day, which is called a fair day's work. The management decides in advance what task needs to be done by which employee and within what amount of time. The final goal is to make maximum utilization of resources available in a timely sequence to promote maximum productivity and efficiency.

• **Time study**

Time and motion studies were introduced to avoid wastage of time and resources. The same task was given to different employees, and the hours are taken by everyone to complete it was noted. This helped in taking out the average time required to complete a particular task. Fatigue studies were also conducted, where the boredom and monotony caused due to a particular task were noted.

• **Standardization**

Various standards were set up in advance to ensure that the employees are clear about the objective and target. It was also used to avoid wastage of resources and improving the work quality.

• **Wages bottomed on productivity-** To ensure that the employees are giving their best and not taking advantage of the resources, wages were given out based on work done in the lowest amount of time. According to this, an employee who finishes the entire work on time gets paid

a higher wage than the worker who doesn't complete the task at a given time. This creates a sense of healthy competition, ensuring that the employees give their best to earn a maximum wage.

Evolution and growth of HRM- Scientific management

The scientific management era began in 1900 and reached its peak by 1930. It was a major revolution and thus has managed to stay somewhat alive to date. Handling everything manually was getting exhausting for the employees and was hampering their productivity and efficiency. There was a need to introduce new advanced technology which would eliminate the burden on the employees. Employees used to perform slowly as they used to think that if they performed at a fast pace, it would result in a grave error, which could cost them their jobs. This resulted in plenty of time wastage and loss of

Evolution of Human Resource Management- Introduction to HRM

As time changes, the techniques need to change too. With the coming of advanced technology, a need for a better system emerged to handle the employees in every organization successfully. Over the years the HRM evolution concept has increased and is continuing to do so. The integration of HR management in businesses is a tried and tested method to improve productivity and increase efficiency. With the numerous benefits of human resource management, many companies are taking advantage of it, and needless to say, are very happy with the outcome. With the increase in the number of companies and their employees, a single person could not handle the administrative tasks of everyone in the organization.

Human Resource Management was created to develop and handle all the tasks systematically and efficiently. Right from attracting candidates, to their recruitment, onboarding, and retention. Everything is now handled by a human resource department. The three key responsibilities of HR is-

• **Recruitment**

In today's competitive business world, recruitment has become a wearying task. Recruitment companies are competing with each other neck-to-neck, to find the best potential candidate for their firms. For any job role, there are numerous applicants. It is the responsibility of human resources to find the perfect candidate for their company.

• **Onboarding**

When new hires join the organization, they have expectations and aspirations for their job. The human resource department ensures that the onboarding of every new hire is easy and seamless. They introduce an employee to the rules and regulations of the company and make sure that the goals and targets of the new hires are aligned with that of the organization.

• **Retention**

The most important role of the human resource department is to make sure that their best employees are happy and satisfied with their jobs. They don't want the company to lose a crucial asset. Human resource organizes various activities and gives appraisals and rewards to the deserving employees. This helps the employees in being satisfied by their job, thus helping the company to retain them for the long haul.

Thus, the **evolution and growth of HRM (human resource management) have come a long way.** With the advanced technology and software, managing the employees in every organization has become smooth sailing for human resources.

Definition of IHRM

Boxall, P. (1992) defined International Human Resource Management (IHRM) as 'concerned with the human resource problems of multinational firms in foreign subsidiaries (such as expatriate management) or more broadly, with the unfolding HRM issues that are associated with the various stages of the internationalisation process. (Boxhall, P. 1992).

Mark Mendenhall (2000) sought to be more specific by outlining a number of criteria relevant to a definition of IHRM. IHRM is concerned with HRM issues that cross national boundaries or are conducted in locations other than the home country headquarters. IHRM is concerned with the relationships between the HRM activities of organisations and the foreign environments in which the organisations operate. IHRM includes comparative HRM studies; e.g. differences in how companies in Japan, Thailand, Austria and Switzerland plan for upgrading of employee skills and so on.

Importance of IHRM

The importance of international human resource management is getting increase everyday as we have globalisation and internationalisation over the world. As a result, numbers of the multinational companies are getting increase.

According to Brewster et al. (2007), the multinational companies are increasing and there is economic dominance as 80% of the industrial output for the world is produce by the world's 1,000 largest companies. Brewster et al. (2007) also mentioned that as the number of multinational company increases, global transferring is increasing such as sending works between team members of the company based everywhere over the world. In addition, through this trend, diversity is increasing within the organisation and the multiculturalism must be carefully considered by the organisation to utilise its human resources effectively in their organisation. The one of crucial role of human resource manager is developing effective human resource management policies and practices for organisation such as recruitment, reward, training, development, flexibility, work-life balance, employee relations and communications (Brewster et al, 2007). However, these policies and practices can be varied between national cultures. Rosenzweig and Nohria (1994) argued 'that HR is the area of management most likely to be subject to national differences' (Cited in Brewster et al, 2007)

In these days, many large companies are trying to expand the company from their own country of origin to all over the world. These multinational companies are all facing same issues, which are developing policies and practices for the human resource management in their subsidiary overseas operations. In this paper, as a senior human resource manager of a multinational company in the Great Britain, will be discussed the main factors which will be considered while developing policies and practices for subsidiary in Latin America and also differences of policies and practices between the UK and the Latin America subsidiary operations.

Nature and Scope

Human Resource Management is a process of bringing people and organizations together so that the goals of each are met. The various features of HRM include: It is pervasive in nature as it is present in all enterprises

.• Its focus is on results rather than on rules.

• It tries to help employees develop their potential fully.

• It encourages employees to give their best to the organization.

• It is all about people at work, both as individuals and groups.

• It tries to put people on assigned jobs in order to produce good results.

• It helps an organization meet its goals in the future by providing for competent and well motivated employees.

• It tries to build and maintain cordial relations between people working at various levels in the

organization.

It is a multi-disciplinary activity, utilizing knowledge and inputs drawn from psychology, economics, etc.

The scope of HRM

1. Personnel aspect-This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, layoff and retrenchment, remuneration, incentives, productivity etc.

2. Welfare aspect-It deals with working conditions and amenities such as canteens, cr?ches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

3. Industrial relations aspect-This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

Functions of IHRM

Globalization, the process of integrating a business's operations and strategies across a wide array of cultures, products and ideas, is having an impact on the role of human resource managers. Once concerned with the impact of local issues on employees, human resources must now consider the effects of workforce diversity, legal restrictions and the interdependence between training and professional development on the organization. As such, the five main functions of global human resource management are vital concepts to the strategic operation of a business.

Recruitment Attracting, hiring and retaining a skilled workforce is perhaps the most basic of the human resources functions. There are several elements to this task including developing a job description, interviewing candidates, making offers and negotiating salaries and benefits. Companies that recognize the value of their people place a significant amount of stock in the recruitment function of HR. There is good reason for this -- having a solid team of employees can raise the company's profile, help it to achieve profitability and keep it running effectively and efficiently.

Training Even when an organization hires skilled employees, there is normally some level of on-the-job training that the human resources department is responsible for providing. This is because every organization performs tasks in a slightly different way. One company might use computer software differently from another, or it may have a different timekeeping method. Whatever the specific processes of the organization, human resources has a main function in providing this training to the staff. The training function is amplified when the organization is running global operations in a number of different locations. Having streamlined processes across those locations makes communication and the sharing of resources a much more manageable task.

Professional Development Closely related to training is HR's function in professional development. But whereas training needs are centered around the organization's processes and procedures, professional development is about providing employees with opportunities for growth and education on an individual basis. Many human resource departments offer professional development opportunities to their employees by sponsoring them to visit conferences, external skills training days or trade shows. The result is a win-win: it helps the employee feel like she is a vital and cared-for part of the team and the organization benefits from the employee's added skill set and motivation.

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

telecommuting are ways to motivate existing employees and to attract and retain new skilled employees. Balancing compensation and benefits for the organization's workforce is an important HR function because it requires a sensitivity to the wants and needs of a diverse group of people.

Ensuring Legal Compliance The final function of human resource management is perhaps the least glamorous but arguably of utmost importance. Ensuring legal compliance with labor and tax law is a vital part of ensuring the organization's continued existence. The federal government as well as the state and local government where the business operates impose mandates on companies regarding the working hours of employees, tax allowances, required break times and working hours, minimum wage amounts and policies on discrimination. Being aware of these laws and policies and working to keep the organization completely legal at all times is an essential role of human resources.
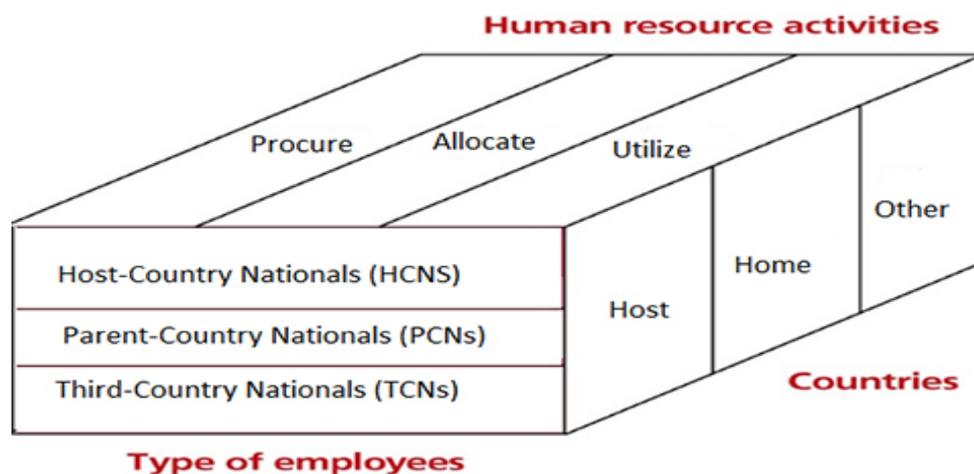
Differences between domestic HRM and International HRM (IHRM) are summarized below: Domestic HRM is done at national level and IHRM is done at international level.

Differences between HRM & IHRM

DOMESTIC HRM	INTERNATIONAL HRM
Employees are within one national boundary.	Employees are from different countries.
Employees may be grouped on region or zone-wise for convenience of regional language and food habits.	Employees are categorized as HCN, PCN and TCN for convenience of language, socio-cultural and food habits.
Routine work pattern.	Needs constant attention on adjustment matters in living conditions and work ethics.
Not much variation or differences in compensation.	The compensation package need to be re-designed based on taxation matters and parity of emoluments with equivalents in the organization
Communication is normal.	Language translator may be required for better communication.
No administrative support required.	Administrative support required for visa, driving license, currency transfer, banking services, etc.
Organizations do not normally care about children schooling, arranging medical facilities.	HR department needs to bother about housing, entertainment, communication of foreign nationals.
Locals can take care of themselves in unusual and difficult situations.	HR department to be extra careful of foreign nationals in case of terrorism, natural calamities, epidemics and ethnic agitations
Public relations work taken care by employees themselves.	Administrative support felt necessary to get school admissions for employee's children. Similarly the medical services to be provided.

Models of IHRM
An HR model describes the HRM concept. It describes the HR Objectives, Capabilities, Processes and Standards. It bridges gap between the HR Strategy and the Organizational Structure and process. and the skills and competencies of HR employees.
The model helps HR function run smoothly. It also orients the employees about the HR Processes. The employees are sure about their goals and the main drivers for their success in HR. The HR Model thus designs the clear principle and setting of the HR Roles and Responsibilities and assignment of the different HR Projects into different units in HR

Human resource management **(HRM)** has frequently been described as a concept with two distinct forms: soft and hard. A good number of models that have been designed for HRM . All these models fall undertwo categories:
• Hard HRM
• Soft HRM

Hard HRM
Hard HRM lacks humanistic approach and has a sharp focus on financial outcomes. It does not focus on the needs of employees. Employees are considered as any other factor of production and are primarily viewed as cost to the company. Under this approach, business strategy is established and resources are allocated to achieve them with employees as one of the means. Under Hard approach focus of HRM is to identify the workforce requirements of the organisation and they are recruited and managed accordingly. There is one way communication which flows from top to down not the other way round. Employees are not empowered and there is little delegation. This model assumes the there are no differences of viewpoints between managers and employees . They are similar. The Appraisal systems also focus on making judgments about staff. Hard HRM suits the autocratic leadership style.

Soft HRM
It is a humanistic approach to HRM. Under soft approach, employees are considered as the most important resource in the business and a source of competitive advantage. Employees are treated as individuals and their needs are planned accordingly. This approach concentrate on the needs of employees and pay proper focus on their motivation and development. Employees are assumed to be self-directed and committed. Unlike hard approach, there is strong and regular two-way communication. Pay structure is Competitive and rewards are based on performance. delegation of authority is here and also there is focus on training and other development of core employees

The Harvard Model
The Harvard Model was postulated by Beer et al (1984) at Harvard University. This model is also called as the map of HRM territory. It is s soft model of HRM. It stresses the 'human' aspect of HRM and is more concerned with the employer–employee relationships. This model has five components.

These are: stakeholders interests, situational factors, HRM policy choices , HRM outcomes and long term consequences.
According to Harvard model, there are various stakeholders in the organization i.e. shareholders, management, employees, government and the community and unions having different interests. This model relates the stakeholders interest to the organizational outcomes of individual and societal well being. Employees are also one of the stakeholders and like any other stakeholder are equally important in influencing the objectives of management. It also

takes into account the influence of situational factors like workforce characteristics, business strategy, labour market etc. on HRM policy choices.
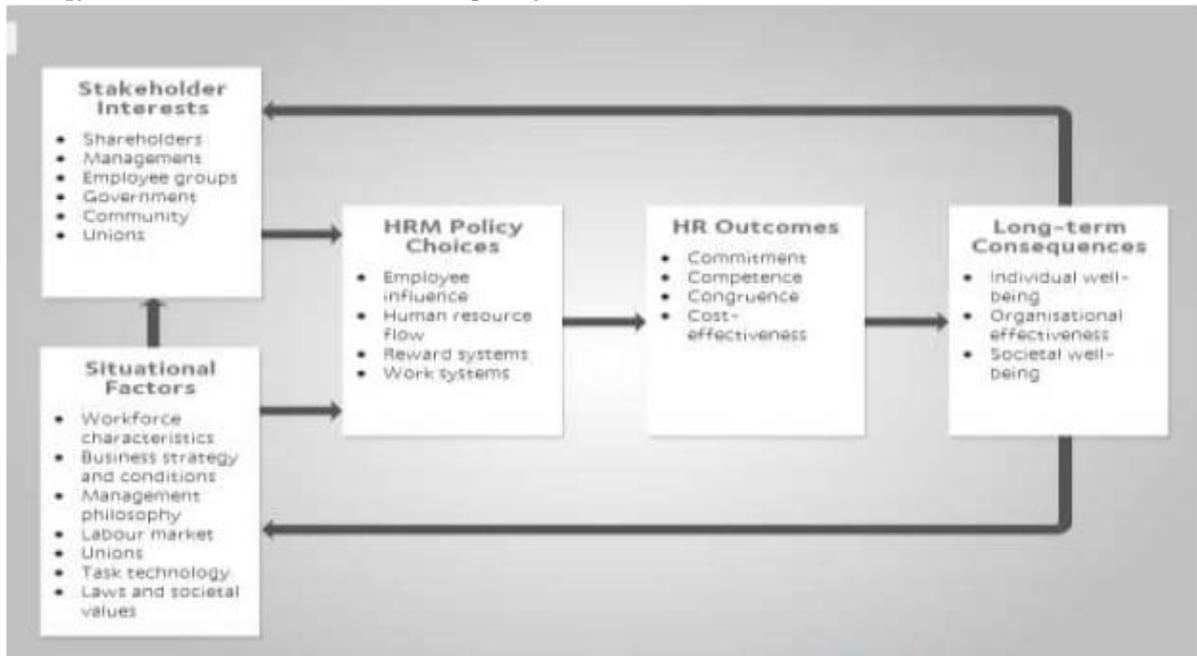
There are four HRM policy choice areas, namely: human resource flows, reward systems, employee influence, and works systems.

i. Human resource flows refers to the activities relating to the inflow, internal flow and outflow of the human resources from the organisation such as recruitment, selection, training , promotion, retirement or termination.

ii. Reward systems are the system designed to motivate the employees. These may be pay systems, incentives etc.

iii. Employee influence incorporates the levels of authority delegated and the associated responsibility

iv. Work systems is the design of work and alignment of people.

Each of the four policy areas contains series of tasks which managers must perform. Commitment,competence, congruence, and cost effectiveness are the outcomes that these four HR policies need toachieve, which will lead to individual and societal well being, increased productivity, organizational effectiveness which will again influence shareholder interests and situational factors hence making it a vicious cycle

The Warwick Model:

This model was developed at university of Warwick by two researchers, Hendry and Pettigrew and has been named as Warwick model. Warwick model has been developed from Harvard model and is analytical approach to HRM. It explains how strategy is made in complex organisations and how it transforms HRM practices. Warwick model centres around five elements:

• Outer Context which includes macro environmental forces such as socio economic, political, technical and competitive factors.

• Inner Context or the micro environmental forces. These are culture, structure, Leadership, task technology and business outputs. These factors are firm specific.

• Business Strategy Content which include objectives, product market and strategy.

• HRM Context which are role, definition, organization and Human Resource outputs.
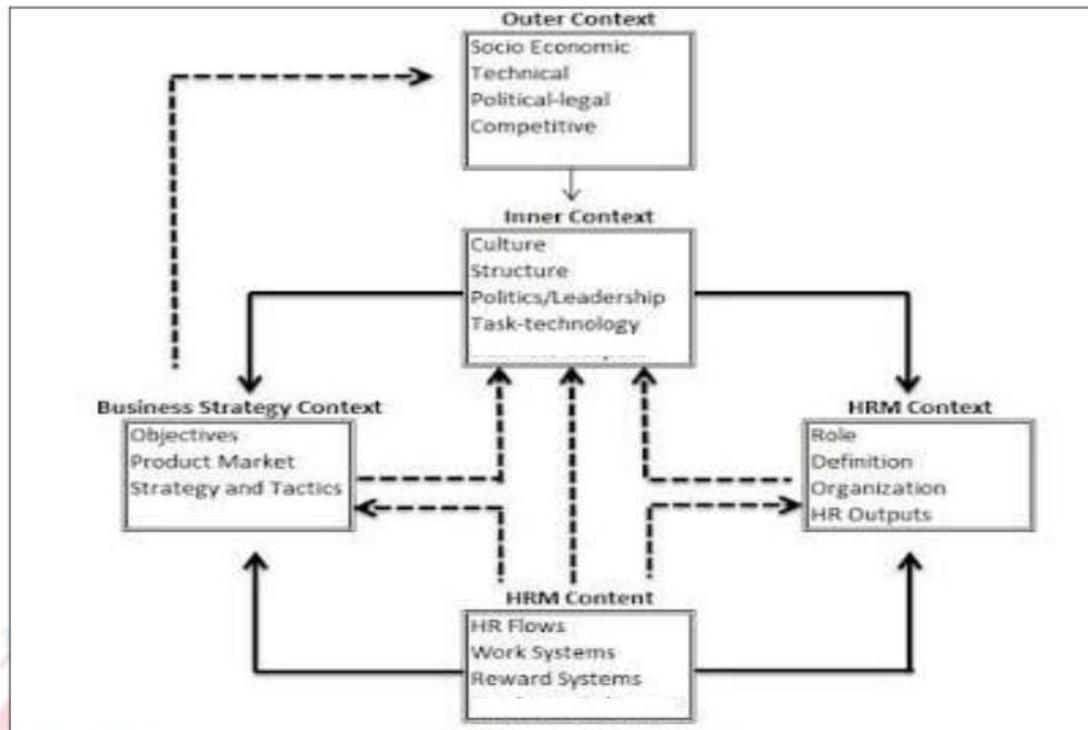
Source: John Bratton & Jaffery Gold (2008)

According to this model, HRM content is composed of the business strategy, the HR practices, the internal and the external environment in which these activities take place and is also composed of the processes by which such changes take place, and the interactions between them. It explores how HRM adapts to changes in the external and internal environmental factors. The organizations which can successfully achieve the balance between the external and internal environmental factors will achieve performance and growth.

Contextual model of HRM:
The contextual model of HRM emphasizes the importance of environmental factors such as social, institutional and political forces that have been underestimated in other models. The environmental factors differ from country to country and even from province to province within a country The contextual approach integrates the human resource management with the environment in which it operates.
The contextual classification of variables given by Shapiro, et.al (2007) is as follows:
1. Context of Time and space which includes Historical, Geographical, and Personal Space
2. Social, Technical, Economic and Political context
3. Cultural context which include Behaviours, Values, beliefs and Assumptions
4. Psychological context
5. Philosophical context
6. Context of Communication
7. Sensory context
The proponents of contextual model of HRM believe different proportions of the contextual variables design a specific context model of HRM. A model applicable to one context cannot be applied to another.

The 5-p's model
5Ps model of human resource management was as developed by Dr. Mildred Golden Pryor, J.

Chris White, and Dr. Leslie A. Toombs. It is a strategic human resource management model. Purpose, Principles, Processes, People, and Performance are the 5Ps .
According to 5p's model, performance of organization is based on performance of people which are influenced by purposes, principles and processes.
Purpose: Purpose refers to the organization's vision, mission and objectives.
Principles: Principles are the action guidelines for achieving the purpose. These define how activities are carried out.
Processes: Processes are organizational structures, systems and procedure to achieve objectives.
People: People are human resources engaged in carrying out various activities in line with principles and processes. .
Performance: Performance is the outcome measured against standards Organizations have to align and balance all the 5Ps in order to achieve higher level performances.

The Michigan/ Matching model
Matching model was proposed by Fombrun Tichy and Devanna (1984) at the Michigan Business School. According to this model, HR systems should be designed in such a way that they match organizational strategy. This a hard model of HRM. It says that human resources which are available must be matched with jobs in the organization. According to this model, human resources are just like any other factor of production and should be utilised fully as other factors to achieve organizational objectives. The quantity of the human resources required should be calculated so as to achieve the objectives enshrined in the business strategy. (Evans and Lorange, 1989) argue that the Michigan model is based on the "product market logic" according to which, in order to gain high profits labour must be cheaply obtained, used economically, developed and exploited fully. The matching model is mainly based on Chandler's (1962) argument that structure of an organisation is an outcome of its strategy. Fombrun et al. (1984) expanded this argument in their model of strategic HRM, which emphasises that there should be a 'tight fit' between organisational strategy, organisational structure and Human Resource Management system.

The point of departure in the Michigan Model is the pre-eminence and pre-dominance of a business strategy, which must strictly be achieved by the available resources regardless of whether, they are able to do so or not. Both organisation structure and HRM are dependent on the organisation strategy. The matching model aims at developing an appropriate 'human resource system' that will describe those HRM strategies that contribute to the most efficient implementation of business strategies. In fact the business strategy must be achieved through minimum labour costs enhanced by structural re-organization, Performance Related Pay and staff reduction.

The Matching Model of HRM
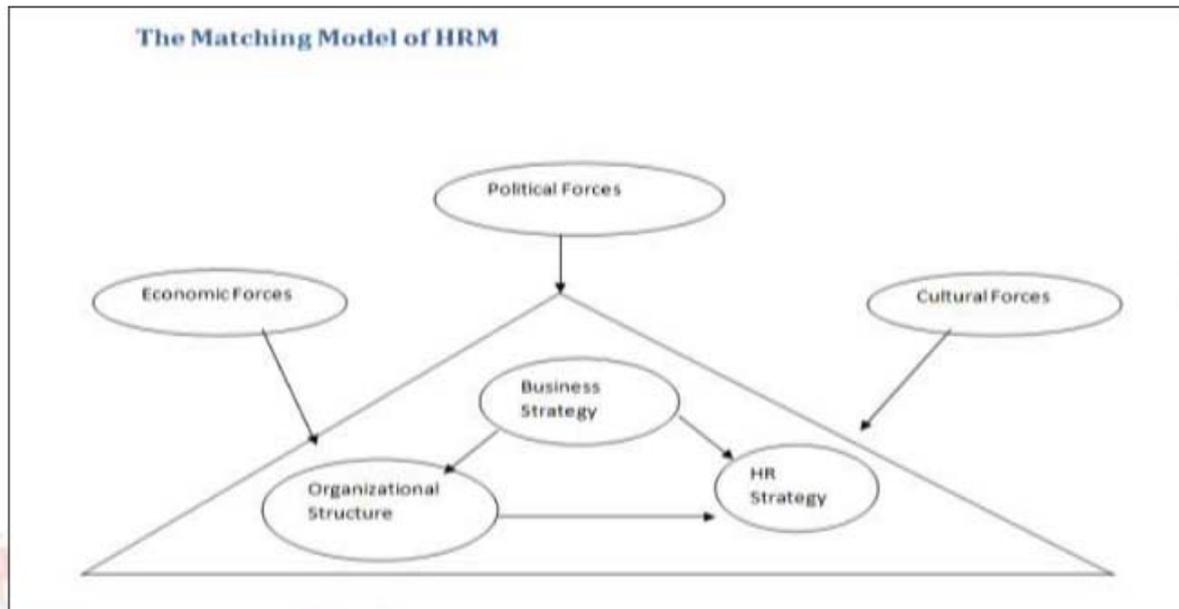
The matching model of HRM has been criticised for a number of reasons. It is thought to be too prescriptive by nature, mainly because its assumptions are strongly unitarist (Budhwar and Debrah, 2001). As the model emphasises a 'tight fit' between organisational strategy and HR strategies, it completely ignores the interest of employees, and hence considers HRM as a passive, reactive and implementationist function.

The Guest Model

The Guest model combines both the hard and a soft approach to HRM and claims to be much superior to other models. David Guest's (1989, 1997) model of HRM has 6 dimensions of analysis:

- HRM strategies
- HR policies/ practices
- HR outcomes
- Behavioural outcomes
- Performance outcomes
- Financial outcomes.

According to guest, coherent strategy of HRM policies should be fully integrated into the business strategy and supported by all levels of line management. The model recognise the close links between HR strategy and the general business strategies.

The policy goals of HRM are:

● High commitment.
● High quality.
● Flexibility.
This model claims that the HR manager begin with specific HR strategies, which require certain HR practices to be executed, which result in certain HR outcomes which affect the behavioral, performance and financial outcomes. In other words, the quality of HR strategies, determine the quality of the business outcomes.

The model, it explains that financial results depend on employee performance, which depends on employee behaviours. Behaviour of employee depends on the employee's level of commitment, motivation, and flexibility, which in turn are influenced by HR practices. HR practices need to be in tune with HR strategies which are aligned to organizational strategies. Guest's model is similar to the Harvard but has seven HR policy categories instead of four. Guest proposes 4 crucial components that lead to organizational effectiveness. These are: **Strategic Integration, Flexibility, High Commitment and quality.**

● **Strategic Integration:** It is an integration of the HRM strategy with the business strategy. It reflects the hard HRM model as it treats human resources like any other resource for achieving organizational objectives.

● **Flexibility:** Flexibility reflects both hard and soft side of HRM. Flexibility is the ability of the organization and its human resources to adapt to the changing environment and also to its capacity to manage innovation. As a Hard side of HRM, human resources are employed only when their production is required and when their labour is not required they are discharged from the service. At a softer side of HRM, it emphasis that employees should be treated as fairly as possible. Flexibility is concerned with how receptive employees are to innovation and change.

● **High Commitment:** Organizational Effectiveness demands high commitment in terms of physical, mental, behavioural commitment of employees towards the organization. Concerned with the employer's goals of binding employees to the organization and obtaining the behavioural outcomes of increased effort, cooperation and organizational citizenship.

● **Quality:** The quality of HRM activities determine the quality of goods and services i.e the output

European model of HRM:
According to European model, Human resource management is the responsibility of line managers whereas human resource managers assist and advise the line managers in this process. Human resource management deals with various functions like recruitment, selection, appraisal, training and development, remuneration etc. but the way these functions are performed varies from country to country and region to region because of cultural variation. Culture influence human resource management practices which in turn affects the organizational culture. Organizational culture in turn influence culture in general making it a vicious circle. Hence, human resource managers should take culture of the country or the region into consideration while formulating human resource policies and functions.
Geert Hofstede identified four dimensions of culture viz. power distance, uncertainty avoidance, individualism and masculinity/femininity. Even culture variation is found between various European countries.
<u>**Model of SHRM in multinational companies**</u>
 Successful SHRM efforts begin with identification of strategic needs
 Employee participation is critical to linking strategy and HR practices
 Strategic HR depends on systematic and analytical mindset
 Corporate HR departments can have impact on organization's efforts to launch strategic

Initiatives

Evolution of MNE's
Three Stages of Evolution
1. **Export stage initial inquiries** => firms rely on export agents expansion of export sales further expansion þ foreign sales branch or assembly operations (to save transport cost)

2. **Foreign Production Stage** There is a limit to foreign sales (tariffs, NTBs)DFI versus Licensing Once the firm chooses foreign production as a method of delivering goods to foreign markets, it must decide whether to establish a foreign production subsidiary or license the technology to a foreign firm. Licensing

Licensing is usually first experience (because it is easy)e.g.: Kentucky Fried Chicken in the U.K.it does not require any capital expenditure it is not risky payment = a fixed % of sales Problem: the mother firm cannot exercise any managerial control over the licensee (it is independent) The licensee may transfer industrial secrets to another independent firm, thereby creating a rival.
Direct Investment : It requires the decision of top management because it is a critical step. it is risky (lack of information) (US -> Canada)plants are established in several countries licensing is switched from independent producers to its subsidiaries, export continues

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

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

Motives for Direct Foreign Investment
New MNCs do not pop up randomly in foreign nations. It is the result of conscious planning by corporate managers.
Investment flows from regions of low anticipated profits to those of high returns.
Growth motive A company may have reached a plateau satisfying domestic demand, which is not growing.
Looking for new markets.
Protection in the importing countries
Foreign direct investment is one way to expand bypassing protective instruments in the importing country.
European Community: imposed common external tariff against outsiders. US companies circumvented these barriers by setting up subsidiaries.
Japanese corporations located auto assembly plants in the US, to bypass VERs. Market competition
The most certain method of preventing actual or potential competition is to acquire foreign businesses.GM purchased Monarch (GM Canada) and Opel (GM Germany). It did not buy Toyota, Datsun(Nissan) and Volkswagen. They later became competitors.
Cost reduction
United Fruit has established banana-producing facilities in Honduras.
Cheap foreign labor.
Labor costs tend to differ among nations.

MNCs can hold down costs by locating part of all their productive facilities abroad. (Maquildoras)Supplying Products to Foreign Buyers Export versus Direct Foreign Investment MES is the minimum rate of output at which Average Cost (AC) is minimized. If minimum efficient scale (MES) is not achieved, then export

HR Policies – Meaning

In general HR Polices should respect human dignity and personal integrity, ensure fair treatment for all, irrespective of caste, creed, or colour, and offer reasonable social and economic security to employees.. The basic objectives of policy is to ensure that work and accomplishment are properly recognised, safe and healthy conditions of work are established that common interests of personnel are considered and employee participation is encouraged, employees motivation and their development are properly look after, and that the role of trade unions are recognised and their functions and responsibilities are respected.

Peter. Drucker has rightly said, The management must gear its policies and objectives in such a fashion that the employees perform their work and do their assigned tasks. It implies a consideration of human being as a resource, i.e. as something having peculiar psychological properties, abilities and limitation that require the same amount of engineering attention as the properties of any other source, e.g., copper.

Principles:

1. Place right person in the right place at the right time.
2. Train every employee for current and future jobs.
Establish organization as whole a co-ordination team.
4. Ensure proper and adequate supply of tools and equipments.
5. Create better working conditions
6. Give security with opportunity, incentive, and recognition.
Look forward, plan ahead for more and better things.
8. Ensure the principle of equity and natural justice.

Scope # 1. Employment:

Policies concerning with recruitment, selection and separation of employees.

These policies should provide mandatory guidelines for:

(i) Qualifications – Minimum hiring qualifications.

(ii) Selection Devices – Dependence on various selection devices such as university degrees, tests, interviews, reference checks, physical examination, etc.

(iii) Basis – Basis (length of service or efficiency) to be followed in discharging an employee.

(iv) Sources – Preferred sources of recruitment.

(v) Reservation – Reservation of seats for scheduled castes, scheduled tribes, handicapped persons, and ex-servicemen.

(vi) Local Employment of local people and relations of existing staff.

(vii) Probation – Probation period.

(viii) Layoff – Layoff and retiring.

Scope # 2. Training and Development:

(i) Attitude – Attitude towards training-whether it is regarded as a device to overcome specific problems or as a continuing relationship between superior and subordinate.

(ii) Executive Development – Programmes of executive development.

(iii) Orientation – Orientation of new employees.

(iv) Objectives – Objectives of training.

(v) Development – Opportunities for career development.

(vi) Training – Basis of training.

(vii) Methods – Methods of training-on-the-job or off-the-job.

Scope # 3. Transfers and Promotions:
(i) Rationale – Rationale of transfer.
(ii) Periodicity – Periodicity of transfer.
(iii) Promotion – Promotion from within or outside the organisation.
(iv) Seniority – Seniority required for promotion.
(v) Weightage – Relative weightage to seniority and merit in promotion.
(vi) Seniority – Seniority rights.
(vii) Channel – Channels of promotion.

Scope # 4. Compensation:
(i) Evaluation – Job evaluation system.
(ii) Wages – Minimum wages and salaries.
(iii) Mode – Method of wage payment.
(iv) Profit Sharing – Profit sharing and incentive plans.
(v) Non-monetary – Non-monetary rewards.
(vi) Executive – Executive stock option plan.
(vii) Procedure – Procedure for getting payment.
(viii) Condition – Whether to pay prevailing or more than prevailing salary scales.

Scope # 5. Working Conditions:
(i) Time – Working hours.
(ii) Duration – Shift work.
(iii) Breaks – Number and duration of rest intervals.
(iv) Extras – Overtime work.
(v) Leave – Leave rules.
(vi) Safety – Safety rules and regulations.

Scope # 6. Employee Services and Welfare:
(i) Types – Types of services-housing, transportation, medical facilities, education of children, group insurance, credit facilities, purchase of company's products at discount, company stores, social security, etc.
(ii) Finance – Financing of employee services.
(iii) Motivation – Incentives to motivate.

Scope # 7. Industrial Relations:
(i) Grievances – Handling of grievances.
(ii) Trade union – Recognition of trade union.
(iii) Suggestions – Suggestions schemes.
(iv) Discipline – Discipline and conduct rules.
(v) Participation – Workers' participation in management.
(vi) Journals – Employees' news sheet and house journals.

HR Policies – Need:

1. To Achieve the Objectives of the Organization:
Policies guide the employees to take action for achieving the objectives of the organization. Hence, they must be known and well understood by everyone in order to concentrate efforts on the objectives.

2. To Bring Uniformity in Decisions:
HR policies furnish the general standard on which decisions are taken. Various line authorities take decisions in an organization keeping in view the HR policies. Thus, uniformity of action is maintained in similar cases.

If the person in authority is transferred and some other person takes charge of the office the decisions to be taken by the new authority are similar to those which have already been taken in

comparable circumstances by the former authorities due to the predetermined policies of the organization. This brings simplicity and uniformity in action.

3. To Delegate Authority:
HR policies make delegation of authority possible, which means assigning the work to others and give them authority to do it. HR policies help executives at various levels of decision centres to act with confidence without consulting the superiors every time. HR policies give a manager liberty to choose the alternatives provided and to decide upon the action.

4. To Achieve Better Control:
HR policies specify relationships among organization, management and workers. Therefore, each group works for the achievement of the larger objectives of the organization without any policy conflicts. Thus, HR policies provide better control.

5. To Evaluate Efficiency:
HR policies serve as standards in execution of work. Efficiency of a group may be evaluated by its performance in the light of the policy. After assessing whether organization has achieved the desired results set in the policy, HR policy may be amended or a new policy may be formulated in the light of the actual performance.

6. To Create Confidence among Employees:
HR policies provide the workers a security against exploitation and create confidence in employees who may know where they stand in the organization.

7. To Motivate:
HR policies introduce the employees to the objectives of the organization. It guides the workers in achieving the objectives. They work enthusiastically and with loyalty to get those objectives.

8. To Guide the Management:
HR policies provide guidance to management in relation to the HR problems. HR policies decide how to get the work done by the people or how to behave with them.

HR Policies – 7 Important Components:

i. **Employment Policies** – These are the policies that guide hiring practices, orientation of new employees, compliance with employment laws and confidentiality.

ii. **Employment status and records** – These are the policies that define such issues as employment classifications access to personnel files and guidance on how background checks and performance reviews are to be performed.

iii. **Employee benefits** – These are policies that explain employee benefits such as insurance, vacations, holidays, leave and employee reimbursements.

iv. **Payroll** – These are policies that are related to salary and wage administration including deductions, pay advances and time keeping.

v. **Workplace guidelines** – These policies are quite varied and their purpose range from defining certain work arrangements such as flex time and telecommuting to offering guidelines on the use of company assets and record retention.

vi. **Employee conduct** – These policies are guidelines that control employer behaviour and conduct on the job. The mainstay of this section is a code of conduct but also important are policies regarding substance abuse, smoking, harassment and workplace violence.

vii. **E-policies** – These policies guide staff in the use of the organization's information technology. Policies defining acceptable and prohibited activities and use of e-mail and the Internet make up a majority of these policies.

Major characteristics of a sound policy can be identified as follows:

1. Relationship to Organizational Objectives:

A policy is formulated in the context of organizational objectives. It tries to contribute towards the achievement of these objectives. Therefore, in formulation of a policy, those functions or activities which do not contribute to the achievement of objectives should be eliminated.

For example, if a policy of filling higher positions from within produces hindrance in attracting talents at higher level but the organization needs them, the policy can be changed because in the absence of suitable manpower, the organization may not be able to achieve its objectives.

2. Planned Formulation:

A policy must be the result of careful and planned formulation process rather than the result of opportunistic decisions made on the spur of the moment. Since policies are relatively permanent features of the organization, ad hocism should be avoided because it is likely to create more confusion.

It is true that it is not possible to solve every problem in the organization on the basis of policies because new situations may arise, however, for matters of recurring nature, there should be well-established policies.

3. Fair Amount of Clarity:

As far as possible, policy should be clear and must not leave any scope for ambiguity. If there is a problem of misinterpretation, the organization should provide the method for overcoming the ambiguity. Further, policy provides some discretion for managerial decisions but it should minimize the number of cases where decisions are based on personal judgement. If this happens frequently, there should be close scrutiny of the policy and suitable amendments should be made.

4. Consistency:

The policy should provide consistency in the operation of organizational functions. Often the organization formulates policies in various functional areas and each function is related to other functions of the organization. If the policy in one area is inconsistent with another area, there may be conflict resulting in inefficiency.

This happens very frequently in functions having close relations such as production and marketing or finance and other functions. Therefore, the formulation of policies should be taken in an integrated way so that policies in each area contribute to other areas also.

5. Balanced:

A sound policy maintains balance between stability and flexibility. On the one hand, a policy is a long-term proposition and it must provide stability so that members are well aware about what they are required to do in certain matters. On the other hand, the policy should not be so inflexible that it cannot be changed when the need arises.

In a changed situation, the old policy becomes obsolete. Therefore, there should be a periodic review of policies and suitable changes should be incorporated from time to time. The changes may be in the form of addition, deletion, or substitution of the existing policy.

6. Written:

A policy may be in the form of a statement or it may be interpreted by the behaviour of the people at the top level. However, clearly-specified policy works better than the one which has to be interpreted by the organization's members. When the policy is in writing, it becomes more specific and clear. It creates an atmosphere in which individuals can take actions with confidence knowing fully the impact of a particular action.

A written policy is easier to communicate through the organizational manuals. However, written policy has certain disadvantages in the form of being inflexible, too much emphasis on written words and their interpretation, and leakage of confidential policy. However, if the policy has been formulated carefully, many of the dangers will be overcome. Of course, confidential policies cannot be made part of organizational manuals.

7. Communication:

It is not just sufficient to formulate policies. Unless these are communicated properly to the persons concerned, no meaningful purpose will be served. Therefore, a system should be developed to communicate the policies to those who are to make decisions in the light of those policies.

While written policies can be communicated easily, problems exist for communicating unwritten ones. In such cases, there should be more interaction between policy framers and policy implementers.

HR Policies – Why are HR Policies Important:

The importance and significant of HR policies:

1. Delegation:

The HR Policies help managers operating at different levels to act with confidence without the need for consulting superiors every time.

2. Speedy Decisions:

Policies can accelerate decision-making by providing a blanket framework within which personnel decisions can be made. They condense past experience.

3. Coordinating Devices:

HR policies help in achieving coordination. In case organisational members are guided by the same policies, they can forecast more accurately the actions and decisions. They ensure a steady course of action and prevent unwarranted deviations from planned operations.

4. Better Control:

As HR policies specify the relationship that is shared between the organisation, management and its employees besides they allow members to work towards achievement of the objectives of the organisation without friction/conflict, paving the way for better control.

5. Standards of Efficiency:

Policies serve as standards in the execution of work. They enable the management to view if they have been translated into action by various organisation or not. On the basis of the light of actual performance, existing policies may be subjected to amendment/refinement.

6. Uniformity:

The HR Policies increase the chances of different people at different levels of the organisation making similar choices, when independently facing similar situations. They make the actions of organisational members more consistent.

7. Confidence:

Policies create confidence in employees while confronting routine and recurring problems as they make them aware where they stand in an organisation. They reduce chances of misinterpretation, misrepresentation and consequent friction.

HR Policies – Top 6 Principles:

The principle of common interest must be given due recognition in designing HR policies. Factors like economic success of the enterprises, the interest of the employer and the employees should all be taken into account. It should benefit all the concerned parties' employees, employer and the government.

Employees must have a chance for a better standard of living, better security and opportunity for living a fuller and better life. In return, the employer must be able to get the maximum possible regain. A successful business enterprise contributes substantially to the national exchequer and creates propriety all around.

Principle # 2. Development:

The organization must provide ample opportunities for the growth of employee's personality. People want to improve their status, to earn more, and to shoulder higher responsibility. HR

Policies should lay down rules for the opportunities for development to those who are willing to contribute something to the prosperity of the organization and to sacrifice their time and efforts for undergoing training to improve themselves on the job.

Principle # 3. Recognition of Work and Accomplishment:

There must be a direct relationship between work and accomplishment. A job should provide for sufficient wages and benefits that will enable an employee to lead a comfortable life. The HR policies should take into consideration the employee's expectations such as reasonable security on the job against accidents, sickness and old age.

Principle # 4. Recognition of Trade Unions:

As the trade unions play an important role in the development of industrial relations, therefore, the management must recognize them. The HR policies should incorporate the clause for amicable settlement of disputes with the trade unions through negotiations and collective bargaining.

Principle # 5. Participation in Management:

Employees' representatives should be given participation in decision-making bodies of the organization so that they may realize their responsibilities towards the management and workers. The success of any programme or policy depends considerably upon its wilful acceptance by the employees.

If the decisions regarding HR affairs are taken in the presence of workers' representatives, there shall be better employees' satisfaction and morale. It will also minimise resistance to change.

Principle # 6. Facing the Changes:

Employees always resist changes that may seem inconvenient or unpleasant to them. Changes may relate to loss of income, loss of status, transfers, reassignment or retraining activities and broken friendships. Therefore, the employees should be prepared by the management well in advance to face the change as and when warranted.

This may be done through bulletin boards, company magazines and newspapers, committee meetings, union-management meetings, broadcasting system and so forth. In this regard management's viewpoints should be reflected in HR policies.

HR Policies – 4 Important Types:

Policies relating to management of human resources may be either formulated by the managers specifically and explicitly or these may be implied, or sometimes these may be imposed by outside agencies. Therefore, there may be formulated, implied, and imposed policies.

Besides, there may be situations where no such policy exists and the managers concerned may face difficulty in arriving at a decision and appeal for guidelines. Thus, there may be appealed policy.

Type # 1. Formulated Policy:

A formulated policy is one which is specified by the organization for providing guidelines to its members. Most of the policies in large organizations fall in this category as every organization formulates various policies on different aspects including HRM. Such a policy flows from higher levels to lower levels in the organization.

This policy may be broad giving general guidance for the action or may be spelled completely so as to leave little scope for definition and interpretation.

Type # 2. Implied Policy:

Sometimes, policies may not be clearly stated, and the actions of managers particularly at the higher levels provide guidelines for actions at lower levels. These actions might constitute the policy. Sometimes, the organization has clearly expressed policies for its image but it is not able to enforce these.

In such a case, the action of a decision maker, consciously or unconsciously, depends on his own guidelines, prejudices, and whims. Moreover, in the absence of any specific guidelines, decision is based on individual interpretation of the situations and consequent actions. However, such actions may create chaos in the organization.

Type # 3. Imposed Policy:

Imposed policy arises from the influence of some outside agencies. Such agencies may be government which provides HR and other policies for all public-sector organizations, parent organizations overseas in the case of multinational companies operating in a country, apex company of a business house, or trade association with which a particular organization is attached.

These agencies may either provide complete guidelines on a subject matter or provide a broad framework for devising specific policies. For example, in public sector commercial banks, recruitment and selection is done by Banking Service Commission, and individual banks do not have any control over this aspect, or a holding company may provide compensation policy for its subsidiary companies, and so on.

Type # 4. Appealed Policy:

An appealed policy arises from the appeal made by a subordinate manger to his superior for deciding an important case. The need for such an appeal may arise because the particular case has not been covered by any policy. The appeal is taken upward and the decision made on the case sets a precedent which becomes policy providing guidelines for deciding similar cases in future.

However, appealed policies are mostly incomplete and uncoordinated. As such, if frequent appeals are made, managers should visualize and review their policy formulation, its communication, and interpretation so that policy guidelines become more clear and specific.

HR Policies – Benefits and Limitation

Benefits of HR Policies:

Policies help in achieving the following benefits:

(i) **Facilitates decision-making.** Policy helps managers at various levels to act with confidence without the need of consulting the superiors every time. It gives them alternatives to choose from.

(ii) **Promptness of action-** When situations arise that call for decisions, policy will ensure prompt action within the overall framework of the objectives of the organisation.

(iii) **Consistency of action-** Effective policies ensure uniform and consistent treatment of all employees throughout the organisation. Sound personnel policies are, therefore, an essential base for sound personnel practices. Policies provide the base for management by principle as contrasted with management by expediency.

(iv) **Continuity and stability-** Written policies are a means of transmitting the company's heritage from one generation of executives to another. There would be stability in decision making in the organisation even if some key executives retire or leave the organisation.

(v) **Better control-** Policy provides a rational and continuous system of achieving results which facilitates better control.

(vi) **Eliminates personal hunch and bias-** Clearly laid down policy liberates decision-maker from his personal bias and self-interest.

(vii) **Welfare of people-** By removing momentary and hasty decisions, policy ensures long-term welfare of people involved in the organisational activities.

(viii) **Confidence in employees-** Policy makes the employees aware of where they stand in relation to the organisation. This will create confidence in them.

Limitations of HR Policies:
HR policies may suffer from some limitations which are as follows:
(i) Policies are repeatedly used plans. They bring about rigidity in operations as they leave no room for initiative by the subordinates.
(ii) Policies may not cover all the problems. Sometimes, unforeseen situations arise which are not covered by the existing policies.
(iii) Policies are no substitute for human judgement. Policies only delimit the areas within which decisions are to be made.
(iv) Policies may not be ever-lasting as they lose their utility with the changes in the internal and external environment of the business.

HR Policy – How to Make HR Policies Effective?

For making the HR policies more effective, it is necessary that they are established in accordance with good standards. They should be reviewed from time to time. There should be a set of standards to check the effectiveness of a particular HR policy.
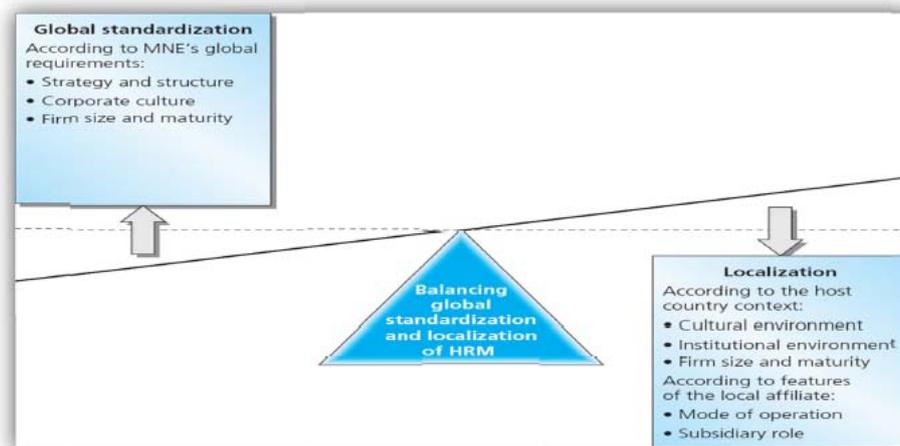
STANDARDIZATION AND LOCALIZATION OF HRM PRACTICES

Standardization of HRM practices refers to centralized decision making at MNCs' headquarters regarding HRM practices at subsidiaries; and conduct them in the same way as done in their parent countries. Standardization of HRM is considered by Smale (2008) and Taylor (2006) as a global HRM integration in which MNCs try to achieve common standards of HRM management between the headquarters (HQ) and the business affiliates around the world. It can be implemented by exporting similar mechanisms of HRM practices from headquarters (HQs) to subsidiaries operating in the host countries. Al-Khaldi (2016) used the concept of standardization interchangeably with transfer of HRM practices from headquarters to the subsidiaries while Uyasal (2014) and Sparrow (2016) viewed it as a convergence of HRM practices between the parent company and subsidiaries. In contrast, localization of HRM practices refers to local adaptation where MNCs adapts HRM practices to host country's local firms' practices .

Localization is diverged HRM practices from the parent country of the MNCs to local conditions of host nations. Sometimes localization is used synonymously with the concept of decentralization of Human Resource Management practices in which the subsidiaries become autonomous in executing Human Resource (HR) functions differently from the headquarters but addressing business goals of the MNCs. In other words, localization is a practical effort of indigenizing international HRM practices to host country conditions. HRM practices that should have been standardized or localized by MNCs' subsidiaries may be highlighted in the Ability, Motivation, Opportunity and Control (AMO) framework. Based on the AMO framework, HRM practices may consist of a wide range of ability enhancing practices such as recruitment and selection (staffing), training and development. They may further consist of motivation enhancing practices including practices such as compensation policy, job security and recognition programmes. AMO framework further indicates that Opportunity practices which include practices like communication with employees, job design, and level of internationalization, team working, employee involvement and promotion can be standardized or localized by subsidiaries. Control practices involves of performance appraisal, variable pay and global competency assessment.

Apart from an attempt to understand the concepts of standardization, localization and what constitute HRM practices, it has been noted that there have been many studies conducted on standardization and localization of HRM practices especially in Europe, Northern America, China, Japan, Australia and South Africa. For instance, Belizón et al. (2016) found that HRM

practices including pay, fringe benefits, performance appraisal; succession planning had high degree of standardization in Ireland and Spain among 450 MNCs subsidiaries. Indian Information Technology MNCs in Australia standardized many elements of compensation but also adapted several aspects of compensation to local host country practices (Kyurova, 2019). Chang et al. (2009) almost revealed similar findings in which four Taiwanese MNCs' subsidiaries in United Kingdom (UK) standardized staffing by employing Taiwanese top managers and conducted performance management for British local employees on individual basis based on the British local firms practices. As MNCs' subsidiaries were engaging in standardization and localization of HRM practices in the subsidiaries, there has been inadequate knowledge on determinants of standardization and localization of HRM practices in MNCs' subsidiaries in the literature published in the developing world.

The determinants of the balance of standardization and localization in human resource management in MNEs is as follows:

A) The balance of standardization in human resource management in MNEs is:

1) Strategy and structure of the organization
2) Corporate culture in the organization
3) Size of the firm and maturity in the firm

B) The balance of localization in human resource management in MNEs is:

1) Institutional Environment
2) Cultural Environment
3) Mode of the operation
4) Role of the subsidiary in the organization.
3) Maturity level in the organization.

UNIT-2

The origin of international business goes back to human civilization. Historically periods of greater openness to trade have been characterized by stronger but lopsided global growth. The concept of international business–a broader concept relating to the integration of economies and societies, dates back to the 19 th century. The first phase of globalization began around 1870 and ended with the World War I (1919) driven by the industrial revolution in the UK, Germany and the USA. The import of raw materials by colonial empires from their colonies and exporting finished goods to their overseas possessions was the main reason for the sharp increase in the trade during this phase.

The ratio of trade to Gross Domestic Product (GDP) was as high as 22.1 in 1913. Later various Governments initiated and imposed a number of barriers to trade to protect their domestic production that led to decline in the ratio of trade to GDP to 9.1 during 1930s.The international trade between two world wars has been described as "a vast game of beggar-my-neighbour."

Advanced countries experienced a severe set back consequent upon the imposition of trade barriers as they produced in excess of domestic demand and a decline in the volume of international trade. Added to this, the breakdown of the gold standard resulted in vacuum in the field of international trade. Then the world nations felt the need for international co-operation in global trade and balance of payments affairs. These efforts resulted in the establishment of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD–popularly known as the World Bank).

The prolonged recession before the World War II in the West, led to an international consensus after the World War II that a different approach towards international trade was required. Consequently, 23 countries conducted negotiations in 1947 in order to prevent the protectionist policies and to revive the economies from recession aiming at the establishment of an International Trade Organization. This attempt of the advanced countries ended with the General Agreement on Trade and Tariffs (GATT) that provided a framework for a series of 'rounds' of negotiations by which tariffs were reduced. Efforts to convert the General Agreement on Trade and Tariffs (GATT) into World Trade Organization (WTO) were intensified during 1980s and ultimately GATT was replaced by the WTO on 1 st January 1995, envisaging trade liberalization. The efforts of IMF, World Bank and WTO along with the efforts of individual countries due to economic limitations of the closed economies led to the globalization of business. Globalization gave fillip to international business particularly during 1990s.

Strategic orientations

Depending on the nature of business operations and producing products according to the suitability of the foreign environment and customers, organizations perform business with different orientations.

- ### Ethnocentric

It involves the extension of the various domestic products to the suitable foreign markets or in order to dispose of the excess domestic production. Here the prime focus of organizations is to develop products fit for the domestic market environment and strategies are also developed according to the existed local market conditions. Ethnocentric orientation involves producing products in order to satisfy the home country customers. The marketing mix is also developed on the basis of suitability of the home country but they do international business for the purpose of creating extra business and to dispose of the surplus domestic production.

- **Polycentric**

The polycentric orientation of international marketing involves producing different products in order to satisfy the customers of different countries. Organizations give freedom to the subsidiaries to take marketing mix decisions suitable for that particular market conditions. So that subsidiary takes decisions and operates independently with unique marketing strategies.

- **Regio or Geocentric**

In geocentric orientation, marketers consider the entire world as a single market. Nowadays major companies are adopting this method to get the brand image and to occupy the major share of the world's market. Here they apply standardized marketing mix strategies across the national borders. Though the marketers consider the entire world as a single market, they take launching decisions with proper analysis of the cost of living and culture variation.

Marketing mix and international markets

Marketing mix involves 4p's i.e. product, price, place, and promotion. In the international level organizations develop marketing strategies suitable for different foreign market by making changes in the marketing mix elements.

- **Product**

While taking product decisions for international markets organizations follow various orientations such as ethnocentric, polycentric and geocentric. In the case of ethnocentric orientation, organizations produce products with a complete domestic focus, whereas in geocentric orientation products are designed and produced by treating the entire world as a single market. Luxury products, innovative products, and technologically advanced products are marketed under geocentric orientation.

- **Price**

Any organization fixes prices to get profit margin. In international marketing, marketers take unique marketing decisions suitable to the foreign market conditions. Here different variables affect the pricing decisions of the marketers such as the cost of production, transportation costs, tax and tariffs, prices of related products or competitor's products and cost of product development. So the marketers take strategic pricing decisions by considering various factors.

- **Place**

Successful distribution of products to the end users is the challenge in the foreign markets. Many organizations are selling products through online for creating ease and profitable. Here also identifying target markets and offering products to the end users through various distribution channels varies with the lifestyle of the customers from one country to another country.

- **Promotion**

Product promotion in the domestic markets is more or less same, but the most important thing to know is delivering suitable promotional strategies in order to attract the foreign markets. Marketers should know the values, beliefs, perceptions, legal and socio-cultural aspects of the different foreign environments. So while making efforts to creating product awareness, generating sales and maximizing brand loyalty marketers have to identify the target customers, and deliver the message to attract the foreign customers.

Changing Scenario of International Business

The scenario of international business has been changing at a fast rate after 1990s. Many factors contributed to the changing scenario of international business.
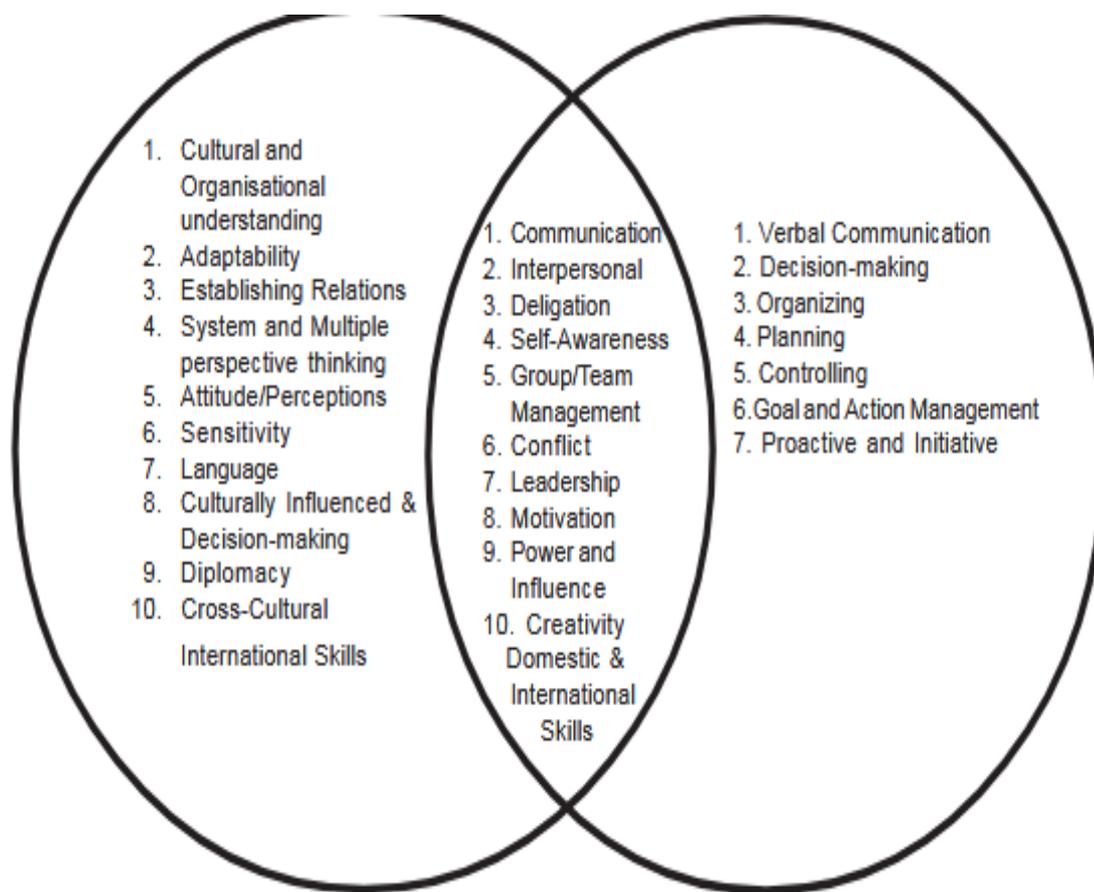
These factors include:

• Globalization of various economies including the former communist countries and socialist pattern of societies,

• Establishment of World Trade Organization on the 1 st January 1995 in place of the General

Agreements on Trade and Tariffs,

• Information technology revolution and its wider applications to business
across the globe,

• Higher growth rate of transport technology and consequent reduction in cost, increase in
speed and efficiency,

• Enlargement of European Union from 15 members to 27 members.

• Higher growth rate of GDP of China, India, South Korea, Singapore, Malaysia, Thailand,
Brazil and Mexico,

• Spread of production activities of multinational companies in the newly
globalised economies in addition to the developed economies,

• Increase in business alliances in degree and variety like alliances, joint
ventures, mergers, amalgamations and takeovers,

• Increased globalisaion of culture,

• Increase in educational opportunities and career-orientation among the people of developing
countries particularly China and India. These factors resulted in enhancement of opportunities
for higher value addition in developing countries. Consequently developing countries started
attracting multinational companies to establish their manufacturing facilities in their countries.

COMPETENCY REQUIRED FOR INTERNATIONAL MANAGERS

A managerial skill is the ability to accomplish a particular type of managerial goal through
personal action. The action may be as simple as a single behaviour, or may comprise a system
of behaviours implemented interactively over a period of time. This definition suggests that our
image of managerial skills rests on a set of managerial goals/problems currently thought to be
important by managers — and which could change over time and setting. This definition also
distinguishes the direct and indirect parts of managerial goals. For example, a manager may
have a goal of facilitating a meeting, which he/she accomplishes through direct action. The
group may then arrive at a quality decision — an indirect result of the manager's action. Thus
the manager's skill in group facilitation results indirectly in furthering of other organizational
goals. Based on this definition, an identification of important managerial skills can be made.
The skills identified are summarized in the box below. International management considers
management in a variety of cultural settings. It is therefore more diverse and difficult to
summarize

Left circle:

1. Cultural and Organisational understanding
2. Adaptability
3. Establishing Relations
4. System and Multiple perspective thinking
5. Attitude/Perceptions
6. Sensitivity
7. Language
8. Culturally Influenced & Decision-making
9. Diplomacy
10. Cross-Cultural

International Skills

Middle (overlap):

1. Communication
2. Interpersonal
3. Deligation
4. Self-Awareness
5. Group/Team Management
6. Conflict
7. Leadership
8. Motivation
9. Power and Influence
10. Creativity

Domestic & International Skills

Right circle:

1. Verbal Communication
2. Decision-making
3. Organizing
4. Planning
5. Controlling
6. Goal and Action Management
7. Proactive and Initiative

1. Intrapersonal skills, in which self-related goals receive primary emphasis; e.g., decision-making, planning, time and stress management, goal and action management, personal productivity, and self-motivation.

2. Interpersonal skills, in which external relational goals and changes in others are emphasized; e.g., communication and language, delegation, influence, conflict, group management, motivating others, and leadership.

3. Learning skills which enable or facilitate the development of other skills; e.g., self-awareness, creativity, and learning from doing.

4. Personal characteristics — not skills in themselves, but attributes of individuals which studies suggest are related to managerial skillfulness and skill development; e.g., proactivity, disposition to lead, perceptual objectivity, positive regard, and risk taking.

5. Entry skills used to assess and understand an organizational setting and establish effective working relationships in it; e.g., establishing relationships and sensitivity. These are distinguished from interpersonal skills in that they are used primarily to start up relationships, whereas interpersonal skills are used more on an ongoing basis.

6. Administrative skills used to carry out administrative functions; e.g., decision making and planning

INDIAN MNC'S AND CHALLENGES
1. Infrastructure
Selecting a suitable place in India can be quite a challenge for Multinational Companies. Western companies tend to lease office spaces rather than owning it. Due to lack of professional infrastructure and high demands, companies need to book offices in under construction buildings way before they are completed.
2. Recruitment
Recruitment is another challenge for the companies as there is an enormous crowd applying for jobs in India, whereas the number quality and talented professionals is very less. The fact that India has become a hub for IT/Software and Service sector, there is a race among top multinationals to hire the best available talent in the country.
3. Diverse Culture
While Unity in Diversity is one of the top strengths of India, it is also one big weakness for the companies to set up their business. Since most companies are western, and the top management is foreign in the beginning, there is a huge problem in coping up with the culture of the diversity of employees they hire.
4. Price Centric Customers
In India, another problem that companies face is the mentality of the people in buying goods and availing services. India is more of a price centric nation, which does not witness as much brand loyalty, as it does consider the price. Hence, not only do the companies need to provide quality products, they also need to charge a

competitive price for that. People would compare features without going into the premium depth, and hence choose a cheaper version. The fall of the telecom sector is a perfect example for the price centric mentality of the people. Along with other areas ae;

a) **Talent crunch** – Companies need strong talent pool which can take leadership position both in global market as well as in India, as and when required. This talent pool can be in-house trained as companies like Aditya Birla Group, Tata Group, Infosys, TCS etc. are doing or like some startups hire experts from related or unrelated Industries in India as well as abroad to nurture their global aspirations. Still most of the companies have not been able to come out with solution to this challenge and are struggling as success to them is largely dependent upon hiring and retaining highly skilled technology professionals, sales professionals and management professionals.

b) **Cultural Impact** – McKinsey in their study found that managing a global business is a major challenge as it makes different set of people with different cultural orientations to work together, and orienting them for a common goal with standard process is very difficult. To achieve global success a company needs to localize while pushing for the common goal.

c) **Strong Vision and Credentials** – The exposure to big projects in India in comparison to global scale is limited. Only few companies like L&T, GMR, PunjLLoyd, etc. have been able to complete global scale projects, still there is a long way to go. Companies need to put forward a strong vision for future and plan for their global footprint by leveraging their Indian experience,

International Assignments
International assignments are the single most expensive person investments comes makes in globalizating it be work force. International assignments are the hub of international hr and are of great concern to many corporate. Who make big investment in overseas assignments,.
Some examples of how International assignments uses might describe an assignments failure:
1. Having to return an expatriate earlier than expected.
2. Losing an expatriate with in a short time frame after being repatriated.
3. Performing poorly during the international assignments.
4. Having to constantly go back and forth with an expatriateconcerning compensation allowances taxes benefits..

SIGNIFICANCE OF INTERNATIONAL ASSIGNMENTS:
1. They help in leadership development: International assignments are key element in developing management terms they are globally focused and globally competent
2. They encourage high levels of coordination and control: expatriate assignments encourage high level of coordination and control among business units.
3. Facilities information exchange and discrimination: International business requires high levels of internal communication both information sharing and information exchange because of geographical distances, cultural diversity complex supply and demand condition ,and other similar performance.

SELECTION METHODS FOR INTERNATIONAL ASSIGNMENTS:
1. **Informal method:** in this method candidates all selected informally based on personal contracts
2. **Formal methods :** includes selection on the basis if past experience and skills a. Past experiences: selection on the basis of past exp Eg: is of deemed a reliable guide to future performance. b. Selection by skills: it is unfortunately common among mncs to treat international,
3. **Tests and examinations :** as expatriate assignment become more common and consequently more consideration goes into the selection of candidates. Some of the means of selection are: a. Interviews: both need office and the office. b. References and resumes: success is one International assignments does not necessary guarantee success in another. Some assignments require a global orientation rather than previous experience.

In Additional, more specialized means of selection may be used:
a. Selection tests
b. Assessment centers
c. Third country national
d. Selection for specific ability and competences

Transferring staff for International assignments:
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Transferring staff for international business activities

The above discussion demonstrates the options for staffing key positions in foreign operations. We will now look at the HR consequences of these approaches and the broader implications in terms of:

- The reasons for using international assignments
- types of international assignments
- the role of expatriates and non-expatriates

Expatriate as an agent of direct control

The use of staff transfers can be regarded as a bureaucratic control mechanism, where the primary role is that of ensuring compliance through direct supervision

The expatriate as an agent of socialization

This role is related to the use of corporate culture as an informal control mechanism we examined in Chapter. There is an implicit expectation that expatriates assist in the transfer of shared values and beliefs.

EXPATRIATE : An **expatriate** (often shortened to **expat**) is a person temporarily or permanently residing in a country other than their native country.[1] In common usage, the term often refers to professionals, skilled workers, or artists taking positions outside their home country, either independently or sent abroad by their employers, who can be companies, universities, governments, or non-governmental organisations

Recent trends

Trends in recent years among business expatriates have included:

- **Reluctance by employees** to accept foreign assignments, due to spouses also having a career.
- **Reluctance by multinational corporations** to sponsor overseas assignments, due to increased sensitivity both to costs and to local cultures]
- **Short-term assignments** becoming more common are assignments of several months to a year which rarely require the expatriate family to move. They can include specific projects, technology transfer, or problem-solving tasks.
- *Self-initiated expatriation* , where individuals themselves arrange a contract to work overseas, rather than being sent by a parent company to a subsidiary.[An 'SIE' typically does not require as big a compensation package as does a traditional business expatriate. Also, spouses of SIEs are less reluctant to interrupt their own careers, at a time when dual-career issues are arguably shrinking the pool of willing expatriates.
- **Local companies** in emerging markets hiring Western managers directly.

- **Commuter assignments** which involve employees living in one country but travelling to another for work. This usually occurs on a weekly or biweekly rotation, with weekends spent at home

TYPES OF SELECTION PROCESS :
- Psychometric Tests
- Assessment Centers
- Coffee machine system **Psychometric Tests:**
  According to Passmore, 2008 Psychometrics are the widely used testing method for the selection of the employee and personal development. The psychological test is always important for the selection of the employee especially for the selection of an international manager. Psychometric tests are reliable that the selected person will be the one on whom one can rely.

Assessment Centers: As the assessment centers are considered to be one of the best selection techniques so according to Sparow and Brewster assessment centers will be the best idea as a selection technique to assess the competency of international managers.

Coffee Machine System: This system was the idea of Harris and Brewster (1999) the key findings of the study show the reality of the selection process for expatriate selection in the organizations.

TYPES OF EXPATRIATE ASSIGNMENTS:
Short term Assignments : worker staying in a hotel and the family remaining behind at home.
Development Assignments: considered to be dev assignments high potential fast tracker in many large inters companies.
Strategies assignments: involve person with special skills. [Expansion, relationship, buildings].
Long term assignments: involve start ups or an ongoing managerial expatriate role.

REPATRIATION (OR) REPATRIATE:
Repatriation generally refers to the termination of the overseas assignments and coming back to the home country where the headquarters is located or the home subsidiary from where he or she was expatriated.

Process :
1. Preparation
2. Physical relocation
3. Transition
4. Read adjustments

Preparation: the first stage in repatriation is preparation. approximately twice to three monthly before the expectsreturns to the home country.
He or she should be taken through a reentry phase followed by actual repatriation.

Relocation: this stage involves removal of personal belonging , breaking ties with colleagues and friends and traveling to the next posting usually the home country.

Transition: this means findings accommodation short for children , opening bank account , locating a milk broth.

Some common repatriation tips are discussed below:
a. For employers : before sending an employee an a global assignment the org needs to plan on how it would use the newly acquired culture and market specific skills of the relation process
 b. Org. can create a repatriation contract to reduce ambiguity on both side about the expatriates future with in the company

c. Sit down with the entire family before the return home and create a list what it is that each family members likes and dislikes that most about the country leaving behind.

d. Keep the returning expatriates feeling valued and appreciated on their return e. Provide spousal career consulting assistance to employees with accompanying spouse or partners

B. for the returning employee and spouse or partners: seek a mentor right from the movement he or she has accepted the position

The role is to keep in the loop assist him or her in watching out for his or her interest and career path.

- Create a transition fund a secure amount that will allow for hidden costs eg: re adjusting to a life styles. That occur during the transition back home.
- Expect your values and beliefs related to how he or she views the world to have change friends and family to immediate understand to the new experiences.
- Prepare to effectively communicate the newly acquired values and beliefs to others in the home country.

For returning parents and family:
Establish the optimal time for the family to located considering school system for your children.

1. Mange the expectation and exact them to the different for each member of the family
2. Allow time to established family contract and friendships.
3. Use technology to stay in touch. **International assignments for women's:** Increasing important of international business is encourage the impact of global corporation on women in management Global corporation include women because of the following reasons:
    - Competitive business environment :- todays extremely Competitive business environment forces global select the very best people available.
    - Corporate culture: -domestic and multi domestic companies high primary local nationals and therefore must closely and here local now on hiring not hiring. Female managers eg: US based global corporation i have often hired local female managers when local firms would not where foreign corporation have had difficulty in attracting top ranked male applicants. American firms have led the way in hiring excellent Japanese women while Japanese firms are still extremely reticent to hire them.
4. Flexibility: global corporation have begun to send women abroad as expatriate managers because global firms use expatriates and local managers. They can benefit from the greater flexibility that many culture afford foreign women.

Problems of women international assignment:
1. Women do not want to be international managers : women are believed to have less interest than men in pursuing international careers. Where are both women and men are showing interest to work international assignments. But focus after opportunity to women than to men and significantly to women pursuing inter. Career to those pursuing domestic careers.
2. Companies refuse to send women abroad: lack of confidence on the part of org. can communicate it self to foreign colleagues and clients thus making it ever harder for women to be taken seriously.

3. Foreign prejudice against female expatriate managers makes them ineffective: is it true that foreigners are so prejudiced against women that women could not succeed as international managers.
4. Other problems: a. Companies assumes that women are not as internationally mobile as men b. Companies assumes that women encounter more work /life conflict working on global schedule. c. Most companies belive that clients out side the home country are not as comfortable doing business with women as they are with men.

Advantages of women international assignment :
1. Women reported numerous professional adv to being highly visible accessible and memorable foreign clients were various about then , wanted to meet them and remembered them after the first encounter.
2. The women after receive the special treatment that their male counter parts did not receive
3. In additional most of the women's described benefiting from a halo effects.

CROSS-BOARDER ALLIANCES (MERGERS AND ACQUISITIONS M&A
Equity refers to stock. Equity means that you get some ownership in the company as part of your compensation. No-equity means that you're just getting pay and benefits, no stock in the company.

•Cross-border alliances are co-operative agreements between two or more firms from different national backgrounds, which are intended to benefit all partners.

•Anon-equity cross border allianceis an investment vehicle in which profits and other responsibilities are assigned to each party according to a contract. Each part co-operates as a separate legal entity and bears its own liabilities. For example international technology alliances or strategic research development alliances.

•Equity modes involves a foreign direct investor's purchase of shares of an enterprise in a country other than its own. These include the establishment of subsidiaries either through greenfield investments or acquisitions, as well as through joint ventures or mergers

•Equity and non-equity modes of foreign operation
Equity and non-equity cross-border alliances pose specific challenges to IHRM – often crucial to the success of international operation

Cross-border mergers and acquisition
Cross-border mergers and acquisitions (M&As) are of concern to those interested in international human resource management. The process of merging two firms, whether they be from different countries or not, raises a number of human resource issues. For example, the details of the merger and its likely implications for employees must be communicated; management must decide on the extent to which it will seek to integrate pay and benefit policies; and the employment consequences of the restructuring that follows most mergers must be confronted.

The impact and consequences of a merger or acquisitions, particularly the nature of restructuring, depends in large part on their rationale for it and the context in which it takes place. For example, a merger based on adverse trading conditions, overcapacity and the desire to cut costs is much more likely to lead to large scale redundancies than ones based on an expansion into new markets. The impact and consequences of cross-border mergers and acquisitions are also likely to be strongly shaped by national effects. These national effects show up in two ways in cross-border mergers and acquisitions. The first effect is seen in terms of the orientation of the parent or larger firm in the merger, something which can be

termed as the 'country of origin' effect. The second effect can be seen in the way the HR issues are handled differently at national level, or the 'host country effects'.

HR's Role in the Five Phases of M&A

We have found that most mergers and acquisitions include the following five phases, and we have identified how HR professionals can and should play a role in each phase to result in a successful merger.

Phase 1: M&A Evaluation

The first step in the M&A process is for the interested parties to start discussing the possible merger or acquisition. The name of the game here is discretion. Due to the sensitive nature of M&As and the data that will be shared, both parties will need to sign non-disclosure agreements (NDAs) to ensure that no information is leaked before the appropriate time.

These preliminary talks are often highly secretive because they may/may not lead to a merger, so there is no need to cause alarm. Although the level of confidentiality that's needed can vary, its importance is heightened if either party is publicly traded. It's critical for HR to be involved early to understand the HR landscape at a high level, including information such as the number of employees and managers, locations, whether or not a union will be involved, etc.

Phase 2: Third Party Engagement

Third parties help both the buyer and seller navigate the process. These third parties are usually lawyers, accountants, investment bankers, financial planners, business coaches, or M&A advisors. These individuals will be involved in the development of the structure and content of the legal agreement.

A merger or acquisition can happen quickly or take months. Although the timing varies, it is not too early for HR to start looking into what management changes need to take place when this deal closes, potential cultural problems, redundancy issues, and what key employees need to be retained. Having thought through these issues early in the process will improve the outcome.

Phase 3: Prep Time and Due Diligence

In this preparatory phase, HR should become even more involved. Initially, as an HR expert, you will want to get as much information as you can from the seller to begin your analysis. This information is usually provided in a secure data room and may be provided in general terms without any names, but it will give you an idea of the "HR side" of the organization. This could include:

- Leadership compensation
- Organization chart
- NDAs
- Employment agreements
- Payroll records
- Benefits that are offered, including 401k/retirement, compliance with ERISA, carriers for the plans, costs, last 2 years' data
- Pending legal issues
- Financial documentation

At this point, the parties will sign a letter of intent signaling that they are all in agreement with the business framework for the deal. Now the due diligence begins. All documents are carefully reviewed by HR and finance to ensure that there are no unexpected surprises that could derail the deal.

Phase 4: The Agreement

In this phase, the finer details and price become the top focus. There are books written about how valuation is calculated in various industries, so we won't go into that here. The most important thing is that both parties will come to an agreement on the price and legal documents will be drawn up. Be aware that negotiating the finer details of the acquisition may take longer than you would think.

Once the agreement is reached, there are some filings that need to be completed including with the secretary of state, tax documents, workers' compensation, and other government bodies who will need to be notified of the event. At this point, the information will soon be public, and you should have a communication plan ready.

Once everything is signed, the integration of the two entities begins and management and HR must now bring the two workforces together.

Phase 5: Integration

HR is now tasked with ensuring the new company is fully integrated. The integration phase includes:
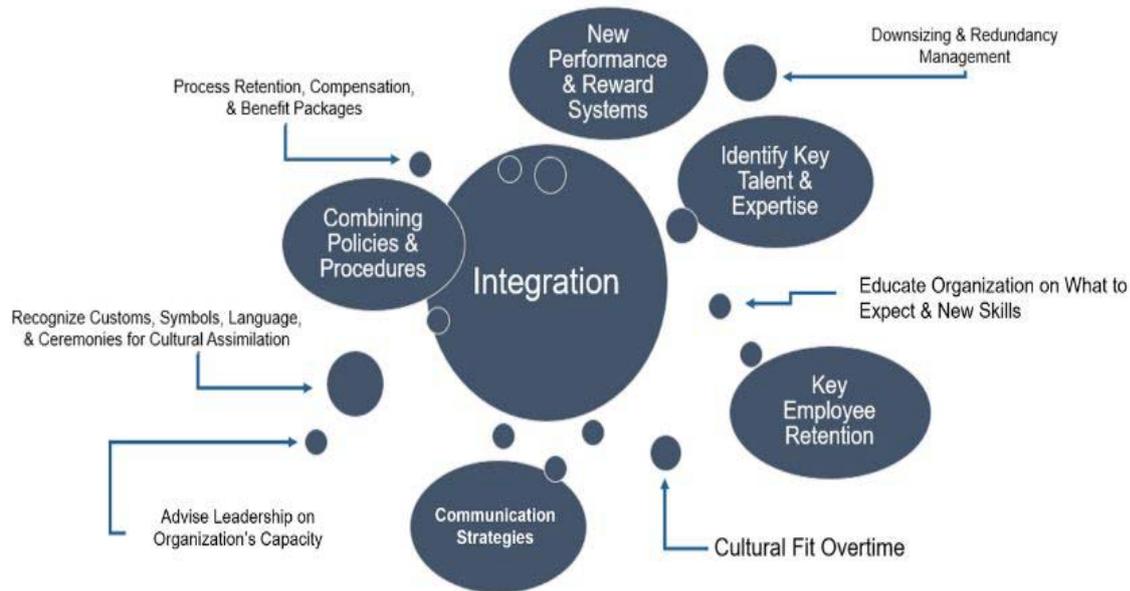
- Communication strategy
- Combining the organizations and cultures
- Determining redundancies
- Formulating strategy
- Ensuring the retention of staff

The "people" side of the acquisition is extremely critical at this point. HR must find ways to retain key employees and keep employees engaged.

How HR Can Ensure Successful Integration

To weave together a new organization, HR will need to keep an eye on many different threads – first among those is culture. Cultural compatibility issues often arise when bringing together two or more organizations in the M&A process. The M&A integration always has a degree of misalignment, regardless of the *perceived* similarity between the two organizations. Cultural alignment has been identified as the top challenge in M&A transactions, therefore we recommend HR professionals be prepared to address it early on.

Additional areas of focus, as reflected in the diagram below, include combining policies and procedures, identifying and retaining key employees, conducting talent assessments, combining compensation and benefits, and implementing a well-developed communication strategy.

Identifying and Retaining Key Employees

Retention of key employees will be critical to the success of the M&A. To retain key talent that will help make the new organization successful, HR and/or management should communicate its intentions to the "star performers" as early in the process as is legally possible to help ensure retention. This will involve requesting access to conduct confidential interviews with key employees in advance of the actual closing date.

HR should advise management to be very careful not to under-commit to these key employees, or they will consider other employment options. Star performers know who they are and understand their personal and professional marketability.

Combining Policies and Procedures

HR will need to look at the policies of both organizations and consider how to handle the differences. You may choose to retain only the buyer's or seller's policies or combine the best pieces from both organizations. You will also need to determine how to handle any changes that would cause employees to have less than what they currently have (i.e., PTO, cell phone, etc.). In the end, you may decide to grandfather those items or provide compensation.

Conducting Talent Assessments

HR will need to identify and manage redundancies and reductions. Be prepared to allocate a significant amount of time to assess employee knowledge, skills, and abilities (KSAs) to determine which individuals will be retained and who will be let go. Your strategy may include terminations, early retirements, and a longer-term plan to simply not fill certain positions as they are vacated. A careful strategic approach will be key here – the ways in which these talent management decisions are made will be as important as the actual decisions themselves, as they'll communicate a great deal about the new organization's values.

Historically it was not uncommon for HR to get a "seat at the table" late in the M&A process, if they were offered a seat at all. We are happy to report that we have heard from many of our HR colleagues that HR is engaged earlier and at a more strategic level. If HR is engaged late in the M&A process it can result in unrealized synergies and additional deal value erosion for domestic M&A deals.

But in the case of cross-border M&A, failing to include HR can have much more serious implications. The HR team is uniquely qualified to navigate issues of logistics;

organizational and national culture; and regulatory and legal issues that so often prevent the attainment of maximum deal value.

Multiple Country Dynamics

If you've worked on domestic M&A deals before, then you already know they have plenty of moving parts. In cross-border deals, HR professionals must consider multiple additional logistics issues.

- **Language:** There is always a risk for misunderstanding when people are using a second language, no matter how proficient in that language they may be. In addition to potential for misinterpretation, there's also opportunity for mismatch in formality, directness and display of emotion. And even if individuals at the target company speak English, they may be not be comfortable conducting business in a non-native language. This can be incredibly stressful, especially during major business transactions or complicated negotiations.
- **Time-zone differences:** Employees from the buyer and target companies may exhibit varying degrees of willingness to be flexible in accommodating the needs of people in other time zones. As HR leader, you're well positioned to discuss the importance of flexibility and accommodation whenever possible
- **Employee benefits:** In many cross-border M&A deals, the HR team must build in even more time for employee benefits transfers. This process is already a frequent source of delays in domestic deals, and cross-border deals are even more complicated. The HR team should work closely with the legal team and engage HR in each country to maintain continuity of employee benefits.

Organizational and National Culture

Organizational cultural incompatibilities are a leading cause of deal failure for domestic M&A deals. In cross-border deals, the HR team must also contend with differing national cultures, which can impact everything from work hours to leadership expectations.

- **Varying roles for HR:** The roles and responsibilities of HR may change based on local culture. In some places, the HR team acts as "order takers," while they act as strategic advisors in others. Be mindful that your cross-border counterparts may not have the same level of input as you. Furthermore, as an HR leader you may even encounter resistance to your participation or leadership during due diligence and integration.
- **Differences in work practices:** HR leaders usually find that in addition to differing response times and attitudes toward vacation and work hours, foreign labor markets are also more heavily regulated. These regulations require careful analysis during due diligence.
- **Human capital differences:** Differences in employment practices, plans and program design, for instance, can even influence how you ask questions during the due diligence process. Furthermore, the structure of the deal itself may change from country to country, further complicating the human capital puzzle.
- **Feeling loss of control:** Staff outside of headquarters may feel out of control, potentially affecting quality and timeliness of work; the level of cooperativeness; and willingness to work toward resolution of people issues that affect deal value and productivity.
- **Risk of poor coordination:** Despite a strong need for multi-national coordination, HR leaders may encounter reluctance to adopt central control from one foreign country. Consider which issues can actually be handled at the local or national level, versus those that must truly be controlled from the U.S.

Local/In-Country	Country	Corporate/Global
• Staffing and recruiting • Employee relations • On-boarding and training new hires • Learning and development • Employee mentoring and counseling • Wellness • Communications • Exit interviews • Community relations	• Compensation • Benefits • Payroll • Service center • Succession planning • Performance management • Compliance and risk management • Organizational and national culture • Wellness • Communications • Employee relations • Learning and development • Staffing and recruitment	• Overall governance • HR technologies • Leadership development • LTI plans and stock plans • Vendor management • Expat compensation and administration • Workforce architecture • HR service delivery • Health and wellness • Change management • Compliance and risk management • Organizational and national culture

Regulatory and Legal Issues

To navigate the additional regulatory and legal issues of cross-border M&A deals, the HR team must work closely with an interdisciplinary team that includes both legal and accounting.

- **Information:** Outside the U.S., publicly available information is much more limited, and accounting disclosures tend to be much less reliable. From an HR perspective, this means that HR leaders not only will have much less information available during due diligence, but also will need to be much more protective of confidential employee information.

- **Labor relations:** Each country has its own labor relations challenges. In some countries, it's necessary to consult unions, works councils or employee representatives prior to finalizing any merger or acquisition. These entities may have considerable power, including the power to prevent a deal altogether. HR leaders should ensure that adequate time and resources are dedicated to navigating these labor relations concerns.

- **Immigration considerations:** Employees at the target company may be employed through work permits or visas, and all these documents will need to be properly transferred. In some transactions new permits or visas may be required prior to the employee being employed by the buyer, especially in an asset transaction. Meanwhile any of the buyer's employees who will be working on site at the foreign subsidiary will also need to complete all required documentation. HR should identify these immigration issues during the due diligence phase and oversee their completion.

- **Employment regulations:** Outside the U.S, at-will employment is incredibly uncommon. Most countries require significant notice and severance—along with cause—for terminating employment, and often a simple duplication of roles due to an acquisition is insufficient cause. Furthermore the HR team must be aware of any limitations on changing the terms and conditions of employment.

- **Tax implications of informal integration activities:** It's not uncommon for foreign subsidiaries to confer significant tax benefits for deals that are structured as mergers. However, these advantages can be negated if HR and business teams undertake any informal integration activities (sometimes called "deemed integration"), such as consolidating reporting lines or locations.

IHRM & culture

Culture is a system of shared meaning and understanding held by the members of the organisation/society that distinguishes from others. Culture is mostly determined by the economic level and conditions and climate of a region or a country. Since economic level and conditions and climate differ from region to region and country to country, culture also differs from region to region and country to country. Certain needs of the people like physiological and sociological, viz., food, water, clothing, housing and security are common irrespective of the region or country. Therefore economic and social behaviour of people across the world have some common features though the presentation of the general bahaviour may vary.

These variations are due to the availability of varied inputs for food, clothing, shelter and social relations together with the variations in climatic conditions. For example, Scandinavian societies depend on sea food and trade with coastal cities as they are situated along rocky shorelines. People in desert areas of Asia and Africa travel long distances in search of food and water as they can't grow crops due to lack of water and non-suitability of soil to grow crops. People of deserts emphasized on goat milk, dry grains and dehydrated meat. They avoid some foods like pork.

This culture is institutionalized and Islamic law prohibits the Muslims from eating pork. Like this, different religions suggest different types of food to be consumed and/or avoided. Similarly, societies developed pattern of child rearing, husband-wife relations, family bondage, taking care of old people etc. In fact, Government of India has been contemplating to enact a law to impose the financial responsibility over the children to take care of old parents

CULTURE: ITS COVERAGE AND DETERMINANTS

Taylor defined culture as "that complex whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by man as a member of society." Pascale defines culture as "acquired knowledge the people use to interpret experience and generate social behaviour. In turn this knowledge is used to form beliefs and values, create attitudes and influence behaviour." In fact, people learn a lot from the environment, viz., social environment, technological environment economic environment, political environment, international environment and natural environment. Thus, culture is:

λ learnt from the environment and interaction at workplace and social spheres.

 λ shared and exchanged between two people or among several people.

λ trans-generational, in the sense that it is transferred from one generation to other generation.

λ adaptive as individuals adapt the cultures of other persons or societies.

λdescriptive   as   it   defines   boundaries   between   groups.

Cultural Factors

Cultural factors influence the cultural formation and thereby behaviour as presented in Fig. 1.4.
Knowledge: People gain knowledge from the influence of environmental factors as well as interaction with the environment. In addition, people gain knowledge from the readings of various books, journals, magazines and news papers and interaction with the people at work as well as social spheres.

Beliefs: Belief is a cognitive representation of one's relevant environment may be right or wrong, good or bad and cause and effect relationships.

Value: Value is an "enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse model of conduct or end-state of existence." Some studies have categorized values in the following hierarchy:
Level - 1: Reactive: These people react only to basic physiological needs.

Therefore, they are not really aware of themselves or others as human beings.

Level - 2: Tribalistic: These people are strongly influenced by tradition and are dependent upon others.

Level - 3: Egocentrism: These people are aggressive, selfish and power-responsive.

Level - 4: Conformity: These people can't tolerate ambiguity and are uncomfortable with people possessing values that are different those of them.

Level - 5: Manipulative: These people prefer materialistic gains, seek status and manipulate others.

Level - 6: Socio-metric: These people prefer to go along with others rather than differently from others.

Level - 7: Existential: These people tolerate ambiguity and also people with different values than those they possess to a greater extent. They prefer flexible policies. They don't emphasise on status symbols and use of power.

Attitude: Attitude is defined as, "a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a given object." Attitudes are evaluative statements – either favourable or unfavourable – concerning objects, people or events. They reflect how one feels about something. Thus, components of attitudes include:

Cognitive: Cognitive component of an attitude is the opinion or belief segment.

λ **Affective:** Affective component of an attitude is the emotional or feeling segment.

λ **Behavioural:** Behavioural component of an attitude is an intention to behave in a certain way towards someone or something.

Behaviour: Knowledge provides inputs to beliefs, values and attitude. In turn, belief influences values and values influence attitudes. These three factors together form culture and which turn result in behaviour. People differ in values, belief and attitudes. Therefore, they also differ in culture which in turn results in cultural diversity of people at the work place as well as in social spheres

Culture and Behaviour

Culture is made up of assumptions, values, beliefs and attitudes set by the society based on the changing environment. Individuals set their minds, based on the society's culture in which they are brought up in addition to their own psychological set up mostly shaped by the genetically characteristics, to react to and interact with the environment in certain ways. Thus, culture provides a mental direction and traffic signals to people. Individuals behave based on the mental direction and traffic signals provided by the culture. One should not forget that the cultural output of one's own being is the interactive outcome of environmental influences including society and his/her genetically characteristics. People pursue their goals, behave, and interact with others based on their cultural configuration. Thus, the culture affects the behaviour.

CROSS CULTURAL MANAGEMENT

Cross cultural management: cross cultural management is about managing culture, basically human races came with different cultural background. When person from one culture background meet, interact with, understand and deal with person form other background it is called cross cultural management.

Def: Cross cultural management explains the behavior of people in organization around the world and show people how to work in organization is with employees and client population from many different cultures.

Factors considerations in cross cultural communications:

Time: different countries assign different time values to time dimensions.
Ex: the American and Japanese countries are very high priority to time.

Pattern of thought: this could be another story issue for cross cultural different. Typically India believe that their present and future are the reflections of their past.

Personnel space: cross cultural influences even determine the nature and type of the interactions.
Personal specify styles are more evident in negotiation meeting, those who maintaining distance may feel unhappy when persona space is invaded.

Family role and relationships: these issues influence the pattern of culture. In many societies, family roles and relationships are very traditional, personal and predictable.
Ex: the husband is the provider, the wife supervises the household.
Language: verbal and non verbal system of communication system or language of every culture primarily reflects values and composition of language.

Religion: it is the most dominant force that influences ones culture except perhaps in communist countries like china, cuba. religion also influence the business, socio-economic and political situation.

Personal achievement: achievement in another value soused by the traditional American business person. Ex: the amount of compensation and their position in the hierarchy.
Competitiveness and individuality: these are the most crucial cross cultural issues, since from these emanate the individual ambition, aggressive behavior etc.

Social behavior: social behavior pattern varies among different cultures.

Ethnocentric attitude: it indicates maturity of feelings by a cultural group their cultural values, habits and religion are superior to others.

Flexibility and sincerity: flexible approach we need to analyze the response and reactions of cultural different subordinates to interpret their reaction to own communications. If requires sincerity and patience, empathetic listening etc.

Intercultural socializations: these helps awareness of each other cultural constructs and there by develops informed understanding of cross cultural behavior, habits, actions and the reasons.

Problems in cross cultural management:
Problems in cross cultural management can be seen to occur from two view points
1. Managers: problems in cross cultural management exist due to the following.
a) Insufficient awareness of existence of differences: managers are not aware of the very existence of the following cultural dimensions of management.

b) Insufficient understanding: managers know about the existence of culture, but they do not understand this issue and thus underestimate the cultural impact and do not have any need to deal with it.

c) Insufficient willingness: managers knowing deciding not deal with culture. Such decisions of this are usually connected with one or more of the following.

Managing of cultural dimensions is not a sufficient priority for them.

d) Insufficient levels of abilities and skills: managers may be aware of the need to do something about it and they may even try to do it, but they fail due to lack of interrelated competencies (lack of knowledge, interrelated cultural sensitivities, lack of appropriate skills etc)

2. Workmen: success of cooperation depends to a great extent on abilities of workers who operate in multi cultural conditions.

Unfortunately cooperation in international conditions is often not as successful as managers originally expected. Most frequent reasons are.

a) different cultural environment: it is not always to possible to reach mutual understanding. Despite the fact that the same languages of communicating and corresponding techniques is used.

b) Misunderstandings or conflicts: it represents serious destructions of successful cooperation appear especially due to the fact that ideas certain cultures are deeply rooted and as such they are considered to be generally true.

c) Different perceptions: the ways of thinking and behavior of members of different cultures may exist a more levels.

The importance of cross cultural management:
The importance of cross cultural management to organization

The ethnic (or) national contexts has been conversion and open the vision by cross cultural. It can provide an opportunity for an organization to learn a new way of social interaction. This helps an organization to become more effective and efficient in multicultural business environments (Deeks, 2004). Thus, it helps increase the organization's global fluency. Global fluency could establish a good business relationship and creating a competitive advantage in the global marketplace for the organization.

The importance of cross cultural management to employees It is an opportunity when working with people from different country and background as employees can get a specify knowledge which cannot obtain in home environment (Deeks, 2004. Furthermore, work in team that across national boundaries will increase employees' interpersonal skill and enhance their perspective.

Cross cultural encouraging individuals to collaborate internationally that can ensure the information is flow up and down among members, obtain ample information from a wider range. This helps everyone to keep their work up to date and high quality.

Dimension
- **Language**

Language can be viewed as being done and perform emotional. In this angle, it is commonly assumed that people at least on occasions, have emotions, and that being emotional gains its own agency, impacting in a variety of ways on the communicative situation (Bamberg, 2000).

- **Individualism vs. collectivism**

According to Hofstede (1980), individualism is defined as lies in one's moral right to pursue one's own happiness. This pursuit requires a large amount of independence, initiative, and self-responsibility that is the degree to which individuals are integrated into groups. Besides that,

individualism carried out not just on the level of goods but on the level of knowledge and friendship. According to Hofstede (1980), collectivism is defined as the theory and practice that makes some sort of group rather than the individual the fundamental unit of political, social, and economic concern.

- **Cooperation**

Cooperation is the core of element of preferential treatment and building on partnerships. Cooperation is an information exchanges and dialogues among people that are designed to build trust and confidence. At the other end of the activities designed to harmonize regulatory approaches through acceptance of common principles and standards.

- **Uncertainty Avoidance**

Uncertainty avoidance refers to the society's preference for risk-free, unambiguous situations and implies a number of things, from aggressiveness to a need for absolute truth that people do not usually consider as belonging together. Besides that, it measures how much members of a society are anxious about the unknown, and as a consequence, attempt to cope with anxiety by minimizing uncertainty.

- **Power Distance**

According to Hofstede (1980), power distance as a cultural characteristic defines the extent to which inequality in power is accepted and considered as normal by less powerful people in a society. Power distance describes also the extent to which employees accept that superiors have more power than they have. Furthermore, according to Zapletalová (2003), this dimension expresses the extent to which less powerful members of a society accept and agree that power is not distributed equally.

- **Masculinity vs. femininity** According to Hofstede (1980), femininity stands for a society where gender roles overlap: both men and women are supposed to be modest, tender and concerned with the quality of life and helping others to be very important. Besides, according to Zapletalová (2003), femininity dimension describe caring, softness, relationship and emphasis on people rather than money count a lot.

- **Long and short-orientation**

According to Hofstede (1980), long term orientation indicates that culture values are future-looking, including thrift, perseverance, humility/shame, and observe hierarchical relationships, whereas short-term orientation values look to the past, such as respecting tradition.

- **Neutral of emotional** According to Trompenaars and Hampden-Turner (1997) ¼ Œneutral of emotional dimension describe the extent to which feelings are openly expressed. According to Zapletalová (2003), this dimension orientated cultures prefer matter-of-fact approach and cool-headed deliberation. Therefore, emotionally orientated cultures acknowledge emotions and make use of their symptom.

Advantages and disadvantages of cross cultural management
- **Advantages of cross cultural management to organization**

First of all, the advantage of the cross cultural management in the organization is can optimize the business relationships in global business environment (Tosti, 2002). This is due to when the employees are become knowledgeable about cross-cultural communication in term of their own cultural values and behaviors with those other cultures can promote people to work effectively in the multicultural business environment (Martin & Chaney, 2006).

- **Advantages of cross cultural management to employees** Besides, cross-cultural management brings advantages for employees in the organisation for instance they can develop their interpersonal skills. Through the cross cultural training, employees can develop great 'people skills' that can be applied in all walks of life by learning about the influence of culture, belief, and values (Cardon & Bartlett, 2006).

- **Disadvantages of cross cultural management to organization**

Oppositely, the cross-cultural management comes with some disadvantages also. As for organization, there is hardly to recruit good cross-cultural training program mentors. When the organization implements cross-cultural training program for their employees and this program doesn't going to be effective if there are no good mentors. (Tyler, 2007) Besides that, there is shortage of mentors that make the program doesn't go smoothly.

- **Disadvantages of cross cultural management to employees**

Another disadvantage faced by employees in cross-cultural management is there are many companies have diversity cross-cultural program. When talk about cultural differences, people are afraid of stereotyping (Tyler, 2007). For example, white male mentor with an Asian participant, the mentor may give the advice of "you just going to have to toot your own horn". This advice may work for the white male but this against the cultural norm for many Asian.

The effect of the cross culture management
- **The effect of the cross culture management to organization**

The organization has increased their effort to gain higher profits by expanding their operation internationally when the world is globalized (Young, 2001). Global marketplace is more attractive compared to domestic market as it cannot fulfill their needs.
- **The effect of cross cultural management to employees**

There is a problem when co-workers who are working in the same team or area in a cross cultural organization have geographical distances (Misook, 2006). They will face communication problems as they cannot discuss face-to-face directly. In addition, meetings via video-conferences, memos and telephone are often ambiguities. There are barriers and problems in geographically dispersed organizations as many managers prefer to face-to-face contact.

Skill building methods:
Skills building requires cross cultural training.yhe various cross cultural training methods that can be used for skill building are as given and explained below.

a) Cultural assimilator: the cultural assimilator is a tool consists of a no of real life scenarios describing puzzling cross cultural interactions and expectations.
Interactions between host and expatriates which involve misunderstandings related to cultural differences.

b) Contrast American methods: this method involves demonstration of behaviour that are completely opposed to what is seen in content context of culture.

c) Self reference criterion (SRC): it involves unconscious reference to one's own cultural values in communication with people who are from other cultures.

d) Area situations: the situations is creating natural situation to interaction with people from other culture. This can be achieved using some actors. Who will interact with the trainee according to some pre defined script.

e) Cultural self awareness model: the cultural self awareness model includes usage of video tapes with themes and role plays.

Cross cultural communications:

Cross-cultural communication is a field of study that looks at how people from differing cultural backgrounds communicate, in similar and different ways among themselves, and how they endeavor to communicate across cultures. Intercultural communication is a related field of study.

WHY CROSS CULTURAL COMMUNICATION IS IMPORTANT:

Cross-cultural communication has become strategically important to companies due to the growth of global business, technology, and the Internet. ... This type of communication involves an understanding of how people from different cultures speak, communicate, and perceive the world around them.

Dimensions of cross cultural communications:

The four dimensions are

1) **Deal focus vs. relationship focus:** deal focused (DC) cultures are tax oriented while relationship focused cultures are more people oriented.

2) **Formal vs. informal:** formal culture tends to be organized in step , which reflects major differences in status and power.
Informal cultural value more egalitarian organizations with smaller differences in status and power.

3) **Rigid time vs. fluid time:** in the rigid time societies punctuality in critical, schedule are set in concrete, agendas fixed and business meetings are rarely interrupted
In contrast are polychromic cultures, where people place less emphasis on punctuality and are not observed with deadline. Polycentric cultures do not value scheduling of business meetings. In fact several meetings with in meeting may be taking place simultaneously.

4) **Expressive vs. reserved cultures:** expressive people tend to be uncomfortable with more than a second or two of silence during a conversation.

In contrast people from reserved cultures feel at ease with much longer silences.

PROCESS OFCROSS-CULTURE COMMUNICATION

Developing cultural Sensitivity

⬇

Careful Encoding

⬇

Selective Transmission

⬇

Careful Decoding of Feedback

⬇

Follow-Up Actions

Factors affecting cross cultural communications:

The communication process in international business setting is fitted through a range of variables these includes:
1) Languages
2) Environment
3) Social organizations and history
4) Conceptions and authority
5) Non verbal communication behaviour

1) Language: a manager the most often cited barriers to conflict free cross cultural business communication in the case of different languages.

Languages failures between cultures typically fall into three categories those are

a) Cross translation problems: cross translation errors through frequently may be likely to cause conflict between parties than other languages difficulties the non sensical nature of many gross translations errors often raises warnings hags that are hard

b) Subtle distinctions from languages to languages: when the parties do not share a similar control of the same language.

c) Culturally based variations among speakers of the same languages.

2) Environment and technology: the ways in which people use the resources available to them very considerably. From culture to culture culturally ingrained biases regarding the natural and technology environment can create communications barriers.

3) Social organizations and history: social organizations as it affects the workplace is often culturally determined.

4) Conceptions of authority: different cultures often view the distributions of authority in their society differently The dimensions of cultural variations power distance defining this as the extent to which a society accepts the fact the power in institutions and organizations is distributed unequally.

Improving cross cultural communications:

1. It is essential that people research the cultures and communications of those whom they propose to meet
2. It is also prudent to set a clear agenda so that everyone understands the nature and purpose of the interaction.
3. When language skills are unequal. Clarifying one's meaning in fair wages will improve communication.
a) Avoid using slangs and idioms.
b) Choosing words that will convey only the most specific denotative meaning.
c) Listening carefully and identify doubt ask for confirmation of understandings.
4. It is expedient to show some respect by learning a few words.
5. It all important changes a translator can convey the meaning.
6. When writing the choice of words represent the relationship between reader and writer so more thought and care should be invested.

CROSS CULTURAL NEGOTIATION:

Cross cultural negotiation is one of the specialized areas with the widen fields of cross cultural communications. Cross cultural negotiation is about more than just now foreigner's deals. It involves looking at all the factors that can be influence the proceedings.

Cross cultural negotiation process:
These are basic several steps that can be used managing the negotiation process the process typically begins with planning.

1. Planning: planning starts with negotiations identifying those objectives they would like to attain research shows that the greater the no of options, the graters the chances for successful negotiation.

2. Interpersonal relationship building: the second phase of the negotiation process involves getting to know the people on the other side. this factors out period are characterized by the desire to identify those who are reasonable and those who are not.

3. Exchanging task related information: in this part of the negotiation process each group sets for the position on the critical issues. At this point participants are trying to find out what the other party wants to attain and what it is willing to give up.

4. Persuasion: this step of negotiation process is considered by many to be the most important. No sides want to give away more than it has to, but each knows that without saying some concessions.

The success of the persuasion step often depends on:
• How will the parties understand each other's position
• The ability to create new option.
• The willingness to work toward solution that allows all parties to walk away feeling they have achieved their objectives.

5. Agreement: the final phase of negotiation is the granting the concessions and detailing out a final agreements.

Frame work of cross cultural negotiation:
Phatak and Habib(1996)suggest that two overall contexts have an influence an cross cultural negotiation.
• Environmental context
• Immediate context'

The environmental context: the environmental context includes an environmental force that influences the negotiation the negotiation do not have any control over them. It includes

1) **Political and legal pluralism:** the existence of differences legal systems in the world.

2) **International economics:** the exchange values of international currencies fluctuates and these factors must be considered when negotiation in different countries.

3) **Foreign government and bureaucracies:** countries different in the context to which the government regulates industries and organizations.
Ex: generally business negotiations in the unites later occur without government approval.

4) **Instability:** instability may take many focuses including a lack of resources that Americans commonly expects doing business negotiations(food and reliable transportation etc),political instability(sudden shifts in government policies, major current revolutions)

5) **Ideology:** generally share a common ideology about the benefits of individualism and capitalism American believe strongly in individual rights, the superiority of private investments.

6) **Culture:** it is fundamental belief about what negotiations is and how if occurs are different. people from different cultures appears to negotiate differently.

7) **Internal stake holders:** as those people and organizations that have an interest in the outcome of the negotiation. it includes business associations, labour unions others.

Immediate context: the immediate context includes factors over with negotiations appear to have some control.
1) Relative bargaining power: two parties involved.
2) Levels of conflicts:

3) Relationship between negotiations: the negotiation between the parties influences the current negotiation.
4) Desired outcomes: tangible and intangible factors also play a large role in determining the outcome of international negotiations.
5) Immediate stake holders: negotiation includes the negotiators themselves as well as people they directed by representatives such as their managers, employers and board of directors.

Immediate stake holders can have a large influence on the negotiation process and outcomes.

CROSS CULTURAL TEAMS:
Multi culture teams generate frustrations management dilemmas cultural differences can create substantial obstacles to effective framework.

Types of cross cultural teams:
Multi cultural teams comprise members coming from more than one culture. Multi culture teams can be divided in to three types.
1. Token teams: teams which only one member is from another culture.
2. Bicultural teams: bicultural teams have members from two countries.
3. Multicultural teams: multi cultural teams have members from three or more cultures.

Challenges of cross cultural teams:
Authors concluded there are some categories which can create barriers to a team's ultimate success:
1. **Direct vs. indirect communications:** communication is western countries typically directly and explicit. This is not true in many other cultures, where meaning in embedded in the way the message is presented.
2. **Trouble with accents and fluency:** although the language of international business in English, misunderstandings or deep frustrations may occur because of non native speaker's accent, lack of fluency or problems with translations or usage.
3. **Differing attitudes towards hierarchy and authority:** a challenge inherent in multicultural teamwork's is that by designs, teams have a rather flat structure.
4. **Conflicting norms for decision making:** cultures differ normally when it comes to decision making particularly hoe quickly decision should be made and hoe analysis is requires beforehand.

Strategies for cross cultural teams:
The most successful teams and managers use four strategies for dealing with these challenges.
1. **Adoptation:** some teams find ways to work or around the challenges they face, a depting practices or attitudes
without making changes to the group membership or assignments.
2. **Structural intervention:** a structural intervention is a deliberate reorganization or reassignment design to
reduce interpersonal friction or to remove a source of conflict for one or more groups.
3. **Managerial intervention:** when a managers behaves like a arbitration or a judge making final decision without team involvement, neither the manager nor the teams gains much in right into why the team has stale mated
4. **Exit:** when there are permanent, the exit of one or more members is a strategy of last resort, but it is used,
either voluntarily or a formal request from management.
Benefits of cross cultural teams:

➢ Facilitate the building of interpersonal relationship.
➢ Foster mutual understanding and respect.
➢ Provide solutions and guidelines and techniques to help the team building process.

CROSS-CULTURAL THEORY

The term "cross-cultural" emerged in the social sciences in the 1930s, largely as a result of the Cross-cultural Survey. Cross-cultural may refer to -
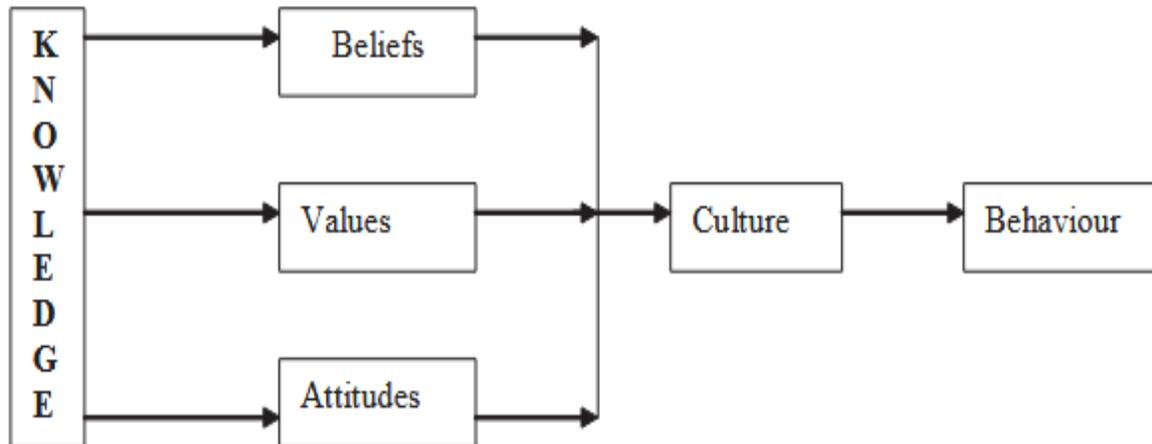
Influence of Cultural Factors on Formation of Culture

- Cross-cultural studies which is essentially a comparative tendency in various fields of cultural analysis
- Any of various forms of interactivity between members of disparate cultural groups. This refers to cross-cultural communication, interculturalism,etc.
- The discourse concerning cultural interactivity. It is also referred to as cross-culturalism and includes multiculturalism, cultural diversity etc.

The most important part of the cross-cultural studies is cross-cultural communication, as it gives rise to another important process like cross-cultural negotiation. The study of cross-cultural communication was originally found within businesses and the government both seeking to expand globally. Businesses began to offer language training to their employees. Businesses found that their employees were ill equipped for overseas work in the globalizing market. Programs developed to train employees to understand how to act when abroad. Current cross-cultural training in businesses does not only focus on language training but also includes focus on culture training.

Cross-cultural communication tries to bring together such relatively unrelated areas as cultural anthropology and established areas of communication. Its core is to establish and understand how people from different cultures communicate with each other. Its charge is to also produce some guidelines with which people from different cultures can better communicate with each other. The main theories for cross-cultural communication are based on the work done looking at value differences between different cultures, especially the works of Edward T. Hall, Richard D. Lewis, Geert Hofstede, and Fons Trompenaars. Edward Hall developed the concept of "High context culture" and "low context culture", and wrote several popular practical books on dealing with cross-cultural issues. Hall first created the concept of "proxemics", or personal spaces. In his book, The Hidden Dimension, he describes the subjective

dimensions that surround each of us and the physical distances one tries to keep from other people, according to subtle cultural rules.

Proxemics - The term was introduced by anthropologist Edward T. Hall in 1966 to describe set measurable distances between people as they interact. The effects of proxemics, according to Hall, can be summarized under a rule: "Like gravity, the influence of two bodies on each other is inversely proportional not only to the square of their distance but possibly even the cube of the distance between them". Body spacing and posture, according to Hall, are unintentional reactions to sensory fluctuations or shifts, such as subtle changes in the sound and pitch of a person's voice. Social distance between people is reliably correlated with physical distance, as are intimate and personal distance, according to the following delineations:

UNIT -3

Recruitment sources from the international human resource management (IHRM) point of view can be studied under two levels, viz., (i) macro level, i.e., the country from which the human resources are sourced and (ii) micro level, i.e., the institutional sources within a country from which human resources are sourced. Organizations involved in international human resource management are basically two types, viz.,
(i) multinational companies and (ii) domestic companies.

These companies search for prospective employees both from within the country of operation and outside the country. They source certain categories of prospective employees internationally, if they fail to procure them in the country of operation. Thus, these companies are involved in international human resource management and thus, recruit nationals and expatriates. As explained in the earlier chapters, multinational companies and their subsidiaries recruit three categories of prospective employees, viz., parent country nationals, host country nationals and third country nationals. Domestic companies depending on expatriates, source the employees from other countries which are more or less like third country nationals for a multinational company. Therefore, we study the macro level sources of recruitment under these three broad categories.

Recruitment Sources at Macro Level

Recruitment sources at macro level are of four categories viz., ethnocentric, polycentric, regiocentric and geocentric.

ETHNOCENTRIC APPROACH/PARENT COUNTRY NATIONALS

Under ethnocentric approach, MNCs at their headquarters formulate mission, objectives strategies, product design etc., and also make important decisions for the subsidiaries and expect the subsidiaries to implement them and report back to all functional/line managers at headquarters level.

Multinational companies which are more particular of home country, implement the policies, strategies, systems and management styles of Headquarters/Parent Company in their subsidiaries. They view that the policies, systems etc., that work at parent company will also work at subsidiaries. Therefore, it sources the human resources for subsidiaries from the parent country nationals. This approach was widely followed by Procter and Gamble, Philips, Matsushita, Toyota etc. When Philips filled the important vacancies by Dutch nationals, non-Dutch employees referred them to as 'Dutch Mafia'. Ethnocentric approach was widely used before 1990s. MNCs like Procter & Gamble, Philips NV and Matsushita also followed it. All important positions in Philips were held by Dutch nationals. Japanese and South Korean MNCs like Toyota, Matsushita and Samsung follow this approach even today. Japanese Overseas Enterprise Association reported in 1996 that 71 per cent of subsidiaries of the Japanese MNCs' were headed by Japanese.

Basically, some MNCs prefer parent country nationals as they trust their people and also prefer to distrust other nationals. They feel that people of their own country are well educated and possess the skills necessary to carry-out the jobs in dynamic businesses like theirs. They also feel that the parent country nationals have a sense of belongingness with the company, and commit themselves to full extent towards the business. This full commitment, according to the MNC's view, would improve the business; enhance the marketing and financial performance.

Why do MNCs Prefer Ethnocentric Approach?

Some MNCs source the prospective employees from its home country/by following the ethnocentric approach in their recruitment due to the following reasons.

λ Non-availability of qualified personnel in host countries particularly developing countries;

λ Availability of qualified personnel comparatively at less cost in home country;

λ High cost of host country nationals for certain categories of employees particularly in advanced countries like USA, UK, Germany, Japan and France;

λ Home country nationals when work in foreign countries are more committed to the implementation of company's strategies than those of the host country;

λ Home country national when employed in host country exhibit highest sense of belongingness to the company than that of the host country.

When Should MNCs Prefer Parent Country Nationals?

MNCs may prefer the source of parent country nationals or follow ethnocentric approach in the following situations:

λ During the early stage of the establishment of subsidiary;

λ Inadequacy of managerial and technical skills in the host country;

λ Greater need for maintaining close communication and co-ordination with headquarters;

λ Greater need for maintaining uniform corporate culture;

λ When the headquarters has core competencies in terms of skills and knowledge;

λ When home country nationals are less costly than host country nationals.

Advantages of Parent Country Nationals/Ethnocentric Approach

MNCs prefer parent country nationals/follow ethnocentric approach in sourcing the employees due to the following advantages:

λ Parent country nationals are familiar with company goals, strategies, tactics, policies and procedures;

λ Parent country nationals are more knowledgeable of the company's products, technology, customer needs and problems, and customer service issues;

λ Parent country nationals have close personal network with the headquarters' employees and therefore they can get the things in headquarters/network with headquarters easily;

λ Parent country nationals maintain close communication and co-ordination with headquarters.

Disadvantages of Parent Country Nationals/Ethnocentric Approach

Though the source of parent country nationals enjoys certain advantages, it suffers from the following disadvantages:

λ Absence of opportunities for host country nationals to get better jobs/ managerial jobs;

λ Reduction in opportunities for human resource development of host country nationals;

λ Under-employment of host country's employees;

λ Decline in morale and loyalty of host country nationals towards MNCs;

λ Poor adaptation and lack of effectiveness of home country nationals in host countries. Procter & Gamble followed the home country nationals source in its subsidiary in Japan and realized that this practice became insensitive to local culture. In addition, this practice underutilized the potentials of its non-American managers in Japan.

λ Fails to get the advantage of best human talent worldwide;
λ MNCs fail to get the best and broad-based decisions as the same country
people (i.e., parent country nationals) tend to make same/stereo-type
decisions;

POLYCENTRIC APPROACH
MNC under polycentric approach treats each subsidiary as an independent
company and decentralizes almost all the operations and delegates decision-making authority to
its executives. The executives of the subsidiary formulate the strategies based on the mission
and vision of the subsidiary, design the product/services based on host country's environment
(culture, customs, laws, economic conditions, government policies etc.) and the exclusive
preferences of the host country customers. Thus, the polycentric approach mostly focuses on
the conditions of the host country in formulation and implementations of strategies. The CEO
of the subsidiary directly reports the overall CEO of the MNC.

When Should MNCs Prefer Host Country Nationals?
λ During the growth stage of the subsidiary
λ When human resources of the host country are developed and fully qualified to take up the
jobs in subsidiaries of MNCs.
λ When the language, culture, customs, ways of serving customers and modes of doing
business are distinctive in host country.
λ When cost of expatriates is abnormally high affecting the profitability of the subsidiary
adversely.
λ When host country's Government imposes a condition that certain percentage of employees
should be from the nationals of the country.
λ When the headquarters do not have any distinctive competencies in terms
of skills and knowledge.

Advantages of Polycentric Approach
MNCs prefer host country nationals source/polycentric approach in recruitment of prospective
employees due to the following advantages:
λ Host country nationals are less costly than expatriates in almost all developing countries.
MNCs need not provide a number of benefits to host country nationals what they invariably
provide to expatriates. Therefore, due to less salary levels and less variety of benefits, host
country nationals are less cost than expatriates.
λ Host country nationals have better knowledge of the country's culture,
customs, language, serving the customers and way of doing the business
compared to those of expatriates.
λ Host country nationals have fast and effective adaptability to the business
practices of the subsidiary as well as the organizational culture of the
subsidiaries.
λ When MNCs enter foreign markets through acquiring existing business in a foreign
company, employees of the acquired firm (i.e., host country nationals) can do the jobs more
efficiently than expatriates as they possess required skills and acquaint with the existing business
practices of the firm.
λ Level of job satisfaction of employees of subsidiaries can be enhanced.
λ People of the host country appreciate the employment practices of MNCs.
λ Host country nationals will have relatively stability in employment. Therefore, recruitment as

well as retention management would be effective.

Disadvantages of Polycentric Approach
t would be very difficult to coordinate the activities, accounts, financial
statements etc., of the subsidiary with those of the headquarters due to
variations in culture, business practices, reporting methods, language,
dealing with conflicts, negotiation approach etc as the host country nationals may not heave the
language, culture and relationship problems with the employees in the parent company.
λ Managers of headquarters cannot have the hands on experiences of the
subsidiaries' business practices as well the managers of the subsidiaries
cannot have the hands on experience of the headquarters operations.
λ Promotional opportunities of managers as well as employees should be
limited both at headquarters and subsidiaries.
λ This approach limits the mobility of employees within the subsidiary as well as headquarters.
λ Organizational culture of the parent company cannot be adapted in the
subsidiaries.
λ Work culture as well as organization culture of subsidiaries and headquarters can't be
exchanged as polycentric approach isolates the headquarters from its subsidiaries.
λ Employees of both headquarters and subsidiaries will not have the feel of
working in a single company.

Regiocentric Approach
Some MNCs source the prospective employees for their subsidiaries from the countries of the
region where the subsidiary is located due to the following reasons:
1.Non-availability of qualified personnel in adequate number in the host country.
2. Candidates from the neighbouring countries possess more or less similar cultural values,
custom practices etc., in addition to better skills than that of the host country nationals.
Therefore, the neighbouring country nationals fit to the cultural requirements of subsidiary
operations as well as task requirements of the job.
3.Availability of qualified candidates in the regional countries at less cost compared to those of
parent country nationals.
4. Candidates from neighbouring countries will have a sense of commitment and belongingness
to the subsidiary than those of parent country nationals and other foreigners.

When should MNCs Prefer Regiocentric Approach?
MNCs may prefer regiocentric approach as a source of recruitment of employees
for their subsidiaries in the following situations:
λ During the transition between growth and maturity stages.
λ When subsidiaries expand their operations to the neighbouring countries through direct and
indirect exports.
λ Inadequacy of managerial and technical skills in host country consequent upon the increase
in demand for such skills.
λ When neighbouring country nationals with required skills are available at less cost compared
to that of the host country nationals.

Advantages of Regiocentric Approach
MNCs enjoy the following advantages by preferring the regiocentric approach.
λ Cultural familiarity of the candidates with that of the host country.
λ Less cost of staff compared to parent country nationals.

λ Subsidiary can perform its business operations efficiently in neighbouring countries by recruiting neighbouring country nationals.

λ Loyalty and commitment of neighbouring country nationals towards subsidiary.

λ Stability in employment of neighbouring country nationals compared to that of other foreigners.

λ Subsidiary can employ talented and skills people compared to exclusive host country nationals.

Disadvantages of Regiocentric Approach

Regiocentric approach, though, seems to be better than polycentric approach, suffers from the following disadvantages:

λ Subsidiary cannot get highly qualified and suitable candidates;

λ Subsidiary cannot fully satisfy the host country nationals in human resource development and employment.

Subsidiary cannot reduce the cost of human resources to the lowest extent.

λ Neighbouring country nationals may search for jobs in other MNCs in other countries.

GEOCENTRIC APPROACH

Under geocentric approach to recruitment, MNCs source for the best prospective employees in terms of suitability for the job from the entire world, regardless of nationality or ethnic group-or any other consideration. For example, Ms. Indra Nooyi, the Indian national is appointed as the Chief Executive Officer of Pepsi Cola Limited. Electrolux a Swedish MNC claims that it recruited CEOs from various countries and never favoured the Swedish nationals over the other nationals. It selected exclusively based on the suitability of the candidate for the position. Many European MNCs used to follow geocentric approach to recruitment. Recently USA multinationals started preferring this source even for CEO positions. General Motors hired J. Ignacio Lopez de Ariortua as Vice-President for world-wide purchasing, Xerox hired Vittorio Cassoni as Executive Vice-President and Esprit de Corp hired Fritz Ammann as President. All these are non-US nationals. In fact, after the recent globalization, the number of MNCs favouring geocentric approach is on increase.

Why Do MNCs Prefer Geocentric Approach to Recruitment?

MNCs, particularly, after the recent phase of globalization, prefer geocentric approach to globalization due to the following reasons:

λ **Global Business Policy:** MNCs with global business policy operate in many countries in the world and they treat all the countries as single country. Therefore, they invariably follow geocentric approach to recruitment.

λ **Intensifying Competition:** Recent phase of globalisation intensified competition between MNCs and domestic companies in addition to competition among MNCs. The intensified competition forces the MNCs to formulate most appropriate and timely strategies and implement them efficiently and also on time. This process needs best talent rather than preferring parent country nationals or host country nationals. Therefore, MNCs prefer the geocentric approach.

λ **Technological Revolution:** Recent times witness fast growth and significant innovations in production technology, information technology and technology shifts in logistics management. These technological shifts invariably need the best skills and dynamism, which is not necessarily available either in parent country or host country. Therefore, MNCs prefer global

approach to recruit the best talent.

λ **Innovative Practices in Various Functional Areas of Business:** Innovative practices in manufacturing operations, marketing practices, financial management activities, and human resource management functions have taken place, particularly in recent times. These practices in variably need the best talent and skills to operate most efficiently. Therefore, MNCs shifted their recruitment approach to global sources in order to recruit the best talent.

λ **Increasing Migration:** Globalization and growing international business enabled for the growth of migration of human resources across the countries that enabled the MNCs to source human resources across various countries based on talent

Advantages of Geocentric Approach

Competent Pool: Geocentric approach to recruitment helps for attracting most qualified people willing to serve globally, maintain a pool of applicants and select the best among them.

λ **Shared Learning:** The competent employees who work in subsidiaries and headquarters throughout the world share and transfer their skills to other employees of the MNC, which is turn, leads to human resource development, career and succession planning and development.

λ **Core Competencies:** MNC can develop core competencies as well as distinctive competency in skills, talent and knowledge and competent successfully.

λ **Flexibility and Adaptability:** Geocentric approach helps to develop global culture which has more cultural flexibility and adaptability, bilingual and multilingual skills that would suit to varied situations.

λ **Reduction in Resentment:** Geocentric approach which would normally bring third country nationals, invariably bring an acceptance between parent country nationals and host country nationals in case of top level positions.This is because, employees perceive third country nationals as an acceptable compromise between headquarters and national mangers, resulting in reduction in resentment.

λ **Best Talent at Less Cost:** MNCs can place adequate emphasis on reduction in the cost of staff at the same time recruiting talent, in case of geocentric approach. This is time when the home country nationals and host country nationals with the same/similar skills are costlier than the third country nationals. MNCs with truly global orientation towards staffing are phasing out ethnocentric, polycentric and regiocentric approaches to recruitment.

λ **Transpatriates:** MNCs with global approach, recruit the people from any country. Such employees are termed as 'transpatriates', replacing the term expatriates. MNCs like Philips, Heinz, Uni level, IBM and ABB following global approach.

However, geocentric approach suffers from certain disadvantages. Now, we discuss them.

Disadvantages of Geocentric Approach:

MNCs that follow, geocentric approach, suffers from the following disadvantages:

λ Immigration controls by Host country Governments: Host country governments, normally insist MNCs, to employ the nationals and therefore, impose restrictions on the employment of foreigners. Normally, the host government's restrictions imply that MNCs can source globally for those skills which are not available within the country. Almost all the countries impose restrictions on employment of foreign nationals

including USA, UK, Japan, Malaysia, Papua New Guinea and Eritrea. Therefore, it would be difficult for MNCs to follow geocentric approach for all the jobs.

Therefore, MNCs can not really get the advantage of getting the best talent at the low cost of for those categories of jobs, where skills are available within the host country, some times at higher cost. This is true in case of advanced countries like USA, UK and Japan also.

λ **Immigration Formalities:** Many advanced countries and some developing countries lay down unnecessary, and time consuming formalities, documentation and high fee for recruiting and employing foreign nationals. Companies find these formalities are time consuming, costly and test their patience in recruiting foreign nationals. In addition, immigration authorities lay down still tough procedure for granting visa for spouse and children of employees. These formalities discourage the MNCs in recruiting employees globally at least for certain jobs.

λ **Opposition from Nationals:** People from the host country oppose the geocentric approach to recruitment as it result in loss of jobs for them. In fact, some people even in USA and UK organized the protests against geocentric policies as well as against expatriates with the slogans such as 'expatriates go back', 'expatriates grab our jobs' etc. This situation may create a sense of insecurity among the expatriate employees and their family members.

Additional Costs: Though, geocentric policy seems to be less costly, in terms of salary, sometimes it may not be true as implementation this policy involves training in culture, language, adjustments, developing national employees in tune with third country nationals etc.

Expatriates

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

These employees are often referred to as international assignees. MNEs operating across

international borders will encounter staffing issues that may not be evident in the domestic

environment

Expatriates as:

•An Agent of Control

A bureaucratic control mechanism intended to ensure he compliance through direct

supervision. Harzing labels them 'bears' and are more commonly represented by PCNs in an

ethnocentric staffing approach.

•Network builders

This way expats can be used for informal control and communication purposes. As

employees move between various organisational units, their network of personal

relationships changes. There is often a resentment felt by subsidiary HCNs when a PCN

manager is assigned. Expats as network builders can help bridge the gap between

employees and reduce likelihood of conflicts. Harzing refers to these expats are 'spiders

•Boundary spanners

Expatriates in this role can help bridge internal and external contexts such as high-context

and low-context cultures. They collect host country information and can act as a

representative for their firm in interorganisational business in the host country.

•Language nodes

Here expatriates can be the one who helps bridge the gap between members of staff

speaking different languages. This can be particularly helpful in ethnocentric, geocentric and

regiocentric staffing approaches where the manager may not speak the native language of

the country in which they are working.

Expatriates play an important role in international training and development. They are a

vehicle for both training and development within their strategic role in the international

business operations. Within this strategic role, expatriates are trainers, part of the transfer of

knowledge and competence. They are also expected to ensure that systems and processes

are adopted, furthering their role as an agent of direct control. Focusing now on an

IHRM literature has consistently identified three key organisational reasons for the use of

various forms of international assignments, be they HCNs, PCNs, TCNs or a combination of

each

1. Position filling – The labour market is experiencing heightened competition. Today we are in the 'knowledge economy' (Ryan, 2014) and organisations have a larger pool of labour to choose from. International assignments can be used to simply fill a job vacancy. This is typical of an ethnocentric approach which believes there is a lack of suitable HCN managers.

2. Management development – Staff are often moved between subsidiaries and headquarter locations for training and development purposes and other project work.

3. Organisation development – This is where some of the more strategic objectives of the organisation come into play. This highlights a need for expatriates to behave in a particular way or to perform a specific role. The reasons for the use of expatriates are not mutually exclusive and often the length of time that these employees are transferred

for and the reason for their assignment will affect whether the role they play is deliberate or if it is a consequence of being transferred.

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- Network builders

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Expatriates play an important role in international training and development. They are a vehicle for both training and development within their strategic role in the international business operations. Within this strategic role, expatriates are trainers, part of the transfer of knowledge and competence. They are also expected to ensure that systems and processes are adopted, furthering their role as an agent of direct control. Focusing now on expatriate's role in management development, the move can be a useful way to gain a broader perspective. It assists in developing capable people who form the required pool of global operators. A management team who have adopted an ethnocentric approach may allow for a more geocentric view. The vast majority of time spent on training expatriates is with regard to pre-departure training, mainly concerned with developing cultural awareness. It intends to ensure the expatriate's effectiveness and success abroad, particularly where the destination country is considered culturally tough. Studies indicate that the essential components of pre-departure training that contribute to a smooth transition to a foreign location include;

1. Cultural awareness training

2. Preliminary visits

3. Language instruction

4. Practical day-to-day assistance

5. Security briefings

The provision of information and assisting bureaucratic activities such as visa/work permits, can ease the transfer process for the expatriate and can let them focus more attention on more important things related to the work environment. Additional help from organisations may also be in the provision of small household appliances or complementary gym membership.

Security briefings

Involving assignments where the employee's personal safety may be at risk. Unfamiliar threats to health/safety such as terrorism and kidnapping should be warned. Other unfamiliar threats that exist can be those in relation to different health standards or dangerous animals or diseases in the host environment.

Re-entry and career issues

Expatriation also involves the repatriation process: the activity of bringing the expatriate back to the home country. Firms are faced with the responsibility of managing returning expatriates that allowed for a more strategic and complete use of the repatriate's newfound experiences and insights, while also easing and allowing readjustment.

Re-entry presents new challenges such as re-entry shock or reverse culture shock. It is considered the final stage or 'closure' of the foreign assignment. MNEs can sometimes be overconfident or too-efficient by expecting the return expatriate to jump back into the home assignment before the issues and processes related to return are resolved. Readjustment to the home environment will be influenced by stimulus from 'host focus' and 'home focus'.

Theses influences noted above highlight how an expatriate will experience 'culture shock out' when first arriving back to the home environment. This is then counteracted by 'culture shock back' from the host country culture. The repatriate will eventually acclimatise and generate a new balanced and integrated global perspective. In some instances, however, expatriates struggle to readjust to the home environment. Some HR practitioners enforce a policy whereby expats are required to take home leave in their home country, which aims to lessen the impact experienced when they are repatriating.

CENTRALISED VS. DECENTRALISED RECRUITMENT

Recruitment practices vary from one MNC to another MNC. Some MNCs prefer to have centralized recruitment by recruiting the candidates for subsidiaries also while some other MNCs prefer the subsidiaries to recruit their own candidates through decentralized policies.

Merits of Centralised Recruitment:

(i) Average cost of recruitment per candidate/unit should be relatively less due to economies of scale.

(ii) It would have more expertise available to it.

(iii) It can ensure broad uniformity among human resources of various subsidiaries and headquarters in respect of education, skill, knowledge, talent etc.

(iv) It would generally be above malpractices, abuse of powers, favouritism, nepotism, bias etc.

(v) It would facilitate interchangeability of staff among various subsidiaries and parent company.

(vi) It enables the line managers of various subsidiaries and parent company to concentrate on their operational activities by relieving them from the recruitment functions.

(vii) It enables the organisation to have centralised selection procedure, promotional, transfer procedure, career planning and development, etc.

(viii) It ensures the most effective and suitable placements to candidates.

(ix) It enables centralised training programmes which further brings uniformity and minimises average cost of staff.

Merits of Decentralised Recruitment

(i) The subsidiary concerned concentrates only on those sources/places where it normally gets the suitable candidates. As such the cost of recruitment would be relatively less.

(ii) The subsidiary gets most suitable candidates as it is well aware of the requirements of the jobs regarding cultural, traditional, family background aspects, local factors, social factors etc.

(iii) Subsidiaries can recruit candidates as and when they are required without any delay.

(iv) The subsidiary would enjoy freedom in finding out, developing the sources, in selecting and employing the techniques to stimulate the candidates.

(v) The subsidiary would relatively enjoy advantage about the availability of information, control and feedback and various functions/processes of recruitment.

(vi) The subsidiary would enjoy better familiarity and control over the employees it recruits rather than on employees selected by the parent company

SOURCES OF RECRUITMENT

Organisations seeking to acquire human resources from international sources should identify the sources within each country they selected for sourcing the employees. These sources may vary from country to country due to the varied level of development of institutions in different countries. These micro level sources in general include: (a) Subsidiaries, (b) Parent Companies, (c) Campus Recruitment, (d) Private Employment Agencies/Consultants (e) Professional Associations, (f) Data Banks, and (g) Internships

Subsidiaries: Parent companies can source the prospective employees from their subsidiaries operating in various countries. Subsidiaries, may at times act as a potential sources of recruitment for headquarters as they develop the human resources for higher level jobs also. This source also helps the MNC to plan for careers of its employees. This also results in

enhancing employee satisfaction, loyalty and commitment to the company.

Parent Company: Subsidiaries can source their prospective employees from the parent companies. Parent country nationals have knowledge of the company products/services, operations, procedures and organizational culture. Technically and organizational culture points of view they would be best candidates. This source also reduces the cost of recruitment to the company in addition to satisfying employee's needs for promotion and fulfilling their career goals. Further, employee commitment and organizational loyalty would increase.

Campus Recruitment: Parent companies and subsidiaries can get fresh candidates of different types from various educational institutions like Colleges and Universities imparting education in Science, Commerce, Arts, Business Management, Engineering and Technology, Agriculture, Medicine, Computer Science, etc., and trained candidates in different disciplines Most of the Universities and Institutes imparting technical education in various disciplines like engineering, technology, management studies provide facilities for campus recruitment and selection. They maintain the bio-data and performance required of the candidates. Organizations seeking to recruit the candidates from this source can directly contact the institutes either in person or via on-line and stimulate the candidates to apply for jobs. Most of the organizations using this source, perform the function of selection after completing recruitment in the campus of the Institute itself with a view to minimising time lapse and to securing the cream before it is attracted by some other organizations. Infosys and Satyam Computers recruit the prospective employees through campus recruitment from universities in USA, UK and China

Campus Recruitment Techniques:
Companies realise that campus recruitment is one of the best sources for recruiting the cream of the new and young blood. The techniques of campus recruitment include:

λ Short listing the institutes based on the quality of students intake, faculty facilities and past track record.

λ Selecting the recruiting team carefully.

λ Offering the smart pay rather than high pay package.

λ Presenting a clear image of the company and the corporate culture.

λ Present the company but do not over sell the company.

λ Getting in early. Make an early bird offer.

λ Focusing on career growth opportunities that the MNC offers to the recruits.

λ Include young line managers and business school (B-school) and engineering School (E-school) alumni in the recruiting team.

λ Build the relationships with the faculty, administrators and students to grab them before the rivals do

Private Employment Agencies/Consultants: Private employment agencies or consultants like ABC. Consultants perform the recruitment functions on behalf of a client company by charging a fee. Line managers are relieved from recruitment functions so that they can concentrate on their operational activities and recruitment functions is entrusted to a private agency or consultants. But due to limitations of high cost, ineffectiveness in performance, confidential nature of this function, managements sometimes do not depend on this source. However, these agencies function effectively in the recruitment of executives. Hence, they are also called executive search agencies. Most of the MNCs depend on this source for highly specialised positions and executive positions.

Professional Organisations: Professional organisations or associations maintain complete bio-data of their members and provide the same to various MNCs on requisition. They also act as an exchange between their members and recruiting firms in exchanging information, clarifying doubts etc. MNCs find this source more useful to recruit the experienced and professional employees like executives, managers, engineers etc.

Data Banks: MNCs can collect the bio-data of the candidates from different sources like employment exchanges, educational/ training institutes, candidates etc., and feed them in their data banks. It will become another source and the MNC can get the particulars as and when it needs to recruit.Internships: MNCs encourage the college and university students to work under internship projects. Students under internships learn practical aspects of the jobs while imparting the latest technical and conceptual skills they learnt in the college to the regular employees of the MNC. Thus the students exchange the knowledge. MNCs have an opportunity to evaluate the skills, intelligence and performance of the candidates and offer full-time jobs, if the MNC finds the candidate suitable for the job.

Similarly, the internship candidates also have a chance to evaluate the organizational systems of MNC and make a decision to accept the offer of full-time job or not. Thus, internship works as an effective source of recruitment.

Techniques of Recruitment

Recruitment techniques are the means or media by which MNCs contacts prospective employees or provide necessary information or exchanges ideas or stimulate them to apply for jobs. MNCs use different types of techniques to stimulate internal and external candidates. Techniques useful to stimulate internal candidates are:

(i) Promotions; and

(ii) Transfers;

Techniques useful to stimulate external candidates;

(iii) Present employees;

(iv) Scouting;

(v) Advertising.

Promotions: Most of the internal candidates would be stimulated to take up higher responsibilities and express their willingness to be engaged in the higher level jobs if management gives them the assurance that they will be promoted to the next higher level.

(ii) Transfers: Employees will be stimulated to work in the new subsidiaries if MNC wishes to transfer them to the places of their choice.

(iii) Employee Referrals: MNCs, recently started using employee referrals as a technique to recruit the employees. Existing employees of MNCs recommend the candidates through their known sources or professional networks for jobs. MNCs, then contact such candidates and conduct selection tests, if the candidates express an interest to be considered or a job. MNCs pay incentives to the existing employees who referred the candidates, upon the success in employing the candidates.

(iv) Scouting: Scouting means sending the representation of the MNCs to various sources of recruitment with a view to persuading or stimulating the candidates to apply for jobs. The representatives provide information about the company and exchange information and ideas and clarify the doubts of the candidates.

(v) Advertising: Advertising is widely accepted technique of recruitment, though it mostly provides one way communication. It provides the candidates in different sources, the information about the job and company and stimulates them to apply for jobs. It includes

advertising through different media like newspapers, magazines of all kinds, television etc.
The technique of advertising should aim at:
(a) attracting attention of the prospective candidates;
(b) creating and maintaining interest;
(c) stimulating action by the candidates.
Management in order to achieve these objectives of advertising has to:
(i) Analyse job requirements;
(ii) Decide who does what;
(iii) Write the copy;
(iv) Design the advertisement;
(v) Plan and select the media; and
(vi) Evaluate response

Modern Sources and Techniques of Recruitment

A number of modern recruitment sources and techniques are being used by the MNCs in addition to traditional sources and techniques. These sources and techniques include walk in and consult in, head-hunting, body-shopping, business alliances, and tele-recruitment.

(i) Walk-in: The busy and the rapid changing MNCs do not find time to perform various functions of recruitment. Therefore, they advise the potential candidates to attend for an interview directly and without a prior application on a specified date, time and at a specified place. The suitable candidates from among the interviewees will be selected for appointment after screening the candidates through tests and interviews.

(ii) Consult-in: The busy and dynamic companies encourage the potential job seekers to approach them personally and consult them regarding the jobs. The companies select the suitable candidates from among such candidates through the selection process.

(iii) Head-hunting: The MNCs request the professional organisations to search for the best candidates particularly for the senior executive positions. The professional organisations search for the most suitable candidates and advise the MNC regarding the filling up of the positions. Head-hunters are also called search consultants.

(iv) Body Shopping: Professional organisations and the hi-tech training institutes develop the pool of human resources for the possible employment. The MNCs contact these organisations to recruit the candidates. Otherwise, the organisations themselves
approach the prospective employees to place their human resources. These professional and training institutions are called body shoppers and these activities are known as body shopping. The body shopping is used mostly for computer professionals.

(v) Business Alliances: Business alliances like acquisitions, mergers, and
take-overs help in getting human resources. In addition, the companies do also have alliances in sharing their human resources on ad-hoc basis.
There are ways to acquire talent beyond traditional recruiting. Acquiring "intact" teams and large numbers of talented people (with similar values) rapidly is possible by having HR "scout out" target firms and then recommending their acquisition just for their employees.
It does mean that, the MNC with surplus human resources offers the services of their employees to other needy MNCs.

(vi) Tele-recruitment: The technological revolution in telecommunication industry helped the organisations to use internet as a source of recruitment. MNCs advertise the job vacancies through the world wide web (www) internet. The job seekers send their applications through e-mail or internet. Alternatively, job seekers place their CVs in the world wide web/internet, which can be drawn by the prospective employers depending upon their requirements.

SELECTION

Recruitment helps for identifying the sources of prospective employees and motivating then to apply for jobs. After obtaining the interest of the candidate to work with an organization, MNCs start the selection process.

Most of the MNCs used to follow the selection procedure based on the talents, job duties and job description as discussed earlier.(See Box 4.7). Majority of the employees of international firms normally are expatriates either parent country nationals or third country nationals. Expatriates, whether they are Indians working is USA or Chinese working USA or Swedish working in USA, share a common bond and face more or less similar challenges. Expatriates work with the people of strange cultures, who respond differently for the same communication. They often communicate in foreign language and live in societies with rules and norms curious to them. They live as minorities in the foreign country. They are treated as outsiders even after several years of working in a foreign country. They think in their heart they are the citizens of their home country and most of them prefer to go back to home in due course.

MNCs prefer expatriates owing to their skills, dynamism and link and network with different types of professional across the world. In fact, MNCs prepare parent country nationals to work in subsidiaries as they carry headquarters' culture to subsidiaries. The exited expatriate enjoy the foreign assignment. On the other hand, there is every possibility that the expatriate may find the experience too much to endure, the assignment may fail. The result is that both MNC and the expatriate suffer. Therefore, MNCs have to train the people well before the foreign assignment in order to excite the expatriate and increase his energy base to be successful. But, not many MNCs have undertook, the cultural and other areas of training in order to ensure the success of the expatriate. Now, we shall discuss the expatriate system.

(1) The Expatriate System

Expatriates are vital for the growth of international business as they provide skills, talent, innovations, entrepreneurialism and knowledge transfer. In addition, they provide home country control over foreign operations, act as insiders in distant operations, and deal with externalities of global markets and foreign workforce. Expatriates with their core and distinctive job skills and talents, human and soft skills, motivational and commitment levels to serve a foreign country, acquiring foreign language skills and the abilities and talents of spouses to adjust with foreign environment and co-operate make their assignments more successful. Thus, expatriates are a great value for MNCs due to the various attributes strongly feel that parent country nationals have a sense of belongingness with the subsidiaries and take responsibility more or less voluntarily to contribute their skills, and dedication. However, parent country nationals sacrifice their conveniences and certain privileges including status and power, risking alienation from domestic activities, and leave their professional network, social network and social life at the home country. The expatriate system is different from an organization's domestic system. Expatriate system provides different career cycle based on international jobs/assignments.
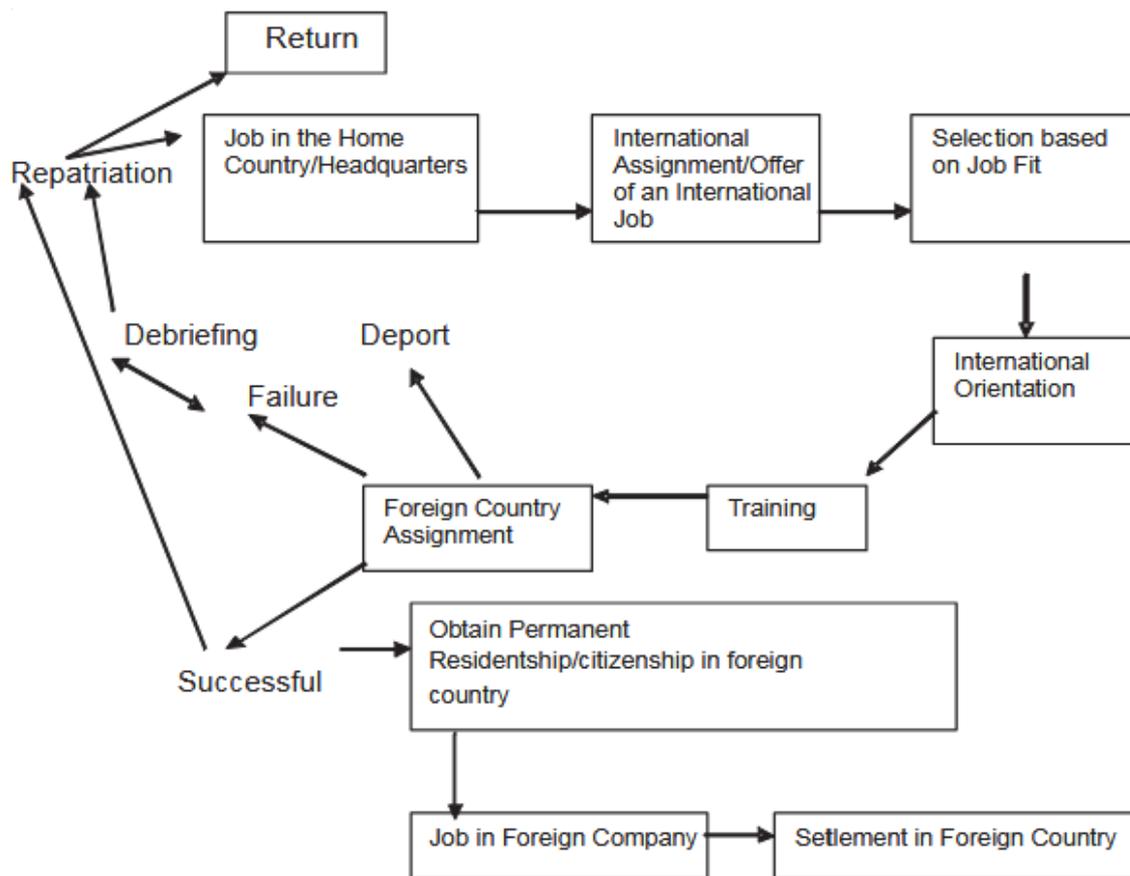
Fig. 4.6: Career Cycle for Expatriates

Career stages of an expatriate in international career cycle are depicted in Fig. 4.6. Career cycle for expatriates deals with the sequence of jobs that employees must address when opt for a foreign job. Similarly, it also deals with the sequence of activities that MNCs must address when employing expatriates to fill the jobs in the subsidiaries

Career Cycle

The career cycle begins with the identification of the best performers in the home country and offers him/her a foreign job in subsidiary company. Otherwise, the best qualified candidates with best performance record apply for a foreign job in foreign organizations. The foreign organizations select the employees based on the job fit. Foreign employees, bring the foreign experience background. Candidates having interest in foreign employment may have family responsibilities that present problems to MNCs. These problems include leaving the old parents at the stage when they need the assistance and care, disruption of spouses' career as well as social network. and life, uprooting of children from schools and friends and de-linking his/her own professional and social network and life.

Preparing for Foreign Assignment

The next stage involves preparing the employee for foreign assignment and family members for foreign orientation. These activities involve language training, foreign social and cultural orientation to employee and family members and job training to employee. The next stage is the foreign assignment stage which is crucial for the employee. They face new challenges of working in new organizations, in new jobs and with new colleagues that are different cultural, social and educational background.

This stage is critical as the employees experience significant changes in their works and lives

and adapting themselves at varying rates. Some employees are successful while some employees fail in adapting themselves to the work and/or culture of the host country. The successful employee work for the same company for sometime and then build his/her own career by joining other organizations in the same country or other foreign countries. However, a few of them settle down in foreign countries by obtaining citizenship, but most of such employees return to home country. These employees must readapt to their home country's economic, social and cultural environments.

Expatriates' Failure Situations and Rates

Most of the expatriate employees fail in the first foreign assignment either at the initial stage itself or at different latter stages either due to cultural shock or due to maladjustment with the host country's climatic, security and other environmental conditions or due to maladjusted with the job demands or with the behaviour of superior and colleagues and organizational requirements. For example, a Japanese employee could not adjust with his superior's management style in Toyota in Brisbane and returned to his country within three months of his assignment. Some employees return mostly after the expiring of the first contract. Expatriates failed in their foreign assignments are debriefed and repatriated to their previous job in the home country.
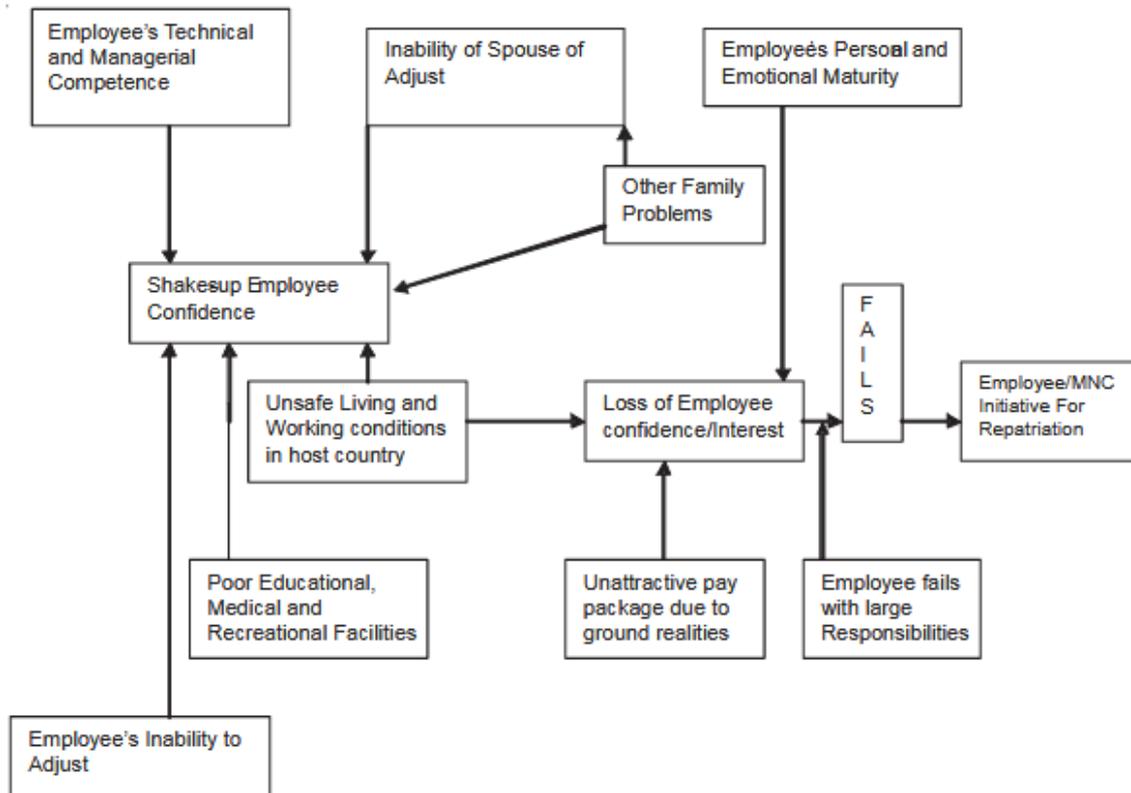
Some expatriates, even though they are successful on the job and adjust to the host country environment, return to home country due to the maladjustment of family members to the host country environment or due to health problems, non-availability of high standard medical facilities, education facilities and entertainment facilities in the host country.

Why Expatriates Fail?

There would be several reasons for the failure of the expatriates in their foreign assignments. The Board reasons include:

λ Inability of spouse to adjust to foreign environment

λ Inability of employees to adjust

λ Other family Problems

λ Employee's personal or emotional maturity

λ Inability to cope up with larger overseas responsibilities

λ Difficulties with new environment

λ Absence of educational, health and recreational facilities in host countries

λ Lack of technical and job related competence

λ Unsafe living and working conditions in host countries

Employee's Technical and Managerial Competence

Inability of Spouse of Adjust

Employeé's Personal and Emotional Maturity

Other Family Problems

Shakesup Employee Confidence

FAILS

Employee/MNC Initiative For Repatriation

Unsafe Living and Working conditions in host country

Loss of Employee confidence/Interest

Poor Educational, Medical and Recreational Facilities

Unattractive pay package due to ground realities

Employee fails with large Responsibilities

Employee's Inability to Adjust

Selection Techniques

MNCs as well as domestic companies hiring foreign employees should use different selection techniques rather than those selection techniques used for selecting nationals for a job assignment in the domestic company or using domestic job performance rates.(See Box 4.9). It is established in a research study conducted by Mendenhall and Oddou that domestic performance and overseas performance potential is not the same thing. In other words an executive who performs high in domestic environment may fail in adapting to different cultural set-up and different systems and practices. Various research studies suggest the following selection techniques for overseas employment in order to minimize the rate of expatriate failure. They are

λ Self-orientation
λ Orientation towards others
λ Ability to perceive accurately
λ Cultural variations
λ Technical and managerial competence
λ Adaptability
λ Age, experience and education
λ Spouse educational background, interests and adaptability
λ Achievement motivation and leadership
λ Family status
λ Language
λ Strong desire to transfer knowledge and skills
λ Positive attitude.

UNIT-5

COMPENSATION MANAGEMENT :

The level of local knowledge required in many of these areas requires specialized advice; many multinationals retain the services of consulting firms which may offer a broad range of services or provide highly specialized services relevant to HRM in multinational context. Because of their high-cost, HR managers spend a great deal of time developing effective compensation and benefit programs for international employees.

DEF: International compensation can be defined as the provisions of monetary and non monetary rewards including base salary, benefits, long and short time incentives, values by employees in a accordance with their relative contribution to the MNC performance.

Objectives of international compensation management:

The objectives of compensation packages of MNCs presented in the following below.
Consistency and equity: consistency between pay and performance and equity among employees of differentiation and categories.
Adoptability to foreign cultures and environment: ex: providing comfortable housing and medical facilities.
Competitive and comparable compensation packages:
MNCs design their compensation package based on that their close competition for people in the global as well as in each country they operate in order to attract and retain competent employees.

Components/structure of international compensation package:

Expatiates and other categories of employees of MNCs experience a variety of problems and hand ships and sacrifice a no of facilities, privileges and relationship at their have country. the following are

1. **Pay and base salary:** pay and base salary varies from country to country as well as one MNC to other.
2. **Cost of living allowances:** cost of living varies one city to the other city of the same country of the same country and from one country to the other country.
Ex: it indicates that Tokyo (in Japan) was the most costly city in the world).
3. **Tax equalization allowances:** personal income tax makes wide variation in the salary of employees among different countries. The jobs in United Arab Emirates, Oman and bruna Darussalam are more attractive than that of Sweden.
4. **International market allowances:** international market allowances are to attract the employees by paying more that what they are offered by competitive employees.
5. **Housing allowances:** house rents in some cities/countries would be exorbitant and sometimes they are more than the employees after tax salary.
6. **Educational allowances:** trying to employees and his/her family members training and educational cost for employee's continuous learning.
7. **Relocations allowances:** movement of employees and his/her family members from the home country to a foreign country.
8. **Setting in and setting out allowances:** setting in allowances in order to reduce employees financial burden from buying various goods and services when they arise in a foreign country. Setting out allowances in provides to meet the cost of living for home country or any other foreign country.
9. **Hand ship allowances:** hand ship allowances are for taking rises to employee like war, turism, natural calamities etc.

10. **Exchange rate protection allowances:** foreign exchange rate fluctuations greatly determine the reputation amount to have country of foreign employees.

11. **Insurance allowances:** provide their securities against all kinds of health issues risks against life and physical security of employee and his/her family members.

12. **Stock option:** allows employees to purchase the shares of the MNCs at fixed and or reduced prices.

13. **Bonus:** bonus will be provided based on performance like output, sales, productivity; it is useful to both management and employees.

14. **Pension:** who saved the company for relatively long period.

15. **Gratuity:** gratuity is the retirement benefit and or contract termination benefit.

Importance of international compensation:

1. Attracting and retaining personnel:

2. Optimizing cost of compensation: it is to facilities the transfer of inter employees in the most cost effective manner for the firm.

3. Consistency in compensation: it means to be consistent with the overall strategy, structure and business needs of the multinational.

4. Motivating personnel: compensation management aim at motivations personnel for higher productivity.

Trends in global compensation:

On the surface trends in compensation have not been dramatic in last few years.

The trends compensation trends are:

1. The narrowing pay gap between experienced and in experienced workers.

Salaries surveys show that the average start rates among college gradated have been increasingly significantly in past few years the salaries of in experienced workers growing.

2. Widening gap in pay practices:

The gap in pay practices is widening between companies, ever those with in the same geographical region.

This is true for less skilled positions the low salaries are staying low, because the demand for less skilled workers has not expanded greatly.

GLOBAL COMPENSATION IMPLICATION ON INDIAN SYSTEM
(or)
FACTORS TO BE CONSIDERED IN INTERNATIONAL COMPENSATION MANAGEMENT
(or)
APPROACHES TO GLOBAL COMPENSATION

APPROACHES TO GLOBAL COMPENSATION

International assignment compensation has many moving parts and is difficult to standardize. Many factors affect the compensation of a particular expatriate, including assignment type and length, location, family needs (if any), and benefits. The main compensation items for expatriates involve base pay, cost-of-living adjustments, housing allowances, home leave, education assistance for dependents and premium pay.

Compensation Plan Elements:

A global compensation plan includes elements typical of any rewards strategy along with a few extra incentives and allowances, depending on the host country.

Base pay

When an employee accepts an international assignment, it is up to the employer to determine the base rate of pay (referred to as the base salary). The base salary is normally related to pay ranges in the home country, which then may be adjusted based on local variances (i.e., fluctuations in the economy). Companies take one of the following approaches to establish base salaries for expatriates:

• The home-country-based approach. The objective of a home-based compensation program is to equalize the employee to a standard of living enjoyed in his or her home country. The 2016 Cartus Global Mobility Policy & Practices Survey found that 76 percent of long-term assignments and 75 percent of short-term assignments use a home country pay structure.

• The host-country-based approach. With this approach, the expatriate employee's compensation is based on local national rates. Many companies continue to cover the employee in its defined contribution or defined benefit pension schemes and provide housing allowances. Only 14 percent of long-term assignments and 5 percent of short-term assignments base pay on local rates, according to the Cartus survey.2

• **The headquarters-based approach.** This approach assumes that all assignees, regardless of location, are in one country (i.e., a U.S. company pays all assignees a U.S.-based salary, regardless of geography)

Cartus found that a small percentage of companies use headquarters-based approaches for long-term assignments (4 percent) and short-term assignments (5 percent).3

• **Variable/incentive compensation**

The globalization of business has increased the use of variable and incentive pay around the world. But some cultures do not readily accept the practice of linking pay to individual or group performance.

Variable pay plans generally fall into one of two categories:

• Short-term incentive plans are usually annual plans that link awards based on meeting individual or group performance criteria and objectives. Unlike long-term plans, these incentive pay plans provide for the payout to be awarded yearly.

• Long-term incentive plans, on the other hand, can vary in length from three to five years. These plans typically include equity-based incentives, such as stock options, Awards are closely linked to the achievement of company goals and objectives over the three- to five-year period.

Premiums and allowances

Premiums and allowances are added to the base salary so expatriate employees can maintain their standard of living. Those add-ons are removed when the employee repatriates. Some types of premiums and allowances are as follows:

Hardship and hazard/danger pay. Employers sometimes need to send employees on assignments to host countries where conditions are difficult or hazardous (i.e., remote locations or countries with high rates of violence). As a result, a hardship allowance may be granted as an additional incentive to compensate employees for accepting assignments in less-than-desirable countries. Premiums typically range from 10 percent to 50 percent of base pay, depending on the severity of the hardship.

• **Cost-of-living adjustments.** A cost-of-living adjustment is an increase or decrease of an expatriate employee's pay in response to fluctuations in the economy, such as inflation or deflation. To prevent attrition of the global employee's purchasing power, companies often

raise the employee's base salary to keep up with inflation. When price levels drop, companies may also decrease the base salary accordingly.

- **Educational assistance.** Educational assistance for dependents of expatriate employees varies based on conditions in the host country. Assistance is usually not provided if local educational institutions are deemed adequate.
- **Housing assistance.** Assistance for housing is usually provided either in the form of free company-owned housing or via a housing allowance.
- **Home leave.** The objective of home leave policies is to give the assignee and his or her family the opportunity to maintain personal and business relationships and remain abreast of any economic, political social or cultural changes in the home country.

Benefits:
Global benefits for expatriates can be complicated for HR professionals to navigate, given the myriad national health care and pension systems and the laws governing foreign residents.

Health care plans
Health care coverage can pose significant challenges for expatriate employees because not all U.S. health care plans provide coverage for employees residing abroad. Multinational companies can provide coverage to employees in one of the following ways:
- Include the assignee in an international health care plan.
- Continue coverage under the U.S. health care plan.
- Provide coverage for the employee through a host country health care plan.

Retirement plans
Regardless of the compensation approach a multinational company chooses to adopt, most companies commonly provide assignees with the same level of Social Security and pension plan benefit coverage, without any interruption in service, as enjoyed by other employees in the home country location.

Spousal/partner assistance
Since approximately half of all U.S. marriages are dual-earner partnerships, dealing with international assignments can pose significant challenges for the trailing spouse or partner, the expatriate employee and the sponsoring organization.

Training
Other add-ons that are less commonly offered but can significantly ease expatriate package negotiations include cultural competence training, language training and repatriation assistance.

Cross-cultural training
The purpose of these programs is to enhance the knowledge and awareness about the employee's new location and the cultural differences affecting communication, behaviors and viewpoints. Training programs typically last a few days; however, for assignments to more remote or difficult locations, programs may also include security training that lasts for a longer period of time. The length and type of training should be directly related to the perceived level of assignment difficulty or differences in the assignment country.

Language training
The inability to communicate can create a sense of vulnerability and loss of control. A basic knowledge of the language empowers expatriate employees to build critical relationships with host country nationals. Some jurisdictions require that employee communications be in the local language.

Repatriation/reassignment

Expatriate pay considerations do not end when the assignment ends. Pay can be a significant factor in making it difficult for a person to repatriate. Often employees returning home realize they made considerably more money with a lower cost of living in the host country; returning to the home country means a cut in pay and standard of living.

Tax Compliance

United States citizens and resident aliens are taxed on their worldwide income, whether the person lives inside or outside the United States. Multinational companies take one of four approaches to ensure tax compliance:
• Employees are responsible for their own taxes.
• The employer determines tax reimbursement on a case-by-case basis.
• The employer pays the difference between taxes paid in the United States and the host country.
• The employer withholds U.S. taxes and pays foreign taxes.

State taxes

Many states impose taxes on the foreign income of expatriate employees who maintain a home in that state. In addition, states also may impose unemployment insurance taxes on employers that have employees with homes in that state. The reasoning is that, like other resident citizens, the employee derives certain benefits from the state, and the state where the employee resides is the most plausible place for an unemployed worker to seek unemployment compensation.

THEORIES OF COMPENSATION

Definition: The Compensation is the remuneration given to the employees for the work they do for the organization. In other words, an employee is entitled to both the financial and the nonfinancial benefits in return for his contribution to the organization.
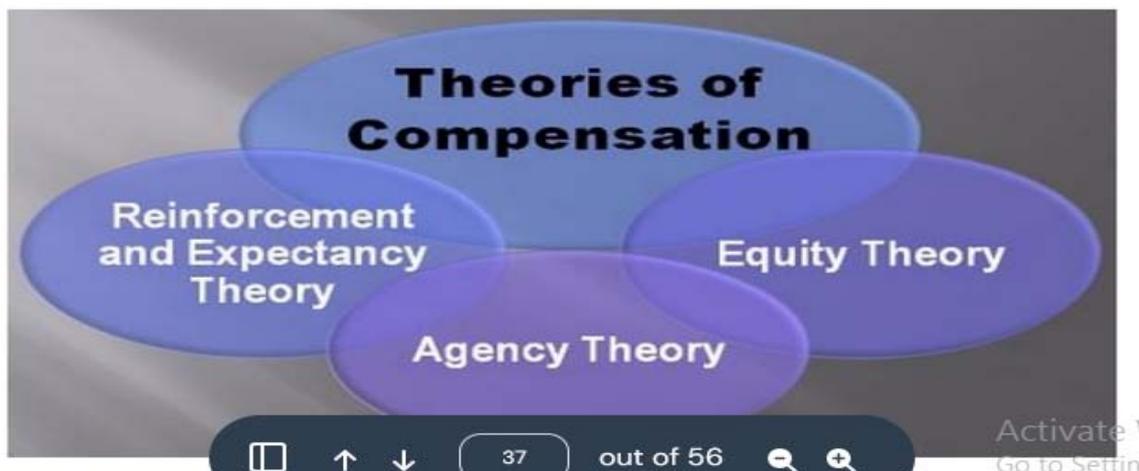
1. **Reinforcement and Expectancy Theory:** This theory is based on the assumption that, the reward-earning behavior is likely to be repeated, i.e. an employee would do the same thing again for which he was acknowledged once. Similarly, in the case of Expectancy Theory, given by Vroom, the employee is motivated to do a particular thing for which he is sure or is expected that performance will be followed by a definite reward or an outcome.

2. Equity Theory: According to this theory, there should be equity or the uniformity in the pay structure of an employee's remuneration. If the employee feels he is not being paid fairly for the amount of work he does in a day will result in lower productivity, increased turnover and high absenteeism. The remuneration system should comply with three types of equity:

2.1 Internal Equity: The employee perceives the fairness in different pay for different jobs based on the nature of work involved, i.e. he must feel that pay differentials among the jobs are fair.

2.2 External Equity: The employee should feel the fairness in what they are being paid is in line with what other players in the same industry are paying to their employees for the same kind of job.

2.3: Individual Equity: The employee perceives the pay differentials among the individuals who are performing the same kind of a job and within the same organization. Usually, an individual with more experience gets high remuneration as compared to the fresher irrespective of the nature of a job.

3. Agency Theory: This theory states that both the employer and the employee are the stakeholders of the company, and the remuneration paid to the employee is the agency cost. The employee will try to get an increased agency cost whereas the employer will try to minimize it. Hence, the remuneration should be decided in such a way that the interest of both the parties can be aligned.

INCENTIVE PAYMENT SYSTEM / INCENTIVE MECHANISM:

Incentive payments system or incentive mechanism can be broadly classified under following categories

• **INDIVIDUAL INCENTIVES:** individual incentive plans are widely accepted today and most of them contain provisions that encompass corporate and group objectives. Individual incentive plans is the fact that the actual awards to employees are differentiated based on individual performance criteria.

TYPES OF INDIVIDUAL INCENTIVE PLANS:

1. Earning varying in the several proportions as output:
a) Straight piece work: the rate per unit of output is fixed.
The total earning of a worker is arrived at by multiplying the total output.
b) Standard hour plan: which establish fixed unit of time for completion of a task or job.

2. Earning varying proportionality less than output:
a) Hasley plan: under the hasley plan standard time is fixed for the completion of a job and the rate per hour is the determined.
b) Rowan premium plan: the premium is calculated on a percentage of wages for the time worked not for the time saved this gives more bonuses to the worker.
c) Barth variable sharing plan: d) Bedaux plan: every operation or job is expressed in terms of so many standard minutes.
3. Earning varying proportionality more than output:
a) High piece rate: the earning of the worker are in proportion to his or her output as in straight piece work but the increment in earning for each unit of output above the standard is greater.
b) High standard hour system: there may be a 10% increase in time rate earnings of a worker for every 1% increase in output above the standard.

GROUP INCENTIVE PLANS:

Group incentives are the incentive wage plans which motivate the group to produce more.
TYPES OF GROUP INCENTIVE PLANS:
1. **Production bonus plan:** in this plan a group of experts sets the standard performance in terms of the no
of units for the whole work to be carried out by a group within a specific period.
2. **Cost efficiency bonus plan:**
3. **Gain sharing plan:** gain sharing matches an improvement in company performance to same distribution
of the benefits with employees. Focus on the company's most vital performance.
4. **Enterprise incentive plan:** enterprise incentive plan reward employees on the basis of the success of the
organization. Over an extended time period normally one year.

TYPES OF ENTERPRISE INCENTIVE PLANS:
1. **Profit sharing plan:** depends upon the company profit sharing.
2. **Stock options:** stock options give the holder the right to purchase.
3. **Employee stock ownership plans:** shares of stock in the future of a pre determined price.

CHALLENGES IN ESTABLISHING A PERFORMANCE MANAGEMENT PROCESS
"Employers are refocusing on t he importance of performance management." Mary Rizzuti and Diana Neelman told us in a recent BLR webinar. They are looking to make the most of limited compensation (and raise) dollars by tying pay to performance ratings. However, this is not without challenges; knowing what to expect up front can be the difference between an effective or ineffective implementation. Here are some performance management process challenges to address during the planning stages:
1. **Combating inconsistent engagement levels of different managers.** Getting all managers on board is critical. Managers need to be fully trained on the process and HR needs to monitor managers to ensure that the program is being used consistently and objectively. When the system is applied inconsistently, some employees benefit and others flounder, leading to employee mistrust and disengagement.
2. **Establishing the right metrics.** The metrics should be measurable, and they need to tie into the strategic business plan of the organization. "Using a strategic plan – if you have a corporate plan – many times helps you get kind of a focus of where you want to go and gives you some ideas of what you might want to use as far as metrics."
3. **Tying rewards to key compensation objectives to drive motivation.** "When employees are engaged in performance and what's expected, they really are more motivated to achieve and to work towards a common strategic goal." Rizzuti and Neelman explained. This requires meaningful discussions. Employees need to understand how their personal objectives contribute to the company's strategic goals.
4. **Creating a system that adequately distinguishes between high performers and average performers.** Creating this distinction is key because it provides the basis for compensation differences for different performance levels—which is one of the goals of the entire performance management process. When trying to create distinctions between performance levels, having too many ratings can be problematic. While this may be counter-intuitive, having too many ratings choices may mean that managers don't have to create meaningful differences between employees.
5. **Eliminating the entitlement mentality.** Entitlement mentality minimizes effectiveness. (Entitlement mentality refers to employees who feel that they are entitled to a raise every year regardless of performance—typically because this has been the norm). Many companies still

reinforce an entitlement mentality by providing annual increases or bonuses that are not tied to company performance, or by taking other pay actions that do not differentiate the top performers from the others.

6. Effectively using limited budgets. The budget levels obviously impact how much the employer can differentiate pay based on performance ratings. Nevertheless, distinctions should be made even if they are small. This is more easily accomplished when fewer performance levels are used.

INTERNATIONAL LABOUR STANDARDS

Globalization has profoundly changed and also influenced its legal structure, the culture and the organisation in which work is now being carried out. Multinational companies (MNCs) are immensely powerful and are now able to relocate wherever and whenever they want globally, finding the most lucrative way to raise their profits. In order to attract each other, developing countries in particular compete. What do International labour standards mean in this environment? In the past, the International Labour Organization has established the ILS. The ILO still exists today, but its default function suffers from huge deficiencies in its enforcement. In fact, the ILO is concerned with private initiatives being undermined. The argument is that there has been a shift from public to private regulation that has created interdependence between several players which is crucial for the existing ILS regulation. Therefore, the future success and efficiency of ILS depend mainly on how this interdependence works.

Meaning of International Labour Standard

It is necessary to understand its exact meaning to understand the role of the ILS. The word "labour standard" has two separate definitions, according to Sengenberger. The meaning of labour standards is normative or prescriptive and refers to the conditions of "work" and specifies fundamental working rights and basic social rights. These rules are set at both international and national level and are thus known as the International Labour Standards. Their terms and conditions of employment are defined in the same way. Their meaning refers to the situation of "what is." ILS is laid down in the ILO conventions and recommendations and forms the 'international labour code,' which other sources of international agreements supplement these ILO instruments. Nevertheless, the following remarks are restricted to instruments of the ILO.

The meaning of the word ILS can be briefly clarified by their importance and purpose. One of the most controversial issues over the last 100 years has been the issue of necessity. This disagreement is the product of varying interpretations of the idea of free trade. Firstly, there are champions for free trade. We advocate the removal and the restructuring of labour markets of all trade and investment barriers. They believe that successful implementation of the ILS damages countries' competitive advantage as often as domestic labour laws harm comparative advantages, such as natural resources, and preferences. Protectionists argue, on the one hand, against external regulation for the protection of national markets and national labour laws. Such two extremes seek to achieve a balance, leaving a hybrid labour law torn between its former security role and its current desire for versatility.

Functions of International Labour Standards

ILS roles are to redress and mitigate systemic shortcomings resulting from the particular characteristics of labour and labour relations, such as the fundamental asymmetry of power between the workers and the employers and the high potential for exclusion and exclusion Involvement, security and promotion are main functions that can be summarized as:

- To prevent disruptive competition through the defence of particular workers' groups and setting minimum wage and working conditions;

- to promote constructive competition through guaranteed collective rights, for example, involvement in decision-making, improvements in productivity and motivation of workers, increasing aggregate demand, and promoting the creation of jobs, active labour market policies and ways of adjusting socially desirable measures.

The ILO has been formed since 1942 and has produced enormous numbers of Conventions and advice, given long-standing concerns about the importance and role of ILS. In the following section, its efficiency will be examined.

Labour laws in the context of globalisation

Economic gradual internationalization

Most of the trade in the past was simple, which means that all or most products were manufactured in a country and only exported or imported from elsewhere. But as a result of the gradual internationalization of the economy, this economic model has changed. It can be described as sometimes very distinctive cultural, economic and social processes. Economic globalization "refers to" the inclusion of cross-border economic activities through markets. This process is called globalisation.

Giddens and Hutton describe globalisation as the interaction between extraordinary technological innovation and a worldwide reach drifted by world capitalism that gives its particular complexity to today's change. It now has a pace, unavoidability and capacity it had never before. Deregulated and liberalized capital markets offer the potential for unimpeded cash flows, thus making sales the most competitive. More accurately, cash is used where the expectation of revenue is greatest. Moreover, various multilateral conventions removed and thus facilitated globalisation, barriers to goods, services and capital flows.

In addition, the number of MNCs and their affiliates are increasing rapidly and can be considered as the 'main drivers of economic globalisation.' At the same time, the traditional structure of enterprises, a model on which the various national labour laws are oriented, is vanishing, creating enormous regulatory problems. Globalisation has transformed influence from regional to transnational companies, and has "transferred policy boundaries into the world's domain, not the national economy".

As a result, the decentralization of production and modern ways of investment has changed the working world profoundly. Next to cost-free information and distribution, new information technology allows the globalisation process to be expedited. The information revolution is at the heart of social and economic globalisation, states Keohane and Nye. In addition to that "the division of labour is restricted by the size of the market," and of course "the market now covers the globe." It has allowed the transnational organization to operate and the expansion to the markets, which encouraged new foreign dividing labour. It is described by Stiglitz as the "enhanced integration of the countries and citizens of the world, resulting from the enormous reduction of transportation costs and communication costs and the breakdown of artificial barriers to the trans-boundary flows of goods, services, resources, information, people." Nonetheless, these advances have triggered a number of labour standards problems as seen in the following section.

Globalisation raises obstacles to working standards

If the globalisation trend can be seen as economically beneficial, it can have a devastating effect on labour systems. Although the economy is globalizing, labour structures and regulations of the labour market remain predominantly domestic, as domestic labour standards are regulated and monitored. This applies to the ILO standard-setting instruments, which must usually be implemented by national authorities because in the strict sense there is no international labour law, i.e. the competence of implementing the standards worldwide.

In order to compete with the global competition, the worldwide network of production, capital and markets leads developing nations with infrastructure disadvantages to the tentative effect of social dumping by reducing their working standards already at a poor level. It could cause an upward spiral race that could be avoided by efforts to ensure that all competing countries follow standards.

In addition to causing difficulties in developing countries, low expectations are not only causing problems in developing countries but also causing problems in developed countries with civil and labour rights being blatantly violated. During the course of negotiation, for instance, employers are frequently confronted with a transfer of the company or the danger of merger with foreign companies. For example, the President of the largest employers' organization in Germany commented: "In ancient times, employers wondered" how bad is the wage agreement for me?". "I'm no longer worried about the deal since I have four or five strong escape routes. they say today. In the Czech Republic, I can just move 10,000 jobs. Moreover, the membership of the Union, collective representation and trade have gradually and significantly declined and unions have recognized that "they are ill-equipped to tackle globalisation," with a huge adverse impact, bearing in mind that the unions are the key stakeholders in improving the working conditions.

Such innovations placed tremendous pressure on many national labour laws to compete with various countries. The challenge comes from the fact that the more detailed and effective the national legislation is and therefore hamper MNCs, the more likely it would be to push the MNCs. In this sense, the biggest danger for labour standards is the global capacity of MNCs relative to the labour laws, which are usually still regional in nature. And the "race to the bottom" appears inexorable. Therefore, the "multinational corporations are a threat to national politics" and that the "globalisation threatens national states' ability to control their own national economies" have come true. Within this section, the role of ILS will be discussed, and whether global/regional players can tackle the international economic decision-making trend of MNCs or solve it.

International Labour Organisation and effectiveness of International Labour Standards **The International Labour Organisation, with 183 member states, is a United Nations specialist body. It has a tripartite framework with members of states, employers and workers. This structure provides the social partners with a unique forum for debating and developing standards and policies. To date, 189 conventions and 201 guidelines have been issued by the ILO addressing almost all facets of work and social rights. Nevertheless, there could still be grave concerns about the importance of such a robust regulatory agency, even though the ILO sees that "a normative action is an important tool for the realization of decent work."**

Conventional obligations can be established by the Member States legally binding only after their voluntary ratification. In comparison, guidelines do not define legal duty except in core labour standards (CLSs), which have been established by the Declaration of the ILO on fundamental principles and rights at work 1998 (ILO Declaration 1998) without ratification of the reality of membership of the ILO. The ILS is assisted by a supervisory mechanism to ensure that signed agreements are applied. There are two distinct control mechanisms in this monitoring system.

Firstly, the regular system which uses the Member States' periodic reports and secondly special procedures. Special procedures shall be the general application procedure for representations and complaints and for the special freedom of association procedure. In general, these supervisory procedures require prior ratification as a requirement irrespective of their effectiveness. But the main issue emerges at this stage. Most countries do not actually attempt to ratify conventions. This refers in particular to developed countries fearing "disguised protectionism" and competitive disadvantages. In total, less than one-quarter of the ILO Conventions have been ratified by three-fifths of Member States and fewer than twenty

conventions have been ratified. Nonetheless, another assertion is more sobering. Ratification does not mean compliance, so there is still a large compliance gap. The explanations for this are distinct.

First of all, there is a lack of appropriate administrative frameworks for implementation in developing countries in particular. Nevertheless, policymakers are also not interested in enforcing this because, due to low labour rates and weak labour rights, they see their competitive advantages imperilled.

Secondly, due to the lack of real sanctions and the reliance upon the goodwill of Member States the supervisory structures of the ILO are not very effective. At the most, a declaration of violation or a request to behave in accordance with the conditions would conclude the case. The procedures are therefore focused on 'shame mobilization.' In the future, it is expected that due to pair strain, the Convention violating countries will behave accordingly. It is clear that this process has failed.

Thirdly, in developing countries, there are over 70 special export processing areas which are off-limits for many ILSs and in order to draw investors, labour restrictions are relaxed.

Finally, all the ILO regulatory efforts only concentrate on the structured and formal sector, i.e. this area that deals nationally with labour relations. ILO regulation does not achieve the informal economy, i.e. economic practices not recognized, recognized, registered, covered or controlled by public authorities. However, the vast majority of employees in the developing world work in this sector. In addition, ILO systems do not hold MNCs accountable as their tools are addressed only to non-company states. Nevertheless, harmonization may be very useful to improve the ILS.

International Labour Standards and MNC Policies

Throughout establishing national policies, regulations and procedures on different aspects of social and labour law, universal labour standards have proved to be effective and useful. ILO Conventions and Recommendations range from national tripartite consultation to grievance proceedings of businesses, salaries, working time, leave, occupational safety and health holidays, non-discrimination to positive action for the elderly, disabled women and other vulnerable groups, labour market legislation, employment management, the human resources sector ILO Conventions and Recommendations.

The ILO conventions and guidelines in this regard are not binding unless a State ratifies the Conventions in question and reiterates the respective principles of the national law. The US government uses a number of methods to uphold international labour norms. The labour side provision of the North American Free Trade Agreement (NAFTA) includes the Caribbean Basin Plan, the Generalized System of Preferences, Section 301 of the Trade Act, 1974, the extraterritorial implementation of US labour law, voluntary corporate standards of conduct and the North American Labor Provision. Several NGOs and businesses are working to disseminate information on products and businesses that do not involve child labour through so-called "social labelling" to consumers. Another example of this is the fair trade etiquette TRANSFAIR seal in the tea industry. Its goals are to ensure fair market rates that cover production costs plus a fair trade premium for existing producers; the involvement of real producers in the use of fair trade premiums; an expectation of rates in advance; and promotion of the long-term relationship between producers and importers.

The International Organization of Employers expressed misgivings, for example on the issue of labelling campaigns, that they only address a small section of children's labour,

without focusing on the problem, and that they act as a "fast fix" to child labour by drawing on consumer "feel-good" sensibilities. They do not guarantee non-employment of child labour by virtue of the label and they may sometimes lead to producers being penalised even though they have not employed child labourers.

International Labour Standards implementation and promotion

International labour standards are supported by an internationally unique supervisory system that ensures that countries implement the conventions ratified. The ILO evaluates and defines areas in which norms can be best enforced annually in member states. If the application of standards does not present problems, the ILO seeks to help nations by means of social dialogue and technical assistance.

Following its adoption by the International Labour Conference and its ratification by the States, the ILO developed numerous ways to track the implementation of conventions and guidelines in law and practice. The supervisory mechanism exists in two kinds:

- **Regular supervisory system:**

Review by the Member States of the periodic reports on measures taken to implement the provisions of the Conventions ratified.

- **Special procedures:**

The proceedings for representations and the general application procedure for complaints and particular freedom of association procedure.

The framework for supervising the application of standards

Two ILO bodies analyze the reports on implementation in law and practice submitted by the Member States and make recommendations in this regard from workers' and employer organisations, on the basis of the normal framework of supervision.

- Expert Committee on the application of conventions and recommendations.
- The Tripartite Committee on Conventions and Recommendations of the International Labour Conference.

Special Procedures

The three following procedures are focused on the presentation of representation or complaint in comparison to the normal supervisory system:

- Representations procedure for the application of the Conventions ratified.
- Application procedure for ratified conventions complaints.
- Special procedure for complaints concerning freedom of association by the Committee on Freedom of Association.

General Surveys

International labour standards are basic instruments that the international community adopts and represent common labour ideals and principles. The ILO considers it important to monitor developments in all countries, whether they ratified them or not, although the Member States can decide whether or not to ratify agreements. In accordance with Article 19 of the ILO Constitution, Members States shall report on measures which they have taken at regular intervals to implement any provision of certain Conventions or Recommendations and identify any barriers which have prevented the ratification of a Convention or delayed it.

A comprehensive annual general review on the law and procedure of Member States, on a theme chosen by the Governing Bodies, is published in the Committee of Experts. These surveys are primarily based on reports from the Member States and information transmitted by organizations of employers and workers. It allows the Expert Committee to assess the impact of conventions and recommendations, analyze government difficulties as an obstacle to their implementation and identify ways to overcome them.

International Labour Standards in Developing International Labour Laws

In promoting international labour standards, the International Labor Organization played an important role. India is an ILO founding member and has helped codify the standards. It also helped to develop its own legal and institutional framework in the areas of social and labour. In recent years attempts have been made to connect standards to foreign trade through means of a social clause by the World Trade Organisation, with the same goal being accomplished by way of social labelling through the product codes and consumer boycotts.

To harmonize globalisation, attempts are being made to align foreign trade with a social clause mechanism to prevent developed countries from benefiting from trade liberalization on the basis of comparatively low labour cost. Universal labour standards are well established. The debate deals with the means of implementation, and in particular with the arguments about the attempts to link certain core labour standards with international standards. Therefore, the problem does not lie in the need to enforce universal labour standards. The question remains whether any kind of link with trade should be punished for countries and companies which continue to achieve competitive advantage through the violation of fundamental rights.

Employers in various developed countries and unions, government agencies and employers in various countries in development have resisted any formal connection between labour and trade standards. While producers in developed countries appear in an attempt to take advantage of cheap labour in developing countries, developed-country workers feel it could affect employers' jobs in the developed-countries if they enjoy the comparative advantage of cheap labour. The social partners in developing countries, therefore, perceive the relation between the social clause and trade as the attempt of governments and employees in developed countries to take away this advantage from the developing countries.

International Labour Standard Benefits

Global labour standards have been made more important than ever because of the complexities of globalisation. What are the advantages today?

Provides Productive Employment

The creation of people as human beings is the key priority of international labour standards. The international community acknowledged in the Declaration of Philadelphia (1944) that "work is not a commodity." Labour is not an inanimate commodity, such as an apple or TV set, negotiable at the highest benefit or the lowest expense. Employment is part of daily life and essential to the dignity, health and growth of an individual as a human being. Growth of the economy should involve creating employment and working conditions where people can work in democracy, protection and dignity. Briefly, it is not economic growth for itself that is being done but to better people's lives. There are international labour standards to ensure that it remains focused on enhancing men and women's lives and dignity.

Decent education restores people's hopes for jobs. It brings together access to meaningful, well-paying jobs, occupational safety and family social security, greater opportunities for personal growth and social inclusion, independence for individuals to identify their claims and to organize and engage in life-impact decision-making and equal opportunities and justice for men and women.

Decent research is not just an aim, it is a way to meet the special goals of the current International Sustainable Development Programme. Decent work and four pillars of the Decent Work Program – job development, social security, human rights and social dialogue – were essential to the United Nations General Assembly in September 2015. Objective 8, of the 2030 Agenda, calls for sustainable economic development, complete and meaningful jobs and decent work for everyone to be promoted. Furthermore, a large

number of the 16 UN objectives, new development vision, broadly include the main components of decent work.

Equality of play

A universal social contract legal system means that the global economy has the same area of practice. It helps governments and employers prevent the temptation to reduce labour standards in the expectation that they can benefit from greater competitive advantages in national trade. Over the long term, nobody profits from these activities. Shrinking labour standards can encourage the spread of low salary, low profile and high-turnover industries while at the same time slowing trade partners' growth and preventing a country from developing more stable highly skilled jobs. Since the international labour standards of governments and social partners are minimum standards, it is in the interest of everyone to see such laws being applied in their entirety so that those who do not follow them do not weaken the efforts of those who do so.

A way to boost financial results

Global labour regulations were often seen as expensive, hampering economic growth. However, a growing research force has shown that adherence to international labour standards is often followed by efficiency and economic performance changes. Minimum salaries and working hours and fair opportunity will result in increased workplace satisfaction and efficiency and decreased staff revenue. Training investment can lead to a better-trained workforce and higher levels of employment. Safety standards can reduce expensive accidents and healthcare expenses. Security of jobs can foster risk and creativity amongst employees. Social protection, such as unemployment and active labour market policy, can facilitate flexibility in the labour market, sustainable and acceptable to the public, economic liberalisation, and privatization. Free association and collective bargaining will lead to better negotiations with and collaboration on labour management and thus improve working conditions, decrease expensive labour disputes and improve social stability.

International investors should not ignore the positive impact of labour standards. Research has shown that foreign investors rate labour quality and political and social stability above low labour costs in their selection criteria for countries where to invest. At the same time, there is no evidence of further competition in the global economy in countries which do not follow labour standards. Global labour regulations not only tackle improvements in the workplace climate for protecting workers but also take fair business needs into account.

A defence net during an economic downturn

Also rapidly growing economies with highly trained employees will suffer unexpected financial recessions. The Asian financial crisis in 1997, the 2000 dot-com blast and the 2008 financial and economic crisis revealed how dramatic depreciation in currencies or falling market prices can undo decades of economic growth. For example, in many of the countries concerned, during the Asian crisis of 1997 as well as the 2008 crisis, unemployment rose significantly. The devastating impact on employees of these crises was compounded by the fact that social security programs were scarcely enforced in many of these nations, including unemployment, health care, progressive labour market policies and social dialogue. A macroeconomic and job-related strategy can contribute to addressing these problems while taking account of social impacts.

A Poverty Reduction Policy

It was always the acceptance of rules that depended on economic development. Legislation and functioning legal bodies guarantee property rights, contract enforcement, substantive compliance and defence against crime-all basic elements of good government that no economy can run without. A fair collection of rules and institutions market is more effective and benefits everybody. There is no other labour market. The healthy and stable labour market for employees and employers is guaranteed by fair work practices set by international labour standards and enforced by means of national legislation. A significant proportion of the

population is active in the informal economy in many developed and transition economies. However, these countries are also incapable of delivering meaningful social justice. But in these situations, International labour standards can also be effective tools. Both staff, and not just those who work under structured labour contracts, are protected by most ILO requirements. Certain standards such as the standards dealing in certain fields of the informal economy with host workers, immigrants and rural workers, indigenous or tribal peoples, etc.

Enhancing freedom of association, expanding social protection, improving workplace safety and health, developing vocational training and other actions required by International Labor Standards have proved effective strategies for poverty reduction and the incorporation of workers into the formal economy. In addition, the creation of institutions and mechanisms capable of enforcing labour rights demands international standards of employment. Together with a number of established rights and rules, operating legal bodies that help to formalize the economy and establish an environment of trust and order that is important to economic growth and development.

The amount of foreign knowledge and experience

In collaboration with experts from all over Europe, universal labour standards are a result of consultations between governments, employers and employees. They represent the international consensus on how to address a specific labour problem globally and reflect expertise and experience from around the world. Governments, employers and workers' unions, international agencies, multinational corporations and non-governmental organisations, through their strategies, organizational goals and day by day activities, will take advantage of this information. The legal existence of the principles ensures that they can be used in legal structures and governments at a national level and in an international law framework that will contribute to greater international community integration.

Conclusion

Considering the efficiency of international labour norms, it should also be remembered that ILO regulatory actions include voluntary adoption of global labour standards which creates binding obligations for States in turn. This approach was preferred to the approach initially intended by founders of the ILO who would have given the International Labor Conference the power, subject to the right to "opt-off" within certain time limits, to adopt binding international labour legislation directly. The retained solution is a realistic approach to labour legislation, but it means that actions related to standard ILO depend in large measure on Member States' willingness and capacity to meet standard commitments. As Member States experience economic crises, successful enforcement of the universal labour standards can be affected. Generally speaking, globalization has affected the willingness of States to assume their position under the ILO Constitution under the pressure of international competition.

It is a priority for ILO in these circumstances to ensure that it has the institutional capacity to: establish substantive standards; retain them up-to-date, including adaptation to evolving needs, expectations, activities and technical conditions as appropriate; use all the diverse and complementary mechanisms available in its Constitution in line with their effectiveness, and ensure that they are effective. In the framework of the Social Justice Declaration, the governing board is currently discussing a process for updating standards to reinvigorate and reinforce the ILO body of standards, ensuring that they adequately protect all workers in today's workplace, suggesting an efficient implementation. That method, if implemented, would provide the Office as a whole with an ongoing work plan with respect to standards.

Why are ILS relevant to business?

ILS are addressed to governments. Nevertheless, they are also relevant to business in the following ways:

- Business is affected by ILS through national legislation. When a country ratifies a Convention, this instrument sets the framework for national law and practice on a certain subject. If existing national law or practice does not comply with the Convention, new labour laws, amendments of existing laws, or new implementation directives may result. As a consequence, business may be required to change its labour practices, which can involve significant administrative measures and costs.
- Even if ILS are not taken up by national law, the contents of collective agreements may be inspired by them.
- ILS can be a relevant source of practical guidance for business in areas not covered by national law or collective agreements. Many companies operating internationally have considered ILS, or the 1998 ILO Declaration, in developing their codes of conduct or other responsible business conduct initiatives. Global initiatives for voluntary business engagement, such as the UN Global Compact, draw on these sources in their labour principles and the Global Compact business stakeholders engage to work towards their realisation in their business strategies and day-to-day operations. International Framework Agreements (IFAs) negotiated between Global Union Federations (GUFs) and multinational enterprises usually make specific references to the ILO's fundamental Conventions.

Given the above, employers must play a key role in the ILO and at national level in formulating, implementing and supervising ILS, and in ensuring that due account is taken of the business perspective, including the needs of enterprises of all sizes operating in different geographical areas, economic sectors and social frameworks. Together with governments and workers, employers are responsible for making ILS and their implementation balanced, realistic and meaningful.

What is IOE's position on ILS?
ILS are not the answer to every problem in the workplace and should only be used to address fundamental labour issues where they can have a high impact. ILS should only be adopted where unchanging principles are involved and where there is broad consensus among the ILO constituents that regulation at international level is necessary.
In IOE's view, ILS will lead to social and economic benefits only when they:
- Concentrate on setting worldwide relevant minimum rules, rather than seeking international harmonisation at an ideal level;
- Provide realistic and practicable orientation to countries which lack experience in labour standards;
- Are flexible enough to accommodate differences of development levels and changing needs, in particular, in the context of the Future of Work debate;
- Are based on a thorough assessment of their likely impact.

The beneficial effects of ILS depend to a large extent on a balanced application and the reasonable exercise of rights contained in them. The exercise of these rights has to respect the social and economic environment, the common good and the higher rights of other individuals and groups. In particular, the competitive needs of enterprises must receive adequate attention in the implementation of ILS since enterprises are the source of employment and, thus, the very place for the application of ILS.

How does IOE's work on ILS impact business?
Serving our membership of more than 150 national business organisations around the world, through the Employers' Group at the ILO inter alia, IOE:

- Solicits the views of business on topics to be considered – and, importantly, set aside – for standard-setting activity.
- Prepares, advises and guides the Group in subsequent discussions involving governments and workers to ensure that business perspectives are reflected in debates, outcomes and follow-up undertaken by the ILO Office.
- Accompanies and guides the Group, once the need for a Convention and/or Recommendation is established, in drafting the instrument, with the goal of ensuring business viability, should the instrument be adopted.
- Equips business organisations at national level when adoption takes place to be in an informed position vis-à-vis ratification and implementation, including by providing perspectives on the legal, social and economic implications of ratification, and setting out the implications for business and private sector employment creation. Employers' organisations will also, therefore, be able to advise their own members of the implications for business operations.
- Prepares, advises and guides the employers in the ILO Standards Review Mechanism to ensure the ILO has a body of ILS that is up to date and relevant to the world of work and that takes into account the need of sustainable business.
- Encourages and advises members to provide input to the ILO supervisory bodies on the application in law and practice of ratified Conventions so that the perspectives of national employers are duly taken into account in the assessment of compliance.

Challenges and Issues

Among the best accomplishments of the United Nations, is the development of a body called the International law, which is vital to advancing monetary and social turn of events, just as to propelling global harmony and security. The International law is revered in conventions, arrangements called treaties and standards. Most of the treaties brought about by the United Nations structure the premise of the law that administers relations among countries. While the work done by the UN right now does not generally get consideration, it daily affects the lives of individuals all over the place. Therefore, it is pertinent to know that International law plays an important role in an individual's life despite not being directly a part of it.

Current and global issues in International law in the last 5 years

There have been a vast number of issues that have been in the limelight in the field of International Law. As the United Nations stands alone to be a truly global organization, it has dealt with various issues at hand that go beyond one's national boundaries and cannot be solved by the individual countries that act alone in the time of crisis. Initially, the United Nations was more focussed on stimulating and safeguarding peace, while encouraging and securing human rights, establishing the basis and the framework for international justice and foster social and economic progress worldwide. However, after the seven decades of its establishment, it has now progressed to solving new problems at hand, which are the current global crisis adding to a set of new challenges, such as climate change, humanitarian issues, overpopulation, etc. We will be looking at some of the issues at hand which are listed below:

- climate change.
- Global terrorism.
- humanitarian issues.

- Humanitarian issues- Conflict in Syria.
- Impact of Global Terrorism.
- overpopulation.
- War crimes.

QUESTION BANK

UNIT-1

- Define IHRM. Mention international HRM objectives.
- Elaborate the models of international HRM.
- Explain the approaches relevant to international HRM.
- Distinguish between domestic HRM and international HRM.
- Explain scope of International Human Resource Management.
- Enumerate the major factors that influence international HRM.
- Definition of IHRM and its importance of international HRM.
- Define expanding role of international HRM.
- Define the Global issues in international HRM.
- Explain the challenges to international HRM
- Discuss various terms and concepts related concerning international human resource management.
- What are the different Models of international human resource management?
- Differentiate Standardization and Localization of HRM practices
- What are the different enduring complexities of international human resource management?
- What is IHRM Policies ? Discuss its need, scope, components.
- Explain the evolution of IHRM.

UNIT-2

- Define culture and its characteristics of culture.
- Explain the cultural variables and its categories of cross-culture variables.
- Explain the elements of culture.
- Define cultural variables and its effect on work environment.
- Define cross culture differences and factor constituting cultural differences.
- Explain cross culture research/Analysis Methodologies.
- Explain problem associated with cross culture research.
- Write a detail note on Hofstede's file cultural dimensions.
- What are the factors affecting cultural variables.
- Explain evolution of cross-cultural research methods.
- Elaborate the IHRM in cross border Mergers and Acquisitions.
- Discuss internalization process.
- Enumerate Internationalization process and   current scenario of world business
- Explain the Cultural context of IHRM in detail

UNIT-3

- What is international staffing? Outline the nature of international staffing.
- Discuss various staffing sources and its staffing policies.
- Explain the process of staffing along with diagram.
- Write a detail notes on international HR planning.
- Elaborate recruitment in international context.
- Enumerate the various criteria which should be considered with selecting employees at international level.
- Define expatriate. Explain its expatriate selection process for global assignment.
- What is repatriation? Discuss repatriation process in detain?
- Define international compensation and its components.
- Explain differences between PCN's and TCN's Discuss the advantages and disadvantages of ethnocentric approach.
- Explain the conditions under which polycentric approach can be used byMNCs in recruitment.
- What are the advantages of geocentric approach?
- What is expatriate system in the process of selection of employees byMNCs?
- Explain the reasons for the failure of expatriates in foreign employment.
- Explain the role of expatriate and Inpatriate in detail
- Who is an non expatriate? Differentiate with expatriate and Inpatriate.

UNIT-4

- What are international performance management and its features?
- Enumerate process of international performance management.
- Explain cross-culture training and its methods of cross culture training.
- Define the evaluating performance appraisal program.
- Define the essential and functions of agencies.
- Explain how global hrm practices can be evaluated.
- Explain performance management and its process.
- What is competency appraisal? Explain its process?
- Define learning and dimensions of learning styles.
- What do you mean by international training and development? How is the international training and development different from the domestictraining and development?
- What is recruitment? Discuss various sources of recruitment that are followed by MNCs?
- Discuss the different selection techniques in foreign employment.
- What is global training?
- Why should MNCs provide training to their employees even after employingrelatively more competent people?
- What are the different areas of global training and development?
- What is cross-cultural training?
- Discuss the training for long-term assignments and short-term assignment.
- What is the concept of global mind-set and global mind-set training.
- What is language training?
- Who should appraise the performance of employees in MNCs ?
- Discuss the system performance management in MNCs.

- What are the problems of performance management in MNC?
- How do you make the performance management in MNCs effective?

UNIT-5

- Define industrial international relation
- Define trade union and its functions and characteristics.
- What is mean by collective negotiation? Discuss the process and importance of collective negotiation.
- Explain the concepts of international conflict.
- Explain quality circle and process/steps are involved in quality circle.
- What is meant by participative management and explain benefits of worker participation in management?
- Write a detail notes on people management in USA.
- How people are managed in Asian countries? Explain.
- Explain difference between labour relation practice in Europe and USA.
- Discuss people management in Middle East. What are the objectives of international compensation management?
- Why and how is international compensation management critical andcomplex?
- What are the different external and internal environmental factors that affect international compensation management?
- What are the allowances paid by MNCs that are distinctive from that ofpure domestic companies?
- What is COLA and why is it important in international human resource management?
- What is hardship allowance and why is it important in international humanresource management?
- What is tax-equalization allowance and why is it vital in international humanresource management?
- What are the different approaches of international compensationmanagement? Discuss the merits and demerits of each approach.