

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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**OBJECTIVES**

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**RESULTS & DISCUSSION**

**FINDINGS**

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## INTERNATIONAL HRM CHALLENGES FOR MNC's

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## ABSTRACT

*The firms operating in international market face different conditions and competitions. Multinationals are characterized by an interdependence of resources and responsibilities across all business units regardless of national boundaries. These companies have to cope with large flows of components, products, resources, people and information among their subsidiaries, while simultaneously recognizing the specialized resources and capabilities of each. This demands a complex process of coordination and cooperation involving strong cross-unit integrating devices, a strong corporate identity and well developed worldwide management perspective. People play a key role in any type of business activity but their role has become very critical in the new economy and service sector.*

## KEYWORDS

Autocratic, Cultural Assimilators, Culture Shock, Expatriates, Globalisation.

## INTRODUCTION

International dimensions of business and the globalization of business have a significant impact on the human resource management. Major measures initiated as a part of the liberalization and globalization strategy in the early nineties included scrapping of the industrial licensing regime, reduction in the number of areas reserved for the public sector, amendment of the monopolies and the restrictive trade practices act, start of the Privatisation Programmes, reduction in tariff rates and change over to market determined exchange rates. **"Each day India now brings news of foreign and Indian companies discussing joint venture agreements", commented Nicoll (1994) of the financial Times.** Over the years there has been a steady liberalization of the current account transactions, more and more sectors opened up for foreign direct investments and portfolio investments facilitating entry of foreign investors in telecom, roads, ports, airports, insurance and other major sectors.

**According to Tom G. Palmer, "Globalization is the diminution or elimination of state enforced restrictions on exchanges across borders and the increasingly integrated and complex global system of production and exchange that has emerged as a result"**

The United Nations Conference on Trade and Development (UNCTAD) in its annual Survey of foreign direct investment calculates what it refers to as an "index of Tran nationality" which is an average of ratios of foreign assets to total assets; foreign Sales to total sales; and foreign employment to total employment. Based on this index of Tran nationality, the most foreign-oriented multinational is Nestlé, with 87% of assets, 98% of Sales and 97% of Employees located outside of Switzerland.

**The Top Ten Multinationals are as follows:**

1. Nestle (Switzerland)
2. Thomson (Canada)
3. Holderbank Finaciére (Switzerland)
4. Seagram (Canada)
5. Solvay (Belgium)
6. Asea Brown Boveri (Sweden/Switzerland)
7. Electrolux (Sweden)
8. Unilever (Britain/Netherlands)
9. Philips (Netherlands)
10. Roche (Switzerland)

Morgan defines international HRM as the interplay among these three dimensions like human resource activities, types of employees, and countries of operation.

## RESEARCH METHODOLOGY

The paper is conceptual in nature and adopted the analytical approach to study the global. A literature review has been conducted to understand the viewpoints of experts. The period of study is from 2010 to 2011.

## OBJECTIVES OF THE STUDY

- To understand international HRM importance
- To study different kinds of International employees
- To study stages of Internationalization
- To understand the model of IHRM
- To study the different kinds of Management styles

## LITERATURE REVIEW

A Paper by Morgan (1986) on the development of international HRM is helpful in considering this question. He presents a model of international HRM (shown in Figure 1) that consists of three dimensions:

1. The Three broad human resource activities of procurement, allocation, and utilization. (These three broad activities can be easily expanded into the six HR activities listed above).

2. The three national or country categories involved in international HRM activities: (1) The host-country where a subsidiary may be located, (2) the home-country where the Firm is headquartered, and (3) "other" countries that may be the source of labor or Finance.

3. The Three Types of Employees of an International firm

(1) Host-Country Nationals (HCNs)

(2) Parent-Country Nationals (PCNs), and

(3) Third-Country Nationals (TCNs).

Thus, for example, IBM employs Australian Citizens (HCNs) in its Australian operations, often sends U.S. citizens (PCNs) to Asia-Pacific countries on assignment, and may send some of its Singaporean employees on an assignment to its Japanese operations (as TCNs).

### TYPES OF EMPLOYEES

1. **Foreign Parent Expatriates:** They are employees from the foreign parent headquarters assigned to the venture, usually in upper management positions.
2. **Host Country Nationals:** They are the employees directly recruited and employed by the venture and are nationals of the host country. They may occupy all levels in the organizations; however, initially they are not found in the upper management levels.
3. **Third Country Expatriates** of the foreign parent are employees in the foreign parent organization who are nationals of neither the foreign parent country nor the host parent country.

Third country expatriates of the new venture are employees recruited directly by the venture who are national of neither the foreign parent's country nor the host parent's country.

### STAGES OF INTERNATIONALIZATION

**Stage 1: Domestic Operations:** - Firms offer products or services that are designed to primarily serve consumers in the domestic market

**Stage 2: Export Operations:** - Products and services are opened up to markets in other countries, but production remains in home country. It provides sales force with skills and motivation to succeed in these foreign markets.

**Stage 3: Subsidiaries or Joint Ventures**

Some operational facilities (e.g., parts assembly) are physically moved to other countries.

Corporate headquarters in home country has high control over foreign operations. It provides expatriates and local employees with knowledge and skills to succeed in the foreign country.

**Stage 4: Multinational Operations**

Much more prevalent international dispersion of production and service provision facilities. Decentralization of decision-making more prevalent, but "major" personnel decisions still made within home country.

Expatriates still primarily manage foreign facilities.

**Stage 5: Transnational Operations**

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

### EIGHT POINT STAR MODEL



1. **Global workforce:** - Human resources require distinctly different approaches and competencies in different contexts to match the demands of national and international labour markets. Human capital available in the international arena and across national border. Study important for understanding the supply and demand for labour
2. **International Context:** - The main focus is on industrialized countries like USA, Europe, Canada, Japan and Australia. How to converge domestic and international HRM systems? International agencies of labor (such as the International Labour Organization)
3. **National Context:** - Employment law, unions, society, culture and professionalization. The relationship Linkages between HRM effectiveness and the social context like (culture, climate and the political environment of an organization) .
4. **Strategic Issues:** -Strategies for identifying the supply and demand of Labour Location, Managing transfers, Standardizing or differentiating management Systems, Managing international mergers and acquisitions.



5. **Operational Issues:** - These include Recruitment, selection, education, training, participation, involvement, pay conditions, promotion, reward, career development, retirement, and downsizing of an international workforce.
6. **IHRM Career:** - The different roles played by IHR personnel are educating, training and development of International managers, career development, Retention.
7. **Professional Competencies:** - IHRM interact in more diverse and dynamic environments than their counterparts who are responsible from single-country operations. Competencies expected of an international human resource manager: learning and knowledge skills to transferable, affective and people management skills
8. **The Future:** - Qualitative, value based and ethical dimensions of IHRM, highlighting the significance and long-term relevance of value-based decision making in IHRM practice. Team building is very important.

## DIFFERENT MANAGEMENT STYLES

### 1. AMERICAN STYLE

According to **Marc Effron**, president, the talent strategy group, "American managers practice blend of participative management and an authoritarian style (top down direction and decision making). Most company's hierarchies have been flattened over the past ten years, so there are typically no more than six or seven layers between executives and front-line employee. An 'open door' approach to management would be rather common in many companies".

### 2. JAPANESE STYLE

According to **Daizo Ito**, president, Panasonic India, "The Japanese management style is very democratic in nature. It is people oriented and work oriented (thus focusing mainly on production and engineering functions including time management and quality control). The concepts of "Wa" (harmony), "Shage" (corporate constitution) and "Shakun" (code of behavior) are embedded in the Japanese management philosophy. The board of directors forms a significant authority within the management structure and this is where the democratic leadership shines."

### 3. EUROPEAN STYLE

According to **Dr. Manas Fuloria**, cofounder, Nagarro software, "The European style is more humanistic, less flamboyant, and less CEO-worshipping. For example, The German management style heavily favors leaders who are technically strong. The German organization is fairly hierarchical and it is not common for people lower in the organization to fraternize with the top bosses. The Austrian management culture is similar to the German in being hierarchical but there is an increased politeness and warmth in the conduct of work. The UK management culture is not technically oriented and is more like the US in that respect."

### 4. CHINESE STYLE

According to **John He**, CEO, Shenzhen Donjin Communication Tech co.ltd, Different industries in China follow different styles of management. The manufacturing industry is mostly driven by an autocratic style of management. However, in the elite industries like IT and Telecom, the management style is both democratic and parental. Some companies have a very flat structure and are driven mainly by the owner, while in some, the top management is generally a board and the decision of the organization is taken in consultation with the general mass of the company".

### 5. MIDDLE EASTERN STYLE

According to **Antony Jacob**, CEO, Apollo Munich Health Insurance, "In the middle East, there are Three Types of Companies -Local Companies, Joint Ventures and MNC's operating out of the region. Depending on the ownership pattern and organizational philosophy, the management style could either be autocratic or paternalistic or even democratic".

## SELECTION OF EMPLOYEES

While selecting a candidate care should be taken to assess the attitude like "Accept Change". If candidate is suddenly transferred to foreign location he/she should feel not uncomfortable to adjust. The some of the points to be kept in mind during selection are

1. Provide realistic country preview.
2. Measure ability to be sensitive to different cultures and/or comfort with specific foreign country's culture.
3. Have successful expatriates then make the selection decisions.
4. Require previous international experience
5. Assess family's willingness to live or work abroad.
6. Role of employee should be clear.

## TRAINING

### CULTURAL IGNORANCE IS BAD BUSINESS

An American company eager to do business in Saudi Arabia sent over a sales manager to get something going. The salesman began calling contacts soon after his arrival. After many disappointing appointments, the salesman ran into an old friend, who gave him an introduction to some basic rules of Saudi Etiquette and how to do business with the Arabs. The salesman learned that he had repeatedly insulted his contacts by his impatience, refusal of coffee, 'business first' attitude and aggressive selling. Even incidental acts such as handling people or papers with his left hand and exposing the side of his shoe while sitting not the floor were improper Saudi customs.

Most Expatriates, whether PCNs and TCNs

Cross-cultural training can address:

- Major cultural differences
- Foreign expectations regarding polite behaviour
- Foreign expectations regarding business behaviour
- How to avoid feeling insulted when no insult is made
- Career Development: - Ensure expatriates know that an international assignment helps in terms of advancement within the firm

**Tung (1982)** surveyed managers in Europe, Japan and the U.S and found six major types of cross-cultural training programmes:

- Environmental briefing is used to provide information about such things as geography, climate, housing and schools.
- Cultural orientation is designed to familiarize the individual with cultural institutions and value systems of the host country.
- Cultural assimilators using programmed learning approaches are designed to provide the participants with inter-cultural encounters.
- Language training is aimed at increasing communication effectiveness.
- Sensitivity training is designed to develop attitudinal flexibility.
- Field experience is arranged to make the expatriate familiarize with the challenge of assignment

### MAIN CHALLENGES IN IHRM

- Different Labour Laws of Different Countries
- Managing Diversity
- Managing Effective Communication
- Managing Effective Resourcing
- Managing Effective Resourcing
- Maintaining Uniformity & Fairness
- Different political climate

- Changes in Economic conditions
- Different stages of technological advancement
- Different values and attitudes e.g. time, achievement, risk taking
- Roles of religion e.g. sacred objects, prayer, holidays, etc
- Educational level attained
- Social organizations e.g. social institutions, authority structures, interest groups, status systems
- Career blockage ("the home office has forgotten about me")
- Culture Shock, resulting in frustration and poor cooperation abroad.
- Family Problems, due to poor adjustment and/or lack of contact if family is left behind.

## CONCLUSION

The study identifies various factors that companies have to keep in mind during recruitment and selection. The main emphasis should be given for cross culture training. Now the **"World is a Global village"**. The employees have to be open minded to adjust to different culture, leadership styles and working conditions. Cultural ignorance is Bad business. The study of different Management styles helps employees to understand managers.

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