Unit 1

International human resource management (Human Resource Management)

Due to increased globalization and easy mobility and communications between countries, companies operate at international level. Major task for organizations which operate across international boundaries is to manage the dissimilar stresses of the drive for integration and differentiation. In broader sense, International human resource management process has same activities as in Domestic HRM such as planning and staffing however domestic HRM is operated in one nation And IHRM activities are involved in different countries. International Human Resource Management is a branch of management studies that examines the design and effects of organizational human resource practices in cross-cultural contexts. It occupies an exciting position in the interstices of international business, human resource management and organizational behaviour, scholarships. Theoretical studied explained that International HRM is the interplay between three dimensions: HR activities, the types of people being employed in the organisation and the different countries that an organisation is operating in (Dowling, 1999). Complexities caused by these last two variables, are what differentiates international HRM from domestic HRM, as the HR activities themselves are relatively similar.

Concept of International human resource management:

Broadly defined, International human resource management is the study and application of all human resource management activities as they impact the process of managing human resources in enterprises in the global environment. IHRM can be explained as "The set of distinct activities, functions and processes that are directed at attracting, developing and maintaining an MNC's human resources. It is the aggregate of the various HRM systems used to manage people in the MNC, both at home and overseas" (Taylor, Beechler et al. 1996). An international organization or firm is one in which operations take place in subsidiaries overseas, which rely on the business expertise or manufacturing capacity of the parent company. Such companies or organizations bring with them their own management attitudes and business styles.

Human resource managers of such organizations cannot afford to ignore the international influences on their work. International human resource management play significant role in providing solution to global business issues. Theorists explained that International HR management denotes to an extension of HR that relates to having people working abroad. These can be either expatriate staff, those who are recruited from or work within their own home countries (locally recruited staff), or even third country nationals (individuals from neither the 'parent' nor 'home' country, but rather a third country. The kinds of organizations in which this is the case can range from those with a small office or subsidiary based abroad, to major multinational corporations, international public-sector organizations, or international NGOs (charities) with sites all over the world. It can also encompass an organization working in a joint partnership with another organization overseas. Alternatively it could be a home based organization with overseas offices or a company with selected departments which are

offshore. The differences between IHRM and HRM is that IHRM is being unpredictable and influenced more by external factors, requiring more functions, having continuously changing perspectives, requiring more intervention in employees' personal lives, and being more risky.

Major functions of international human resource management:

In International human resource management, there are five functional areas that include recruitment and selection, development and training, performance evaluation, remuneration and labor relations. In the first function of IHRM, Recruitment and selection, company employs new qualified candidates for international operations. Selection requires choosing from this pool the candidate whose qualifications most closely match the job requirements. Staffing is a complex function of international human resource management. In an global firms, the managing and staffing approach strongly affects the type of employee the company prefers. In a company with an ethnocentric approach, parent country nationals usually staff important positions at headquarters and subsidiaries. In recruitment and selection methods, firms consider both headquarters' practices and those widespread in the countries of its subsidiaries. Local culture also have great impact on recruitment and selection practices, and in some countries, local laws require a specific approach. In choosing the suitable candidate, it is needed to make balance between internal corporate consistency and sensitivity to local labor practices.

Another significant function of IHRM is Development and training which is aimed to offer sufficient training to personnel in a company and enable them to fulfil their goals, as well as show better performance and growth with their work. At global level, human resource development experts must have responsibility for training and development of employees located in subsidiaries around the world, specialized training to prepare expatriates for assignments abroad, and lastly development of a special group of worldwide minded managers. International human resource development programs may be done in two ways such as centralized and decentralized. In a centralized approach, training originates at the headquarters and corporate trainers travel to subsidiaries, often adapting to local situations. This fits the ethnocentric model. A geocentric approach is also centralized, and trainers could be sent from various positions in either the headquarters or subsidiaries to any other location in the company. In a decentralized approach, training is given locally, following a polycentric model. When training is decentralized, the cultural backgrounds of the trainers and trainees are usually similar. Local people develop training materials and techniques for use in their own area. It is important that trainer must be qualified.

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

different subsidiaries. Performance evaluation depends on the organization's overall human resource management strategy.

Remuneration and benefits is other functional approach of IHRM. Remuneration of employees plays an important role in hiring new employees because pay is the major source of people to live in the world. To develop an international system of compensation and benefits, firms have two primary concerns. The first is comparability. A good compensation system disperses salaries to employees that are internally equivalent and competitive within the marketplace. The international organization must also consider the salaries of people who may transfer from other locations. The second major concern is cost. Organizations struggle to reduce all expenses, and payroll is one of the largest.

Lastly, the labor relations function of IHRM which describes the role of management and workers in the workplace. In many countries, the government regulates labor relations practices.

Laurent (1986) recommends that international approach to human resource management would require numerous steps, Firstly, an explicit recognition by the parent organization that its own peculiar ways of managing human resources reflect some of the assumptions and values of its home culture. Secondly, an clear recognition by the parent organization that its peculiar ways are neither universally better nor worse than others, but are different and likely to exhibit strengths and weaknesses, particularly abroad. Next step is unambiguous recognition by the parent organization that its foreign subsidiaries may have other preferred ways of managing people that are neither intrinsically better nor worse, but could possibly be more effective locally. Next step is preparedness from headquarters not only to acknowledge cultural differences, but also to take action in order to make them discussable and therefore useable. Last step is developing genuine belief by all parties that more creative and effective ways of managing people could be developed as a result of cross-cultural learning.

Some people consider international HRM is similar to expatriate management. But IHRM has more importance and it includes more activities as compared to just the management of expatriates. It involves the international management of people. Although International HR managers assume the same activities as their domestically-based colleagues, the scope and intricacy of these tasks will depend on the extent of internationalisation of the organisation. Moving in global economy, organisations have to amend their traditional ways of managing people. The human factor is progressively more acknowledged as critical to organizational success. Theorists, Bohlander and Snell commented that "In the past, observers feared that machines might one day eliminate the need for people at work". Actually, just the opposite has been occurring. People are more important than earlier time.

In fast-growing economies, it is easy to access money and technology than good people. Competitive advantage belongs to companies that know how to attract, select, deploy, and develop talent. In multinational companies, major objective of HRM function is to make certain that the most effective use is made of its human resources. To accomplish this, HR professionals undertake a range of activities around sourcing, development, reward and performance management, HR planning, employee involvement and communications. If the

organisation has a strategic HR function, these activities will support and inform organisational strategy. HR professionals are also used extensively in organisational change and development initiatives. For international organisations, these HR activities need to be co-ordinated across both the home country and different national subsidiaries and to take into account the needs of both parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs).

Figure: Model of IHRM
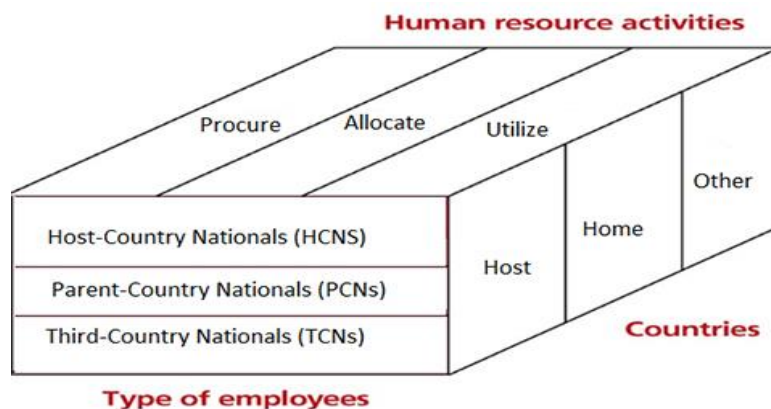
The role of the IHR manager will differ and it depends on the international orientation of the organisation. It is critical that managers must be able to interpret international organisational strategy and develop IHR policies and practices which support that focus. As a strategic partner, the IHR manager should equally advise senior management of any mismatch between stated organisation internationalisation goals and actual IHR practice. In order to enhance the competitive advantage of firm, the IHR professionals must focus on their international competencies and learn about the basics of global business.

Figure: International human resource management
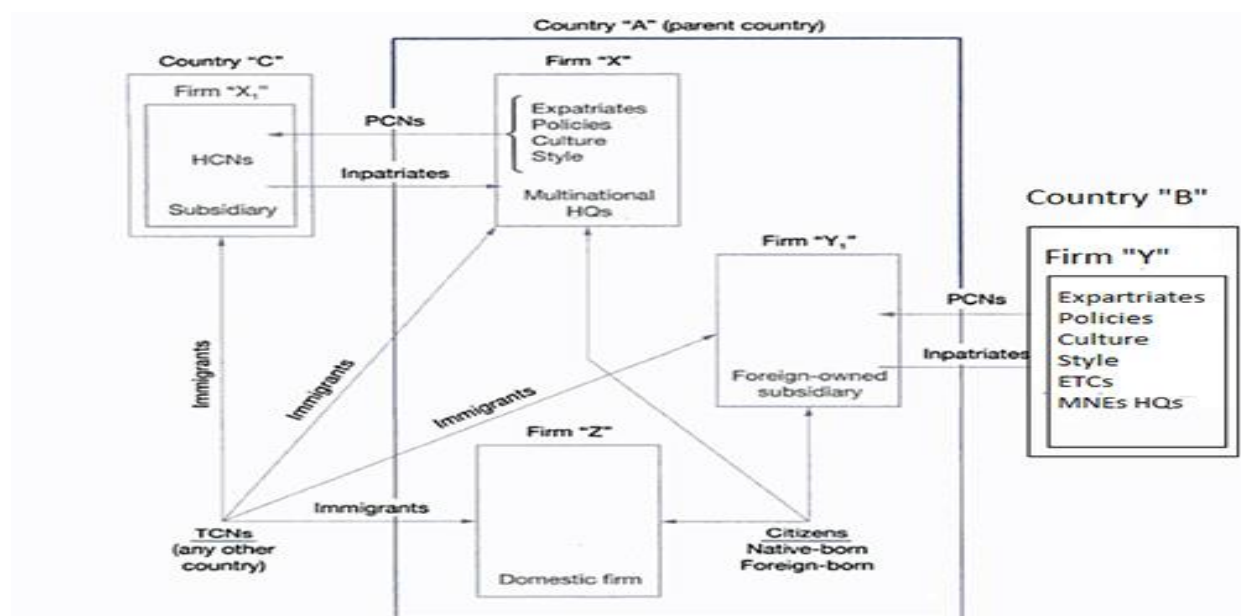
Strategies of international human resource management:

To respond major challenges in business, International HR executives are forced to formulate strategies and practices that will make their organizations successful. At the macro level, strategic global HRM is used to ensure that the organization overarching values, objectives and goals are supportedby the HR policies, procedures and practices (Brewster & Suutari, 2005). At the meso level, HR executives are mainly concerned to deal with issues relating to unions in the host country. At the micro level, HR executives are attempting to foster a global mindset among the workforce through developing HR competencies and business-related.

While implementing an IHR strategy, management team must ascertain the current and intended nature of international operations in the organisation (multi-domestic, international, global or transnational. Mangers should determine the extent to which HR policies and practices should be standardised or localised in accordance with overall organisational strategy. They must assess the extent to which local cultural, social, political, economic and legal factors will impinge on any attempts to apply standard HR policies if integration is a key factor in organisational strategy and ensure a computerised database of global human resources is used if integration is desired. In formulation of IHRM strategy, it is recommended to work with the senior management team to identify the competencies required to achieve global organisational objectives and also work with national HR and line managers to formulate IHR policies and practices in the key areas of sourcing, development and reward which will embed a transnational mindset in the organisation.

Major issues/ challenges of international human resource management:

A crucial challenge for all international organisations is the need to achieve target in relation to the competing demands of global integration and co-ordination versus local responsiveness, the "global versus local" debate. Main challenges in IHRM include high failure rates of expatriation and repatriation, Deployment, getting the right mix of skills in the organization regardless of geographical location, Knowledge and innovation dissemination and managing critical knowledge and speed of information flow, Talent identification and development and identify capable people who are able to f unction effectively, Barriers to women in IHRM, International ethics, language (e.g spoken, written, body). Other challenges are Different labor laws, Different political climate, and different stage of technological advancement, different values and attitudes e.g. time, achievement risk taking, Roles of religion e.g. sacred objects, prayer, taboos, holidays, etc, Educational level attained, Social organizations e.g. social institutions, authority structures, interest groups, status systems.

Major issues for IHRM include the variety of international organizational models that exist, the extent to which HRM policy and practice should vary in different countries, the problem of managing people in different cultures and environments, the approaches used to select, deploy, develop and reward expatriates who could be nationals of the parent company or 'third-country nationals' (TCNs), nationals of countries other than the parent company who work abroad in subsidiaries of that organization. Cultural and environmental diversity is main problems in international HRM. Haley stated that in culture where people are emphasized, it

is the quality of international relationships which is important. In cultures where ideologies are emphasized, sharing common beliefs is more important than group membership. Hofstede (1980) emphasizes that there are a number of cultural dimensions that affect international operations. Sparrow and Hiltrop (1997) recognize various HR areas that may be affected by national culture such as decisions on what makes an effective manager, giving face-to-face feedback, readiness to accept international assignments, pay systems and different concepts of social justice, approaches to organizational structuring and strategic dynamics.

These cultural differences mentioned gave the saying 'think globally and act locally'. This means that an international balancing act is essential, which leads to the important assumption given by Bartlett and Ghoshal (1991) that denotes 'Balancing the needs of co-ordination, control and autonomy and maintaining the appropriate balance are critical to the success of the multinational company.'

Figure: Challenges of IHRM

Ulrich (1998) proposed that to accomplish this balancing act, there are six capabilities that enable firms to integrate and concentrate international activities and also separate and adopt local activities that include being able to determine core activities and non-core activities, achieving consistency while allowing flexibility, building global brand equity while honouring local customs, obtaining leverage (bigger is better) while achieving focus (smaller is better, sharing learning and creating new knowledge andengendering a global perspective while ensuring local accountability.

Other problems are managing international assignments, employee and family adjustment, selecting the right person for international task, culture and communication barrier. Challenges of IHRM are clarifying taxation issues, coordinating foreign currencies, exchange rates, compensation plans, working directly with the families of employees, more involvement in employees personal life, facility etc, Different HR systems for different geographic locations, More complex external constituencies, foreign Governments, political and religious groups, heightened exposure to risks such as health, terrorism, legal issues, human and financial consequences of mistakes.

Figure: Issues in supply of international human resource:
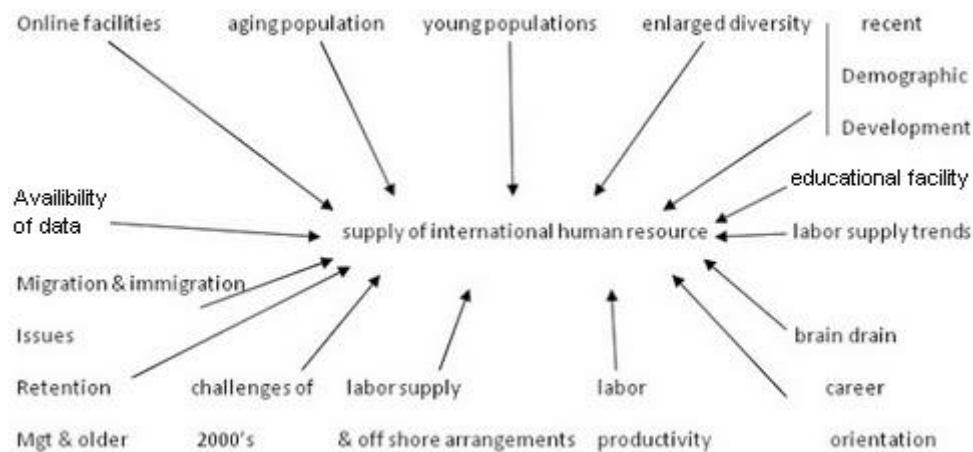
Laurent (1986) stated that "in order to build, maintain and develop the corporate identity, multinational organizations need to strive for consistency in their ways of managing people on a worldwide basis. Yet, and in order to be effective locally, they also need to adapt those ways to the specific cultural requirements of different societies. While the global nature of business may call for increased consistency, the variety of cultural environments may be calling for differentiation."

From a business perspective, forces for global integration include operational requirements, strategic co-ordination and multinational customers. In contrast, forces for local responsiveness include highly diverse consumer requirements, tailored distribution channels and broader social and political constraints to market entry. From an HR perspective, there are many factors constraining the use of standardised HR practices including differing national business systems, labour laws, national HR practice, education systems and national cultural norms. Organisations still want to implement standardised HR systems internationally. Their option depends on their stage of internationalisation and international mindset. Major barriers to effective global HRM are variations, perception, of HR, Attitude and actions of headquarters towards, HR, resistance to change, cultural differences in learning and teaching styles.

To summarize, International human resource management has important role in a company to survive in global business. International HRM scrutinizes the way in which international organisations manage their human resources across these different national contexts It is a Procuring, Allocating, and Effectively utilizing human resources in a multinational corporation, while balancing the integration and differentiation of HR activities in foreign locations. HR managers have to sort out problems with globalisation and internationalisation due to dissimilar cultures, different policies or procedures, language and legislation. The International HRM assists in organizational remodel as it plays a role of innovator. International human resource management professionals have not only begun to frame their research in terms of organization theories, they are also increasingly using the international context to extend existing theories.

DISTINCTION BETWEEN DOMESTIC AND INTERNATIONAL HRM

IHRM vs Domestic HRM

There are some commonalities in IHRM and domestic HRM practices, particularly in areas like; HR planning and staffing, recruitment and selection, appraisal and development, rewards, etc the main distinctions, however, lies in the fact that while domestic HRM is involved with employees within only one national boundary, IHRM deals with three national or country categories, i.e., the parent country where the firm is actually originated and headquartered; the host country where the subsidiary is located; and other countries from where the organization may source the labour, finance or research and development. This is because there are three types of employees in an international organization, i.e.

Parent country nationals (PCNs);

A parent-country national is a person working in a country other than their country of origin. Such a person is also referred to as an expatriate. Long periods of assignment (perhaps 4 –5 years or more) may run the risk of "de facto" employee status in the host country, so that labor laws or the host country apply.

A U.S. parent-country national residing abroad still owes U.S. taxes each year on his or her worldwide income. The US has income tax treaties with over 35 other countries. The IRS and the foreign taxing authorities can exchange information on their citizens living in the other country. Qualifying U.S. citizens and residents working outside the United States are permitted to elect to exclude a portion of their foreign earned income under the Internal Revenue Code (IRC). This section provides a general exclusion limited to a specified amount, another exclusion measured by foreign housing costs, and, for self-employed persons, a foreign housing cost deduction.

To qualify for the foreign earned income and housing cost exclusions, the individual must have foreign earned income, his or her tax home must be in a foreign country, and he or she must meet either of two tests:

The bona fide residence test, which requires the taxpayer to be a bona fide resident of a foreign country or countries for an uninterrupted period that includes a full tax year, or The physical presence test, which requires the individual to be present in a foreign country or countries at least 330 full days during a period of 12 consecutive months.

A U.S. citizen may qualify under either the bona fide residence or physical presence test. A U.S. resident alien working abroad can qualify under the physical presence test, and in certain limited cases, tax treaty nondiscrimination rules may permit qualification under the bona fide residence rule.

Host country nationals (HCNs); and

They are those employees of an organization who are the citizens of the country in which the foreign subsidiary is located.

Third country nationals (TCNs).

Third Country National (TCN) describes and individuals of other nationalities hired by a government or government sanctioned contractor who represent neither the contracting government nor the host country or area of operations. This is most often those performing on government contracts in the role of a private military contractor.

Third Country Nationals
These are the citizens of a country other than the country where the organization is headquartered and the country that is hosting the subsidiary.

There are two major factors therefore which differentiate domestic HRM from IHRM. First, the complexities of operating in different countries (and therefore in different cultures) and secondly, employing different national categories of workers. This suggests that international HRM is concerned with identifying and understanding how MNCs manage their geographically dispersed workforces in order to leverage their HR resources for both local and global competitive advantage. Globalization has brought new challenges and increased complexity such as the challenge of managing newer forms of network organization. In recognition of such developments, new requirements of IHRM is to play a key role in achieving a balance between the need for control and coordination of foreign subsidiaries, and the need to adapt to local environments.

International HRM differs from domestic HRM in a number of ways. One difference is that IHRM has to manage the complexities of operating in, and employing people from, different countries and cultures. A major reason for the failure of an international venture is the lack of understanding of the differences between managing employees in the domestic environment and in a foreign one. A management style successful in the domestic environment often fails if applied to a foreign environment without the appropriate modifications. The reasons that IHRM is more complex than domestic HRM are described below.

1. International HRM addresses a broader range of activities than domestic HRM. These include international taxation, coordinating foreign currencies and exchange rates, international relocation, international orientation for the employee posted abroad, etc.

2. Human resource managers working in an international environment face the problem of addressing HR issues of employees belonging to more than one nationality. Hence, these HR managers need to set up different HRM systems for different locations. Human resource managers in a domestic environment administer HR programmes to employees belonging to a

single nationality.

3. International HRM requires greater involvement in the personal life of employees. The HR manager of an MNC must ensure that an executive posted to a foreign country understands all aspects of the compensation package provided in the foreign assignment, such as cost of living, taxes, etc. The HR manager needs to assess the readiness of the employee's family to relocate, support the family in adjusting to a foreign culture through cross-cultural training, and to help in admitting the children in schools. The HR department may also need to take responsibility for children left behind in boarding schools in the home country by the employees on foreign postings. In the domestic environment, the involvement of the HR manager or department with an employee's family is limited to providing family insurance programmes or providing transport facilities in case of a domestic transfer.

4. There is heightened exposure to risks in international assignments. These risks include the health and safety of the employee and family. A major aspect of risk relevant to IHRM today is possible terrorism. Several MNCs must now consider this factor when deciding on international assignments for their employees. Moreover, human and financial consequences of mistakes in IHRM are much more severe than in domestic business. For example, if an executive posted abroad returns prematurely, it results in high direct costs as well as indirect costs.

5. International HRM has to deal with more external factors than domestic HRM. For example, government regulations about staffing practices in foreign locations, local codes of conduct, influence of local religious groups, etc. If an American organization is sanctioned license by the Indian government to set up its subsidiary in India, the American company is under legal obligations to provide employment to local residents.

6. International HRM Addresses a broad range of HRM activities. Whereas domestic HRM deals with issues related to employees belonging to single nationality.

7. Greater exposure to risks in international assignments; human and financial consequences of mistakes in IHRM are very severe.

International HRM in Cross-Cultures:
International HRM in Cross-Cultures

INTRODUCTION :The globalization of business operations in cross-cultures is having a great impact on managing human resources. Under this topic we shall discuss different aspects of human resource management in global context: Concept and importance of International HRM Role of International HRM Limitations in growth of International HRM

Focus or trends in International HRM practices which multinational organisations are adopting to succeed in diverse cultures across nations.

Meaning International HRM which deals with practices of managing people on international scale, has got attention of enterprises operating globally. IHRM examines policies, decisions, issues, challenges and trends in managing a global workforce. Peter J. Dowling and his associates have "concluded that the complexity involved in operating in different countries and employing different national categories of employees, rather than any major differences between the HR activities performed." International HRM basically involves HR activities of procuring, allocating and utilizing human resources in international business.

Role of International HRM International HRM is the basis of success of any global multi-national organisation International HRM enhances employees effectiveness to achieve goals of the organisation and meet the needs; To develop employees to assume more diverse tasks, assignments, face challenging situations, and Better understand cultural variations across nations. In this context the role of International HRM department is considerably enhanced as it has to deal with heterogeneous functions.

International Human Resource Department has to give additional focus on various aspects such as: More involvement in the employee's personal life; Deal with different groups of employees, namely, parent country nationals, host country nationals and third country nationals, for which HR policies and practices may differ. IHRM managers have to understand cultural differences, i.e multi-cultural environment; Manage external influences, i.e. host government authorities, business and other interest pressure and labour groups, etc. Lay different emphasis on management training to deal diverse workforce, their orientation and to meet international environment; and Provide guidance on taxation and compensation aspects.

Limitations in Growth of International HRM In view of above reasons, planning a strategy in International HRM is important keeping in view host country practices and government legal requirements. It is recognized that HRM and industrial relations practices differ across countries as these have their historic origin in countries. Personnel Management and Industrial Relations are embedded in societal rules, norms, values, ideology and no MNC can afford to ignore the influence of local culture .

Personnel Management is influenced by multiple 'policy centers' such as trade unions, employer organisations, participative bodies, government authorities and environment context. The environment is made up of three tightly interwoven contexts, i.e., The technological features of work situation; The market opportunities or limitations; and Relative distribution of power between the actors, i.e. trade unions, employer associations and the Government.

Focus on some Human Resource Management Practices Shift to Recruitment of Host Country Nationals One of the four approaches are used for recruitment by the MNCs: Ethno-centric – Key positions held by citizens of home country. Poly-centric – Primary positions are held by nationals from host country. Regio-Centric – Primary positions are by people from

countries with similar cultures, experience and management practices. Geo-centric – Best qualified individuals are hired at home and abroad regardless of nationality, treating world as market to implement global business operations.

 (b) Expatriate recruitment and factors for their adjustment and success in host country. This aspect is covered in detail in a separate topic. (c) Cross-cultural Training As part of pre-departure training of expatriate managers, an area of focus is cross-cultural training . The goal of cross-cultural training should be to equip the managers with knowledge, skills and attitudes which enable them to achieve the following adjustments and effectiveness which are indicators of international success: Managers to be personally adjusted, i.e. they feel happy and satisfied with situation abroad, Professionally effective if they perform their tasks, responsibilities on-the-job competently, and Inter-personally adjusted and effective and they take interest in interacting with locals capably.

Example: Pre-departure training, says Peter J. Dowling and his associates that "It can prevent costly mistakes such as that of the highly paid expatriate who brought two miniature bottles of brandy with him into Qatar (a Muslim country in the Middle-East). The brandy was discovered by customs, and the expatriate was promptly deported and ordered never to return".

The six competencies needed in a specific country can be drawn. The six competencies that were perceived, recently in one study, as being most important for success of global managers (in descending order of importance) are: Leadership, Initiative, Emotional Stability, Motivation, Ability to handle responsibility, and Cultural sensitivity In another study, in addition to the above two more highlighted are: to handle stress and flexibility

Organizational cross-cultural challenges
Setting up joint ventures between East and West European companies has involved a number of cross-cultural challenges. A study made on joint ventures between the Netherlands, the Slovak Republic and Bulgaria revealed some key problems in the following areas:

1. Mutual support climate:
When it comes, for example, to showing concern for colleagues, as well as offering mutual support and understanding, both in solving work and non-work problems, companies in the Slovak Republic appear to be much less supportive than those in Bulgaria and the Netherlands.

2. Innovative climate
: The degree to which employees consider their organization as being innovative is much higher among the Bulgarians and the Dutch than among the Slovakians. Slovak companies are considered to be less flexible, innovative and market-oriented than their Bulgarian or Dutch equivalents. Moreover, they are seen as less open to (self-)criticism and less likely to take risks.

3. Goal-directed climate
: Bulgarian employees consider their companies to be particularly goal-directed, more so than their Slovak and Dutch counter parts. This is apparent in the way Bulgarian com-panies set clear goals, carefully measure the performance of the company and its employees ,as well as monitor the efficient and effective use of materials. The main conclusion of the study is that, to ensure the success of a joint venture between East and West European companies, the partners need to establish mutual trust as well as develop respect for their mutual differences.

UNIT 2
INTERNATIONAL RECRUITMENT AND SELECTION
The context of international resourcing

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

- It has to work within globally co-ordinated systems whilst recognising and being sensitive to local needs.

- Practitioners are looking to source talent from increasingly varied places around the world, so integrating a diverse workforce for maximum organisational and individual performance is crucial.

- Increasingly the lines between traditional HR functions are blurred, so resourcing specialists have to focus on management development and reward issues as well as resourcing ones.

- Merger and acquisition activity means that HR practitioners are engaged in selection of employees in a changing environment and looking to harmonise HR practices.

- HR is looking to maximise the learning opportunities given by global networks to share best practice.

- Rapidly changing business situations in volatile global markets means that HR must often recruit, deploy, develop and shed people at great speed.

HR practitioners responsible for international assignments are no longer simply involved in the management of expatriates. As business requirements have changed, longer term expatriation has reduced in more mature markets and grown in developing ones and, in the global community, there are various types of international employees.

International Recruitment

While recruiting people for international operations, the international HR managers must identify the global competitiveness of the potential applicants at the time of the recruiting process. It is essential that the workforce of an international organization is aware of the nuances of international business. Understandably, the company must keep international knowledge and experience as criteria in the recruitment and selection process.12 Besides, the international HR department must have a fairly good idea about the skills and availability of human resources in different labour markets in the world. The HR department must have the capacity to foresee the changes in these markets and exploit those changes productively. A truly international HR department would insist on hiring people from all over the world and place them throughout the international business operations of the organization.

Approaches to Recruitment in IHRM Though the general aim of any recruitment policy is to

select the right people for the right task at the right time, the HR department of international companies may adopt one of the following three specific approaches available for recruiting employees for global operations.

Facts [+]

The Immigration Reform and Control Act of 1986 (IRCA) bars employers from hiring individuals who are not legally entitled to work in the U.S. Employers must verify work eligibility by completing Form I-9 along with required supporting documents. IRCA also prohibits employers from discriminating in hiring, firing, recruiting, or referring on the basis of national origin or citizenship status.

H-1B workers may be employed temporarily in a specialty occupation or as a fashion model of distinguished ability.

A specialty occupation requires theoretical and practical application of a body of specialized knowledge along with at least a bachelor's degree or its equivalent. An H-1B alien may work for any petitioning U.S. employer for a maximum period of six years.

Ethnocentric   approach
When a company follows the strategy of choosing only from the citizens of the parent country to work in host nations, it is called anethnocentric approach. Normally, higher-level foreign positions are filled with expatriate employees from the parent country. The general rationale behind the ethnocentric approach is that the staff from the parent country would represent the interests of the headquarters effectively and link well with the parent country. The recruitment process in this method involves four stages: self-selection, creating a candidate pool, technical skills assessment, and making a mutual decision. Self-selection involves the decision by the employee about his future course of action in the international arena. In the next stage, the employee database is prepared according to the manpower requirement of the company for international operations. Then the database is analysed for choosing the best and most suitable persons for global assignments and this process is called technical skills assessment. Finally, the best candidate is identified for foreign assignment and sent abroad with his consent.

The ethnocentric approach places natives of the home country of a business in key positions at home and abroad. In this example, the U.S. parent company places natives from the United States in key positions in both the United States and Mexico.

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

The polycenlric approach uses natives of the host country to manage operations in their country and natives of the parent country to manage in the home office. In this example, the Australian parent company uses natives of India to manage operations at the Indian subsidiary. Natives of Australia manage the home office.

Facts [+]

2012, July: Indian Information Technology companies supported nearly 2.8 lakh jobs in America in the year 2011 by way of foreign direct investment through acquisitions of IT companies. India invested nearly $ 5 billion in foreign direct investment. Top Indian IT companies like TATA, HCL technologies India's fourth largest software export, Infosys and Wipro stepped in United States to set up their subsidiaries and recruited American nationals from colleges and experienced professionals who had the local knowledge and domain expertise. local employees have the requisite knowledge and understanding of culture, people and were in a particular region.

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

candidates, in addition to the conventional sources. For an effective utilization of the internal source of recruitment, global companies need to develop an internal database of employees and an effective tracking system to identify the most suitable persons for global postings.

The geocentric approach uses Ihe best available managers for a business without regard for their country of origin. In this example, the UK parent company uses natives of many countries at company headquarters and at the U.S. subsidiary.

Regiocentric   Approach

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

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

The regiocentric approach places managers from various countries within geographic regions of a business. In this example, the U.S. parent company uses natives of the United States at company headquarters. Natives of European countries are used to manage the Italian subsidiary.

International   Selection

Even though cultural differences influence the selection procedure to some extent, organizations tend to follow similar criteria and methods worldwide. This is due to the fact that the end objective of any selection process is to choose the most capable persons for the job. The selection criteria for international jobs usually revolve around the five core areas of behaviour, attitudes, skills, motivation and personality. More specifically, the focus of selection for international operations normally includes cultural adaptability, strong

communication skills, technical competence, professional or technical expertise, global experience, country-specific experience, interpersonal skills, language skills, and family flexibility. Employers around the world usually rank personal interviews, technical competency and work experience in similar jobs as important criteria for selection. International firms, while choosing employees for overseas operations, usually prefer people with

- highly developed technical skills
- good language and communication skills
- tolerance towards other culture, race, creed, colour, habits, and values
- high level of motivation
- stress resistance
- goal-oriented behaviour

Finally, at the time of selection for international assignments, an organization should consider the previous overseas experience, family circumstances and cultural-adaptability level of the candidates aspiring for the global jobs.

UNIT 3
EXPATRIATE CROSS CULTURAL TRAINING

The reality of today's global marketplace requires companies to relocate staff to foreign locations in order to establish and nurture a business presence abroad. Many executives and managers sent to man foreign operations are usually chosen for their skills and accomplishments within their native country. The assumption is that 'if they can do it at home, they can do it abroad'. Research suggests this is not the case - cross cultural differences usually make such skills defunct in a new environment.

Maximising the chances of an employee's success in a foreign location is a critical business priority. If a manager or executive is sent abroad and fails to either settle into the new culture or work effectively with his/her new colleagues, the whole venture will be a waste of valuable time, effort and money.

Expatriate relocation assignments fail for a variety of reasons as the chart below shows. Cross cultural differences account for or impact upon many, such as the inability to adapt, spouse dissatisfaction and poor job performance.

Why do expatriate relocations go wrong?

Research and analysis of expatriate relocations has highlighted how 'culture shock' , i.e. being impacted by cross cultural differences, can negatively impact upon a relocation assignment if not properly managed. These cross cultural differences affect both the employee and his/her spouse or family.

A manager/executive may find it hard to communicate or gel with their new colleagues. Negativity starts to creep in, motivation and patience are lost and the work environment becomes one tainted with stress and pressure. In addition, if the spouse or family are having a difficult time adjusting to the new culture the pressure increases. If proper training is not administered to coach the employee and/or the family the whole experience can turn sour leading to failure. This in turn costs the company money, results in a demotivated workforce in the foreign location and possibly damaged relationships with clients or customers.

Cross cultural training can and does reduce the chances of expatriate relocations going wrong. Employees have now realised the importance of intercultural understanding and its potential impact upon relocations, as highlighted in the chart below. Cultural training aids the employee and family to better approach and deal with the relocation, ensuring that the negative consequences of 'culture shock' are greatly reduced.

Critical Challenges to Successful Relocations
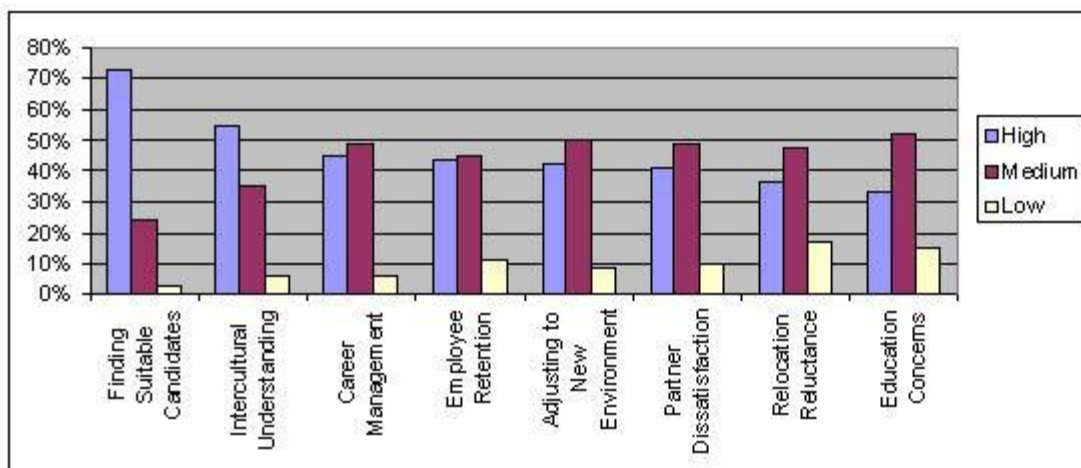
Cross cultural training, in essence, helps the expatriate understand the culture of the target destination and provides them with coping strategies to support them when feeling vulnerable. Although the content of a cross cultural training course will vary according to who is receiving it (i.e. employee, spouse or children) they all benefit the participant by highlighting the cross cultural differences they will face in their new office and/or lifestyle.

The manager or executive will receive coaching in areas such as business culture, etiquette, interpersonal communication, conflict resolution, man-management and other key areas that will help them communicate and work effectively with their new team. A family or spouse will receive guidance of cultural issues relating to their new environment such as schooling, lifestyle, local culture, etc. Again this aims at familiarising the family with their new destination.

The benefits of receiving cross cultural training prior to a relocation are that it:

. Prepares the individual/family mentally for the move,
. Removes some of the 'unknown',
. Increases self-awareness and cross cultural understanding,
. Provides the opportunity for questions / anxieties to be addressed in a supportive environment,
. Motivates and excites,
. Reduces stress and provides coping strategies,
. Eases the settling-in process,
. Reduces the chances of relocation failure.

The importance of cross cultural training is clear. Feedback from those who have undertaken cross cultural training overwhelmingly indicates that it is of great benefit. If global companies are to truly maximise their potential abroad, cross cultural training must become a mandatory element of expatriate relocation assignments. To ignore this would mean a continuation of failures, loss of potential growth abroad and a staff base that lacks international cultural competencies.

MANAGING EXPATRIATE STAFF
The impact of cultural difference is felt not only by those assigned to international postings, but also by their host-country managers and colleagues. While they may not have endured the trauma of an international move, they will be working with colleagues whose methods of working, style of interaction and expression may be completely new and 'foreign.'

Our trainer was extremely knowledgeable.

AILEEN STRACHAN, HR , TALISMAN ENERGY (UK)

In such situations, it would be easy to suggest that 'when in Rome, do as the Romans do' and expect expatriate staff members to adapt to their host-country ways of doing things. However, such an approach lacks the necessary cultural sensitivity to help expatriates integrate positively and effectively into their new workplace and is likely to lead to unnecessary misunderstanding, uneasy working relationships and potential loss of business.

In order to make this experience a successful one for all concerned, Communicaid's Managing Expatriate Staff courses are aimed at managers and HR professionals who regularly work, interact with and manage expatriate staff.

Improve your intercultural competence with Communicaid, one of the world's leading providers of expatriate training courses.

BENEFITS OF MANAGING EXPATRIATE STAFF COURSES
A Managing Expatriate Staff course will provide you with:

- Increased understanding of the impact of cultural difference when managing expatriate staff
- A better understanding of the cultural challenges facing expatriate staff
- An in-depth examination of the expectations of host-country managers and expatriate staff
- The opportunity to enhance cultural awareness and competence
- Hands-on strategies to minimise cross-cultural misunderstanding and encourage positive working relationships when managing expatriate staff

DEVELOPING GLOBAL MANAGERS

As firms reach across borders, global-leadership capacity is surfacing more and more often as a binding constraint. According to one survey of senior executives, 76 percent believe their organizations need to develop global-leadership capabilities, but only 7 percent think they are currently doing so very effectively.[1] And some 30 percent of US companies admit that they have failed to exploit fully their international business opportunities because of insufficient internationally competent personnel.[2]

Most of the prevailing ideas in business and academia about global leadership reflect efforts by leadership experts to adapt the insights of their field to the global arena. I come at this topic from the opposite perspective, having focused for nearly two decades on studying globalization and thinking through its implications for business and public policy.

At the core of my work lies the reality that, while globalization is indeed a powerful force, the extent of international integration varies widely across countries and companies and generally remains more limited than is commonly supposed. To be sure, rapid growth in emerging markets, combined with a long-term outlook of lower growth in most developed economies, is pushing companies to globalize faster. But metrics on the globalization of markets indicate that only 10 to 25 percent of trade, capital, information, and people flows actually cross national borders. And international flows are generally dampened significantly by geographic distance as well as cross-country differences. US trade with Chile, for example, is only 6 percent of its likely extent if Chile were as close to the United States as Canada is. Furthermore, if two countries don't share a common language, that alone slashes the trade volume between them by 30 percent.

An appreciation of how distances and differences influence international ties helps explain some of the organizational and other stresses that established multinationals are encountering as they accelerate their expansion to emerging markets (for more, see "Parsing the growth advantage of emerging-market companies"). Emerging Asia is farther away—and more different, along multiple dimensions—than more familiar markets in Europe and North America. Japanese multinationals face a distinctive set of cultural, political, and economic issues that complicate their efforts to expand abroad.

Exaggerated notions of what globalization means—what I call "globaloney"—are also apparent in prevailing ideas about global leadership. Some training centers aim to develop "transcultural" leaders who can manage effectively anywhere in the world as soon as they

step off the plane. Yet scholars of cross-cultural management suggest that objectives like this are unrealistic.

While global leadership is still a nascent field, common conceptions of it already incorporate myths or half-truths that rest on misconceptions about globalization. Correcting these myths should help the efforts of companies to increase their global-leadership capacity.

Myth #1: My company, at least, is global.

When I present data on the limited extent of international interactions to executives in large multinational corporations, a typical reaction is that even if markets are not that integrated, their firm certainly is. Such claims, however, seldom hold up to scrutiny. Less than 2 percent of firms on *Fortune*'s Global 500 list of the world's largest companies, for example, derive more than 20 percent of their revenues from three distinct regions.[3] Most firms also remain quite domestically rooted in other aspects of their business, such as where they do their production or R&D or where their shareholders live. BMW, for instance, derived 51 percent of its sales revenue from outside of Europe in 2011, but still maintained roughly 64 percent of its production and 73 percent of its workforce in Germany.[4]

An accurate read on the extent of globalization in one's firm and industry is certainly a crucial requirement for global leadership. Also invaluable is an appreciation of the extent to which the people within your company are far from completely globalized. Consider just a few pertinent facts. Trust, which some have called the currency of leadership, declines sharply with distance. Research conducted in Western Europe suggests that people trust citizens of their own country twice as much as they trust people from neighboring countries and that they place even less trust in people farther away. Turning to information flows—also central to leadership—people get as much as 95 percent of their news from domestic sources,[5] which devote most of their coverage to domestic stories. Similarly, 98 percent of telephone-calling minutes and 85 percent of Facebook friends are domestic.

The persistent rootedness of both firms and employees has the surprising implication that global leaders should not seek to sever or hide their own roots to become global citizens. Rather, they should embrace "rooted cosmopolitanism" by nurturing their own roots and branching out beyond them to connect with counterparts elsewhere who, like themselves, are deeply rooted in distinct places and cultures. Indeed, studies of expatriate performance confirm that expats who identify strongly with both their home and host cultures perform better than those who identify only with one or with neither.[6]

This rooted-cosmopolitan approach also accords better with research showing that people can become "biculturals," with a truly deep understanding of two cultures,[7] but probably can't entirely internalize three, which implies that four is out of the question. Facing such limitations, attempts to become global by breaking free from one's roots seem more likely to lead to symmetric detachment—a lack of meaningful ties to any place—than to symmetric attachment everywhere.

Myth #2: Global leadership is developed through experience.

Leadership scholars have argued that experience contributes some 80 percent to learning about global leadership.[8] My own investigations of senior executives' perceptions of

globalization, however, indicate that experience, while required, is not sufficient for the development of an accurate global mind-set.

To illustrate, in a survey I asked readers of *Harvard Business Review* to estimate a set of basic values about the internationalization of product, capital, information, and people flows. The respondents overestimated these values, on average, by a factor of three. And, more interesting from the standpoint of leadership development, the magnitude of the readers' errors increased with their years of experience and the seniority of their titles. The CEOs in the sample overestimated the values by a factor of four!

Why might experience correlate with less rather than more accurate perceptions about globalization? One possibility is *projection bias*. Senior executives and CEOs tend to lead far more global lives than most of the world's population, often touching several continents in any given month. Ninety percent of the people on this planet will never venture beyond the borders of the countries where they were born.

If experience alone is insufficient to develop accurate perspectives about globalization, what do executives need to learn off the job? A starting point is an accurate read on the magnitude and patterns of international interactions within their industries and companies. Rooted maps, described in my 2011 *McKinsey Quarterly* article,[9] can help executives to visualize and interpret these patterns.

Global leaders also need to understand the factors that shape international interactions in their businesses, by undertaking a structured examination of cross-country differences and their effects. That is what a survey of academic thought leaders recently concluded should be the focus of the globalization of business school curricula.[10]

Conceptual learning of this sort is a complement to—one might even say a precondition of, though certainly not a substitute for —experiential learning. When executives can fit their personal experiences into an accurate global perspective defined by conceptual frameworks[11] and hard data, they can gain more from their typically limited time abroad and avoid costly mistakes.

Myth #3: Development is all about building standard global-leadership competencies.

Many lists of global-leadership competencies have been developed in business and in academia, but these provide only a starting point for thinking through the right competency model to apply within a particular company. Customization and focus are essential. In part, that's because even though literally hundreds of competencies have been proposed, a lot of these lists have important gaps or fail to go far enough toward incorporating unique requirements for global leadership. That isn't surprising, since the lists often grow out of research on domestic leadership.

One large review of the literature summarizes it in three core competencies (self-awareness, engagement in personal transformation, and inquisitiveness), seven mental characteristics (optimism, self-regulation, social-judgment skills, empathy, motivation to work in an international environment, cognitive skills, and acceptance of complexity and its contradictions), and three behavioral competencies (social skills, networking skills, and knowledge).[12] To my mind, most of these would also be useful for domestic leadership. Only the motivational point seems distinctively international, although one or two more (such as

acceptance of complexity and its contradictions) clearly seem more important in the international domain than domestically.

Typical competency lists also tend to focus on cultural differences, missing other components critical to global leadership. Economic differences (such as the challenges of fast versus slow-growth markets) and administrative and political differences (including the extent of state intervention) are among the other factors that can cause leaders to stumble in unfamiliar contexts.

Perhaps most important, standard lists of global-leadership competencies reinforce a one-size-fits-all view of global leadership that is inconsistent with the reality of globalization and the mix of work global leaders do. A company may find it useful to recruit for and develop a small set of key competencies across all of its global leaders. Yet the diversity of roles that fall under the broad category of global leadership argues for substantial customization around that common base. At the corporate level, this implies developing a portfolio of competencies rather than an interchangeable set of global leaders who have all met a single set of requirements.

Operationally, an ideal training program would therefore include a geographic dimension and prepare people for dealing with particular origin–destination pairs. For example, a Japanese executive going to work in the United States would probably benefit from preparing for the higher level of individualism there. One preparing for China would in all likelihood benefit more from understanding that "uncertainty avoidance" is less pronounced there, so executives must be ready for faster-paced change and greater levels of experimentation.

Customizing training-and-development efforts at the level of individual country pairs is likely to run up quickly against resource constraints. However, the fact that 50 to 60 percent of trade, foreign direct investment, telephone calls, and migration are intraregional suggests that, in many cases, customizing at the regional level is sufficient. Firms will need a mix of regional and global leaders. Regional leadership is presumably less difficult and costly to develop than global leadership.

At a more granular level, competencies can also be customized to the requirements of specific executives' roles. The dimensions to consider include depth in particular markets versus breadth across markets, the frequency and duration of physical presence abroad, and a focus on internal versus external interactions.[13]

Myth #4: Localization is the key.

Some firms, rather than trying to fulfill the requirements of one-size-fits-all lists of global-leadership competencies, have embraced the opposite extreme of localization. Significant localization has taken place in the management teams of foreign subsidiaries. According to one study, the proportion of expatriates in senior-management roles in multinationals in the BRIC countries (Brazil, Russia, India, and China) and in the Middle East declined from 56 percent to 12 percent from the late 1990s to the late 2000s.[14]

Within this broad trend, some firms still rely too much on expatriates and need to localize more, but localization can be—and, in some instances, clearly has been—taken too far. Giving up on expatriation implies giving up on building the diverse bench of global leaders

that CEOs say they require. Persistent distance effects, particularly those associated with information flows, do confirm the general wisdom: global leaders need experience working for extended periods in foreign locations because living abroad creates permanent knowledge and ties that bind. Extreme localization leaves no room for the development of leaders of this sort.

Executives report that "it takes at least three months to become immersed in a geographical location and appreciate how the culture, politics, and history of a region affect business there."[15] This judgment accords with the finding that living abroad expands your mental horizons and increases your creativity. However, merely traveling abroad doesn't produce these benefits.[16]

Long stays abroad are costly: traditional expatriation typically costs three times an employee's salary at home. Nonetheless, firms that really wish to prioritize global-leadership development will need to allocate the required resources. Better metrics to track the returns on such investments may help. One survey indicates that just 14 percent of companies have any mechanisms in place to track returns on international assignments. Most of these companies use metrics tracking only business generated from an assignment.[17]

Better career management could help capture and measure returns on investments in developing global leaders. Evidence indicates that in European and US multinationals, expatriates still take longer, on average, to ascend the corporate ladder than managers who continue to work within their home countries. That indicates a deficiency in this area, as well as an incentive problem.[18]

Rather than pure localization, firms should embrace the practice of rotation, which provides the foreign work experience—not just travel—essential to the development of global leaders. And don't make the mistake of viewing expatriation as being solely about sending people from headquarters to emerging markets. The same requirement for immersion outside of one's home market also applies to the cultivation of global leaders recruited in emerging markets. For these executives, time spent in more established markets can, on the return home, reinforce both local- and global-leadership capacity.[19]

Myth #5: We can attract the best talent.

Nationals from key growth markets are underrepresented in the leadership ranks of many Western companies, so hiring future global leaders from these areas is critical. Yet recruiting top talent there is becoming increasingly difficult, as described in "How multinationals can attract the talent they need." I recall from my own youth in India how foreign multinationals used to be unequivocally the preferred employers, prized for their superior professionalism, brands, technologies, scale, and so on. Now I see that Indian companies have raised their game, putting pressure on multinationals in local talent markets.

The implications for global-leadership development are threefold. First, shifting to the rooted-cosmopolitan ideal described here is critical to attracting and developing executives from emerging markets. This approach makes it clear that ambitious young Indians, for example, proud of their country, don't have to refashion themselves as Westerners to succeed in Western multinationals.

Second, escalating competition for talent in growth markets implies that it is even more urgent for multinationals to diversify their leadership teams quickly. One of the main advantages of local firms is the fact that young recruits often can see, in the faces of the current leadership, that if they excel they have a clear shot at rising to the top. In many multinationals, such promises will require a leap of faith until diversity is significantly expanded. And the local competitors' ongoing international expansion gradually diminishes another advantage of foreign multinationals: the ability to offer a wide range of global opportunities.

Third, incorporating more local talent will require a greater emphasis on developing people. Tight talent markets and overstretched education systems imply, frankly, that firms hire some people who are not up to the standards they would prefer to uphold. Among the great strengths of India's IT firms is their ability to convert such not quite fully prepared talent into effective performers on a large scale.

It is indeed in today's large emerging markets that the war for talent, identified by McKinsey back in 1997, has become most acute.

DEVELOPING GLOBAL LEADRSHIP

The realities of globalization, with increasing emphasis on emerging markets, present corporate leaders with enormous challenges in developing the leaders required to run global organizations. Too many multinational companies — particularly Japanese, Indian, German, and some American ones — still concentrate vital decisions in the hands of a small group of trusted leaders from their home country. They hire technical specialists, local experts, and country managers from emerging markets but rarely promote them to corporate positions. Instead, they groom future global leaders from the headquarters nation by sending them on overseas appointments.

This approach worked relatively well for companies selling standard products in developed markets, but as multinationals transition into truly global organizations relying on emerging markets for growth, it's far from adequate. In order to adapt to local cultures and market needs, companies must shift to decentralized, collaborative decision-making. That requires developing many leaders capable of working anywhere.

To address these needs, new approaches for developing global leaders are required:

- The diversity of top leadership should reflect the diversity of the firm's customers.
- Global leaders must be effective in aligning employees around the company's mission and values, empowering people to lead, and collaborating horizontally rather than managing vertically.
- Rather than concentrating on the on the top 50 leaders, global companies need to develop hundreds, even thousands, of leaders comfortable operating in a variety of cultures.

- Developing global leaders with cultural sensitivities and collaborative skills requires greater focus on emotional intelligence, self-awareness, and empowerment than on traditional management skills.

To understand these approaches, let's examine what leading global companies are doing:

Create diversity among senior leadership. To make sound decisions, companies need a diverse set of leaders who have deep understanding of their local customers, especially those in emerging markets. Opportunities at the highest levels, including C-suite and CEO, must be open to people of all national origins. Atlanta-based Coca-Cola is a pioneer in geographic diversity. As early as the 1960s, the company was run by South African Paul Austin. Since that time, Coca-Cola has had Cuban, Australian, and Irish CEOs, leading to today's CEO, Turkish-American Muhtar Kent.

Over the past decade two Swiss companies, Nestle and Novartis, have made dramatic shifts from Swiss-dominated boards and executive leadership to a diverse set of nationalities. Both now have non-Swiss majorities on their boards and several business units based outside Switzerland. Nestle's executive board represents ten different nationalities, while 80% of Novartis executives come from outside Switzerland.

Focus on values, not hierarchy. The characteristics of successful global leaders today are quite different than traditional hierarchical managers. They need high levels of emotional intelligence and self-awareness to unite people of different cultures, many who are new to the enterprise, around the organization's mission and its values and empower them to make decisions without waiting for higher-level directions.

Samuel Palmisano, IBM's chairman and former CEO, recognized that IBM's traditional hierarchical structure would not be effective in the 21st century because it was dominated by product and market silos. In 2003 he reorganized the company into an "integrated global enterprise" based on leading by values and collaboration, and uses special bonuses to empower leaders to extend IBM's culture globally.

Broaden the reach of leadership development. Collaborative organizations like IBM's require far more leaders than the traditional focus on a select group of top leaders. With flatter organizations and decentralization of power, corporations must develop savvy global leaders capable of operating locally and globally simultaneously. IBM's former chief learning officer recently estimated that IBM will need 50,000 leaders in the future.

Unilever has more than half of its business in Asia, and that percentage will continue to increase. The company has undertaken a major initiative to develop 500 global leaders in intensive leadership development programs to prepare them for expanded roles. According to CEO Paul Polman, "Unilever's Leadership Development Programme prepares our future leaders for an increasingly volatile and uncertain world where the only true differentiation is the quality of leadership."

To be effective in global roles, leaders require experience working and living in multiple countries. Extensive travel overseas is no substitute for living there, gaining fluency in local languages, and deeply immersing in the culture. German chemical maker Henkel, whose executives come from a diverse set of countries, insists they live in at least two different countries before being considered for promotion.

New methods for developing global leaders. Developing global leaders necessitates a shift from focusing on management skills to helping leaders be effective in different cultures by increasing their self-awareness, emotional intelligence, and resilience.Dean Nitin Nohria at Harvard Business School recently sent 900 MBA students overseas to work with companies in countries where they have neither lived nor worked.

It's not enough just to work overseas. To process and learn from their experiences, individuals should utilize introspective practices like journaling, meditation or prayer, and develop support networks of peers like True North Groups. There they can consult confidentially with people they trust about important decisions and have honest conversations about their dilemmas, mistakes, and challenges. These experiences enable leaders to develop the self-mastery and appreciation and acceptance of people from diverse backgrounds required to become effective global leaders.

These methods of developing global leaders for the future are still in their nascent phase, but there is little doubt that they will have a profound impact on developing global leaders in the years ahead.

NEGOTIATION

Negotiation Tactics are a component of your COMMUNICATION strategy. They are the fine tuning mechanisms in closing and coming to an agreement.
Why do People Negotiate?

A useful definition of negotiation is: "A process whereby parties with conflicting aims establish the terms or which they will co-operate." So our answer would be that People negotiate because they have needs, which can only be met with the co-operation of others, even though the others may continue to have conflicting aims.

Both sides in a negotiation are there because they have needs. So to understand the negotiation process one must be able to diagnose those needs; theirs and ours. It helps, with this diagnosis to be able to recognise that both sides have organisational/group needs and personal/individual needs.

Not so skilled negotiators only try to understand their own needs, organisational and/or personal. They may go as far as to try to identify the other party's organisational needs but that is where they will stop because the other party's personal needs are usually left unspoken, even hidden. Yet, it is often these underlying unstated hidden needs which are powerful

influencing forces on the other party. What are the needs, both personal and organisational, of the other side?

==

You, as a Negotiator, must have an impact on your opponent's by influencing some of the factors, such as:

1. The value you offer.

2. The terms you offer.

3. The period you offer covers, etc.

4. The benefits you offer.

5. The convenience you deliver.

6. The delivery you offer.

7. The options you offer.

NEGOTIATION CONCEPTS

Negotiating is the game of affecting behaviour by satisfying underlying concerns, interests and needs.

(A) ATTITUDE
  "Attitude determines altitudes" since it gives us the
  perspective to see beyond the given ----- to better
  understand the pattern, relationship and context.

(B) BEHAVIOUR
  Shaping the other sides' perceptions to influence action
  and stimulate desired activity.

(C) CONCERNS
  By satisfying underlying concerns, interests and needs.

Offer/Demand

Proposal

Proposition

Underlying concerns, interests and needs. Expectations Attitudes Emotions Feelings

Past Experiences etc.

The conceptual model to influence the way we perceive, evaluate, think and act in all negotiations
depends on 3 variables:

A.Power
B. Information
C. Timing
==
QUESTIONING tactics IN NEGOTIAT!ON

THE USE OF QUESTIONS

The judicious use of questions can be a very powerful negotiation tool.

Not only can appropriately asked questions elicit a vast amount of information (eg: ascertaining facts, validating assumptions, uncovering opponent's needs), but skilful questioning can be used to direct the course of negotiation to your advantage.

Questions are an important component of overall strategy.

They should be prepared in detail, in advance, considering:

What questions should be asked. (Keep them simple.)

How should they be asked? (Consider the effect on the negotiation climate.)

When should they be asked? (Timing.)

Lack of preparation is evidenced when a negotiator fails to ask a question on the grounds of:

Fear of appearing ignorant, or of showing a weakness.

Fear of the answer, or losing control.

Fear of having to deal with anxiety or defensiveness.

THE PURPOSES AND TYPES OF QUESTIONS

When preparing questions, consider their specific purpose in your negotiation strategy. This may be one or a combination of:

1.TO GET ATTENTION of your opponent.

Plan questions to gain the attention

Ritualistic question. (e.g. How are you? Lovely day?)

To amplify the opponent's hearing. (e.g. Can I ask you a question?)

To prepare your opponent for thinking. (e.g. you help me?)

2.TO GET OR OBTAIN INFORMATION - Plan questions to ascertain facts from your opponent.

Ask closed-ended questions. (ones that elicit yes/no answers, or brief factual responses. e.g. Can we meet tomorrow?)

Closed-ended questions allow the negotiator to obtain and retain control.

Reduce the anxiety of the opponent by providing reasons for asking.

Can Increase trust by indicating willingness to exchange information.

3.TO GIVE INFORMATION - Plan questions to disguise giving information to your opponent.

Ask leading questions (ones that suggest answers) to control the opponent.

Sometimes pleasant. Seek to boost esteem (e.g. "Do you know that I respect your opinion?").

Beware of loaded, threatening, intimidating questions that tend to put the opponent on the defensive or make argumentative statements. (e.g. "You cannot possibly believe that idea has any value?")

4.TO START THINKING - Plan questions to stimulate the opponent to think, to express an opinion, to open discussion up, to pass control of the communication to the opponent.

Ask an open-ended question. (One that elicits many responses and to which you cannot answer yes or no;

e.g. "What are your suggestions about ?")

Try reflective questions to encourage further response. (Paraphrase opponent's answer and repeat

back as a question, e.g. "Do you mean like ?"

"Is what you're saying ?")

Use verbal nudges (e.g. "Go on!", "Is that right?") and behaviourial cues (e.g. nods of the head, enquiring looks) to encourage still further.

5.TO LEAD TO CONCLUSIONS - Plan questions to lead your opponent to make a decision.

Ask directive questions. (e.g. "Isn't it time

to " Do you prefer [a] or [b]?")

THE GIVING OF ANSWERS

Answering questions in negotiation is equally as important a communication skill as asking questions. Being aware of answering questions occurs because of your conditioning to do so (e.g. from your school days).

The art of answering questions in negotiation does not lie in being right or wrong. Rather it lies in knowing when to answer clearly and when to be vague. Frame your answers in terms of your overall negotiation strategy. For example, you may:

Answer incompletely, or answer another question.

Answer in a manner that negates desire to question further.

Not answer at all and continue with your own point. (Sometimes no answer may be possible or expected.)

Use humour. (Laugh the question off.)

Use silence. (See below.)
===================================

THE POWER OF SILENCE

Many negotiators find silence difficult to withstand. Silence used appropriately can make people feel anxious. It causes embarrassment and people feel compelled to fill the "gap".

Silence may be used to prompt the questioner to answer their own question. Beware of falling into the trap of answering your own question due to your opponent's silence.

NEGOTIATION TECHNIQUES

Merely asking questions is not sufficient.

GIVE   REASONS FOR YOUR QUESTIONS!

Such   remarks as:

"I ask the question because ....
"My idea was that ....

Will lead to something that will capture the buyer's attention, something that may stimulate them to think in a favourable direction.

In this way, you guide your buyer on the right track. You help them to pick up the thread and yet leave it up to them whether they want to do something or not. You give them the opportunity to help themselves to find a solution.

In this way, you let your buyer do the talking. If you give a good reason for your questions, you will influence your buyer's answer in a certain direction.

LET the opponent   DISCOVER THE POSITIVES FOR THEMSELVES.

1. Instead of asserting: "Since you cater for the younger set, this is just the right thing!"

You could ask: "Have you many young people among your customers - I only wanted to say that the colour scheme should appeal particularly to the young. No doubt, you have noticed." If you go about it in this way, you need not exert yourself to be convincing. You give them the opportunity to think it out for themselves and to say what they feel to be right. The buyer can talk freely and you will learn about their hidden objective.

BE QUIET AND LISTEN! WATCH FOR THEIR REACTIONS!

LET THE opponents HAVE THEIR SAY.

The one remark the OPPONENTS   adds to what they really wanted to say may be the clue. You should give the
 OPPONENT   the opportunity to make the remark. You should be patient and relaxed, yet observing.

Whether the OPPONENT 's reactions are positive or negative, the main thing is to detect and define it and to proceed accordingly.

LENGTHEN POSITIVE FACTORS.

Acknowledge, repeat, confirm and advise! Congratulate, thank and ask further questions! In this way you will "lengthen positive factors".

For example:

"Why?lt

"How exactly do you mean?"

If the OPPONENT reacts in a negative way, ie. in a different direction from that desired, change the subject.
CHANGE THE SUBJECT.

Try the following:

"Yes, it's a good thing you reminded me

"Yes, of course. If I understand you correctly, you mean

By starting with a "yes", you foster the impression you are both still in agreement, with the rest of the sentence you are guiding the other in a different direction.

ADVOCATING YOUR PROPOSAL

The purpose of advocating is to overcome the initial obstacles. It involves presenting solutions in such a way that the opponent really believes that your offer will be a genuine help in solving their problem.

Always remember that every problem has two elements - task and personal. We have to deal with both at once in a particular situation.

Where there is one OPPONENT , yourself and one clearly defined problem, your strategy is simply to select and propose the right option from whatever solution you have to sell.

In more complicated situations, the advocating strategy is affected by four especially important factors:
-The people.

-The criteria.
-The decision-making process.
-The external conditions.

Tactics are a component of strategy. They are the fine tuning mechanisms that assist the implementation of strategy.

Tactics.

Although tactics can be two-edged sword, used by either side, some of the most commonly found TACTICS are:

BROADCAST - Well, I've told everyone you'll do the training; the vice president is counting on it."

THE SQUEEZE - "I wouldn't demand this, but my boss really has me under the gun."

POOR ME - "You've got to help me. My hands are tied.u

CUT-OFF POINT - "Finance said $65,000.00 is the max ... you'll just have to come in under that.

TAUNT - This proposal is really good, very close. There's just a couple of things left to work out ...

NEVER BE OKAYED - "Well, I can tell you this, this time schedule will never get approval."

HURDLES - "You need to rework this proposal and, oh yes, I need additional figures here, and..."

NIPPING, PECKING - "if I said I could get this contract signed, would you just throw in a couple of new computer terminals?"

RIVAL - "We just got the word that Plexus, Inc. is coming out with the same equipment, but maybe a bit cheaper than yours."

HONEY, LURE, BAIT - "Yeah, I realise I'm asking for some special considerations, but just think of what a big account we could become for you.u

LIKE-IT-OR-LUMP-IT - ul-isten, that's the way I want ft. NTake it or leave it!u

INTIMIDATION - "I think we need to review your entire proposal, and you need to explain how your cost relate to the price you're charging us."

DETAIL DAZE - nMaybe I'm confused on this, but I'm pretty sure you told me you'd include 5 hours of training..."

STOPWATCH - nNope, that's firm; we must have it within a week."

SCOOP - "Remember, I once worked for your company. I know its costs and its margins."

SAD SONG - "We've had a tough time this quarter. Sales are really off, and I'm facing big budget cutbacks."

FAME AND FORTUNE - "Don't worry about your profit now; we're big in this field and can send a lot of business your

way.

Countertactics

In any negotiation, to reduce the effectiveness of the opponet's tactics, you need to be familiar with COUNTERTACTICS. These are more conductive to making compromises, retaining the good will of the opponent, and positioning your solutions in a strength position.

DOCUMENTING - This qualifies each step of the process by putting agreements and promises in writing, and by getting opponenet promises in writing. It will help to prevent the opponent tactic of Detail Daze and possibly Nipping and Pecking.

MEETING THE DECISION MAKERS - A good approach will be to probe to make certain he/she is dealing with a opponent   with sufficient authority. If no, it might be wise to request a meeting with the decision makers to avoid The Squeeze, Poor Me, and Never Be Okayed.

INITIALLY INFORMING CUSTOMERS - Unrealistic expectations on the part of the customer can be avoided by complete "upfront" information about the solution under consideration--By giving complete information, you   can avoid Nipping and Pecking, Hurdles, Intimidation, and Scoop.

DISTINGUISHING YOUR OFFER - The Rival tactic can be avoided if you take the initiative in an early differentiation of your solution.

EXPRESSING EMPATHY - This first involves a disclosure of personal feeling, such as surprise or disappointment, about a position the opponent has adopted on a particular issue. This personal disclosure is followed by a request for the opponent to help you, --- understand the reason he/she has adopted this position. The great value of this technique is that. it reduces tension and avoids destructive arguing between the two..

SILENCE - This is a difficult countertactic to perform as most people are not used to being silent. It is quite valuable, however, against extreme opponent tactics such as Like-It orLump-it or expostulations of vehemence ("Are you crazy?" 11you can't be serious!")

===
ALL THE ABOVE STEPS, MAKES THE NEGOTIATION PROCESS
A SCIENTIFIC PROCESS, AND NOT COMMUNICATION ART GIMMICK.

THE SCIENTIFIC APPROACH TO NEGOTIATION PROCESS INCLUDES

-understanding attitudes
-understanding behaviors
-understanding concerns

-appraising needs
-getting attention
-obtaining information

-giving information
-making others yhink
-advocating your proposal

-using tactics
-seeking commitment
-going for WIN-WIN NEGOTIATED RESULTS.

UNIT 4

INTERNATIONAL COMPENSATION MANAGEMENT

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

1. The compensation policy should be in line with the structure, business needs and overall strategy of the organization.

2. The policy should aim at attracting and retaining the best talent.
3. It should enhance employee satisfaction.
4. It should be clear in terms of understanding of the employees and also convenient to administer.

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

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

Major Components in an International Compensation Package

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

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

1. Base Salary

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

2. Foreign Service Inducement Premium

This is a component of the total compensation package given to employees to encourage them to take up foreign assignments. This is with the aim to compensate them for the possible hardships they may face while being overseas. In this context, the definition of hardship, the eligibility criteria for premium and the amount and timing of this payment are to be carefully considered. Such payments are normally made in the form of a percentage of the salary and they vary depending upon the tenure and content of the assignment. In addition, sometimes other differentials may be considered. For instance: if a host country's work week is longer that of the home country, a differential payment may be made in lieu of overtime.

3. Allowances

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

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

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

4. Benefits

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

Thus, firms need to address a number of issues when considering what benefits to give and how to give them. However, the crucial issue that remains to be dealt with is whether the expatriates should be covered under the home country benefit programmes or the ones of the host country. As a matter of fact, most US officials are covered by their home country benefit programmes. Other kinds of benefits that are offered are:

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

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

5. Incentives

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

6. Taxes

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

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

7. Long Term Benefits or Stock Benefits The most common long term benefits offered to employees of MNCs are Employee Stock Option Schemes (ESOS). Traditionally ESOS were

used as means to reward top management or key people of the MNCs. Some of the commonly used stock option schemes are:

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

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

APPROACHED OF COMPENSATION IN GLOBAL ASSIGNMENTS

As the range of destinations for international assignees expands and the locations from which talent is sourced also rise, the complexity of the home/host pairings between which international mobility takes place increases. Added to the mix is the assignment type used – long-term, short-term, commuter, rotation, global nomad, and so on.

As business strives to compete, ensuring that your business wins the competition for international competencies is paramount. Set against this is the need to contain costs, minimise administrative processes and enable maximum

flexibility in deployment of human resources. Given these parameters, the selection of a suitable remuneration system that will meet the basic need of being able to attract, retain and motivate assignees is, most certainly, a challenging task.

Traditionally, as AIRINC noted, there has been a choice of two main expatriate remuneration systems: home- or host-based pay. Home-based payment systems preserve equity with home-country peers; host-based systems provide equity with locals while on assignment. A global system that delivers remuneration suited to internationally mobile personnel (who move from country to country and have no 'home' base as such) presents a third strategic choice suitable for global nomad senior managers. Under this approach, equity is maintained among and between expatriates, regardless of their home- and host-country location pairings.

The balance sheet

Over the years, the home-country remuneration approach (known as the balance sheet or build-up) has been the frontrunner in terms of strategic choice. It is used particularly by American and Japanese firms relocating staff abroad, but also remains a popular choice in Europe. It presents a clear and transparent approach to delivering remuneration to expatriates who will be returning to their home countries at the end of their assignments, and this approach ensures that they are able to slot back into home pay structures with ease, as home pay and pension continuity can be effectively maintained.

This remuneration system was originally developed by the American oil industry deploying Americans primarily into oil-producing locations such as the Middle East. It enables the individuals to retain their home-country salaries, with additions paid to cover housing and schooling, higher cost of living and other expenditure, and allowances for hardship/health/climate and the like given as well if these factors are considered to be less favourable than at home.

The principle underlining this payment system is that the employee should be no better or worse off. Home housing deductions, therefore, can be applied to ensure that the assignee does not profit through renting out home-country property while receiving free housing abroad. Cost-of-living calculations can be made more efficient based upon a more local approach to purchasing goods and services, rather than comparisons being made based upon home-country spending patterns. The balance sheet is underpinned by the principle of tax equalisation.

As such, effort can be made to contain the cost of this remuneration policy. However, there is no doubt that this pay approach is expensive, given the range of allowances and benefits that are typically provided to assignees receiving this form of compensation delivery. While it theoretically works for any combination of home/host pairings, assignees moving from low-cost to high-cost locations will require significant uplifts, as their basic salaries cannot provide sufficient remuneration to live in such destinations.

Although the balance sheet is a popular choice, providing, as it does, economic neutrality for the assignee, it does requires regular updating (for example, to keep abreast of changes in the cost of living), plus considerable administration and monitoring. It is less relevant for globally mobile populations and for those assignees who are not envisaged to return home. Given that it is expensive, it may not be the best choice for assignees who are going on developmental assignments, who might well be motivated to take a post abroad to further their career development, and therefore may not require all the 'bells and whistles' that frequently apply under the balance sheet. It is thus important to take care not to give the most generous package just to get people to go.

Host-based pay
The main alternative choice is to use a host-based approach to reward. This is significantly cheaper, as, if adopted in its purest form, it would mean that expatriates were paid exactly as locals, with no add-ons. Of course, this may not prove motivational to attract individuals and their families to uproot themselves and move, and hence it is usual for some additional support to be given, most notably in relation to housing abroad and children's schooling. One of the other main advantages is that it is not complex to administer. On the ground, it provides peer equity, and as such it is a helpful approach to use when an organisation is transferring multiple assignees from differing national economic backgrounds to work with locals in the host country.

However, on the downside, individuals are unlikely to be attracted to work in low-pay countries, and, if sent to high-pay countries, are not likely to be willing to move on or back home: a potential loss of equity with the home country makes repatriation very tricky. As

such, this approach to remuneration has a major disadvantage – it can seriously hinder mobility and, with that, the transfer

of knowledge. Added to this are potential exchange-rate problems in unstable economic locations. So this approach can present more disadvantages than it does advantages if cost containment results in reduced mobility, then this approach will not be the best way forward.

The global approach
The global approach to remuneration involves devising a pay system that applies specifically to mobile personnel, and, as such, they maintain equity with other expatriates rather than with home- or host-country peers. This approach is typically applied to cadres of senior managers who are continually internationally mobile and do not return to a home country. Such a system is also sometimes used for graduates on development programmes who are asked to spend two or three years on the move, typically spending six months in a series of host countries, perhaps with very different standards of living or economic wealth.
The global approach requires an international pay scale to be devised and implemented in such a way that it can be applied to all leaders regardless of the home/host-country pairings. This can be complex to design, set up and administer, and can prove problematic in terms of exchange-rate fluctuations. Pension provision will normally be offshore, and this also requires additional administration.

Strategic choice
Strategy is about choices and the consequences that flow from them. There is no doubt that, as AIRINC noted, more thought is going into the process of designing and implementing international assignment compensation systems today. As speakers from Mercer and Atkins pointed out, any choice must reflect the strategic direction of the organisation and its culture. Talent management objectives must also be examined, as these should drive the approach taken.
Rationales for including particular elements in the package (such as hardship payments) should be considered. The pros and cons of different approaches to remuneration also need to be matched to assignment types. For example, short-term and commuter-style assignments are typically remunerated on a home-country basis, but the packages are modified to suit assignment lengths and patterns.

Different pay approaches can be used for skills-driven assignments versus developmental assignments – the former potentially requiring a 'richer' package than the latter. However, it is critical to preserve equity among assignees undertaking expatriation for similar reasons.

The days of the traditional view that one policy suits all, with repatriation as the norm and job guarantees on arriving home, are long gone. Today, remuneration

approaches need to embrace an expanding global mix of sending and receiving countries, diversity in the assignee population, and the requirement to manage talent globally.

While cost control remains important, today's emphasis is not about trimming and demotivating staff as a result. Instead, the emphasis lies on cost efficiency and effectiveness

by using sensible tax planning and policy segmentation to achieve organisational objectives embracing global talent management while recognising multigenerational and diverse workforces with differing needs and expectations.

CULTURE AND COMPENSATION

Many organizations today are focusing on their company's culture including determining their culture, deciding what it should be, aligning with strategic goals and transitioning to the desired culture. Culture is important because it reinforces the values in the organization, which in turn shapes team members behavior. There are many success stories of companies with cultures that are aligned to their business goals including Google, Zappos, and Patagonia. These companies have not only developed a culture that supports their business, but have fully embraced their culture.

Organizational culture is the collective behavior of the people who are part of the organization and has important effects on the morale and motivation of the organizational members. It includes the values, norms, systems, beliefs, attitudes and habits of the organization and affects the interactions of the employees with each other, and with customers. Even before you define it, you know it is there and that it has an impact on your business. This is why it is so important to internalize the culture and understanding when company activities are in sync or not with the culture.

Once the company values and desired culture are defined, compensation can support and help drive the values and corporate culture. It is important that the role of compensation in an organization and the compensation strategy are also defined. For example, where does the organization want to set pay levels in comparison to the competitive market? Perhaps the organization's culture is strong on training and developing its employees, acknowledging their successes and offering advancement opportunities. This in turn may allow the organization to set lower pay levels than what is paid in the market. Of course, when recruiting it is important to align the compensation strategy to support the values of the culture through highlighting performance management, performance appraisals and the goal setting process for each team member.

Once values, business objectives and desired behaviors are determined then compensation plans can be put in place to support the culture. For example, if the business objective is innovation and the desired behavior is risk-taking, then short term incentives may be the compensation strategy. If the goal is for a highly trained workforce and the behavior is learning and upgrading skills, then skill or competency based pay may be the compensation strategy.

Corporate culture is about people's behaviors – *how* goals are accomplished – so to establish a culture that drives company success, organizations should link a significant component of their compensation systems to behaviors.

UNIT4
THE IMPACT OF GLOBALIZATION ON INDUSTRIAL RELATIONS

The impact of globalization extends from human and social or ethical perspective to the strategic or technological perspective. Thus it has a wide scope and the present work attempts to highlight this impact as consequences of globalization and liberalization.

Due to liberalization of economy, several organizations have taken a number of steps to improve operational efficiency. This includes the introduction of quality management system, identification of NPAs and finding ways and means to transform organizations into strategic business units or profit centers. Another step that was taken in the wake of globalization or in the post-New economic policy 1991 era was the government's decision to disinvest their stake in the equities of leading public sector undertakings. Eventually many business houses have begun consolidating their businesses and large number of acquisitions and mergers have started taking place.

With large mergers and the development of new free markets around the world, major corporations now wield economic and political power then the governments under which they operate. In response, public pressure has increased for businesses to take on more social responsibility and operate according to higher levels of ethics. Firms in developed nations now promote-and are often required by law to observe-nondiscriminatory policies for the hiring, treatment, and pay of all employees. Some companies are also now more aware of the economic and social benefits of being active in local communities by sponsoring events and encouraging employees to serve on civic committees. Businesses will continue to adjust their operations according the competing goals of earning profits and responding to public pressures for them to behave in ways that benefit society. Among the employment benefits that are prevalent are VRS, ESOP and other fringe benefits.

However, on the recruitment front, as globalization evolves from being a mere corporate buzzword to basic economic reality, more and more organizations are realizing that they need managers and workers with skills that conform to the international standards. The CEOs and senior recruitment consultants have to talk about why selecting and developing global managers. Hence organizations are keen to take care of expatriation and repatriation issues or meeting relocation costs to keep their employees motivated and to retain the best performers and keep building a global talent pool.

In this era of globalization, it is also necessary to study corporate governance, a concept that is multi dimensional. It includes the very fundamental issues like how organizations function in day-to-day dealing with customers, trade unions, suppliers, shareholders, government and the public. Owing to so many forces, corporate governance requires more internal discipline over external accountability. The internal discipline implies that the quality of corporate governance must be of high order and that workers- management relations are conceived to achieve industrial harmony.

Another astonishing fact in this era of globalization is the interaction between technological changes, primarily micro electronic technology, and industrial relations, while looking at the consequences it is felt that technological changes provide unprecedented opportunities for employers to gain control over the workforce and workers. The present day

high-tech information society has resulted in a shift in emphasis away form brawn to brain or from muscle to mind in the use of human energy. Instead of conventional principles based on direction and control. Modern organizations have resorted to consent and consensus. The decisions are least unilateral and such progressive ideas like workers empowerment and workers participation in management have been adopted. As a result these organizations, their workers as knowledge Workers, their products as Knowledge based products (owing to value additions) and last but not least, of having contributed to the knowledge Economy which the nation is gradually heading towards.

Globalization has also given competitive advantage to most organizations. Accelerated growth, productivity improvement, and accent on total quality have been great milestones. Truly speaking, in a global economy, organizations that have entered into strategic alliances and initialed innovative practices have made huge differences to their enterprises. However, world Bank and IMF have also advised such organizations to focus their attention on social and labor issues and align themselves to the effort being made by institutions like UNESCO and ILO. In India, the confederation of Indian Industries (CII) has addressed itself to social and ethical issues and a few organizations have shown concern to these issues including those under study in this project.

Globalization has necessitated certain structural adjustments (restructuring and diversifications), which as led to cutting off the jobs and recession in the employment scenario.

Social security systems in most industrialized countries have become vulnerable. Such large scale redundancies like stopping indexation of wages, workforce reduction and like are a major cause of concern but at the same time the rise of informal sector employment and part time employment has offered some relief.

Privatization proved a major thrust to promote global trends. Eventually the trade unions become concerned about their job loss and potential adverse effects on their group dynamics and their rights. Hence some unions initially came forward to impede the growth of privatization in general and restructuring and diversification in particular. But gradually they understood that in fact privatization is beneficial for the trade unions as they gain more rights like right to organize, right to collective bargaining. The right to strike which has been restricted or denied in public services is now made available to private enterprises. It is yet to determine the negative effects of privatization on collective bargaining and trade dynamics and thus it becomes one of the objectives of this study.

TRADE UNIONS AT INTERNATIONAL LEVEL

The TUC and the Department for International Development

Through a series of key policy statements, DFID recognises the labour movement and the rising labour standards it promotes as key drivers in reducing poverty. As its staff guide on "How to Work with Trade Unions" states (at paragraph 1.2): "The labour movement has been the most important historical driver of labour standards and workers rights. Trade unions have also frequently been in the forefront of wider struggles for political change, democracy

and social justice." For key DFID policy statements covering the role of trade unions in international development see:

- Labour Standards and Poverty Reduction (2004)
- How to Work with Trade Unions DFID staff guide (2005)
- Making governance work for the poor White Paper (2006)

To further realise the potential of the UK trade union movement in furthering the goals of international development, the TUC and DFID have entered into a number of partnerships since 2003.

TUC/ DFID Partnership Programme Arrangement (2009-2011)

Commencing in July 2009, the Partnership Programme Arrangement provides £2.4 million to the TUC, its affiliate unions in the UK and sister unions in developing countries to work in partnership to reduce poverty and increase the rights of workers in developing countries. Overall, there are four strategic objectives of this grant:

- Improved capacity of developing country trade unions to promote decent work and good governance to government, business and international institutions at the national level
- Poor workers and their families have improved rights and improved capacity to enforce those rights leading to higher income and better employment conditions
- Strengthened UK and developing country trade union international development policy engagement and influence at national, regional and international levels
- Greater British trade union membership understanding of and commitment to: sustainable development; and to the challenges of the Decent Work Agenda for developing country workers

For more information, see the following:

- Grant agreement
- PPA programme objectives
- DFID information about PPAs
- TUC press release announcing PPA, 3 July 2009
- TUC year one PPA self assessment (Word format)
- TUC self assessment 2009-10 feedback (PDF)
- TUC PPA Report Evaluation (PDF)
- TUC ID Review Final Report (Word)
- TUC DFID Feedback on PPA Evaluation 2008-10 (Word)

TUC/DFID Strategic Framework Partnership Arrangement (2006-2009)

Commencing on 1 July 2006, the three-year Strategic Framework Partnership Arrangement (SFPA) provides £756,000 to the TUC and its affiliate unions to increase their engagement with DFID and build individual union capacity to internationalise their agenda. To do this, the following outcomes are being pursued:

- Increased awareness and understanding of development among trade union members in the UK;
- The closer engagement of the TUC, a number of affiliated unions and DFID with Southern unions;
- Enhanced cooperation between the TUC, affiliates and DFID on the international development agenda.

The Arrangement includes the following activities:

- Assistance to four affiliates per year to develop tailor-made strategies on development education or partnership work with unions in developing countries, with the aim of securing funding from other DFID funding streams;
- Training for affiliates on project design, management, monitoring and evaluation;
- The promotion and consolidation of development awareness within the TUC education programme;
- A major international development conference; and
- A mini grants scheme for development-related activities.

(NB: This funding does not preclude union or TUC access to other DFID funding such as the Civil Society Challenge Fundand the Development Awareness Fund.) For more information about the Strategic Framework Partnership Arrangement:

- Grant Agreement
- Guidelines
- First Annual Report
- Progress Report (March 2007)
- Progress Report (November 2007)
- Progress Report (August 2007)
- Progress Report (April 2007)
- Progress Report (January 2007)

TUC/DFID Strategic Grant Agreement (2003-2006)

After a year long project aimed at raising awareness about the Millennium Development Goals and the role of labour standards in development, the TUC signed a three year Strategic Grant Agreement with DFID worth £255,000 in 2003 (increased by £200,000 in June 2004). Under the Agreement the TUC was committed to building the knowledge and awareness of international development issues with its affiliates and to enhance the trade union contribution towards reducing poverty. An independent study concluded that the SGA was:
"…a highly successful project, which has achieved considerable impact in a relatively short period of time. There is ample evidence that the Project has achieved its Goal and can demonstrate:

- greater understanding of international issues across the UK trade union movement
- commitment to continued engagement with DFID and other key development players."

For more information about the Strategic Grant Agreement:

- Grant Agreement
- Project Completion Report
- Impact Study
- MLF Appendix to SGA final report
- Union international development projects under the SGA

Germany

Deutscher Gewerkschaftsbund (DGB)

The German Trade Union Confederation, also active in the international arena in the form of its education provider, DGB-Bildungswerk.

IG Bauen-Agrar-Umwelt (IG BAU)

IG BAU is the trade union for workers in the fields of construction, agriculture and the environment.

IG Bergbau, Chemie, Energie (IG BCE)

IG BCE is the sector trade union for mining, the chemical industry and the energy sector.

Gewerkschaft Erziehung und Wissenschaft (GEW)

The education trade union GEW represents people working in teaching and research.

IG Metall

Industriegewerkschaft Metall represents those in the metalworking, electrics, iron and steel, textiles and clothing, information technology, wood and plastics industries.

Gewerkschaft Nahrung, Genuss, Gaststätten (NGG)

NGG defends the interests of workers in the food and drinks industry as well as the tobacco, hotel, catering and domestic sectors.

Gewerkschaft der Polizei (GdP)

The GdP is the trade union for all police employees.

Eisenbahn- und Verkehrsgewerkschaft (EVG)

The EVG is the trade union representing workers in the transport, service and network sectors.

Vereinte Dienstleistungsgewerkschaft (Ver.di)

Ver.di looks after the interests of people in the service sector, which embraces over 1,000 different jobs.

Hans-Böckler-Stiftung (HBS)

The HBS is a foundation which works on behalf of the German Trade Union Confederation (DGB) to promote research and studies, and to further understanding of consultation and participation rights for workers.

Wirtschafts- und Sozialwissenschaftliche Institut (WSI)

The WSI is the research institute set up by the HBS, specialising in the study of fair employment conditions.

Otto-Brenner-Stiftung (OBS)

The OBS is IG Metall's own foundation, addressing questions specific to Germany, but also European and international issues.

DGB-Index Gute Arbeit

The "Good Work Index" was created by the DGB as a scientific instrument to monitor employment conditions from the labour perspective.

DGB Bildungswerk

DGB Bildungswerk is an educational body set up the German Trade Union Confederation (DGB) to disseminate knowledge relating to political issues and the work of trade unions and to pursue continuing education.

Europe

European Trade Union Confederation (ETUC)

ETUC is the umbrella organisation for the European trade union confederations.

European Trade Union Institute (ETUI)

ETUI is a research institution whose purpose is to assist the European trade unions.

International

International Center for Development and Decent Work (ICDD)

Das ICDD at the University of Kassel seeks to help tackle hunger and poverty by providing research and training around the UN Millennium Development Goal "Achieve full and productive employment and decent work for all".

Global Labour Institute (GLI)

The GLI is an institute dealing with trade union issues.

Global Union Research Network (GURN)
GURN is a platform for trade unionists and researchers addressing issues of globalisation from the labour perspective.

Global Union Federations (GUFs)
These are the 8 global trade federations representing national sector trade unions at the international level, along with the International Trade Union Confederation (ITUC) and the Trade Union Advisory Committee to the OECD (TUAC).

International Labour Organisation (ILO)
The ILO is the United Nations' (UN) specialised agency for all issues relating to labour, and it is based in Geneva.

International Trade Union Confederation (ITUC)
The ITUC brings together national trade union confederations at the international level.

The Global Labour University (GLU)
The GLU offers young trade unionists the chance to obtain an internationally recognised M.A. on globalisation issues from four campuses on four continents.

Trade Union Advisory Commitee (TUAC)
The TUAC is a trade union advisory committee to the Organisation for Economic Cooperation and Development (OECD).

Trade Union Support Organisations (TUSSOs)

American Center for International Labor Solidarity
The American Center for International Labor Solidarity is a body created by the American Federation of Labor - Congress of Industrial Organizations (AFL-CIO) to support trade unions in the international arena.

FNV Mondiaal
FNV Mondiaal is a foundation of the Dutch trade union confederation which seeks to promote workers' interests internationally.

Japan International Labour Foundation (JILAF)
JILAF was founded in 1989 by RENGO, the Japanese trade union confederation, to promote international exchange and cooperation.

Korea International Labour Foundation (KOILAF)
KOILAF is a Korean non-profit organisation addressing issues relevant to the world of work at an international level.

LO/FTF Council
LO/FTF Council is the Danish trade union confederation's agency for international development and cooperation.

LO-Norway
LO-Norway is the umbrella organisation of the Norwegian trade unions and also operates on the international stage.

LO-TCO Secretariat of International Trade Union Development Co-operation
The LO-TCO Secretariat of International Trade Union Development Co-operation is active at international level on behalf of the Swedish trade union confederations.

Trade Union Solidarity Centre of Finland (SASK)
As a part of the Finnish and international trade union movements, SASK supports trade unions around the world.

Union Aid Abroad - APHEDA
Union Aid Abroad – APHEDA is a development aid organisation created by the Australian Council of Trade Unions (ACTU).

It is easy to advance the view that whilst capital is global, labour remains local – that whilst business has found the framework to operate effectively on a trans-national basis, unions remain stuck in a nation-state view of the world. The IBM protest on Second Life (in this case coordinated by the Global Union Federation UNI) may or may not prefigure future ways of taking industrial action, but it does at least suggest that unions are finding intriguing new ways to try to respond creatively to globalization.

Certainly, trade unions' adjustment to a globalized world economy is not unproblematic and remains best described as work-in-progress. Nevertheless, as an important new collection of essays makes very clear, there are some significant developments taking place, both in terms of theory and practice.

The book, *Trade union responses to globalization* (See note 1), pulls together in one place some of the work of the Global Union Research Network (GURN), established in 2004 to encourage researchers and trade unionists to explore labour movement responses to current developments in the world economy. The book is edited by Verena Schmidt, from the ILO's Bureau for Workers' Activities, who detects three common threads in this work: "Firstly the need for enlarging the trade union agenda, secondly the role of network and alliance building and thirdly the role of the ILO and labour standards in achieving a fair globalization."

There is, of course, nothing particularly new about global trade, a point made by an essay in the book on the banana industry in Colombia which points out that a small number of global giants have dominated the banana business for a century or more. Nevertheless, historically social partnership and collective bargaining have almost without exception been organized

within national state boundaries. This may be beginning to change. Certainly a significant new role is being taken on by the family of Global Union institutions, the International Trade Union Confederation (ITUC), the OECD's Trade Union Advisory Committee (TUAC), and especially the ten sectoral Global Union Federations (GUFs).

It has been the GUFs who have led the way in negotiating the growing number of International Framework Agreements with multinational enterprises, a model for taking formal collective agreements to the global level which has now been adopted in more than 30 cases. As Marion Hellmann of Building and Wood Workers' International (BWI) points out, international framework agreements offer a way of moving beyond companies' voluntary codes of practice which, she argues, can be simply a marketing ploy. "International Framework Agreements constitute a formal recognition of social partnership at the global level," she writes, stressing that they are qualitatively different from voluntary codes. "Multinational companies signing such agreements commit themselves to respect workers' rights, on the basis of the core ILO Conventions," she adds.

She describes in detail one particular framework agreement, that signed in 1998 between BWI and the Swedish furniture multinational IKEA which, thanks to commitment from both social partners, has helped raise labour standards in countries as diverse as Poland, Malaysia and China. Nevertheless, Hellmann points out some of the practical problems encountered in extending the reach of framework agreements so that they adequately cover multinationals' networks of suppliers and sub-contractors.

This last issue – an important one, as many major companies increasingly outsource aspects of what were once core functions – is picked up by other contributors to the book. There are clearly contradictory tendencies at work. On the one hand, outsourcing work once undertaken in-house can be associated with worsening labour conditions. In an essay looking at the IT sector in both California's Silicon Valley and India's IT centre Bangalore, Anibel Ferus-Comelo suggests that strong competition on price for computers and electronics products is leading to highly complex subcontracting chains: "Whilst this has been a successful corporate strategy, it has detrimental consequences for workers further down the supply chain in different parts of the world. Working in the IT industry frequently means having precarious employment in a highly stratified occupational structure with casual or short-term contracts," she writes. Two other writers, Esther de Haan and Michael Koen, describe the problems of protecting core labour standards in another outsourced industry, that of the garment manufacturing sector in southern and eastern Africa.

On the other hand, the increasingly tight-knit nature of global value chains, which bind together primary producers, manufacturers, intermediaries and eventual retailers, could be seen as providing new opportunities for exporting good labour conditions to companies and contractors operating "upstream". Lee Pegler and Peter Knorringa, in an essay on the implications for unions of global value chain analysis, explore among other things whether companies who participate in global value chains have improved employment conditions (though the evidence they unearth is, at best, inconclusive). Nevertheless, multinationals can be seen as acting as a kind of transmission mechanism, transferring industrial relations

practices from their country of origin to suppliers and contractors elsewhere, and this is an area to which unions might usefully pay more attention. As Verena Schmidt puts it, "The concept of value chains presents some opportunities for labour… Organizing along supply chains could be a way to focus efforts and move beyond existing North-South cooperation arrangements."

A major problem for trade unions in organizing, it is argued, is the fickle nature of multinational enterprise, prepared to relocate apparently at will to new destinations offering lower costs or higher government subsidies. For instance, southern Africa's garment industry, we learn, has suffered in recent years as Asian investors have pulled out, the result of the export quota rules changing. Bulgaria's garment industry, too, faces serious organizing challenges. Nadejda Daskalova and Lyuben Tomev describe efforts by the Confederation of Independent Trade Unions in Bulgaria to protect fundamental labour rights: "In a number of garment companies owned by foreign investors relocated to Bulgaria from neighbouring countries, the widespread practice is to work 14-16 hours a day for minimum pay – in drastic violation of the social and labour laws," they write.

It is not just capital which can be footloose: in an increasingly globalized world, labour is, too. The UN recently suggested that the world's migrants total 191 million, the majority of whom are migrant workers and dependants. As is well known, migrant workers are particularly at risk of facing poor employment conditions and exploitation at work; in some circumstances, the presence of unorganized migrant workers in a country's workforce can also put downward pressures on the conditions enjoyed by domestic workers. Two particularly interesting essays in this collection report on initiatives by trade unions to tackle these challenges. Ann-Marie Lorde, who has played a key role in a recent project on the migration of women in the health sector coordinated by the public sector GUF Public Services International, explores the opportunities for a combined trade union approach to intra-regional migration within the Caribbean area through the work of the Caribbean Public Sector Unions (CPSU). Jane Hardy and Nick Clark report on the work being undertaken in the United Kingdom and Poland to organize the very large number of (primarily young) Polish migrant workers who have recently moved to Britain. Initiatives include the seconding of a worker from the Polish union federation Solidarity to the British Trades Union Congress, to work to organize Polish migrants into British unions. The writers report too on complementary efforts by Polish unions to advise would-be Polish migrants of their rights abroad. Whilst collaborations like this are at an early stage, the experience to date has clearly been positive. "The possibility of mutual recognition of union cards may enhance the attraction of union membership to a mobile workforce," the writers also suggest.

If the need for greater transnational collaboration by unions is one message from this book, another recurring theme is the need for unions to reach out to make partnerships with other organizations, especially NGOs. As Mary Margaret Fonow and Suzanne Franzway point out, "There has been a proliferation of political spaces where the interests of labour overlap with other movements and with advocacy organizations concerned with labour rights and development." Their own perspective is a feminist one, which sees a strong need for unions to tackle globalization by developing structures and ways of working which empower women

workers and union members: "Those concerned with the renewal of the labour movement must come to terms with the fundamental way that gender structures neo-liberal globalization, labour markets and free trade agreements. We argue for gender analysis because sexual politics is integral to trade unions, globalization and efforts to challenge the neo-liberal agenda," they maintain.

The value of alliance building by unions with other organizations is one clear proposal from this book. Another message stressed by almost all the authors is the relevance of the ILO and of labour standards in achieving a form of globalization based on fairness and equity. As Verena Schmidt suggests, the ILO's role in this respect can be traced right back to its founding principles in 1919, and certainly to its call in 1944 to avoid labour being treated as a commodity. International labour standards will be an important campaign tool, she suggests, to improve working conditions in a globalizing world economy.