

UNIT- I

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Human Resource Management (HRM) involves all management decisions and practices that directly affect the people who work for the organization. Hence HRM is the strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of the objectives of the business. In simple words, HRM means employing people, developing their capacities, utilizing, maintaining and compensating their services in tune with the job and organizational requirement.

International Human Resource Management

INTERNATIONAL HUMAN RESOURCE MANAGEMENT (IHRM) is a process of procuring, allocating, and effectively utilizing human resources in a multinational corporation, while balancing the integration and differentiation of Human Resource activities in foreign locations.

Hence it can be defined as “Procurement, allocation, utilization and motivation of Human Resources in International business.

OBJECTIVES OF I-HRM

- It has helped a lot in reducing the risk in the business by using a proper standard recruitment and selection process.
- To reduce the risk of international human resource.
- To avoid cultural risks.
- International HRM has helped a lot in overcoming the inter-continental culture by making people from different parts of world work under the same roof.
- To manage diversifies human capital.
- Due to IHRM human capital is diversified and hence the risk involved has lessen down to a great extent.

Nations categories where firms expand and operate

Host country

A country in which the MNE seeks to locate or has already located a facility.

Parent country

The country in which a company's corporate headquarters is located.

Third country

The countries other than the one in which the MNC is headquartered or the one in which it is assigned to work by the MNC.

REASONS FOR GOING GLOBAL

Successful small businesses are figuring out how to master the transition from being a local company to global. According to the [U.S. Department of Commerce](#), more than 70 percent of the world's purchasing power is located outside of the United States. That's why many businesses are jumping on the global bandwagon – to capitalize on the potential of tremendous growth. Here are ten reasons to do so.

1. Increase sales and profitability.

Going global can provide new sources of revenue, yield greater returns on investments and secure long-term success for a business. The Internet makes it even easier to reach out to the world for business.

2. Enter new markets.

Have you saturated your local, core market? Then look beyond your region and consider a market overseas. Be sure to pick one that offers opportunity. You want a market where it's easy to enter, whose buyers desire your product or service. For example, is there a market for your products or services in Ireland? If so, get a jump on your competitors and get there before they do. This is called first-mover advantage.

3. Create jobs.

As you grow your business globally, you must support the additional workload. Hiring people is the solution and we know that the strength of our country lies in its ability to create jobs that help people live and prosper.

4. Offset slow growth in your home market.

Are you selling kale in your home market and only so many customers will buy it? Or are you selling specialized software and there's been a sudden decrease in demand for it? A way to overcome low growth in your home market is to look at overseas markets. Protect your company by exporting, using the Internet, licensing or franchising your products.

5. Outmaneuver competitors.

Taking one step to enter a new overseas market that your competitor hasn't entered might outmaneuver that domestic-only rival with stronger company performance.

6. Enlarge the customer base.

If the company currently has 1,000 customers, why not increase the base to 2,000 by entering a foreign market via ecommerce or a collaborative sales partnership? You'll need support to get the work done so consider adding people to get the processes in place.

7. Create economies of scale in production.

Your company is ramping up and producing 20,000 hammers at once because an outfit in Ireland, Japan or Australia wants to buy them and won't buy a single case. The more you produce, the greater the chances of lowering the per-unit manufacturing costs.

8. Explore untapped markets with the power of the Internet.

With an ecommerce site, customers worldwide might eventually find you, provided you've made it easy for them to do so. Move into the markets that generate a heavy concentration of inquiries on your website.

9. Make use of excess capacity off-season.

To insulate the business from seasonal sales fluctuations, find foreign markets to counterbalance dips in demand. For instance, some firms gear up for the holiday season, only to see sales nosedive in January.

10. Travel to new countries.

Then there's the fun factor in taking a business global. Not only will you connect with people from all over the world, but you'll also have an excuse to meet with them in person to grow the relationship and the business. Treat it as an exciting learning adventure.

APPROACHES TO IHRM

The IHRM literature uses four terms to describe multinational enterprise approaches to managing and staffing their subsidiaries. These terms are taken from the seminal work of Perlmutter who claimed that it was possible to identify among international executives three primary attitudes are

1. [Ethnocentric approach](#)
2. [Polycentric approach](#)
3. [Geocentric approach](#)
4. [Regiocentric approach](#)

1. Ethnocentric approach

Countries with branches in foreign countries have to decide how to select management level employees. **Ethnocentric** staffing means to hire management that is of same nationality of parent company.

When a company follows the strategy of choosing only from the citizens of the parent country to work in host nations, it is called an ethnocentric 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.

2. 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 to 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 to manage the branches." The polycentric 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.

3. 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 reputation 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 the 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.

4. Regiocentric Approach

The **Geocentric Approach** is one of the methods of international recruitment where the Multi National Companies recruit the most suitable employee for the job irrespective of their Nationality.

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.

DIFFERENCE BETWEEN INTERNATIONAL HUMAN RESOURCE MANAGEMENT & HUMAN RESOURCE MANAGEMENT

Sr. No	IHRM	HRM
1	It deals with a very broader perspective	It deals with the very narrow perspective – looks only for the domestic country HR
2	It considers the global laws prevailing across the world.	It considers the laws prevailing in the country where company is having its headquarters.
3	More involvement in employees lives happens	There are standard policies for every employees working in the country.
4	External influences & factors affect the company.	There are not much of external influences affecting to the company.
5	Work force i.e. people from different culture works together.	Generally, people from the home country works.
6	There is a risk factor involved i.e. Terrorism, crisis, etc.	A minimal of risk is involved as compared to international perspective.
7	There is a complexity involved in handling different people from different countries.	It is relatively easy to handle the employees as they belong to same country.
8	Attitudes of senior management people differ as it involves dealing globally.	Attitudes generally tend to be the same with all employees.
9	Involvement of different cultures do affect the organization's culture	As employees are generally from same country, adoption of culture is very feasible.
10	IHRM also includes all	There is a standard technique

functions of HR but to carry them out the techniques and methods are different.	and method to carry out the HR functions in organization.
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CHALLENGES OF IHRM

Main challenges in IHRM

- 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 – managing critical knowledge and speed of information flow
- Talent identification and development – identify capable people who are able to function effectively
- Barriers to women in IHRM
- International ethics
- Language (e.g. spoken, written, body)

Main challenges in IHRM

- Different labor laws
- Different political climate
- Different stage(s) 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

GLOBAL ASSIGNMENTS

Strategically designed international assignments can enhance the global competitiveness of firms by increasing coordination and control across units, transferring innovations across geographical boundaries, and developing future executives with global perspectives and local market responsiveness. To obtain these strategic results, firms are increasing the number of managers sent on international assignments as expatriates

Reasons for international assignments

- Filling a need in an existing operation.
- Transferring technology or knowledge to a worksite (or to a client's worksite).
- Developing an individual's career through challenging tasks in an international setting.
- Analyzing the market to see whether the company's products or services will attract clients and users.
- Launching a new product or service.
- The goal of the international assignment will determine the assignment's length and help identify potential candidates.

•Management development

–Training and development purposes, assisting in developing common corporate values

•Organizational development

–Need for control, transfer of knowledge, competence, procedures and practices

Types of international assignments

• Short term

– Up to 3 months

•Extended

–Up to 1 year

•Long term

–Varies from 1 to 5 years

–The traditional expatriate assignment

The research points to three major attributes of successful expatriates:

- **Intellectual capital.** Knowledge, skills, understanding and cognitive complexity.
- **Psychological capital.** The ability to function successfully in the host country through internal acceptance of different cultures and a strong desire to learn from new experiences.
- **Social capital.** The ability to build trusting relationships with local stakeholders, whether they are employees, supply chain partners or customers.

In particular, expatriates need to possess a number of vital characteristics to perform successfully on assignment. Among the necessary traits are the following:

- **Confidence and self-reliance:** independence; perseverance; work ethic.
- **Flexibility and problem-solving skills:** resilience; adaptability; ability to deal with ambiguity.
- **Tolerance and interpersonal skills:** social sensitivity; observational capability; listening skills; communication skills.
- **Skill at handling and initiating change:** personal drivers and anchors; willingness to take risks.

HR can elicit relevant information on assignment successes and challenges by means of targeted interview questions with career expatriates, such as the following:

- How many expatriate assignments have you completed?
- What are the main reasons why you chose to accept your previous expatriate assignments?
- What difficulties did you experience adjusting to previous international assignments? How did you overcome them?
- On your last assignment, what factors made your adjustment to the new environment easier?
- What experiences made interacting with the locals easier?

- Please describe what success or failure means to you when referring to an expatriate assignment.
- Was the success or failure of your assignments measured by your employers? If so, how did they measure it?
- During your last international assignment, do you recall when you realized your situation was a success or a failure? How did you come to that determination?
- Why do you wish to be assigned an international position?

Preparing for the Assignment

An international assignment agreement that outlines the specifics of the assignment and documents agreement by the employer and the expatriate is necessary. Topics typically covered include:

- Location of the assignment.
- Length of the assignment, including renewal and trial periods, if offered.
- Costs paid by the company (e.g., assignment preparation costs, moving costs for household goods, airfare, housing, school costs, transportation costs while in country, home country visits and security).
- Base salary and any incentives or allowances offered.
- Employee's responsibilities and goals.
- Employment taxes.
- Steps to take in the event the assignment is not working for either the employee or the employer.
- Repatriation.
- Safety and security measures (e.g., emergency evacuation procedures, hazards).

UNIT – II

INTERNATIONAL STAFFING

International staffing is the practice of hiring individuals from another country to fill open positions in your organization. Organizations may hire international staff for a variety of reasons including cost savings, increased productivity, and ability to access a broader range of skills and experience.

SOURCES OF INTERNATIONAL STAFFING

International staffing involves various approaches to recruit and manage employees across different countries. Here are the key insights from the search results:

Approaches to International Staffing:

Ethnocentric Approach: Involves hiring individuals from the parent country to work in various locations globally.

Polycentric Approach: Focuses on hiring locals from the host country to fill positions.

Regiocentric Approach: Involves transferring or hiring individuals within the same region for specific roles.

Geocentric Approach: Aims at selecting the best individuals regardless of their nationality for global positions

Third-Country Nationals:

Utilizing third-country nationals is common in multinational enterprises with operations in multiple countries.

Third-country nationals offer a global perspective and can be valuable assets for international assignments

Transnational Project Teams:

Multicultural teams, including headquarters representatives, host-country nationals, and third-country nationals, are formed to handle specific tasks or ongoing activities.

These teams serve as business units and leadership development platforms, fostering collaboration across geographic and cultural boundaries.

In summary, international staffing strategies vary from ethnocentric to geocentric approaches, each with its advantages and challenges. Employing a mix of local employees, expatriates, and third-country nationals can help organizations effectively manage their global workforce while considering cultural nuances and cost implications.

IHRM PLANNING

IHRM planning is a strategic approach to managing an organization's human resources on an international scale. It involves developing and implementing HR strategies and practices that address the unique challenges and opportunities of operating in a global business environment.

Strategic HRM focuses on human capital, whether your team members are contractors or remote employees spread across the globe. In order to expand your business internationally with a global workforce, you need a strong global HRM plan.

The global HRM planning process step-by-step

The best global HRM planning process is unique to each organization. Different companies have different needs, so create a global HRM plan that reflects your organization's specific goals and daily operations.

Here's a step-by-step guide to the global HRM planning process, including actionable tips and examples:

1. Conduct an environmental analysis

Conducting an environmental analysis involves scrutinizing the external factors that impact your organization's HR functions. These factors may include the economic, legal, cultural, and market conditions in the regions where you operate.

Actionable tips:

- Stay updated on local labor laws and regulations.
- Monitor the cultural nuances that affect employee expectations.
- Leverage technology for global data collection and analysis.

For example, let's say a tech company expanding to a new continent undergoes an environmental analysis to discover a significant talent shortage in a specific tech niche. This prompts them to adjust their hiring strategies and invest in skill development programs for local talent.

A service provider like Remote can help you [start hiring international employees](#) in minutes without needing to understand local labor and tax laws. You'll have access to Remote's legal experts and local partners, who work to guide your business through ever-changing regulations.

2. Assess your current HR capability

This step involves evaluating your existing HR infrastructure, including your team competencies, technologies, and processes that support the company on a global scale. Doing this can help identify gaps and strengths in your system.

Actionable tips:

- Conduct skills assessments of HR team members.
- Evaluate your [HR tech stack](#) for scalability and compatibility.

- Review existing HR policies and procedures.
- Seek employee feedback on HR services.

To put this into context, let's say a manufacturing company realizes that its HR team lacks experience in handling cross-border payroll. To bridge this gap, they hire a [global payroll](#) specialist, consolidating their multi-country payroll process and paying their entire team quickly, accurately, and compliantly.

3. Use data and trends to forecast future HR needs

Leverage data analytics and industry trends to predict future human resources requirements. This involves understanding your global workforce demographics, employee retention rates, and possible gaps in technical skills.

Actionable tips:

- Implement HR data analytics tools.
- Regularly review your global workforce demographics.
- Analyze historical turnover data.
- Stay informed about industry-specific HR trends.

For instance, a company operating in several regions wants to ensure that it has the right talent to support its growth and technological advancements. To achieve this, they use a tech tool to track key metrics, such as their turnover rate.

4. Develop a global HR strategy

A global HR strategy begins when an organization's HR goals align with its overall objectives. This involves an understanding of the company's mission, vision, values, and long-term strategic plans. A global HR strategy starts with evaluating the current state of HR within the organization, and identifying gaps or areas for improvement.

Actionable tips:

- Define clear HR goals and objectives.
- Establish key performance indicators (KPIs).
- Develop a global roadmap for HR initiatives.
- Ensure alignment with organizational goals.

For example, let's say a company wants to create a global HR strategy that aligns with its regional expansion goals. They conduct a needs assessment and find that they need to hire engineers with specific technical skills in artificial intelligence and data analytics for their Research and Development division. Through a needs assessment, the company also finds that they need to hire multilingual customer service representatives to support their new expansion.

5. Partner with a global HR platform

Leverage a comprehensive global HR platform to centralize payroll, compliance, employee management, and other HR processes. You can access a wide range of tools and services to support and tailor your international HR operations through a global HR partner.

Actionable tips:

- Evaluate global HR platform providers for scalability and compliance.
- Implement a cloud-based HRIS.
- Integrate HR platforms with existing tools.
- Train HR teams on platform utilization.

Many international companies who want to manage their team in one [HRIS software](#) platform choose to partner with Remote. With Remote, get rid of spreadsheets, multiple logins, and manual work, while managing your employee information to expand your global team.

6. Evaluate your plan's effectiveness

While coming up with a global HRM plan is important, it's just as crucial to regularly assess the plan's performance and impact. This means measuring KPIs, collecting employee feedback, and adjusting strategy based on results.

Actionable tips:

- Implement regular HR audits.
- Collect global employee satisfaction feedback.
- Measure key HR performance indicators.
- Adapt your global HR strategy based on results.

INTERNATIONAL RECRUITMENT

International recruitment is the process of searching, selecting, and hiring overseas employees to work in an organization.

The process of hiring employees from any part of the world without geographical barriers is known as international recruitment. The process is extensive and involves identifying, screening, interviewing, selecting, hiring, and onboarding international employees.

Hiring from international markets differs vastly from hiring in domestic markets. International recruiters should be well-versed with the country's labor laws before hiring individuals. The differences in language, market, culture, employment laws, taxation, etc., impact the international recruitment process. Thus, companies partner with [global recruitment](#) platforms or agencies that have access to an unlimited talent pool from various nations.

INTERNATIONAL RECRUITMENT AND SELECTION PROCESS

Whenever a position opens, hiring teams should follow this process:

International recruitment and selection is a complex process. Hiring teams should follow the following steps to make this process smooth for the jobseekers:

1. Identify Hiring Needs

Employers should have clarity regarding the need for hiring, which could include a knowledge gap in the current workforce, an increase in workload, and filling vacancies, among several others. Once you have identified these gaps, you can create a list of job roles you have to hire for, along with the skills, experience, and qualifications required.

2. Determine a Staffing Approach

Before starting with international recruitment, employers should identify the staffing approach they will follow to avoid any ambiguities. Depending on your recruitment goals, you can choose any of these approaches:

- **Regiocentric:** Employers hire international candidates from multiple countries in the same region as the business.
- **Polycentric:** Employers hire individuals from the country they want to expand to.
- **Ethnocentric:** Employers hire people from their parent country for locations worldwide.

3. Create a Recruitment Plan

Once you have decided on an approach and know what competency you want in a candidate, you should prepare a recruitment plan. Assess how important the job role is, how scarce those skills are, and how urgently you need someone to fill the position. These factors will also help you with [budget allocation](#) for the international recruitment process.

4. Write Job Description

Make sure that the hiring managers and recruitment team are in alignment when writing job descriptions. It should be authentic, transparent, and compelling enough to attract global talent. Include the specific job title, outline the responsibilities, expected outcomes, skills and qualifications required, benefits offered, and any other details relevant to your organization.

5. Advertise Jobs Using Various Channels

Share the job posting through various channels, such as career platforms, social media channels, company website, online advertising, etc. For international recruitment, ensure you don't miss out on international job boards or remote job platforms. Some companies also collaborate with global recruitment platforms that can manage the complexities of this process.

6. Screen and Interview Candidates

With the influx of applications, start reviewing and screening the candidates to ensure they meet the minimum criteria. Follow [ethical recruitment](#) practices and shortlist candidates for interviews. During the interviews, ask if they are legally allowed to work for your company, if they have a work visa, and any other important questions from an international recruitment perspective.

7. Discuss the Compensation

The compensation structure may differ even for the same job title based on how you plan to recruit internationally. Whether the employee will work remotely or needs to relocate overseas, the minimum wage in the country, paid vacation, sick days, health insurance, etc., will be significant factors when deciding the compensation.

8. Hire and Onboard

Once you have found the right candidate, extend the job offer letter mentioning all the details about the salary, bonuses, severance pay, work policies, time off, benefits, and other terms and conditions. Make sure that the hired employee can understand and correctly interpret the language in the offer letter. Begin with their onboarding process and resolve their queries to create a welcoming atmosphere.

This international recruitment policy should include:

1. Clear definitions of different staffing approaches, such as ethnocentric, polycentric, regiocentric, and geocentric
2. Guidelines on the recruitment and selection process, detailing the steps to decide on the best staffing approach, budget allocation, and candidate evaluation
3. Provisions for legal considerations, including work permits, immigration policies, and tax implications for international hires

INTERNATIONAL RECRUITMENT CHALLENGES

International staffing is a necessary piece to your global expansion puzzle. Moving into a new market requires hiring local employees to effectively and efficiently assist with growth.

But global market expansion isn't the only reason companies embrace international staffing. Today's connected digital world has opened businesses up to global talent pools, allowing companies to recruit and hire the right people for the job—regardless of location.

Challenges in International Recruitment

Hiring across the globe can take your company to new heights. However, employers can struggle to navigate the challenges a global workforce poses. Here are a few challenges every company needs to plan for and resolve when considering international recruitment.

1. Creating an Effective Recruitment Process

International recruitment can be tedious and confusing if you don't have a robust hiring and onboarding process. Identifying recruitment needs, figuring out job responsibilities, screening the candidates, [conducting interviews](#), and several other steps can seem overwhelming, complex, and time-consuming in lack of a systematic recruitment process. Having readymade checklists that are tweaked according to hiring locations and improved continuously can help avoid delays and any back and forth, and hire the right global candidates.

2. Eliminate Bias in Hiring

A successful organization can be built only when the employers provide equal opportunities to all individuals. Despite wanting to hire a diverse workforce, employers may struggle with unconscious bias in hiring candidates from different backgrounds, races, religions, cultures, etc. This can hamper your company's image and even invite legal repercussions in certain instances. To build an inclusive workforce, companies should modify their international recruitment process to remove the probability of such biases.

3. Unique and Local Changing Employment Laws

Not all countries or regions have the same employment laws, which can sometimes vary drastically. Companies must understand the minimum wage, leave policies, taxation systems, maternity or paternity leave policy, vacation time, benefits, and other factors before hiring internationally. Recruiters may find it challenging to gain complete knowledge of labor laws and implement them successfully in multiple locations.

4. Knowledge of Tax Compliance

For any organization to have an active workforce in the target country of expansion, the company will incur a tax liability according to the taxation system. Without having the proper knowledge of tax compliance and concerns that may arise due to negligence, companies are at risk of facing legal proceedings. They may have to pay hefty fines or face restrictions on certain

processes necessary to run the business. This can also damage their reputation in the market, becoming a blocker in further global expansion.

5. Retaining and Fostering Company Culture

International recruits should feel like a part of your organization just like the employees from your base country. Due to differences in background, employees may feel a lack of motivation. With global employees, there is an increased risk of miscommunication and misinterpretation if all the team members do not develop cultural sensitivity.

GLOBAL LEADERSHIP DEVELOPMENT PROGRAM

A Global Leadership Program is an educational initiative designed to develop leadership skills, global perspectives, and cross-cultural understanding among participants. These programs often involve international experiences, workshops, seminars, and networking opportunities. More complex than physical goods, this trade of information requires a level of human interpretation to translate, analyze, and apply the data – making cultural competence and global perspective necessary skills for today's leaders.

Where should we begin to meet that challenge? While operating globally is inherently complex, an effective global leadership development program can help your leaders rise to the occasion.

Identify the Specific Global Skills and Talent Your Organization Needs

Building global competency in your organization starts with identifying the specific skills you need for the work you do in the places you do it. While some traits like curiosity and comfort with ambiguity are common requirements across the globe, others may vary based on your function and locale. Like packing a suitcase for an international trip, the specific tools your leaders need will depend upon their destination. Consider:

- What are the key skills necessary to be successful in any given global leadership position in your organization?
- What are the strengths these leaders need?
- What are the experiences (e.g. overseas) they will need to have?
- What are their motivators?
- What are some key personality traits they might need to have?

Design Learning and Training

Once you've identified the necessary skills and your target population of leaders, design your learning and training offerings to meet their needs. When designing your global leadership development program, consider some of these common challenges:

- The basic barriers of language and time zones
- Failure to adapt programs locally for cultural differences
- Creating initiatives that are too varied and inconsistent *or* too corporate
- Lack of diversity or global experience amongst the HR team developing the programs
- Focusing on global competencies only for those in international roles
- Failure to integrate initiatives into overall organizational strategy and culture
- Centralizing initiatives and experience only at headquarters or for HQ staff, rather than building a two-way path with local offices and teams

Grow Experience

After training your leaders on the skills and competencies they'll need, cultivate these abilities with ongoing experience. While not every organization will have the resources to deploy leaders on international assignments, consider other opportunities to grow these skills:

- Build virtual global teams and foster international connections among colleagues
- Offer language and cultural training
- Look beyond your local market to recruit diverse talent
- Meet foreign expats locally through international chambers of commerce
- Encourage employees to expand their news sources to include global channels

Fostering these actionable, on-the-job learning opportunities can help your leaders grow their global skills while working locally.

DEALING WITH EMPLOYEE SHORTAGES

Dealing with employee shortages in a global organization can be challenging, especially in the current landscape affected by phenomena like the Great Resignation. HR personnel can adopt various strategies to address these shortages effectively:

Recruitment Strategies:

1. **Adjust Hiring Criteria:** Consider hiring fresh graduates or candidates with less experience to expand the candidate pool and control salaries
2. **Promote from Within:** Promoting existing employees can boost retention, save costs, and enhance productivity
3. **Talk to Employers:** HR personnel should negotiate with employers to meet employee demands, offer practical benefits, and create a positive work environment

Management Strategies:

1. **Telecommuting and Compressed Work Week:** Allowing telecommuting and compressed work weeks can improve productivity and save time
2. **Improve Company Culture:** Strengthening company culture through team events and shared goals can enhance morale during shortages
3. **Increase Perks and Benefits:** Offering benefits like mental health days, childcare stipends, and wellness programs can show appreciation for employees' efforts
4. **Hire Short-Term Workers:** Consider hiring short-term workers for immediate needs while maintaining flexibility in staffing decisions
5. **Promote Work-Life Balance:** Implement policies like flextime and remote work to support work-life balance and prevent burnout
6. **Reskilling and Upskilling Initiatives:** Provide resources for employees to acquire new skills through reskilling and upskilling programs

In the international context, businesses face challenges such as global staff shortages, failed expatriate assignments, and the adoption of digital HRM tools for automation and data analysis. Organizations need to adapt their HR strategies to navigate these challenges effectively.

By implementing a combination of recruitment strategies, management practices, and adaptation to global trends, HR professionals can mitigate the impact of employee shortages in a global organization effectively.

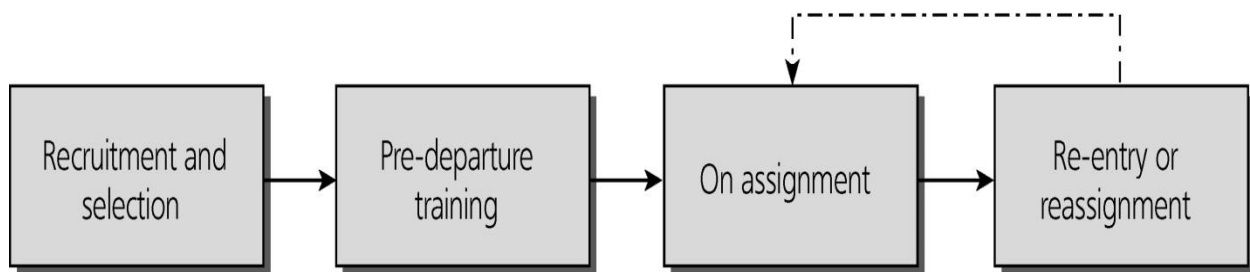
UNIT – III

REPATRIATION AND EXPATRIATION

Expatriate

Meaning. An **expatriate** is an employee who has left his native land and is working and temporarily residing in a foreign country. An **expatriate** can also be a citizen who has relinquished citizenship in their home country to become the citizen of another country.

Expatriation Process



Repatriation

Repatriation is a process of returning back from a international assignment to a home country after completing the assignment or some other issues. Repatriation is the last step in the expatriation cycle and it involves readjustment and re-entry of international managers and their families back to their home country. Expatriation and repatriation are not two separated processes, rather the former is a beginning and the latter the closure. The term may also refer to the process of converting a foreign currency into the currency of one's own country.

The Importance of Repatriates

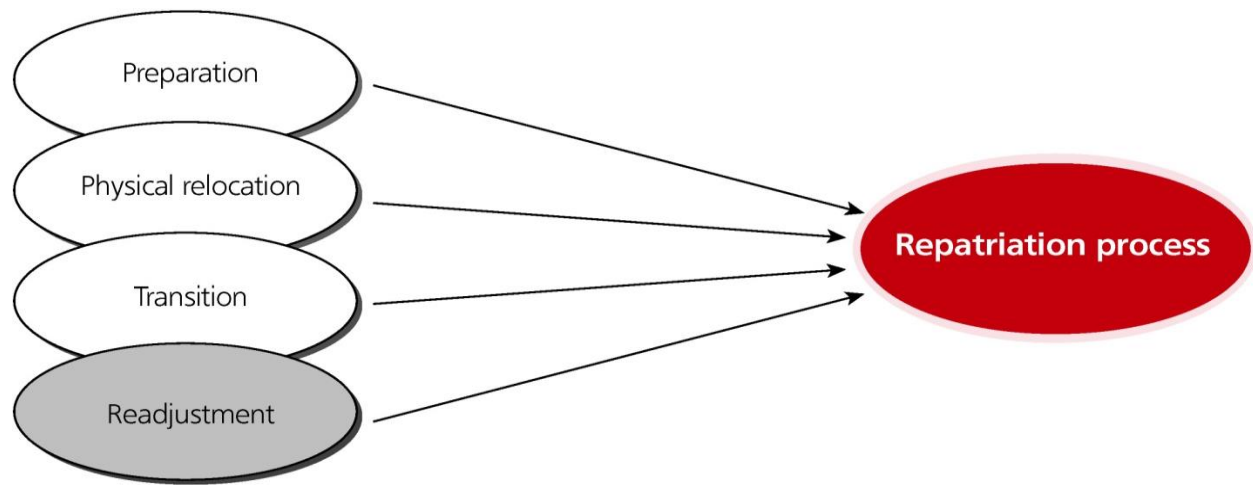
The employee of any organization who adjust well in a HCN in an international assignment and performed effectively there would be highly imported.

The repatriate perspective, here are some of the reasons why repatriated employees are important:

- There are a many successful international assignments which are very important to the employee career as well as for the company's growth. So many companies send expatriate to other countries for doing business internationally.
- The employees who are send to abroad for international assignment are expatriates those employees who learned many things that would be useful to those who will be sent to that same country if some means could be identified as to how they might be mentors to future expatriate employees.
- Expatriates can bring new and unusual approaches to cultural environment, information gathering, analysis of data, and problem-solving as a result of having work cross-culturally in an effective manner.
- Expatriates may have been more flexible, or less rigid, in changing circumstances. In that different approaches have been tried in other contexts, they may be able to bring insights and innovation to the planning process that may not have been considered previously.
- The repatriate who have performed at a high level in a HCN may bring a dimension of confidence and competence that will enhance his or her value to the company as it competes in a changing world market.
- Expatriates who are work outside the culture of the company and the country, the repatriated employee may well have insights that can effect needed change. That perspective ought to be valued and given a voice within the company.
- The repatriated employees would likely to bring motivated by some factors to encourage them for the sharing of their experience.
- The effective international employees may well have gained insights in how to affect a more coordinated group effort than encouraging individual achievement.



Repatriation Process



1. Preparation: before 3-4 months of expatriate return

- Developing plans for future and info about new position
- Checklist of items before leaving (closure of bank a/c, bills etc.)

2. Physical Relocation

- Removal of personal belongings , breaking ties with friends, colleagues before returning
- Re-entry training for home country's update, socio-cultural contrast orientation, psychological aspects etc.

3. Transition:

- Finding accommodations, school for children, opening bank A/c etc. for comfortable living.
- Relocation consultants used.

4. Readjustment

- Coping with aspects as company changes , reverse culture shock and career demands
- Eg. Repatriate returning from country where power distance is large as Thailand may experience stress on returning to small power distance countries like Denmark.

Multinational responses to repatriation

1. Staff availability: current and future needs

- If repatriate promoted ,International assignments as a positive career move
- If repatriate demoted or given pink slips so vice versa.

2. Return on investment (ROI)

- Expatriates are expensive
- Accomplishing assignment objectives at the expected cost

3. Knowledge Transfer

- Cross-fertilization of ideas and practices that assist in developing competitive advantage.
- Build upon international experience of repatriates

Designing a Repatriation Program

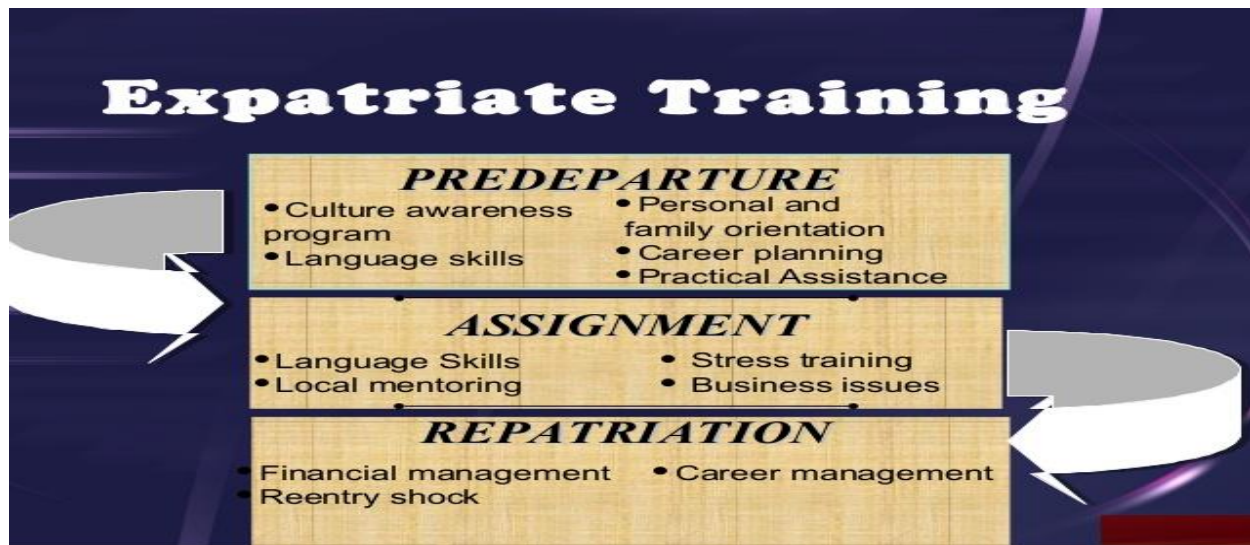
1. Mentor programs (Pairing expat with a member of home office senior mgmt):

- Maintaining contact with the expatriate throughout the assignment
- Ensuring that expatriates are kept up- to-date with developments in home country
- Assisting expatriates in repatriation process

2. Inviting repatriates in developing repatriation program

- **Steps suggested for smooth transition**
- Arrange an event to welcome & recognize the employee & family
- Establish support to facilitate family reintegration
- Offer repatriation counseling or workshops to ease the adjustment
- Assist the spouse with job counseling, resume writing & interviewing techniques
- Provide educational counseling for the children
- Offer international outplacement to the employee if no positions are possible
- Arrange an interview with the expatriate & spouse to review their view of the assignment & address any repatriation issues
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EXPATRIATE TRAINING PROCESS



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

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

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

2. **Expat and family training program.** This stage is designed to increase the assignees' knowledge about the host country, society, values, business culture, and day-to-day living. Completing such training should result in significantly reduced risk of cultural misunderstandings and an enhanced cross-cultural experience.
3. **Host manager and team cultural briefing.** This next stage is focused on the host country manager and the team with whom the international assignee will be working, and provides

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

4. **Project alignment meeting.** After the expatriate and host organization have received critical information, it is time for an exchange, either in person or via telephone or videoconference. A project alignment meeting with the assignee and host manager should be held to discuss cultural differences that might affect the success of the assignment, tools and techniques to prevent misunderstandings, and mutual expectations of the assignee and the manager. This meeting typically includes discussions about timelines, reporting strategies, and setting milestones.
5. **In-country coaching.** As soon as the expatriate arrives in the host country, new and unknown situations inevitably occur. Therefore, an assignee should receive face-to-face or telephone coaching. A coach monitors the assignee's process during the assignment and captures experiences, case studies, and best practices. In some cases, a coach observes the assignee's activities, such as staff meetings, virtual meetings, and other interactions between the assignee and team members. The number of coaching sessions varies based on the assignment's duration and participant's needs.
6. **Knowledge management process.** Systematic and ongoing capture (and dissemination) of relevant documentation and lessons learned from an expatriate assignment is invaluable to the assignee, future expatriates, and the organization as a whole. Knowledge management enables the organization to avoid repetitive occurrences of known issues and over time, best practices and effective case studies are developed.

Repatriate Training

The retention of corporate professionals after a global assignment is key to the future success of your global organization. How can you minimize the challenges that your repatriate employees face after returning from an overseas assignment? How can the knowledge they have learned abroad be transferred and shared? These five steps can help.

1. Dealing with Reverse Culture Shock. Until fairly recently, the idea of offering training to professionals who were coming home was considered odd. Repatriates were often thrown back into their jobs with no discussion of their international assignments. Research has shown that a

home culture can seem strange after having spent a period of time negotiating a new culture. Providing repatriates with an outlet to discuss their feelings can be crucial to successful repatriation.

2. Transferring knowledge. Sound repatriate training should include time for the repatriate to discuss how to transfer the knowledge he or she has learned. This may best be done on an informal, just-in-time basis during a special project, or during meetings with the boss, or during special meetings of their team.

3. Mentoring expatriates. The repatriate can serve a key role in helping the organization develop a global workforce by serving as a mentor to expatriates going to the same country or part of the world. The information exchange between the repatriate and expatriate can help ensure a positive experience for the expatriate by alerting him or her to the challenges faced when working abroad.

4. Conducting repatriate forums. Organizing a group of repatriates who can share their knowledge of international business during regularly scheduled presentations gives a clear signal to all employees that global experience is valued. In addition, the networking between repatriates can help your organization build a more satisfied global workforce.

The strain and uncertainty of the overseas assignment can be reduced when the expatriate knows what career opportunities are available upon return. This knowledge also can create a much smoother transition once the employee returns home.

To remain competitive globally, organizations need to make it clear to all employees that global experiences are encouraged. One way to do that is through an organizational design that promotes international assignments. Another way is to provide repatriate training programs.

Too often, repatriate professionals leave their organizations because they feel that their knowledge is undervalued. These five steps can help prevent this from occurring.

CROSS CULTURAL TRAINING (CCT)

For International assignment, once a MNCs selected a person (whether – CEO, Manager, structured reproducer, trouble shooter or operator) expatriate training is considered to be the next crucial step to ensure the expatriate's effectiveness and success abroad – This is also called Cross Cultural Training (CCT). CCT is a process of orientation and skill improvement mainly on HOST CULTURE and WORK LIFE BEHAVIOR.

Types of CCT:

1. Environmental briefing – geography, climate, housing, and schools.
2. Cultural orientation – cultural institutions, value systems of the host country.
3. Cultural assimilators - inter cultural encounters.
4. Language training – communication effectiveness
5. Sensitivity training – to develop attitudinal flexibility.
6. Field experience – to make the expatriate familiarize with the challenges of assignment.

Significant of CCT :

As companies now a days are go global, there arises the need for training employees for international assignment. Because:

1. Training aims to improve in relation to some future position or job, usually managerial. When expatriates are unfamiliar with the customs, cultures and work habits of the local people, they often make critical mistakes, which can be avoided by providing them with proper training.
2. Effective training can prevent many errors and minimise the impact of others. Some of the biggest complaints against expatriates revolved around personal shortcomings in areas such as politeness, punctuality, sensitivity, reliability, tolerance and empathy.
3. Effective training programmes can also improve overall management style. In terms of leadership, the locals would like their expatriate managers to be friendly, more accessible, supportive and receptive to sub ordinates suggestion.
4. Habits and practices relating to work motivation, profit motivation, negotiation skills, gift giving customers, eating and dressing, body gestures etc. are vary from one culture to another. It is essential, employees trained to handle these nuances before being posted to overseas.
5. To attain long term organizational goals

6. To minimize the cost of expatriate failure (which is very costly).
7. Bridging the cultural gaps between the host country and parent country organization.
8. Recognizing that orientation / induction challenges are different for the parent and the host unit.
9. Ensuring the organizational success is critical in achievement of the global objectives
10. Establishing and retaining advantages over international competitors
11. Building a single organizational culture across its subsidiaries.

Cross-Cultural Training Methods

1. **Cultural Briefings** ; Explain the major aspects of the host country Culture, including customs, traditions, every day behaviors.
2. **Area Briefings**: Explain the history, geography, economy, politics, and other general information about the host country and region.
3. **Cases**: Portray a real-life situation in business or personal life to illustrate some aspect of living or working in the host culture.
4. **Role playing** : Allows the trainee to act out a situation that he or she might face in living or working in the host country.
5. **Cultural assimilator** : Provides a written set of situations that the trainee might encounter in living or working in the host country. Trainee selects one from a set of responses to the situation and is given feedback as to whether it is appropriate and why.
6. **Field experiences**: Provide an opportunity for the trainee to go to the host country or another unfamiliar culture to experience living and working for a short time.

Designing Cross-cultural training program

In order to develop and design effective training, companies must implement a system approach which includes:

1. Analysis of training needs of target population
2. Establishing training goals
3. Careful training design

1. Target population or ideal people: Based on 6 competencies:

- Leadership skill Initiative
- emotional stability
- Motivation

- Ability to handle responsibility
- Cultural sensitivity
- To handle stress Flexibility.

2. Training Goal:

The goal of cross cultural training should be to equip the trainees with knowledge, skills and attitudes which enable them achieve the following three adjustments and effectiveness which are indicators of international success:

- Personality adjusted, i.e he / she feels happy and satisfied with situation abroad.
- Professionally effective if he performs his tasks, duties and responsibilities on the job completely.
- Inter – personally adjusted and effective if he takes interest in interacting with locals capably.

3. Design of Training:

Levels of training which MNCs are to ensure for success of overseas assignments can be summarized as under:

- First level training to focus on learning about host country's culture, language, politics, business, geography, religious values and history. Through seminars, videos, meetings with citizens of the country before assignment begins.

- Second level training deals about assignment itself. Requirements of the position – technical, managerial knowledge needed company officials can do that before leaving.

- Third level training deals with preparing him for new job at new location to be done by whom he is replacing.
- Forth level training – how he / she adjusts and adapts to new environments, by providing assistance.

- Fifth level training addresses re entry back home and contact with people at home and visit home during vacation Therefore, Training and development of international staff should be approached as a process and not as a onetime even just prior to departure.

UNIT – IV

PERFORMANCE AND COMPENSATION MANAGEMENT

PERFORMANCE MANAGEMENT SYSTEM IN MNCs

MNCs in today's time are dealing with many types of complex situations. In this environment, it is critical for the management to ensure that they have a plan for the skills management. In the international markets there is higher competition hence efficiency needs to be brought in the work process which cannot be possible without making the skills within the MNCs efficient. International HRM has to make sure that they have a performance management plan in each country. However, there is always a question that whether there should be common performance management plan or there should be different performance management systems that differ country-wise. Since the nature and behaviour of the people differs with the culture hence performances also varies accordingly.

Performance management system is necessary in the modern day business as it is helpful in monitoring the performance of the employees and at the same time it is helpful in improving the skills on the basis of the pre-defined measures. It is critical that at the global levels MNCs implement performance management practices that improve the overall performance of each of the subsidiaries of the organization. There must be use of best practice approach at the global levels in performance management.

At the global levels when the MNC is planning to implement a common set of performance management practices throughout its global subsidiaries then they need to make sure that they are taking care of different cultures in different nations. This is necessary for ensuring that no cultural aspect of any people gets hurt while the performance management system is implemented at the global levels. For example in the countries like United Kingdom and Vietnam, there is difference in culture and if the company implements the common performance management system then they need to ensure that all the aspects of the cultures in both nations has been taken care effectively. For instance the working culture in both the nation is different i.e. in United Kingdom people like to have more leaves when compared with Vietnam and hence if the performance practice includes the numbers of days they are present then it will not motivate the people that are in United Kingdom.

Implementing a Performance Management System (PMS) in a multinational company (MNC) requires careful planning, alignment with organizational goals, clear communication, and consistent execution. Here's a comprehensive guide on how to establish an effective PMS in an MNC:

1. **Define Objectives and Goals:** Begin by clearly defining the objectives and goals of the performance management system. These should align with the overall strategic objectives of the company and consider the diverse needs of different business units across regions.

2. **Select Appropriate Metrics:** Identify key performance indicators (KPIs) that are relevant to each department or team within the MNC. These metrics should be measurable, achievable, and directly linked to business outcomes.
3. **Establish Performance Standards:** Set clear performance standards for each role or position within the organization. These standards should outline expectations regarding quality, quantity, timeliness, and other relevant factors.
4. **Implement Regular Feedback Mechanisms:** Establish a system for providing ongoing feedback to employees. This could include regular performance reviews, one-on-one meetings, and informal check-ins. Feedback should be constructive, specific, and focused on both strengths and areas for improvement.
5. **Training and Development:** Provide training and development opportunities to help employees improve their skills and capabilities. This could include technical training, leadership development programs, and mentoring initiatives.
6. **Promote Transparency and Fairness:** Ensure that the performance management process is transparent and fair. Employees should understand how their performance is being evaluated and have access to information about the criteria being used.
7. **Encourage Goal Setting and Alignment:** Encourage employees to set goals that are aligned with the company's objectives. This helps to ensure that individual efforts contribute to the overall success of the organization.
8. **Recognize and Reward Performance:** Implement a system for recognizing and rewarding high performance. This could include monetary incentives, promotions, or other forms of recognition such as awards or public praise.
9. **Monitor and Evaluate Performance:** Continuously monitor and evaluate the performance management system to identify areas for improvement. Solicit feedback from employees, managers, and other stakeholders to gather insights into the effectiveness of the system.
10. **Adapt and Evolve:** Be prepared to adapt and evolve the performance management system over time. As the business environment changes, new challenges emerge, and employee needs evolve, the PMS should be flexible enough to accommodate these changes.

By following these steps, an MNC can establish a robust performance management system that promotes employee engagement, drives performance, and contributes to the achievement of organizational goals.

IMPORTANCE OF PERFORMANCE MANAGEMENT SYSTEM IN MNC COMPANY

The performance management system (PMS) holds significant importance in multinational companies (MNCs) for several reasons:

1. **Alignment with Organizational Goals:** A well-designed PMS ensures that individual employee goals and objectives are aligned with the broader strategic goals of the company. This alignment helps to focus employee efforts on activities that contribute directly to the company's success.
2. **Enhanced Employee Engagement:** Regular feedback and performance discussions foster a culture of open communication and engagement. When employees receive recognition for their achievements and support for their development, they are more likely to feel valued and motivated to perform at their best.
3. **Improved Productivity and Performance:** By setting clear expectations, providing feedback, and offering opportunities for development, a PMS can help employees improve their skills and performance. This leads to increased productivity and efficiency across the organization.
4. **Talent Development and Retention:** A robust PMS enables companies to identify high-potential employees and provide them with the necessary support and opportunities for growth. By investing in talent development, MNCs can retain top performers and build a strong pipeline of future leaders.
5. **Fair and Transparent Evaluation:** A transparent performance management process ensures that employees understand how their performance is being evaluated and what criteria are being used. This helps to build trust and confidence in the organization's leadership and promotes a sense of fairness among employees.
6. **Data-Driven Decision Making:** Performance data collected through the PMS provides valuable insights into employee strengths, weaknesses, and development needs. This data can inform decision-making processes related to promotions, succession planning, and talent management.
7. **Compliance and Risk Management:** A well-documented performance management process helps MNCs demonstrate compliance with legal and regulatory requirements related to performance evaluation and employee management. It also mitigates the risk of legal disputes related to performance-related decisions.
8. **Cultural Consistency Across Borders:** In multinational companies, a standardized performance management system helps to promote consistency in performance expectations and evaluation criteria across different regions and business units. This consistency is essential for maintaining a cohesive company culture and ensuring fairness for employees worldwide.
9. **Customer Satisfaction and Business Growth:** Engaged and high-performing employees are more likely to deliver excellent customer service and contribute to business growth. A strong PMS helps MNCs attract and retain customers by ensuring that employees are equipped to meet their needs effectively.

Overall, a well-implemented performance management system is critical to the success of multinational companies, enabling them to drive performance, develop talent, and achieve their strategic objectives in a competitive global marketplace.

PROCESS OF PERFORMANCE MANAGEMENT SYSTEM IN MNC COMPANY

The process of implementing a performance management system (PMS) in a multinational company (MNC) typically involves several key steps:

1. **Planning and Designing the System:**

- Define the objectives: Clearly outline the goals and objectives of the performance management system, ensuring alignment with the company's strategic priorities.
- Determine performance criteria: Identify the key performance indicators (KPIs) and metrics that will be used to evaluate employee performance.
- Establish performance standards: Set clear expectations and performance standards for each role within the organization.

2. **Communicating Expectations:**

- Communicate the objectives and expectations of the performance management system to employees at all levels of the organization.
- Ensure that employees understand how their performance will be evaluated and the importance of their contributions to the company's success.

3. **Setting Goals and Objectives:**

- Collaboratively set SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals with each employee that are aligned with organizational objectives.
- Ensure that goals are challenging yet attainable and contribute to individual and company success.

4. **Monitoring Performance:**

- Regularly monitor employee performance against established goals and performance standards.
- Provide ongoing feedback to employees to help them understand their progress, identify areas for improvement, and celebrate successes.

5. **Performance Appraisal:**

- Conduct formal performance appraisal meetings at regular intervals (e.g., annually, semi-annually, quarterly) to review employee performance.
- Use a structured evaluation process to assess performance based on predetermined criteria and provide feedback to employees.

6. **Feedback and Coaching:**

- Provide constructive feedback to employees on their performance, highlighting strengths and areas for development.
- Offer coaching and support to help employees improve their performance and achieve their goals.

7. **Development Planning:**

- Identify development opportunities and areas for improvement based on performance appraisal results.
- Collaborate with employees to create individual development plans that address skill gaps and support career advancement.

8. **Recognition and Rewards:**

- Recognize and reward high performers for their contributions to the organization's success.
- Implement a system for acknowledging outstanding performance through monetary rewards, promotions, or other forms of recognition.

9. **Documentation and Record-keeping:**

- Maintain accurate records of performance appraisal discussions, feedback, and development plans.
- Ensure that documentation is kept confidential and stored securely in compliance with data protection regulations.

10. **Continuous Improvement:**

- Regularly review and evaluate the effectiveness of the performance management system.
- Solicit feedback from employees, managers, and other stakeholders to identify areas for improvement and make necessary adjustments to the process.

By following these steps, an MNC can establish a comprehensive performance management system that drives employee engagement, fosters continuous improvement, and contributes to organizational success across global operations.

COMPETENCY APPRAISAL IN IHRM

By incorporating competency appraisal into the IHRM practices, organizations can effectively assess and develop employees' competencies for success in international roles, ultimately contributing to their overall performance and the achievement of organizational objectives in the global marketplace.

Companies are constantly seeking ways to optimize their performance appraisal processes. One method that has gained significant traction is [competency](#)-based performance

appraisal. This approach focuses on evaluating an employee's skills, knowledge, and abilities as they relate to their job. As a recruiter or hirer, understanding how to effectively analyze competency-based performance appraisals is essential for identifying top talent and ensuring a fair and accurate evaluation. In this comprehensive guide, we'll explore the intricacies of this approach and provide you with valuable insights on how to analyze it effectively.

Competency appraisal in International Human Resource Management (IHRM) involves evaluating employees' skills, knowledge, abilities, and behaviors against predefined competencies that are essential for successful job performance in an international context. Here's an overview of how competency appraisal is conducted in IHRM:

1. **Identifying Key Competencies:** The first step is to identify the key competencies required for success in international roles. These competencies may include cultural awareness, cross-cultural communication, adaptability, global mindset, language proficiency, leadership in diverse teams, and intercultural negotiation skills, among others.
2. **Defining Competency Framework:** Develop a competency framework that outlines the specific competencies required for different roles within the organization. This framework should be aligned with the company's international business strategy and reflect the unique challenges and opportunities of working in a global environment.
3. **Performance Evaluation:** Assess employees' performance against the identified competencies through various methods such as self-assessment, peer feedback, supervisor evaluations, and objective performance metrics. These evaluations can be conducted through formal performance appraisal processes or incorporated into ongoing feedback and coaching discussions.
4. **Behavioral Examples and Evidence:** Provide employees with clear examples and behavioral indicators of each competency to help them understand what is expected. Collect evidence of employees demonstrating these competencies through their actions, behaviors, and achievements in their international assignments or projects.
5. **360-Degree Feedback:** Incorporate 360-degree feedback mechanisms to gather input from multiple sources, including peers, subordinates, supervisors, and external stakeholders. This comprehensive feedback provides a more holistic view of employees' competencies and performance in an international context.
6. **Training and Development:** Identify competency gaps and provide targeted training and development opportunities to help employees enhance their skills and capabilities. This may include cross-cultural training, language courses, leadership development programs, and international assignment preparation workshops.
7. **Career Development and Succession Planning:** Use competency appraisal results to inform career development discussions and succession planning efforts. Identify high-potential

employees with the necessary competencies for future leadership roles and create tailored development plans to prepare them for advancement.

8. **Performance Feedback and Coaching:** Provide regular performance feedback and coaching to employees based on their competency appraisal results. Offer guidance on areas for improvement and support their professional growth and development in the international context.
9. **Continuous Improvement:** Continuously review and refine the competency appraisal process to ensure its effectiveness and relevance in supporting the organization's international HRM objectives. Solicit feedback from employees and stakeholders to identify opportunities for improvement and innovation.

Tips for Effective Competency-Based Performance Appraisal Analysis

Now that we've outlined the process, let's explore how to effectively analyze competency-based performance appraisals:

1. **Align with Job Requirements:** Start by thoroughly understanding the competencies required for the job. Ensure that the assessed competencies align with the job description and performance expectations.
2. **Look for Consistency:** Analyze whether there is consistency in the assessment of competencies across different evaluation methods (self-assessment, peer assessment, manager assessment). Consistency indicates a reliable appraisal process.
3. **Quantify Where Possible:** Whenever feasible, look for quantifiable metrics associated with each competency. For example, if leadership is a competency, assess whether there are concrete examples of leadership achievements or improvements.
4. **Assess Growth Over Time:** Evaluate whether employees have shown growth in their competencies over time. Have they improved their skills and attributes since their last appraisal?
5. **Consider Self-Assessment:** Pay attention to self-assessment scores. While these should be taken with a grain of salt, significant disparities between self-assessment and peer/manager assessments may indicate areas for discussion.
6. **Identify Strengths and Weaknesses:** Determine which competencies employees excel in and which areas may require improvement. This insight is invaluable for tailoring development plans.
7. **Analyze Feedback Comments:** Thoroughly review written feedback provided by peers and managers. Look for specific examples and anecdotes that support the assessment.
8. **Connect Appraisals to Goals:** Assess whether the competencies align with the employee's performance goals. A strong connection indicates that performance appraisal is driving goal achievement.

9. **Fairness and Bias:** Ensure that the appraisal process is free from bias and promotes fairness. Analyze whether assessments are consistent across employees and if any disparities require attention.
10. **Use Data for Decision-Making:** Finally, leverage the data obtained from competency-based performance appraisals to make informed decisions about promotions, training, and career development.

The Art of Competency-Based Performance Appraisal Analysis

Competency-based performance appraisal is a powerful tool for evaluating employee performance and fostering growth. As a recruiter or hirer, mastering the art of analyzing these appraisals allows you to identify top talent and make data-driven decisions in the hiring process. It also helps you gauge a candidate's potential for growth within your organization.

In today's dynamic job market, where skills and competencies are ever-evolving, competency-based performance appraisal provides a structured approach to assessing and developing employees. By honing your analysis skills in this area, you can contribute significantly to the success of your organization and ensure that the right talent is in the right roles.

DOWNSIZING IN IHRM

Downsizing in International Human Resource Management (IHRM) refers to the strategic reduction of workforce size within a multinational company's international operations. This process may involve eliminating positions, closing facilities, or restructuring operations to improve efficiency, cut costs, or adapt to changing market conditions. Downsizing in IHRM presents unique challenges and considerations due to the global nature of operations. Here's how downsizing is managed in IHRM:

1. **Global Coordination:** Coordinate downsizing efforts across different regions and countries to ensure consistency, compliance with local labor laws, and alignment with the company's overall strategic objectives. Centralize decision-making while allowing for flexibility to address regional differences.
2. **Legal and Regulatory Compliance:** Conduct a thorough review of labor laws and regulations in each country where downsizing will occur to ensure compliance with local requirements regarding employee terminations, severance packages, notice periods, and consultation processes.
3. **Communication and Transparency:** Communicate the reasons for downsizing transparently to affected employees, stakeholders, and the broader organization. Provide clear information about the process, timelines, and support available to impacted employees, including outplacement services, counseling, and career transition assistance.
4. **Consideration of Cultural and Social Factors:** Take into account cultural norms, values, and societal expectations related to employment termination and layoffs in each country.

Tailor communication and support strategies to address cultural sensitivities and minimize negative impacts on employee morale and organizational reputation.

5. **Mitigating Legal Risks:** Work closely with legal counsel and HR professionals to identify and mitigate legal risks associated with downsizing, such as potential claims of discrimination, wrongful termination, or labor disputes. Ensure that downsizing decisions are based on objective criteria and applied consistently across the organization.
6. **Retaining Key Talent:** Prioritize the retention of key talent critical to the company's long-term success. Identify high-performing employees with valuable skills and competencies and explore alternative options such as redeployment, reassignment, or voluntary attrition programs to retain their expertise within the organization.
7. **Maintaining Employee Engagement:** Despite downsizing, make efforts to maintain employee engagement and morale among remaining staff. Provide opportunities for open dialogue, feedback, and involvement in decision-making processes to address concerns and foster a sense of trust and loyalty within the organization.
8. **Rebuilding and Reorganization:** Following downsizing, focus on rebuilding and reorganizing the workforce to optimize efficiency, agility, and competitiveness. Review staffing levels, roles, and responsibilities to ensure alignment with business objectives and emerging market trends.
9. **Monitoring and Evaluation:** Continuously monitor the impact of downsizing on employee morale, organizational performance, and stakeholder perceptions. Evaluate the effectiveness of downsizing strategies and make adjustments as needed to address any unintended consequences or emerging challenges.
10. **Learning and Improvement:** Learn from the downsizing experience to improve future workforce management strategies. Capture lessons learned, best practices, and feedback from stakeholders to enhance the organization's ability to navigate similar challenges in the future.

Overall, downsizing in IHRM requires careful planning, sensitivity to cultural and legal considerations, and a focus on preserving employee well-being while achieving business objectives. By adopting a strategic and thoughtful approach, multinational companies can effectively manage downsizing processes and minimize negative impacts on employees and organizational performance.

LAY OFF IN MNC

Layoffs in multinational corporations (MNCs) involve the termination of employment for a significant number of employees across different countries or regions. This strategic decision is typically made in response to various factors such as economic downturns, changes in market conditions, organizational restructuring, or technological advancements. Managing layoffs in MNCs requires careful planning, coordination, and consideration of the unique challenges associated with operating across borders. Here's how layoffs are typically handled in MNCs:

1. **Strategic Alignment:** Ensure that layoffs align with the company's global strategy, financial objectives, and long-term sustainability goals. Evaluate the impact of layoffs on the organization's market presence, operational efficiency, talent retention, and competitive positioning across different regions and business units.
2. **Centralized Decision-Making:** Centralize decision-making and oversight of layoff initiatives to maintain consistency, transparency, and compliance with company policies and standards across all locations. Establish clear communication channels and reporting mechanisms to facilitate coordination among regional teams, business leaders, and corporate headquarters.
3. **Legal and Regulatory Compliance:** Conduct a thorough review of labor laws, regulations, and employment practices in each country where layoffs will occur. Ensure compliance with local requirements regarding employee terminations, severance packages, notice periods, consultation processes, and any legal obligations related to collective bargaining agreements or employment contracts.
4. **Employee Communication and Support:** Communicate the reasons for layoffs transparently and empathetically to affected employees. Provide clear information about the process, timelines, and available support services, including career counseling, outplacement assistance, and access to employee assistance programs (EAPs) to help individuals navigate the transition and explore future career opportunities.
5. **Retaining Key Talent:** Prioritize the retention of key talent critical to the company's core business functions, strategic initiatives, and long-term growth objectives. Identify high-potential employees with specialized skills, expertise, or leadership potential and explore alternative options such as redeployment, reassignment, or voluntary attrition programs to retain their talent within the organization.
6. **Managing Stakeholder Relations:** Proactively manage relationships with various stakeholders, including employees, unions, government agencies, investors, customers, suppliers, and local communities. Engage in open dialogue, consultation, and collaboration to address concerns, mitigate risks, and maintain trust and goodwill during the layoff process.
7. **Rebuilding and Resilience:** Focus on rebuilding organizational resilience and agility following layoffs. Evaluate staffing needs, skill requirements, and workforce capabilities to optimize operational efficiency, innovation, and competitiveness in the evolving business landscape.
8. **Monitoring and Evaluation:** Continuously monitor the impact of layoffs on employee engagement, organizational performance, and stakeholder perceptions. Evaluate the effectiveness of layoff strategies, communication efforts, and support programs to identify lessons learned, best practices, and areas for improvement.

9. **Learning and Adaptation:** Learn from the layoff experience to improve future workforce management strategies and enhance organizational resilience. Capture insights, feedback, and success stories from employees, managers, and other stakeholders to inform decision-making, foster innovation, and strengthen the company's capacity to navigate future challenges and opportunities.

In summary, managing layoffs in MNCs requires strategic planning, proactive communication, legal compliance, talent retention, stakeholder engagement, and a focus on rebuilding organizational resilience. By adopting a thoughtful and comprehensive approach, MNCs can effectively manage layoffs while safeguarding employee well-being, preserving organizational capabilities, and positioning the company for long-term success in a dynamic global environment.

TURNOVER IN MNC

Employee turnover in multinational corporations (MNCs) refers to the rate at which employees leave the organization voluntarily or involuntarily and are replaced by new hires. Managing turnover in MNCs presents unique challenges due to the diverse workforce, cultural differences, and complex organizational structures across multiple countries or regions. Here's how turnover is typically addressed in MNCs:

1. **Understanding the Causes:** Identify the factors contributing to turnover within the organization, including job dissatisfaction, lack of career advancement opportunities, poor management practices, inadequate compensation and benefits, cultural mismatches, and work-life balance issues. Conduct exit interviews, employee surveys, and data analysis to gain insights into the underlying causes of turnover.
2. **Talent Acquisition and Recruitment:** Implement robust recruitment and selection processes to attract and retain top talent. Tailor recruitment strategies to target candidates with the skills, experience, and cultural fit necessary for success in international roles. Leverage employer branding, networking, and talent pipelines to proactively identify and engage potential candidates.
3. **Employee Engagement and Retention:** Invest in initiatives to enhance employee engagement, satisfaction, and retention. Provide opportunities for career development, training, and advancement to support employees' professional growth and job satisfaction. Foster a positive work culture that values diversity, inclusion, collaboration, and recognition of employee contributions.
4. **Performance Management and Feedback:** Implement effective performance management systems to recognize and reward high performers, provide constructive feedback, and address performance issues proactively. Offer coaching, mentoring, and support to help employees succeed in their roles and achieve their career goals. Encourage open communication and dialogue between managers and employees to address concerns and promote a culture of continuous improvement.

5. **Compensation and Benefits:** Ensure that compensation and benefits packages are competitive and aligned with market benchmarks and industry standards. Review and adjust salary structures, incentives, bonuses, and other rewards to attract and retain top talent. Offer additional perks and benefits that appeal to the diverse needs and preferences of employees across different countries or regions.
6. **Work-Life Balance and Well-being:** Promote work-life balance and employee well-being initiatives to reduce stress, burnout, and turnover. Offer flexible work arrangements, telecommuting options, and wellness programs to support employees' physical, mental, and emotional health. Provide resources and support for managing work-related stress, family responsibilities, and personal development.
7. **Cross-Cultural Training and Integration:** Provide cross-cultural training and support to help employees navigate cultural differences, communication styles, and business practices in international environments. Facilitate cultural integration and collaboration among diverse teams through team-building activities, cultural awareness workshops, and exchange programs.
8. **Succession Planning and Talent Development:** Develop comprehensive succession planning strategies to identify and develop future leaders within the organization. Implement talent development programs, leadership training, and mentoring initiatives to build a pipeline of skilled professionals capable of driving organizational growth and innovation.
9. **Exit Interviews and Knowledge Transfer:** Conduct exit interviews with departing employees to gather feedback, insights, and suggestions for improving retention and engagement. Use this information to identify trends, address root causes of turnover, and implement corrective actions. Facilitate knowledge transfer and documentation to capture valuable insights and expertise before employees depart.
10. **Continuous Monitoring and Improvement:** Continuously monitor turnover rates, employee engagement levels, and other relevant metrics to assess the effectiveness of retention strategies and identify areas for improvement. Review and adjust HR policies, practices, and programs based on feedback, data analysis, and evolving business needs to optimize employee retention and organizational performance.

By addressing turnover proactively and implementing targeted retention strategies, MNCs can enhance employee satisfaction, engagement, and loyalty, mitigate talent shortages, and position themselves for long-term success in the global marketplace.

INTERNATIONAL COMPENSATION

International compensation can be defined as the provision of monetary and non-monetary rewards, including base salary, benefits, perquisites, long- and short-term incentives, valued by employees in accordance with their relative contributions to MNC performance.

Compensation is a key economic issue, which continues to assume an increasingly large share of its operating expenses. HR executives in global firms spend a great deal of time and make a lot of effort in designing and managing compensation programmes, because of their high cost and impact on corporate performance, employees commitment and also their retention.

Objectives of International Compensation

- Attract employees who are qualified, experienced and interested in international assignments
- Facilitate the movement of expatriate's from one subsidiary to another, from home to subsidiary, and back from subsidiary to home
- Provide a consistent and reasonable relationship between the pay levels of employees at headquarters, domestic affiliates and foreign subsidiaries
- Be cost effective by reducing unnecessary expenses
- Should be easily understood and easy to administer

Elements of International Compensation

There are many complexities in the international compensation programme as all the objectives are difficult to meet and require a high degree of expertise. The main elements are discussed as follows:

- **Base pay**
- **Incentives**
- **Retention and Referral Bonuses**
- **Allowances**
- **Benefits**
- **Taxes**
- **Long-term Benefits**

Base pay

Base pay is the primary component of a package of allowances and may be paid in-home or local-country currency. The base salary is the foundation block for international compensation whether the employee is a Parent Country or from any other country.

It is the main element in the compensation structure that decides the status, rank or grade. This is the basic element upon which all the other components are built and retirement benefits calculated both in domestic and international compensations.

Incentives

Incentives are used to motivate employees for higher performance and to undertake foreign assignments. Latest trends in total compensation package has seen a rise in monetary benefits.

Retention and Referral Bonuses

Almost every organisation faces the issue of turnover of employees at some point or the other. Referral bonus is paid to employees who bring qualified new employees who meet the selection criterion.

This reduces recruitment cost and time of the organisation and hence referral bonus is paid. There are many factors leading to retention of employees apart from money such as quality of work-life, flexibility at work timings, challenging assignments, transport and other benefits and rise in career graph.

Allowances

- **Foreign service premiums:** most common for employees on long-term assignments (over one year). More often paid to parent country nationals (PCNs) than to third country nationals (TCNs).
- **Hardship:** in consideration of isolation, crime, natural hazards, political violence, based on government data upon which rates can be provided by consulting organizations such as International SOS, a global medical and security assistance company.
- **Relocation:** compensation for costs such as transport, storage, temporary accommodation, purchases of appliances and vehicles, associated with moving to the host country.
- **Education:** for assignees' children. This may involve compensation for language classes, books, and school fees. Home country boarding school fees may also be involved for assignees who opt not to take their children to isolated and or politically violent locations.
- **Home leave:** provision for the assignee and family to return home periodically during the length of the assignment.

Benefits

These are also known to be indirect compensation and their purpose is to minimise the payments and enhance quality of life. Benefits could include use of health clubs, medical treatment to family, upkeep of house, servants etc.

Taxes

These take a substantial part of the salary to governments of both host and home countries. Hence, MNCs follow tax equalisation policy, according to which the expatriates pay only the taxes required to be paid in the home country and what is required to be paid to the host country is paid by the country. Expatriates are required to obtain tax clearance certificate from the host country before they are allowed to leave the country.

Long-term Benefits

- **Employee Stock Option Plan (ESOP)**- a certain nos. of shares are reserved for purchase and issuance to key employees
- **Restricted Stock Unit (RSU)** –Units of stocks are provided with restrictions on when they can be exercised. It is usually issued as partial compensation for employees
- **Employee Stock Purchase Plan (ESPP)** –Company sells shares to its employees at a discount. Company deducts the purchase price of these shares every month from the employee's salary

COMPENSATION PRACTICES IN MNCs

Compensation practices in multinational corporations (MNCs) are often complex due to the diverse workforce, regulatory requirements, and varying market conditions across different countries or regions where the company operates. Here are some common compensation practices in MNCs:

1. **Global Compensation Philosophy:** MNCs typically establish a global compensation philosophy that outlines the company's approach to compensation, including principles such as pay-for-performance, competitiveness, fairness, and alignment with business objectives. This philosophy serves as a guiding framework for compensation decisions across the organization.
2. **Market-Based Compensation:** MNCs conduct regular benchmarking studies to assess the competitiveness of their compensation packages relative to industry peers and local market conditions in each country or region. This ensures that salaries, bonuses, and other incentives remain competitive and attractive to top talent.
3. **Standardization and Localization:** MNCs balance the need for global consistency with the necessity to adapt compensation practices to local norms, regulations, and cost-of-living factors. While certain elements of compensation may be standardized globally (e.g., corporate bonus structures), others may be localized to reflect regional differences in pay practices and cultural expectations.
4. **Executive Compensation:** MNCs often have elaborate executive compensation programs to attract and retain top leadership talent. These programs typically include a mix of base salary, bonuses, long-term incentives (e.g., stock options, restricted stock units), and executive benefits tailored to the company's performance goals and shareholder interests.
5. **Variable Pay and Performance-Based Incentives:** MNCs frequently utilize variable pay and performance-based incentives to reward employees for their individual and collective contributions to business results. These incentives may take the form of annual bonuses, sales commissions, profit-sharing plans, or other performance-related bonuses tied to specific goals, targets, or key performance indicators (KPIs).

6. **Equity Compensation:** Many MNCs offer equity-based compensation programs to employees, particularly those in executive, managerial, or critical roles. These programs may include stock options, restricted stock units (RSUs), or employee stock purchase plans (ESPPs), providing employees with an ownership stake in the company and aligning their interests with shareholder value creation.
7. **Benefits and Perks:** MNCs typically offer comprehensive benefits packages to employees, including health insurance, retirement savings plans, paid time off, parental leave, and other employee perks and amenities. Benefits may vary by country or region to comply with local regulations and address specific employee needs and preferences.
8. **Expatriate and Global Mobility Compensation:** MNCs often provide special compensation packages for expatriate employees and global assignees to compensate for the challenges and costs associated with international assignments. These packages may include allowances for housing, cost-of-living differentials, relocation assistance, tax equalization, and other expatriate benefits.
9. **Compliance and Governance:** MNCs must ensure compliance with local labor laws, tax regulations, and accounting standards when designing and implementing compensation practices. They also need to adhere to corporate governance guidelines and disclose executive compensation information to shareholders and regulatory authorities in accordance with applicable laws and regulations.
10. **Communication and Transparency:** Effective communication and transparency are essential for ensuring that employees understand their compensation packages, including how pay decisions are made, the performance criteria used to determine bonuses or incentives, and the overall value of their total compensation. Transparent communication builds trust, enhances employee engagement, and reduces the likelihood of misunderstandings or dissatisfaction related to compensation.

Overall, compensation practices in MNCs are guided by the company's global compensation philosophy, local market dynamics, regulatory requirements, and the need to attract, retain, and motivate a diverse workforce in an increasingly competitive global talent market. By adopting a strategic and holistic approach to compensation management, MNCs can effectively align compensation with business objectives, foster employee engagement and retention, and drive organizational performance across borders.

REWARDS AND INCENTIVES IN MNCS

Rewards and incentives play a crucial role in motivating and retaining employees in multinational corporations (MNCs). These organizations often employ various reward and incentive strategies to recognize and encourage high performance, drive employee engagement, and align individual efforts with organizational goals across different countries and cultures. Here are some common rewards and incentives practiced in MNCs:

1. **Financial Rewards:**

Base Salary: MNCs typically offer competitive base salaries to attract and retain top talent. Base salaries are usually determined based on factors such as job role, level of responsibility, skills, experience, and market benchmarks.

Variable Pay: MNCs often utilize variable pay components such as annual bonuses, performance-based incentives, profit-sharing plans, or sales commissions to reward employees for achieving specific performance targets or exceeding expectations.

Long-Term Incentives: MNCs may offer long-term incentives such as stock options, restricted stock units (RSUs), or performance shares to align employees' interests with long-term shareholder value creation and retention objectives.

2. **Non-Financial Rewards:**

Recognition Programs: MNCs implement employee recognition programs to acknowledge and reward exceptional performance, contributions, and achievements. These programs may include formal awards, public recognition, praise from managers, or peer-to-peer recognition platforms.

Career Development Opportunities: MNCs provide opportunities for career advancement, professional growth, and skill development through training programs, mentoring, coaching, and access to learning resources. Career development opportunities help motivate employees and enhance their job satisfaction and engagement.

Work-Life Balance Initiatives: MNCs offer flexible work arrangements, telecommuting options, parental leave policies, wellness programs, and other initiatives to support employees' work-life balance and overall well-being. These benefits contribute to employee satisfaction, retention, and productivity.

Employee Benefits: MNCs provide comprehensive benefits packages that may include health insurance, retirement savings plans, paid time off, childcare assistance, and other employee perks and amenities. Benefits are tailored to meet the diverse needs and preferences of employees in different countries and regions.

Global Mobility Benefits: MNCs offer special benefits and allowances to employees on international assignments or global mobility assignments. These benefits may include housing allowances, relocation assistance, tax equalization, language training, cross-cultural support, and expatriate benefits to compensate for the challenges and costs associated with living and working abroad.

3. **Sales Incentives:**

MNCs use sales incentives such as sales commissions, performance bonuses, sales contests, and recognition programs to motivate and reward sales teams for achieving revenue targets, acquiring new customers, and driving business growth in local and international markets.

4. **Team-Based Rewards:**

MNCs implement team-based rewards and incentives to promote collaboration, teamwork, and collective performance. These rewards may include team bonuses, profit-sharing plans, project completion bonuses, or recognition events for achieving team objectives and milestones.

5. **Global Recognition Programs:**

MNCs establish global recognition programs to celebrate and reward employees' contributions and achievements across different countries and regions. These programs foster a sense of belonging, camaraderie, and appreciation among employees worldwide, promoting a unified company culture and values.

6. **Customization and Localization:**

MNCs tailor rewards and incentives to meet the unique needs, preferences, and cultural expectations of employees in each country or region. Customization and localization ensure that rewards are meaningful, relevant, and impactful, maximizing their effectiveness in driving employee motivation, engagement, and retention.

Overall, rewards and incentives in MNCs are designed to recognize and reinforce desired behaviors, drive performance and productivity, foster employee engagement and loyalty, and support the organization's strategic objectives in a global context. By implementing a strategic mix of financial and non-financial rewards, customized to meet the diverse needs of employees worldwide, MNCs can create a motivating and rewarding work environment that attracts, retains, and inspires top talent across borders and cultures.

UNIT V

ISSUES IN IHRM

- Managing international assignments
- Employee and family adjustment
- Selecting the right person for a foreign assignment
- Culture, communication and language
- Language and communication

Other International Issues to be addressed by HR

- Clarifying taxation issues
- Coordinating foreign currencies, exchange rates
- Compensation plans
- Working directly with the families of employees
- More involvement in employees' personal life, family 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

Main ISSUES in IHRM

- 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 – managing critical knowledge and speed of information flow
- Talent identification and development - identify capable people who are able to function effectively
- Barriers to women in IHRM
- International ethics
- Language (e.g. spoken, written, body)
- Different labor laws
- Different political climate
- Different stage(s) 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

Cultural Problems Encountered by Multinational Companies

1. Individualism Versus Collectivism

The American culture stresses individualism -- an individual's self-interest trumps group affiliations. Collectivist cultures put the group before self; in return, the group cares for each member. A multinational operating in a collectivist culture such as China, Japan and Mexico will have difficulty motivating employees through individual incentives and competition. Business owners should instruct overseas managers to operate with the group dynamic in mind and consider relying on teams to accomplish work.

2. Time Relationships

Different cultures perceive time differently, which affects issues such as punctuality and schedules. Whereas Americans perceive tardiness to be a sign of disrespect, people in some Latin American cultures arrive late to show respect. Americans think that getting right down to a business negotiation is the natural course of things. In other cultures, such as Japan's, conversation and building relationships is part of the process. The book "Communication Between Cultures" explains that conversation can go on for hours or even days.

3. Language Barriers

Language can be a significant obstacle for a small business that becomes a multinational company. The solution isn't just a matter of learning the language. For instance, Spanish varies from one Latin American nation to another, including dialect, slang and pronunciation. Language also has contextual nuances and nonverbal dimensions that change meaning. Also, not all foreign words and phrases are translatable.

4. Traditions

All cultures have customs, taboos and superstitions. A business owner should go beyond learning a foreign market's holidays to subtler knowledge, including local business etiquette. The book "Management: Meeting and Exceeding Expectations" points out that while gift-giving in a U.S. setting may seem like bribery, it's expected in some cultures. Additionally, there's the matter of choosing appropriate gifts, how to wrap and present gifts and how to open gifts you receive. Many traditions are tied to "deep structure institutions," notes the book "Communication Between Cultures." Deep structure institutions -- family, religious and state institutions -- evoke deep feelings, and insensitivity can be disastrous.

Corporate Social Responsibility at Global Level

The rationale here is that companies operating in a well-functioning market contribute to achieving broader social goals such as employment, general development and welfare, thereby making their contribution to society. In recent years, CSR has come to encompass more. This

relates to the increasing influence of the private sector as a result of globalisation, and the opportunities and challenges associated with this. Corporate social responsibility, with its attendant norms and standards, is evolving constantly as new knowledge is acquired. At the core of the concept lies the responsibility of companies towards people, society and the environment that are affected by their activities.

1. Eradication of Poverty and Hunger
2. Universal Primary education
3. Promote equality and empower women
4. Reduce Child Mortality
5. Improve Maternal Health
6. Combat HIV/AIDS/Malaria and other critical diseases
7. Ensure Environmental sustainability
8. Develop a Global Partnership for development

GLOBAL DOWNSIZING:

Global downsizing refers to the process of reducing the workforce and/or operations of a company on a global scale. It typically involves significant restructuring efforts that affect employees across multiple countries and regions. Global downsizing can be driven by various factors, including economic downturns, shifts in market demand, technological advancements, mergers and acquisitions, or strategic reorganization initiatives.

Global downsizing in International Human Resource Management (IHRM) refers to the strategic reduction of workforce or operations on a multinational scale. This can occur due to various reasons such as economic downturns, mergers and acquisitions, technological advancements, changes in market demand, or restructuring initiatives. In the context of IHRM, global downsizing presents unique challenges and considerations due to the diverse cultural, legal, and regulatory environments in which multinational companies operate. Some key aspects to consider in managing global downsizing in IHRM include:

Key aspects and considerations in global downsizing include:

1. **Strategic Planning:** Companies need to carefully assess their strategic objectives and identify areas where downsizing is necessary to align with their goals. This involves evaluating market conditions, competitive pressures, and long-term business viability.
2. **Legal and Regulatory Compliance:** Adhering to labor laws, regulations, and employment practices in each country where downsizing occurs is crucial. This includes compliance with notice periods, severance pay requirements, and other legal obligations related to employee termination.
3. **Communication:** Transparent and timely communication with employees is essential throughout the downsizing process. Clear communication helps to reduce uncertainty, anxiety, and potential resistance among employees impacted by the changes.
4. **Employee Support:** Providing support services to affected employees, such as career counseling, outplacement assistance, training programs, and access to resources for job

search and reemployment. This helps to mitigate the negative impact of downsizing on individuals and their families.

5. **Retention of Key Talent:** Identifying and retaining key talent critical to the company's core operations and future growth is important. Retaining key employees helps to preserve institutional knowledge, maintain essential skills, and sustain organizational capabilities.
6. **Global Mobility Considerations:** Managing international mobility issues, such as work visas, permits, and relocation logistics, for employees affected by downsizing. Companies must navigate immigration laws and regulations to ensure compliance and support affected employees who may need to relocate or transition to new roles.
7. **Rebuilding Organizational Culture:** Proactively addressing the impact of downsizing on organizational culture and employee morale. Companies need to foster a supportive and inclusive work environment to rebuild trust, engagement, and commitment among remaining employees.
8. **Evaluation of Long-Term Impacts:** Continuously assessing the long-term implications of downsizing on the company's competitiveness, innovation capacity, and ability to adapt to changing market conditions. Companies must monitor the effectiveness of downsizing strategies and adjust their approaches as needed to sustain growth and success.

In summary, global downsizing is a complex and challenging process that requires careful planning, legal compliance, effective communication, and support for affected employees. Companies must navigate cultural, legal, and operational differences across multiple countries while maintaining focus on their strategic objectives and long-term sustainability.

International Industrial Relations (IIR)

Introduction:

Industrial Relations (IR), alternatively known as Labour Relations, occupies a place of importance in International Human Resource Management (IHRM). Hence, this chapter is devoted to a detailed discussion of all facets of labour relations. IR is a system by which workplace activities are regulated; the arrangement by which the owners, the managers and the staff of organizations come together to engage in productive activity. It provides for setting standards and promoting consensus.

Key Players:

1. Employees – Employees are represented by unions, popularly called trade union, Union seek to protect the interests of workers at work place
2. Employers - MNCs and their associations. The function of the employer In IR is to set standards of Employee management, attitudes Behavior and performance; To set terms and conditions of employment To act in a fair and reasonable way towards all

3. Government - Government of the land – act as an employer and as a regulator. As a dominant employer, the Govt. sets Standards of employment and IR practices that others are expected to follow. As a regulator, the Govt. enacts legislations, sets up tribunals and enforces them for the sake of improving labour welfare.

Labour Relations or IR is concerned with:

- Collective Bargaining
- Role management, unions and Government
- Machinery for resolution of industrial disputes,
- Individual Grievances and disciplinary policy and practices.
- Labour legislations and
- Industrial Relations training

Approaches to IR:

The scenario of IR is perceived different countries. For some Easter European nations, for example, IR is related to class conflict, others perceived it in terms of mutual co-operation (Asian Countries) and still others understand it in terms of competing interests of various groups (developed countries)

IHR managers are expected to understand these varying approaches because they provide the theoretical supporting of much of the role of IHRM

There are three popular approaches to IR: Unitary, Pluralistic, and Marxist.

1. Unitary: The unitary approach emphasis on the growth of the org. and both management as well as employees are expected to work towards its success. The approach also believes in the existence of unions, government and tribunals.

2 Pluralistic: Departs from the unitary approach, it perceives: Organizations as coalitions of competing interests, where the management's role is to mediate amongst the different groups. Trade union as legitimate representative of employees interests. Stability in IR as the product of concessions and compromises between management and unions.

3. Marxist: Focuses on the type of society in which an org. functions. CONFLICT ARISES not because of competing interests within the org. but because of the division within society – the class.

Role of Trade Union at International Level:

What should the unions do to regain, consolidate and play a critical role in the creation and distribution of wealth all over the world? Several Tactics in ITU:

1. Improvement in Recruitment drive:

Contrary to popular perception, there is no general antipathy amongst workers towards unions. It is true that individual units here and there are successful in roping in more and more number of workers into the union fold.

2. Develop Workers centres:

the ideal way of making union reachable to all workers is to develop multiple access points for organizing, such as worker's centres. The important functions are:

- An opportunity to form community and share their grievances
- Worker's rights
- Political consciousness through low risk actions.
- Wage movement to gain "living wage"

3. Union need to pool resources via Mergers. The largest ever merger, with nearly 3 million members, occupied with the founding of Germany's largest union Ver.di (the united service sector union) in March 2001.

4. Lobby for Restrictive National legislation – Unions need to lobby for restrictive national legislation. Lobbying has been there in the US and Europe. The idea behind restrictive legislation is to prevent the exports of jobs via multinational investment policies.

5. International Trade secretariats (ITS) can help unions considerably. ITS, have been helping in just exchange of information. From here, they should go further and achieve the goal of transitional bargaining with each of the multinationals. Each of the 5, LTSs has similar programs, aiming to achieve the transnational bargaining. The program contains are:

- Research and information's
- Convening company conferences
- Establishing company councils
- Company – wide union management discussions, and
- Coordinated bargaining.

So far ITSs have not been highly successful at least of four reasons:

1. Generally good wages and working conditions offered by MNCs.
2. Strong resistance from MNCs
3. Conflicts within the labour movements.
4. Different laws and customs in the Industrial Relations field.

6. Using the good offices of international organizations might help unions in improving their bargaining power. ILO (International Labour Organization), the United Nations Conference on Trade and Development (UNCTAD), European Union (EU). Each of these world bodies has a clear agenda for safeguards the interests of workers all over the world. ILO, with over 175 members (India is a member founder) is one of the most significant institutions whose directives and rulings have a direct bearing on HRM and other workplace regulations in member states. It was set up in 1917, after the Russian revolution to show workers elsewhere that capitalism did care for the welfare of the workers.

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