

UNIT-1

INTRODUCTION TO INTERNATIONAL HRM

DEFINITIONS

IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level.

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OBJECTIVES OF IHRM

1. Create a local appeal without compromising upon the global identity.
2. Generating awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries..
3. To avoid cultural risk.
4. To avoid regional disparities.
5. To manage diversified human capital.
6. To train the expatriates on cultures and sensitivities of the host country.

NEED FOR IHRM

1. Managing expatriates
2. Globalization has forced HRM to have international orientation
3. Effectively utilize services of people at both the corporate office and at the foreign plants

. DIFFERENCES BETWEEN DOMESTIC HRM AND INTERNATIONAL HRM (IHRM)

Domestic HRM is the process of procuring, allocating and effectively utilizing the human resources in local countries.

IHRM work internationally or beyond national borders, whereas its domestic counterpart works within the set, local, national borders.

- Domestic HRM is done at national level and IHRM is done at international level.
- Domestic HRM is concerned with managing employees belonging to one nation and IHRM is concerned with managing employees belonging to many nations (Home country, host country and third country employees)
- Domestic HRM is concerned with managing limited number of HRM activities at national level and IHRM has concerned with managing additional activities such as expatriate management.

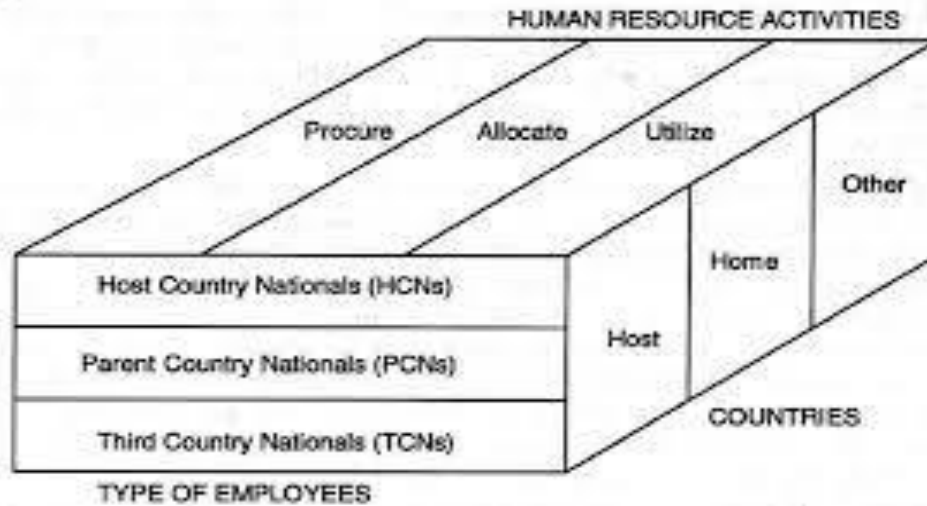
- Domestic HRM is less complicated due to less influence from the external environment. IHRM is very complicated as it is affected heavily by external factors such as cultural distance and institutional factors.

MODEL OF INTERNATIONAL HRM

The three main dimensions of IHRM

1. Human resource activities
2. Countries of operation
3. Origin of employees

1. **Human resource activities-** HR activities in an IHRM context involve procurement, allocation, and utilization of workforce. These functions in turn cover all the six activities of human resources management, that is, human resource planning, hiring, training and development, remuneration, performance management, and employee relations.
2. **Countries of operation-** The countries of operation in an IHRM perspective involves the host country in which the overseas operation is located, the home country that houses the headquarters of the company, and other countries that supply labour and finance.
3. **Origin of employees-** The origin of the workforce of an international business can be classified into three types – parent country nationals, host country nationals, and third country nationals.
 - a) **Home country employees-** Employees belonging to home country of the firm where the corporate head quarter is situated.
 - b) **Host country employees-** Employees belonging to the nation in which the subsidiary is situated.
 - c) **Third country employees-** These are the employees who are not from home country/host country but are employed at subsidiary or corporate head quarters. As an example a American MNC which has a subsidiary at India may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third country employee.



OVERVIEW OF INTERNATIONAL HR ACTIVITIES

1. Human resource planning
2. Recruitment and Selection
3. Performance appraisal
4. Training and Development
5. Compensation
6. International Employee relations

1. **Human resource planning-** It is a process that identifies current and future human resources needs for an MNC to achieve its goals. Human resource planning should serve as a link between human resource management and the overall strategic plan of an organization. It assumes greater relevance in international business to realize the strategic global activities, but sometimes the implementation of HRP procedures may be difficult in some host countries than in others.
2. **Recruitment and Selection-**International HR manager must not only select people with skills but also employees who can mix with the organizational culture. Staffing approaches in IHRM are-
 - a. **Ethnocentric approach:** Here the key management positions are filled by the parent country individuals.
 - b. **Polycentric approach:** In polycentric staffing policy the host country nationals manage subsidiaries whereas the headquarter positions are held by the parent company nationals.
 - c. **Geocentric approach:** In this staffing policy the best and the most competent individuals hold key positions irrespective of the nationalities.

3. **Expatriates Performance appraisal-** Performance management may be understood as a process that enables an MNC to evaluate and facilitate continuous improvement of individuals, subsidiary units and corporate performance, against clearly defined, pre-set goals and targets. Obviously, performance management is comprehensive in as much as it includes assessment of the performance of not only individuals but the activities of the firm and its subsidiaries too. But the focus is mainly on assessment of expatriate performance.

The system of appraisal in global countries involves 12 steps-

1. Establish performance standards.
2. Communicate standards to the employee as well as evaluators.
3. Deciding upon performance appraisal format.
4. Measuring actual performance by the evaluators using observation, interviews, records or reports.
5. Deciding on the frequency of appraisal.
6. Adjust the actual performance due to environmental influence.
7. Compare the adjustment with that of others and the previous one.
8. Compare the actual performance with the standards and find out is there any deviation.
9. Feedback of the appraisal.
10. Suggest changes in job analysis and standards.
11. Compare the appraisal results for promotion and contract renewal.
12. Plan for employee training and development.

4. **Training and development-** Training and development increases in complexity as MNEs move abroad. Types of training and development programs depend on a number of factors:
- a. The degree to which management is centralised.
 - b. The types of workers employed in subsidiaries or joint ventures.
 - c. The importance of branding, and the extent to which employees are expected to reflect the brand.
 - d. The cultural expectations of training.

Objectives of training in foreign countries:

- a. Bridging the cultural gaps between the host and parent country.
- b. Recognising that orientation challenges are different for parent and host units.
- c. Ensuring that organization success is critical in achievement of objectives.
- d. Building a united corporate culture across the subsidiaries.

Types of Training

- a) **Cross culture training-** It is training which seeks to foster and appreciation for host country's culture. The belief is that understanding the host country culture will empathise the manager with the culture which will enhance the effectiveness and interactions with the host country citizens. It enables the expatriates to learn the cultural norms, values, aptitudes, attitudes, beliefs, behaviours and practices of the host country.
 - b) **Language training-** It is a seemingly obvious and desirable component of a pre-departure programme. One weakness of many MNC's is that they do not give attention to the importance of language training. English is the primary language of international businesses, and most expatriates from all the countries can converse in English. It may be reiterated that willingness to communicate in the host country language will help builds rapport with local employees and improve the expatriate's effectiveness.
 - c) **Practical training** –It seeks to help the expatriate manager and family feel at home in the host country. Sooner the expatriate settles down, better are the prospects that he or she and his or her family will adapt successfully. The expatriate community can be a useful source of support and information, and can help the family to adapt to the host country culture.
5. **Compensation-** Expatriate compensation packages can vary enormously from company to company and location to location. The major focus of most international compensation

programme is to keep international employees at a sufficient financial level during their international assignments so that they do not lose ground economically.

The compensation package needs to be designed to achieve the following objectives:

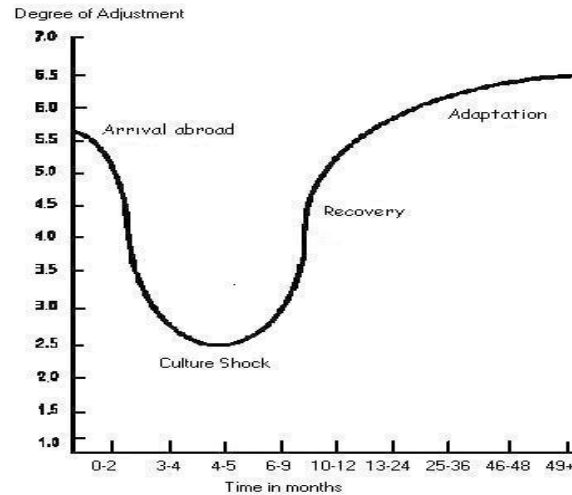
- a. Attract employees who are qualified and interested in international assignments.
 - b. Facilitate the movement of expatriate from one subsidiary to another, from the home country to subsidiaries and from subsidiaries back to the home country.
 - c. Provide a consistent and a reasonable relationship between the pay levels of employees at the headquarters, domestic affiliates and foreign subsidiaries.
 - d. Be cost effective by reducing unnecessary expenses.
 - e. The expat remuneration package generally comprises of salary, benefits, allowances, incentives and taxes.
6. **International employee relations**- It involves handling industrial relations problems in a subsidiary and issues like the attitude of parent company towards unions in a subsidiary. The key issue in international employee relations is the degree to which organized labour can limit the choices to integrate and consolidate its global operations.

INTERNATIONAL ADJUSTMENT

The major problem with expatriate is adjustment in the new international environment. International adjustment of the expatriate can be studied in four stages-

- a. **The Honeymoon stage**-The expatriate and his family are fascinated by the culture of host country, the accommodation, the transportation, the education facilities to their children etc., Expat enjoys a great deal of excitement, as he/she discovers the new culture.
- b. **The Culture shock stage**-Culture shock is the frustration and confusion that result from being bombarded by uninterruptable cues. It is explained in terms of the disruptions to established routines of behavior. It is the critical stage and how the individual copes with the psychological adjustment in this phase has an important outcome in terms of success or failure.
- c. **The Adjusting stage**- The expatriate slowly learns the values, norms, behaviours of the people and slowly adjusts to the culture of the new country. Expats begins to feel more positive, works more effectively and lives a more satisfying life.
- d. **The mastery stage**- Expat now concentrates on the work efficiently, he learns and adopts to the new environment completely and becomes like a citizen.

Stages of International adjustment



Framework of International adjustment

There are four dimensions of international adjustment-

1. Individual dimension
 - a. Self efficacy
 - b. Relational skills
 - c. Perception skills
2. Job dimension
 - a. Role clarity
 - b. Role discretion
 - c. Role novelty
 - d. Role conflict
3. Organisational culture dimension
 - a. Organisation culture novelty
 - b. Social support
 - c. Logistical help
4. Non-work dimension
 - a. Culture novelty
 - b. Family-spouse adjustment

CONCEPT OF EXPATRIATION AND REPATRIATION

EXPATRIATION

- An expatriate, or ex-pat, is an individual living and/or working in a country other than his or her country of citizenship, often temporarily and for work reasons.
- An expatriate can also be an individual who has relinquished citizenship in their home country to become a citizen of another.

- Expatriate in HRM commonly shortened to expat, is someone living in a country different to their own for the purposes of undertaking a short or long-term overseas work assignment. This can include employees sent to manage a new office or set up a new location.
- An expatriate is somebody who has left their country of origin in order to reside in another country.
- Ex-pats may leave home for work reasons, including migrant labor who seeks more lucrative employment in a different country.
- Expatriates may live for a while overseas, or completely renounce their citizenship of one country in favor of another.
- Retiring abroad has become an increasingly popular option.

The four most common criteria are

- (a) Technical competencies;
- (b) Human relational skills;
- (c) Spouse and family adaptability; and
- (d) Desirability to serve overseas.

Expatriation process



Figure 1

Expatriate management process.

Note: Each stage presented in Figure 1 relies on the studies of Anderson (2001); Jasawala et al. (2004); Shen and Edwards (2004); Wong (2001) and Meyerhofer and Scullion (2002).

REPATRIATION

The activity of bringing the expatriate back to the home country is called Repatriation. It needs careful handling, which has been realized lately.

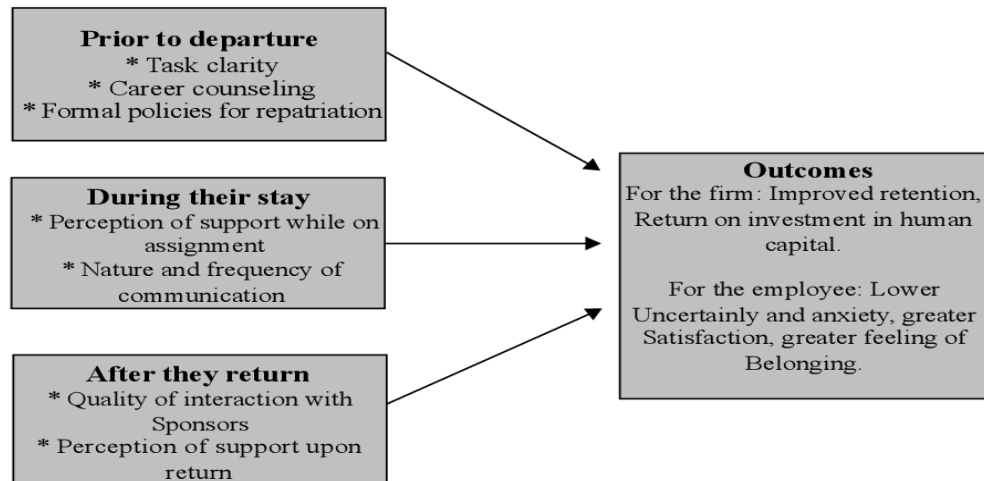


Figure 1: Model of effective repatriation.

Reasons for repatriation-

- a. Period of posting got over.
- b. Expatriates want their children in a home country school.
- c. Assignees are not happy in their overseas assignments.
- d. Failure to do a good job.

Benefits from returnees-

- a. Imbued with global culture and also have understood local culture.
- b. Global social network.
- c. Understand both the operations of corporate headquarters and of overseas operations.
- d. Transfer important technology or information from foreign subsidiaries back to the home country.

Repatriation process-

It involves the following stages:

1. **Preparation stage-** It involves developing plans for the future and gathering information about the new position. The firm may provide a checklist of items to be considered before the return to the home and preparing the employee and his family for transfer to home country.
2. **Physical relocation-** It refers to saying goodbye to colleagues and friends and travelling to the next posting.
3. **Transition-**It involves settling into a temporary accommodation, making arrangements for schooling and carrying out other administrative tasks.
4. **Readjustment-** It involves coping with the reverse culture shock and career demands. This is the most difficult and tough task.

ISSUES IN INTERNATIONAL HRM

1. Compliance and International HRM Issues

- As businesses begin to expand into the global marketplace or as they hire employees from diverse geographic and cultural backgrounds, they may have to adapt to new labor laws and tax liabilities.
- Doing business in Europe, for example, will require the business to pay value added tax. Hiring employees who are non-naturalized US citizens might require HR to apply for work visas and report economic data to the federal government.
- Keeping well-informed of the legal requirements for the business's operations can help alleviate some of this complexity and lessen the chances of landing in legal trouble.

2. Scope of Human Resource Management

- Globalization means various laws, cultures and norms have to be taken into consideration when on boarding and crafting HR regulations.
- Some countries are more forward thinking where gender is concerned than others, and this distinction can lead to misunderstandings or worse, the loss of key personnel.
- Understanding the mechanism that makes each culture tick and implementing as little or as much needed so create balance is something to strive for.

3. Cultural Diversity and Global HR Issues

- A salient issue in international HR is understanding and maintaining cultural diversity.
- If you hire an employee from England, for example, the employee might have different ideas about how to manage employees or on how to run technology processes based on her experiences back home.
- Being open to new work styles and cultural differences is the hallmark of cultural diversity in HR.

4. Benefits and Compensation

- Benefits and compensation are the backbone of any HR strategy, but in international HR, benefits and compensation are even more important in focusing on the work-life balance of employees.
- This is considered part of international HR, because many multinational companies have already implemented programs such as flexible working time, paternity leave, extended holidays and on-site childcare.
- Many nations around the world, including much of Europe, mandate these programs by law. Implementing them on the local scale is one of the challenges and, ultimately, rewards of international HR.

5. Training and Development

- Training programs typically encompass in-house seminars and meetings designed to give employees on-the-job knowledge of skills that are important to doing business globally.
- HR might offer language classes, for example. Professional development encompasses the "extra" training that HR provides to its employees, such as allowing them to attend

networking events and conferences, global training seminars and other specific competency-based programs.

UNIT-2

INTERNATIONAL RECRUITMENT AND SELECTION

International employee selection is based on two issues in the context of staffing global business:

1. Linking staffing plans with the evolution of the MNC.
2. Staffing orientation/ approach of staffing

1. Linking staffing plans with the evolution of the MNC: Staffing strategies differ based on the life cycle of the MNCs like:

- a. Setting up the host unit
- b. Establishing the technology team to begin core operational activities.

- c. Full blown operations of the host unit with significant role in establishing global objectives and targets,
- d. Strong operational leadership at the unit level while globally consolidating with parents.

2. Approaches to International recruitment/Staffing orientation- It includes ethnocentric, polycentric re-giocentric and geocentric approaches. Each orientation has its own strength and weakness.

A. Ethno – centric: Here primary positions are held by citizens of home country (PCNs). Three factors are to be considered in the staff:

- Should be able to adjust in family, cultures and personality problems to avoid failure.
- To succeed, should enjoy local entertainment, develop local relationships and communicate with locals.
- To achieve success, expatriates to have open attitude and take training towards host – country.

Under ethno centric, lines of communication are one – directional, i.e. advice from headquarters. In fact, home country attitude and culture dominates.

B. Poly – centric: Here primary positions are filled by nationals from host country(HCNs)y. Advantages of this are:

- Better local knowledge
- Reduce personal problems
- Host country managers can protect a MNC from hostile treatment by host Government.
- Here subsidiary is allowed some autonomy but financial controls are kept.

C. Regio-centric: Here primary positions are by people from countries with similar culture practices and experienced in management practices (TCNs).

- For example, positioning in Sri Lanka, South Indians can be preferred.

D. Geocentric: Under this the best qualified individuals are hired at home and abroad regardless of any nationality. Whole world is treated as market to implement global approach.

As with PCNs,and HCNs, hiring, TCNs has both merit as well as demerits. Advantages of TCNs include better talent pool, development of internationalexpertise, and help in building pan global culture. More expenses and difficulty of importing managerial and technical employees are the main drawbacks of depending on TCNs .Here is some advantages and dis- advantages :

PCN hiring-

Advantages: Organisational control and coordination are maintained & facilitated. Promising managers are given international exposure.

Disadvantages: The promotional opportunities of HCNs are limited. Adaptation to host country may take a long time.

HCN hiring

Advantages: Language and other barriers are eliminated. Hiring costs are reduced and no work permit is required.

Disadvantages: Control and coordination of HQ may be impeded. HCNs have limited career opportunity outside the subsidiary.

TCN hiring

Advantages:TCN Salary and benefits requirements may be lower than for PCNs. TCNs may be better informed than PCNs about the host country environment.

Disadvantages:Transfer must consider possible national animosities (e.g. India and Pakistan). The host government may Present hiring of TCNs.

SELECTION PROCESS

Selection Procedures of Expatriates: In view of the direct and indirect costs of expatriate failure, and knowing the reasons for their failure in their assignment, MNCs spend considerable time and effort in screening employees and their families before selecting them for foreign postings. However, the criteria and the selection procedures used vary from one MNC to another and from one country to another.

Selection techniques of expatriates: Global companies require the human resources adaptable not only to the job and organizational requirements, but also to the cultural requirements of various countries. As such, the selection techniques for global jobs vary from those of domestic jobs.

These techniques include:

- a. Interview – structured interview
- b. The monitoring and targeting of disadvantaged group – (staffing practices are strongly influenced by norms and values that are not covered by the law)
- c. Psychological Testing- mentally fit for international assignment
- d. Assessment centre – Competency assessment

Selection Techniques in General-

The important steps involved are:

- a. Screening the applicant's background on the basis of work experience with cultures other than one's own, previous overseas travel, knowledge of foreign language and overall Performance. Testing the candidate's ability to adapt to the new culture and environment.
- b. Testing the ability of the spouse and family members of the candidates to the foreign culture and environment.
- c. Predicting the adjustment of the candidate.
- d. Testing the skill of adjustment with the host nationals.
- e. Job duties and responsibilities

Therefore expatriate must meet 6 basic criteria:

- a. They must be willing and motivated to go overseas
- b. They must be technically able to do the job
- c. They must be adaptable
- d. They must have good inter personal skills and able to form relationship
- e. They must have good communication ability and They must have supportive families

Selection criteria for overseas employment-

- a. Self orientation
- b. Orientation towards others
- c. Age, experience, education qualification
- d. Cultural variations
- e. Education, age of the spouse, interest and adaptability
- f. Language
- g. Family status
- h. Positive attitude

Factors effecting Expatriate Selection

- a. **Technical Ability:** It refers to the ability of a person to perform the required tasks. International firms place heavy reliance on relevant technical skills during the expatriate selection process.
- b. **Cross-cultural Suitability:** It includes adjustability of the expatriate to operate in a new environment. Cultural abilities required include cultural empathy, adaptability, diplomacy, language ability, positive attitude, emotional stability and maturity.
- c. **Family Requirements:** This refers mainly to adjustment of spouse. The success of an expat owes as much to his wife as his own capabilities.
- d. **Country-cultural Requirements:** Certain countries or regions are considered 'hardship postings'- remote areas away from major cities or modern facilities, or war-ton regions with high physical risk.
- e. **MNC Requirements:** These requirements influence expat selection. Duration of assignment and philosophy of staffing are the two criteria that are crucial in the context.

- f. **Language:** Language skills also decide on expat selection. When we say language, we refer to the language of host country. Knowledge of the host country language adds to the performance of the expat.

UNIT-III

GLOBAL TRAINING AND DEVELOPMENT

Pre-departure training for expatriates is a broad term for a programme that briefs soon to be expatriates on what to expect when living and working abroad. Well delivered training allows employees to personalize learning have to anticipate and plan for challenges they and their family may face when they move abroad.

There are many things that companies could do to enhance ex-pats' productivity and quality of life during their overseas assignments with carefully planned training and development activities.

Objectives of training in foreign countries:

- Bridging the cultural gaps between the host and parent country.
- Recognising that orientation challenges are different for parent and host units.
- Ensuring that organization success is critical in achievement of objectives.
- Building a united corporate culture across the subsidiaries.

There are two types of training that expatriates need: **hard skills and soft skills training**.

1. **The hard skills** are technical areas that are specific to one's job, such as virtuosity with computer programs like PowerPoint or Excel.
2. The **"soft skills"** training for expatriates can be even more critical.
 - The employee should learn at least the basics of the other country's language. Native citizens definitely appreciate a visitor's attempt to learn to converse in the country's native tongue.
 - Expatriates should also be educated about their adopted country's culture and mores, both socially and professionally.

For example, in Japanese culture black signifies joy and white is the appropriate color to demonstrate mourning.

- In some countries, it is customary to get to know potential customers first and to build a relationship before business is ever discussed.
- The expatriate (and his or her family) also will need to have some education about exchange rates and the currency of their adopted country.
- Spouse to be included in at least some of the training. A large percentage of expatriate assignments are unsuccessful because the wife or husband is not happy in the adopted country!
- Shopping is different in many areas of the world.

For example in U.S. most shoppers in the U.S. see a sticker price and expect that's the price they'll pay, in many countries the stated price is merely a starting point for negotiation. Vendors are offended if the potential buyer doesn't engage in "haggling" before purchase.

To summarize, in preparation for designing a training initiative for expatriates, you should consider the adopted countries:

- Language (formal, conversational, and regional differences)
- Cultural mores such as food, dress, and observance of holidays
- Currency and exchange rates
- Professional expectations such as interactions with high-level staff

Importance of Expatriates Training

- **Clear understanding of their role:** employees who are sent abroad for the right reasons are likely to be most successful. Pre-assignment training that clearly lays out the primary goals of their assignment is likely to help employees meet expectations with greater ease.
- **Better integration:** the inability to settle into their new country is cited by most expatriate failures as a key reason for their return home. Therefore, detailed inter-cultural studies and sensitivity training is required to:
 - Provide a detailed overview of the cultural differences between home and host countries.
 - Develop emotional flexibility to accept unfamiliar behaviour and values are effective ways of doing things.
 - Help the expatriate to evoke a sense of respect towards the culture and norms of their host country and to enact change in a culturally sensitive way.
- **Improved language skills:** ideally pre-assignment training will offer the basics of the host country's language to those moving abroad. Good host language skills improve an

expatriate's access to information once they move abroad and helps them to build connections, an essential element of expat success.

- **Happy families:** Studies show the most common reason listed for expat failure is 'family concerns' including challenges relating to their partner settling in, children's education, quality of life or support in the host country. Some of these can be alleviated by not forgetting the expatriate's family when it comes to pre-assignment training.
- **In-country coaching:** pre-assignment training should also outline the in-country coaching an expat can expect. Receiving structured support from other expats, management and colleagues once they move, can significantly improve the overall success of their time working abroad.

Training and development increases in complexity as MNEs move abroad. Types of training and development programs depend on a number of factors:

- i. The degree to which management is centralised.
- ii. The types of workers employed in subsidiaries or joint ventures.
- iii. The importance of branding, and the extent to which employees are expected to reflect the brand.
- iv. The cultural expectations of training.

TRAINING AND DEVELOPMENT PROGRAMS

1. Pre-departure training for expatriates

- Cultural awareness programs
- Preliminary visits (short trip)
- Language training
- Practical assistance

2. Post-arrival training for expatriates

1. PRE-DEPARTURE TRAINING FOR EXPATRIATES

Pre-departure training for expatriates is a broad term for a programme that briefs soon to be expatriates on what to expect when living and working abroad. Well delivered training allows employees to personalise learning's to anticipate and plan for challenges they and their family may face when they move abroad. It includes-

A. Cultural awareness programs

Cultural training fosters the development of cross-cultural skills and leads to higher performance of employees working on overseas assignments. Cultural training has also been shown to improve an individual's relationships with host nationals and allows expatriates to adjust more rapidly to a new culture.

Successful cross-cultural programs include:

- Basic information about the assignee's host country, including its history, common religions, political structure and recent events
- Behavior adaptation to learn how to handle situations in a different culture
- Local business etiquette
- Communication techniques
- Training on cultural biases, cultural variances and cultural profiles
- Role play and simulations
- Customized training for the employee and his or her family

Importance of Cultural awareness

While not a comprehensive list, five factors have been identified as providing valuable insights into the cultural practices of different countries. Assignees need this information in order to better understand cultural similarities and differences while on an international assignment. The five dimensions of national culture include:

1. **Individualism vs. collectivism** – social framework in which people look after their own interests or embrace a societal view
2. **Power distance** – extent to which a society accepts the unequal distribution of power
3. **Uncertainty avoidance** – the extent to which a country's population seeks orderliness, consistency, structure, formalized procedures and laws
4. **Masculinity vs. femininity** – the extent to which a culture emphasizes or accepts either the traditional masculine role or the blurring of gender roles
5. **Time orientation** – value placed on time

Cross-cultural training will provide expatriates with a starting point for the preparation of working overseas, addressing cross-cultural communication and cross-cultural conflict resolution.

B.Preliminary visits (short trip)

One technique that can be very useful in orienting international employees is to send them on a preliminary visit to the host country.

- The purpose of the preliminary visit is to determine the applicant's readiness in relation to the assessment requirements and to agree on the progress of the assessment process.
- A well-planned visit for the candidate and spouse provides a preview that allows them to assess their suitability for an interest in the assignment.
- Such a visit also serves to introduce expatriate candidates to the business context in the host location and helps encourage more informed pre-departure preparation.
- It is essential to note that such a visit must be relevant to the intended position that the international employee will be taking up and not simply a 'tourist' experience.

- When used as part of a pre-departure training program, visits to the host location can assist in the initial adjustment process
- A pre-assignment trip to expatriates to allow them to become familiar with the new location, secure housing, child education and other such items that are necessary for a successful transition to the host country.
- The majority of firms typically provide four to six days for such a trip, with all actual expenses for hotel, transportation, meals, and miscellaneous expenses reimbursed.
- A potential problem arises if the aim of the preliminary visit is twofold – part of the selection decision and part of pre-departure training.

For example, the MNE could be sending mixed signals to the prospective assignee if it offers the preliminary visit as part of the selection process but upon arrival in the proposed country of assignment, the prospective assignee is expected to make decisions regarding suitable housing and schools. Such treatment could be interpreted as accepting the preliminary visit equals accepting the assignment, thus negating its role in the decision-making process.

Where MNEs use the preliminary visit to allow the assignee (and spouse) to make a more informed decision about accepting the overseas assignment, it should be used solely for that purpose. Combined with cultural awareness training, the preliminary visit is a useful component of a pre-departure program. Exposure to the expatriate community (if one exists in the proposed host location) can also be a positive outcome.

C. Language training

Language training involves teaching the expatriate the native language and/or the business language of the host country. While fluency can take months or even years to attain there are still benefits of using this training method.

Language ability

- It comprises various dimensions of linguistic proficiency, such as speaking, writing, and comprehension of the host country language as well as understanding and speaking the local dialect at the specific host location and being familiar with local non-verbal communication.
- Language proficiency, familiarity with cultural differences, values and norms are seen as cornerstones of expatriate adjustment with language itself being a crucial instrument by which expatriates develop their understanding of the new culture.

Language difficulty

- Language difficulty refers to the complexity of the host country language itself as well as to the extent of difficulty with which resident adult foreign nationals may be able to learn the host country language due to some country specific circumstances.

- For example, the former could include the degree of intricacy of grammar, phonetics, and the case system of the language. The latter may be due to the unavailability of resources to learn the language, the extent of introversion among host country nationals, and restrictive social/cultural norms of interacting with strangers in the host country.

Benefits of Language training

➤ **A sense of community**

- Moving abroad is a brilliant opportunity to find in a new community and make friends in surroundings.
- Whether this is by joining a sports club, enjoying coffee with your colleagues, or having a chat with the neighbour over the garden fence, being familiar with the language gets settled in that much quicker.
- This is also important when it comes to dealing with life admin, such as finding a place to rent, opening a bank account or paying bills.

➤ **Tasting the culture**

- One of the best things about moving abroad is getting to explore the local history and rich culture, and part of that tastes the delicious array of cuisine on offer.
- A seaside restaurant or city café can be the most efficient way to learn a language; conversations with waiters can help you get to grips with the pronunciation of common words, as well as having a basic two-way conversation.

➤ **Show respect**

- When moving to a job abroad, the last thing one want is to come across as offensive or rude.
- Unfortunately, some gestures and words can be taken the wrong way in some cultures and while some people will understand that it *is* just lost in translation, others might not.
- This is why it is important to understand local customs and language so, even if one do slip up, one can offer a few words of explanation.

➤ **Travel around**

- Much like English, some languages are spoken in more than one country.
- French for example, is used throughout Canada and Africa, while Portuguese and Spanish is used in Latin America and even the Philippines.
- This means that learning another language can open up dozens of possibilities for work and living around the world.

- For freelance travelers, this also allows you to secure clients with less hassle, even if it's just being able to introduce yourself at a networking event.

➤ **Health grounds**

Even though expatriate enjoy life overseas, that sadly doesn't stop from getting sick or injured, so it is useful to speak and understand a few words in case you need to visit a pharmacist or doctor.

It is also important to remember that hospitals usually offer an interpreter service, so this is one instance where you can fall back on English if needed.

D. Practical assistance

- Practical assistance is intended to help expatriates and their family to adjust themselves to the new foreign environment. Many businesses are paying specialized assistants to help the expatriates find housing, school, or anything else the expatriate may need.
- It aims to help expatriates and their family to adapt themselves to the new foreign environment. Many multinationals are paying specialized assistants in order to help expatriates and their family, providing practical assistance in finding a suitable accommodation or school for their children.

There are two parts to practical assistance; Pre-departure training and On-assignment assistance.

- **Pre-departure training** contributes to the move of the expatriate, it consists of things like preparing official documents, shipping household and personal goods, short term accommodations like housing, covering out-of-pocket expenses, furniture storage in home country, and bringing and expatriate in contact with a relocation agent.
- **On-assignment assistance** deals with matters like further language training, administration assistance, opening new bank accounts in the host country, and assisting with finding and negotiating housing. Providing support once an expatriate is on assignment not only reduces stress once in a host country but also helps socially integrate expatriates.

Security briefings are extremely important training to conduct prior to the expatriates' departure.

- This training informs expatriates of threats to their safety, health, and personal security.
- Security training involves concerns like exposure to natural disasters, travel accidents, common travel issues like passports, and most importantly hostile political environments.
- In our current generation this would be an expatriates and companies biggest concern.

- Hostile political environments are home to threats like hijacking, kidnapping, terrorism and war. Training on what to do in these situations can prevent death or serious harm.

2. POST-ARRIVAL TRAINING FOR EXPATRIATES

- Whenever possible, cross-cultural training for international assignees should be delivered as a set: One session pre-departure, and another session 6-8 weeks after arrival in the new country.
- With this approach, the pre-departure training assures that the expatriate will get off on the right foot and is prepared for the adjustments that need to be made immediately when arriving in a new culture.
- Then, after the expatriate has had time to experience some of the new culture's more challenging aspects, a post-arrival session allows for a more in-depth exploration of how to be successful within it.
- This timing is also helpful for addressing questions that have arisen in the expatriate's mind, but before too many frustrations have built up.
- The Post-arrival training compensates short pre-departure training. Post-arrival training is more efficient for the expatriate. They are on the job-training allowing the expatriate to learn by doing. Short-term performance is therefore achieved. These training include language and cultural training.

a. Personal coach is important during the preparation as well as during the expatriation as such. This is an alternative for the traditional pre-departure training.

- An external consultant is there to help the expatriate with their knowledge about the social and economic context of the country.
- This consultant can intervene as soon as expatriates meet difficulties.
- Coaching can be achieved from abroad but it is preferable that the consultant is present in the host country.

b. The mentoring is characterized by the intervention of a predecessor owning sufficient information.

- Mentoring may be expensive therefore may not be considered by companies

c. The sequential training combines pre-departure and post-arrival training. It is above all focused in multicultural training.

- Three conditions characterize the sequential training.

First, social environment should be really different. Then, transfer to the host country should be sudden. Finally, the stay should be such that the expatriate has time to adopt and integrate.

So, the learning is done step by step allowing each of them to be fully understood.

INTERNATIONAL COMPENSATION MANAGEMENT

Introduction

Human resource is an important input for an organization, and it is very essential various positions or jobs in the organization are placed with suitable candidates to be competitive in market it is very important for an organization to have work force with required technical and managerial skills, competencies and experience.

The critical successful factors for an MNC is to employ people for different countries with technical skills, cross cultural skills, and leadership skills required to perform job efficiently.

All these capabilities of employees are significantly influenced by the compensation policy of the company to develop a loyal and stimulated work force company must form competitive compensation and reward policy.

The ideal compensation policy ensures the availability and reservation of best talent in the organization while attract new talent and reducing the turnover.

Compensation- Expatriate compensation packages can vary enormously from company to company and location to location. The major focus of most international compensation programme is to keep international employees at a sufficient financial level during their international assignments so that they do not lose ground economically.

The compensation package needs to be designed to achieve the following **objectives**:

- f. Attract employees who are qualified and interested in international assignments.
- g. Facilitate the movement of expatriate from one subsidiary to another, from the home country to subsidiaries and from subsidiaries back to the home country.
- h. Provide a consistent and a reasonable relationship between the pay levels of employees at the headquarters, domestic affiliates and foreign subsidiaries.
- i. Be cost effective by reducing unnecessary expenses.
- j. The expat remuneration package generally comprises of salary, benefits, allowances, incentives and taxes.

Objectives of International Compensation management:

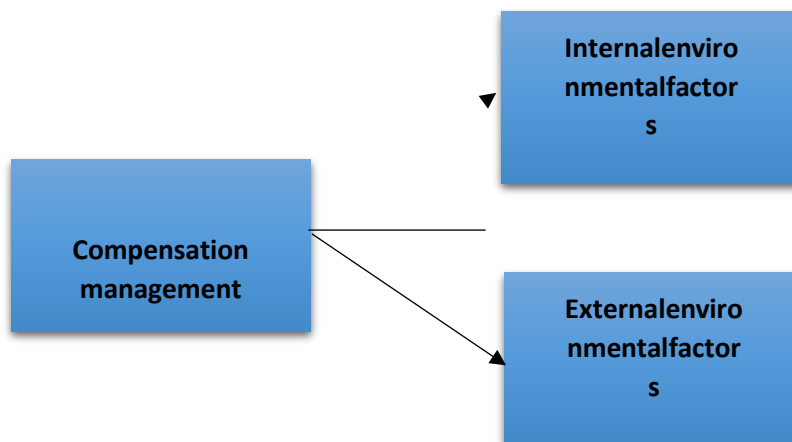
1. **Recruitment and retention of suitable employees-** MNCs plan compensation packages

to attract and retain suitable employees in terms of skills required to perform job efficiently.

2. **Consistency and equity**- The compensation package designed by MNCs secures consistency between pay and performance. It also seeks to bring equity among employees from different countries, categories and subsidiaries.
3. **Facilitate mobility**- The compensation package helps employees to move from one country to another in the form of parent company or subsidiary.
4. **Adaptability to foreign environment**- Compensation package motivates employees and their families to adapt to the environment and cultures of the foreign countries. If MNCs provide housing facilities, education, medical facilities, and other facilities to live comfortably in foreign country cultures and help employees to focus on their jobs.
5. **Organisation performance**- MNCs design compensation package to motivate and to enhance employee's job performance and hence add value to the organisational performance.
6. **Competitive compensation package**- MNCs design compensation packages in accordance with their competitors offering to their employees in other countries where they operate so as to attract and retain the best employees. The package is also set to be competitive among various jobs within the organisation to retain the competitive talent for the most demanding jobs.
7. **In accordance with ability to pay**: The pay package offered by MNC should be based on its ability to pay. Pay package is determined by the ability to pay, which in turn determines the quality of employees as well as total cost of the human resources.
8. **Collective bargaining**: It plays a dominant role in framing various HRM policies including compensation management. Hence a sound and competitive compensation package reduces the employees' complaints and the need for collective bargaining on this issue.

FACTORS AFFECTING INTERNATIONAL COMPENSATION MANAGEMENT:

There are a number of variables which affect international compensation.



The variables or factors affecting international compensation can be divided into two categories.

1. MNCs Internal environmental factors:

The internal environmental factors of a MNC include company's strategic management, its resources, structures and functional areas of management. Let's discuss various internal factors of a MNC which influence compensation package.

a. Objectives and goals:

Every organisation works for an objectives and goals. the goals of MNCs formulate their compensation policies based on their corporate goals. in accordance with their competitive strategic objectives, MNCs from their competitive compensation policies to attract and retain the best talent.

b. Ability to pay:

MNCs ability to pay depends upon their long term profitability. Though in short run, they can pay more than their ability to pay to survive into the market, however, they can't pay more than their ability to pay in long run. Hence, ability to pay in long run is an important factor.

c. Organisational culture:

Organisational culture is determined by the quality of work life provided by the organisation. If the MNCs provide high quality of work life by providing various facilities and benefits like medical facilities, car allowance, stock options etc. they will design compensation packages accordingly.

d. Competitive strategies:

In order to have competitive advantage over the competitors, MNCs design their compensation packages more competitive advantage over the competitors, MNCs design their compensation packages more competitive and comparable to attract and retain more competent employees as against their competitors. Like coca cola design their competitive pay packages over Pepsi.

e. Employer-Employee relations:

Employer – employee relations also influence most of human resource policies including compensation packages. The existence of trade unions influences the HR policies and strategies. Some trade unions also strike for demanding higher pay packages from the companies.

f. Human resource structure:

The structure of human resource management which includes age, gender, educational qualifications package. MNCs having more women employees provide security to women employees, and establishment of child care centres, medical allowances etc.

MNCs with more middle age employees with school going children pay educational allowances, etc. thus, human resource structure also affects compensation package.

g. Role of subsidiaries:

Subsidiaries' requirements in terms of jobs skills, their policies regarding pay equality or differentials between expatriates and nationals also influence compensation packages significantly.

2. External environmental factors:

External environmental factors which include country factors, labour market factors, local conditions, host country factors etc. also influence the compensation packages of MNCs.

a. Labour market conditions:

- Labour market conditions include demand and supply of different categories of employees and their skills and knowledge. If a particular category of employees has more supply than its demand, then it will result into lower salary levels as compared to other categories whose demand is more than its supply.
- For example the salaries of host country nationals for computer engineers are lower in Malaysia as their supply is more than their demand however, the expatriate software engineers whose supply is less than their demand, get more salaries.
- Other labour market conditions include training facilities, location of competing organisations etc.

b. Government rules and regulations:

- Government policies regarding labour welfare and pay packages also influence the compensation packages determined by the company.
- Some MNCs frame their compensation and benefits policies based on their policies in parent country for parent country nationals.
- Though, some MNCs follow host country government regulations regarding human resources while some MNCs frame the policies which are beneficial to them.

c. Local conditions:

- Local conditions of the country where MNC operates include availability of housing, medical, educational, telecom, transport, hospitality, recreational facilities etc. also determine the cost of living in that country.
- Cost of living influence compensation package significantly. The expatriates have to face many hardships in foreign countries, hence these conditions also influence the

compensation package.

d. Industry:

- The type of industry also influences compensation packages. For example, the software industry, pharmaceutical, health services, mobile telecom industries offer higher salary levels than the industries like cement, automobile, steel etc. during current scenario.
- Presently, service and high technology industries provide higher salary packages than most of manufacturing industries.

COMPONENTS OF INTERNATIONAL COMPENSATION PACKAGE:

1. Tax equalisation allowance:

- Personal income tax rates differ in different countries making wide variations in salaries of employees. The tax rates are high in countries like Sweden, Japan, Australia.
- Tax rate in India is also encouraging for expatriates as minimum tax rate is 10 percent while maximum is 30 percent.
- Thus, MNCs provide tax equalisation allowance to employees to offset the loss of after-tax salary due to variations in tax rates of different countries.

2. Insurance allowance:

- MNCs provide insurance allowance to employees to protect them from all kinds of health issues, risks against life.
- Some MNCs instead of giving insurance allowance, buy insurance policies for their employees to give them security. Different kinds of insurance facilities are provided to employees.

3. Hardship premium:

- It is very hard for employees to live in certain countries where warlike situations prevail like Afghanistan, Iraq, Syria etc. in certain areas, threats from locals also make foreign employees difficult to live.
- The presence of diseases or poor or inadequate medical facilities in some developing countries create hardships for expatriates to live and work in such countries.
- Hence, MNCs offer hardship allowance to attract and retain employees for hard jobs as well as jobs in countries with hardships.

4. Stock options:

- Some MNCs offer stock options to their employees. With stock options, employees can buy the shares of MNCs at fixed or reduced prices.
- With this scheme, employees are encouraged to work and feel ownership of the MNC.

5. Bonus:

MNCs provide individual or group bonus to employees based on their performance in terms of sales, output, productivity, savings and minimisation of costs.

6. Gratuity:

Gratuity is retirement benefit which encourages the employees to work with same MNC till the completion of contract or up to retirement.

7. Pension:

- Some MNCs pay pension to employees serving for relatively long.
- Though MNCs determine pension payment by considering different legal requirements of different countries, fluctuations in exchange rates etc.

8. Social security benefits:

MNCs provide various

- **Social security measures-** Employment security, leave travel pay, overtime pay, leave for grievance, call payback etc., for health protection, accident insurance, disability insurance, health insurance, sick leave etc.,
- **Various retirement benefits-** In the form of pension, provident fund, old age counseling etc. and
- **Personal identification and participation-** MNCs provide measures like birthday and anniversary gifts, recreational programmes, stress counseling, safety measures etc.

Other benefits:

MNCs provide various facilities and benefits to employees which include canteen facility, travel fares, recreational facilities for physical and mental fitness, conveyance benefits, maternity and paternity leave and benefits, legal help, credit facilities, family support facilities, social programmes etc.

UNIT-IV

PERFORMANCE MANAGEMENT IN INTERNATIONAL ORGANISATION

Performance is the organized method of monitoring results of work activities, collecting and evaluating performance to determine achievement of goals and using performance information to make decisions, locate resources and communicate whether objectives are met.

International performance management is the evaluation of an individual who works in a foreign subsidiary on a temporary basis to transfer knowledge or develop global leadership skills. At its best, international performance management should feed into the global goals of the business.

Importance International Performance management

- Performance Management helps to boost Employee engagement and Productivity.
- Engaged employees stay longer, actively involve themselves in the workplace and produce better results.
- Improving levels of employee engagement is key to boosting productivity and maximising ROI.
- Next to expatriate failure, one of the greatest difficulties multinational companies encounter is that of underperformance.
- Research by Harvard Business Review over a 10 year period showed that almost one third of US managers who stayed for the duration of an expat assignment failed to meet performance expectations.
- As a global human resource manager, developing an international performance management system that highlights potential issues early, and provides a framework for remediation, is essential for your company to achieve a return on investment.

Categories of performance indicators-

Performance of expatriates can be hard to measure from across countries. Management assesses expatriate performance utilizing three criteria; **hard goals, soft goals, and contextual goals**. These three types of goals can assist management in the measurement of and expatriates individual contribution to performances.

1. **Hard goals (Result based)** are goals that can define and measure, and quantifiable data.
 - This would include areas like losses, return on investment, and financial data.
 - Hard goals allow the manager to have measurable goals that can give a good indication of whether the employee is performing or not.
 - For example if you're a sales representative for a company working abroad and you have a certain quota you are required to meet.
 - Hard goals would show in data where you stand with sales, showing how much of your quota you have met or exceeded.

2. **Soft goals (Trait based)** are relationship based dealing with leadership styles or interpersonal skills.
 - These goals are the opposite of hard goals, there hard measure and identify with data.
 - Soft goals give some indication on how the employee is adapting to new coworkers and to a foreign culture, or how they are adapting to a new environment.
 - If an expatriate is not getting along with other employees or fitting well in their environment, this can lead to an expatriate becoming over stressed or hostile.

3. **Behaviour based (Contextual goals)** – Attempts to take into consideration factors that results from the situation in which performance occurs.

❖ BASIC COMPONENTS OF INTERNATIONAL PM

Appraising the performance of an expatriate involves-

- Specifying performance criteria
- Identify the appraisers
- Deciding on the frequency of appraisal

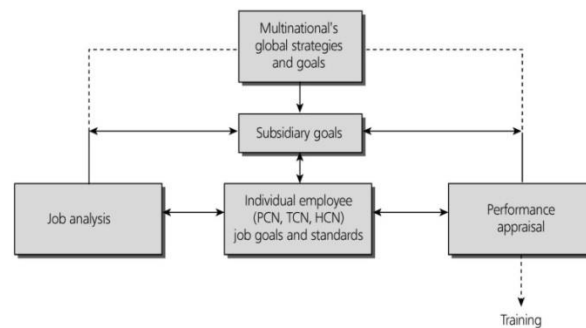


Figure 10-1: Basic components of performance management

Who Should Appraise Performance?

- In case of domestic company an employee is appraised by the immediate supervisor.

- In case of a foreign employee it is difficult to determine immediate superior as managers from the host country as well as the parent company supervise / oversee work of a foreign employee working in a subsidiary. Therefore, most of the MNCs use multiple appraisers. Performance is appraised by superiors from both the parent and host country.
- In case of PCN appraiser from parent country is a must to oversee PCN career progression, if not the performance directly.

Areas to be appraised

- It vary from one type of the employee to other type of employee like parent country national, host country national and third country national.
- In addition, it also varies based on the purpose / assignment for which expatriate is sent to the host country.
- Parent companies predetermine the roles and expectations before departure for the subsidiary.

360 degree appraisal

Some MNCs adopt 360 degree appraisal process under which the foreign employee's performance is appraised by various stakeholders like customers, bankers, government, suppliers, market intermediaries, trade unions, subordinates, colleagues, human resource professionals, superior in the parent company, superior in the subsidiary and certifying officer of the client company appraise the performance of the employee.

International Performance management system

Performance appraisal of international employees is a 12-step process.

- i. Establish performance standards based on job description, job specification, cultural requirements, and adaptability to foreign environment, talents in enabling family members to adjust to foreign environment.
- ii. Communicate standards to employees as well as appraisers.
- iii. Decide upon the performance appraisal format.
- iv. Measuring actual performance by the evaluators through observation, interviews, records and reports
- v. Frequency of appraisal. Normally once a year.
- vi. Adjust actual performance due to environmental influence.
- vii. Compare the adjusted performance with that of others and the previous performance.
- viii. Compare the actual performance with standards and find out deviations , if any.

- ix. Feedback to appraise. Mutual discussion between the appraiser and appraisee, makes appraisal close to perfectness in ratings.
- x. Suggest changes to job analysis and standards to bring about improvements in job description, job specification and standards of appraisal.
- xi. Consider the appraisal results for contract renewal and promotion.
- xii. Plan for employee training and development.

Even though several persons are party to the appraisal, home and host country managers play the key role in appraising.

❖ MAJOR CONSTRAINTS OF MULTINATIONAL PERFORMANCE MANAGEMENT

1. Environmental variations-Performance management systems rarely work in the same way domestically and internationally. Environmental variations including; different growth rates, the immediate environment and differences in performance, usually mean international performance appraisals need to be unique to each expatriate manager.

2. Time and distance-Improvements in technology make this less of an issue than it once was, but time differences and local infrastructure will impact on performance and appraisals. This is particularly true of expats working in underdeveloped countries.

3. Cultural adjustment-The employee's ability to adjust to the organisational culture within the subsidiary, as well as the wider culture within their new country, is likely to impact performance. An understanding of the local organisational culture by the HR team, the management team and the employee will facilitate the creation of a measurable international performance management system.

4. Inconsistency of implementation-Like all performance development, it will only be successful if implemented consistently in company subsidiaries. Oversight of this may be a challenge if most Human Resource functions are centralized to headquarters, meaning some employees thrive while others are left directionless.

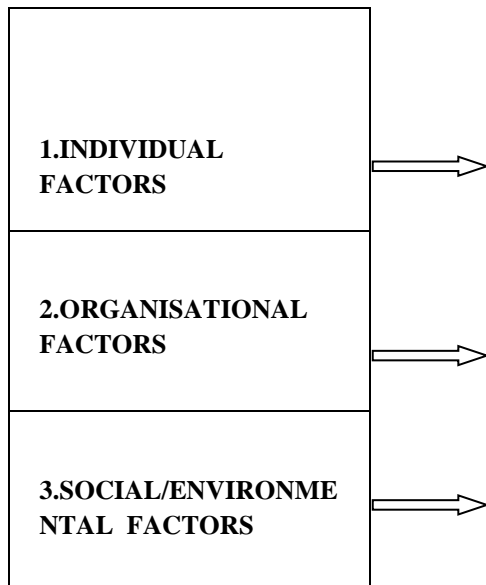
❖ VARIABLES/FACTORS AFFECTING EXPATRIATE PERFORMANCE

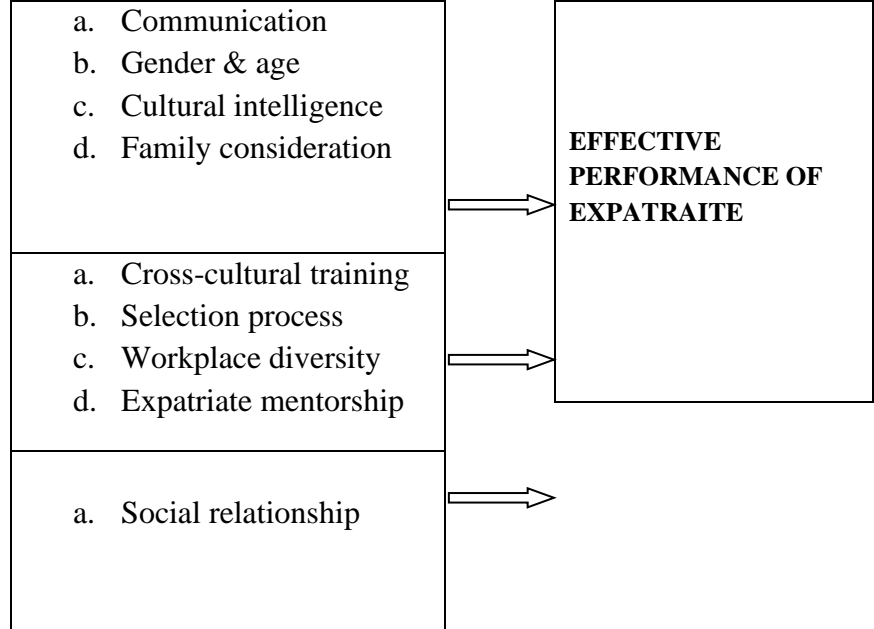
1. Individual factors

This is a broad classification of personal attributes and behaviors acquired by the expatriate through one's nationality, origin, climatic conditions, living conditions etc.

Such individual factors play a significant role in adapting to the new workplace, as the expatriates are expected to work with host country nationals whose values, habits and lifestyle practices vastly differ from their Management, This single group of factors is both influential and even highly predominant in most cases, when attempting to assess the suitability of the expatriates for a certain position. It includes-

- a. **Communication-** The most predominant factor that highly influences the success of an expatriate is his/her linguistic skills in host national language. Expatriates are considered able to cope with work challenges by simply developing appropriate language skills thereby building strong relationships with host country nationals. When the expatriate possess a required level of command in the host country language or shows a strong willingness to learn the language, this directly enables his/her adjustments within a workplace.
- b. **Gender & age-** There is no scientific evidence that age factor poses any sort of limitation in the performance and productivity of expatriates. But gender plays a key role in the acceptance of expatriate among host country nationals. Female expatriates show a greater tendency to adapt to cultural differences and to show willingness to familiarize themselves with the new environment, language and trends than male expatriates.





c. Cultural intelligence

- Expatriates with high cognitive cultural intelligence are able to easily understand the similarities and dissimilarities between cultures
- Expatriates with high meta-cognitive cultural intelligence are sensible enough to rise to the occasion and derive help from their cultural knowledge
- Expatriates with high motivational cultural intelligence are self-motivated and show a distinct characteristics of persevering in the face of resistance and uncertainly in order to complete their assignments
- Expatriates with high behavioral cultural intelligence possess flexibility in modifying their behaviors required for the cultural context.

d. Family considerations

- International assignments, in many cases, require a permanent or interim relocation of families. This results in additional responsibility on the part of the expatriates in catering for the family requirements like education, housing etc.
- Moreover, since the entire family is involved, the process of learning the new culture has ambivalent results, sometimes easier due to multiple participants and, sometimes, more difficult, due to the amount of family commitments.
- Expatriates may be forced to live away from families due to various constraints. This can lead to considerable mental suffering and have a negative impact on their performance.

2.Organizational factors

Multinational companies (MNCs), multinational enterprises (MNEs) and other organizations play a contributing role in the successful performance of expatriates in a host country. Such organizations can largely facilitate the expatriates to mould them to suit the requirements of the cross-cultural environments. Training is a key area wherein organizations can liberally contribute in order to equip the expatriates to face the challenges within a diverse work environment.

a. Cross-cultural training-

- It is an important contribution from the organizational point of view. Its purpose is to enable the expatriates to position themselves well in a host environment and operate at high performance levels.
- Such training includes various elements such as descriptive sessions on environment briefings, cultural orientation to make the expatriates get familiarized about culture and value systems of a host country, language skills development, development of social skills etc.,
- In addition to these, cross-cultural training might also include field trips for real-time exposure, pre departure training etc.

b. Selection process-In most cases, expatriate selection process relies on the measure of technical skills and knowledge that one possesses, in order to execute the international assignments.

The following points need to be considered by the organization as a part of its expatriate selection process:

- Whether an individual has right amount of motivation and attitude to accept and face the challenges of international assignments;
- Whether an individual would be able to tolerate cultural differences and show willingness to adapt;
- Whether an individual requires additional language training to be able to learn about the new environment and, thus, increase his/her effectiveness in a new assignment
- Whether an individual's family situation is well balanced and in control.

c. Workplace diversity-

- In any workplace today innumerable dimensions of diversity can be found. Those include the issues of ethnicity, rules of the spoken language, gestures of recognition of good work, recreational habits, seniority, business meeting etiquette, functional procedures etc.
- While the new environment generally presents enough challenges to any newcomer, it is particularly difficult for an expatriate to cope with the organizational culture.
- In such circumstances, individual skills and behaviours, managerial practices and organizational policies all play a vital role in balancing diversity.

d. Expatriate mentorship

- In short, expatriates are generally sent on assignments without prior training or mentoring required to adequately equip them for cultural and language barriers.
- Therefore, understanding the role of expatriate mentors in formal training processes is very important. Expatriates look forward to a support from such mentors in understanding cultural, legal and economic differences of a host country which would, in turn, enable a more effective performance.

- Such mentors can provide not only cultural support but also psychological support for expatriates in order to encourage positive behaviour necessary for good work performance.

3.Social (environmental) factors-Apart from individual and organizational factors, social and environmental factors also gain importance in impacting the performance of expatriates

Under the influence of these factors, expatriates generally have less control over the new situation and they are often unable to cope successfully with certain social challenges.

In general, people with whom expatriates interact, contribute largely to social and environmental factors.

a.Social relationship

Performance and effectiveness of expatriates have a direct relationship with the social networking with their host country nationals - HCNs

It involves the following dimensions:

- Network density indicating the number of HCNs involved in the interaction.
- Depth of relationship indicating the closeness/strength with each HCN in such interactions.
- Instrumental support received from HCNs in terms of advice, suggestion, guidance, mentorship etc.
- Contact quality referring to the nature of the relationship like friendly, professional, tough, cooperative, etc.
- Trust which involves the goodwill shared between expatriates and their HCNs.

As mentioned above, social interactions between expatriates and HCNs play a critical role psychologically, in facilitating expatriate performance and effectiveness. It is also evident that the reliability and accountability lies on both the actors - expatriates and associated HCNs for successful partnership and therefore successful completion of assignments.

Suggestions for effective International performance management

1. Define, facilitate and encourage performance

Ultimately the goal of an expatriate performance management system is to define, facilitate and encourage performance in the individual and the teams they work with.

- They should enable managers of expat employees to set specific, realistic, measurable goals that feed into the overall objectives of the business.
- However, setting goals is not sufficient for success; the programme should also contain a method of assessing performance on several occasions over a year.

- To achieve the goals that have been set, employees need to be able to facilitate performance through removal of barriers like outdated equipment or software, poor procedures and micro-management.
 - However, international employees may encounter further difficulty with government requirements or personal safety depending on where they are based.
 - Flexibility needs to be included in this regard when developing an expat performance management system.
 - Finally, encouraging performance has been shown to be another marker of a successful international assignment. The methods for encouraging performance may vary from country to country.
 - While additional remuneration may work successfully at headquarters, time off or other special privileges may be more valued in other countries.
 - The easiest way to find out what may work best is to survey international employees. Once agreed it is essential that the appraisal process is transparent and fair.
2. **Training**-Essential to successful international performance management is a clear and effective training plan for all stakeholders. Once complete, managers need to be held accountable for implementing the process across their own employees, ideally in the form of their own performance appraisal by senior management and/or human resources.
 3. **Cross-cultural differences**-When creating a performance development plan that is going to work cross-culturally the differences in how performance feedback should be provided needs to be accounted for. For example, in some European cultures feedback should be direct and actionable where as in some Asian cultures the same feedback could cause unacceptable loss of face for the employee. Therefore, it is important to understand the culture on the ground when creating guidelines on how feedback should be provided.

International performance appraisal to be effective should be close to the ground realities of the country where the employee concerned is working. Global performance appraisal should not be like local performance appraisal for a domestic company. Therefore, it should be customized for the country, company and the employee. Performance management should aim at improving the skills rather than making employees redundant.

UNIT-5

SPECIAL ISSUES IN IHRM

- I. Cross cultural differences in the workplace
- II. Developing Intercultural relationships
- III. Cultural sensitivity
- IV. Cross convergence
- V. Women expatriates and their problems
- VI. Exit policy and practices
- VII. Ethical issues in HRM
- VIII. IHRM trends and future challenges
- IX. IHRM practices in USA, UK, Japan and India- A comparative study

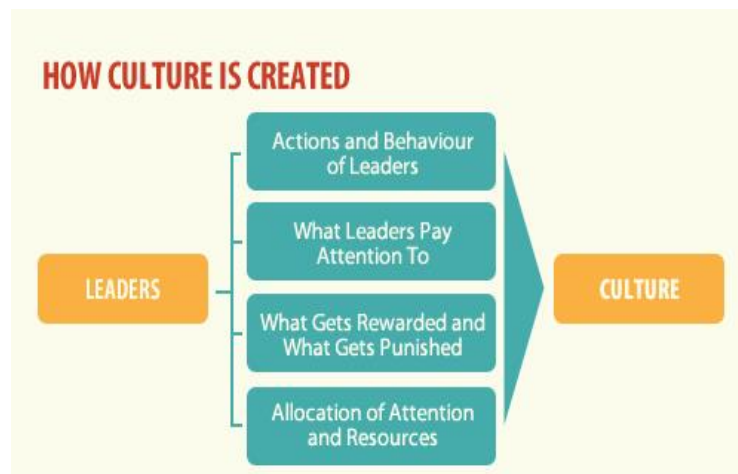
I. CROSS CULTURAL DIFFERENCES IN THE WORKPLACE

Culture is the [social behavior](#) and [norms](#) found in [human societies](#). Culture is "the way of life, especially the general customs and beliefs, of a particular group of people at a particular time.

It is that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society.

Alternatively, in a contemporary variant, "Culture is defined as a social domain that emphasizes the practices, discourses and material expressions, which, over time, express the continuities and discontinuities of social meaning of a life held in common.





Intercultural competence

Intercultural *competence* is the ability to function effectively across cultures, to think and act appropriately, and to communicate and work with people from different cultural backgrounds – at home or abroad. *Intercultural competence* is a valuable asset in an increasingly globalised world. Intercultural competence is a range of cognitive, affective, and behavioural skills that lead to effective and appropriate communication with people of other cultures.



Cross Culture

Cross culture in the business world refers to a company's efforts to ensure that its people interact effectively with professionals from other backgrounds. Like the adjective cross-cultural, it implies recognition of national, regional, and ethnic differences in manners and methods and a desire to bridge them.

- Cross culture is a concept that recognizes the differences among business people of different nations, backgrounds, and ethnicities, and the importance of bridging them.

- The concept of cross culture is becoming critically important with the [globalization](#) of businesses. Many companies that seek to expand the markets for their products devote substantial resources to training employees on how to communicate and interact effectively with those from other cultures.
- For example, when employees of an international company transfer to another country, they need to master the cross culture. They must not only learn the language but adapt to its social norms.
- Today, cross culture education is considered imperative for employees acting in managerial capacities abroad. Failure to [effectively communicate](#) with subordinates or understand their actions can lead to cascading problems within the business.

Cross Culture Examples

Failing to observe any of the customs listed below would be a serious cross culture faux pas.

- Accepting a business card from a **Japanese businessperson** is not a casual action. The person presenting the card will bow and present it with both hands. The recipient takes it with both hands, indicating respect.
- **In China**, giving a direct "yes" or "no" answer, or demanding one of anyone else, is considered very rude. Meetings are for talking things over, not announcing decisions.
- **In Mexico**, business is done primarily among friends and family. Visiting business people often seek an introduction through an intermediary with local connections.

II. DEVELOPING INTERCULTURAL RELATIONSHIPS

Diverse workplace teams make better decisions, with better outcomes, more often than non-diverse teams. However, diversity can also lead to [workplace conflict](#) if not properly managed. First, diverse teams must work well together, which means leaders must encourage employees to establish strong relationships with team members from different backgrounds.

Recent studies indicate that positive intergroup exposure may increase [psychological compatibility and connection](#), perceptions of [commonality](#), [cross-cultural empathy](#), [shared humanity](#), and several other psychological benefits that promote better relationships between members of human social groups. To improve intercultural relationships, they must take the initiative, at an [institutional level](#), to design, encourage, and facilitate positive intergroup contact initiatives. And such initiatives must be spearheaded by company leadership.

How to Improve Intercultural Relationships

1. **Cultural Knowledge:** This is the general knowledge resulting from a particular culture and individuals' knowledge of their own culture. Individuals must accept the differences between cultures, be flexible in the solution of possible misunderstandings, and be completely at ease in their communication with individuals from other cultures.
2. **Skills:** These include the appropriate attitudes and behaviours of employees in multinationals. It is also about the relations between employers and employees in different cultures and, in particular, the extent to which managers can understand and adapt to their environments, with efficient communication.
3. **Personality Orientation:** This is about multinational managers' views of different cultures emerging through their emotional and physical reactions. In personality orientation, managers try to be in the shoes of the individuals from the culture that they interact with – and this requires cultural adequacy.

III. CULTURAL SENSITIVITY

Interacting with people from different cultures happens regularly at most workplaces. Some businesses have employees from across the globe. Others have customers in different countries. Some businesses have multiple offices in different geographic locations. Regardless of where your employees, customers and partners are from, it's vital to focus on cultural sensitivity in the workplace in order to create a sense of unity and ease tension.

Cultural sensitivity in the workplace means paying attention to the differences and placing value in them. Differences among cultures may include language, communication styles, working styles, religious beliefs and social norms.

Activities that focus on cultural sensitivity have many benefits:

- Improves communication among employees of different cultures
- Creates a more welcoming and safer environment in the workplace
- Increases productivity by helping employees better understand one another
- Introduces new perspectives that can lead to creative and innovative ideas
- Reduces misinterpretation and tensions due to cultural differences

Understand the Importance of Cultural Sensitivity

- Cultural sensitivity involves being **respectful of other cultures**. Understanding and knowing about different cultures and accepting the differences and similarities helps people to communicate more effectively and build meaningful relationships.

- Our culture affects many aspects of our lives, from the way we speak to the way we use hand gestures. Our attitudes toward our colleagues and superiors come from our cultural viewpoint, as does the way we expect to be treated as customers.

1. Focus on Knowledge

- One of the most important ways to promote cultural sensitivity in the workplace is to provide **knowledge and training** to employees about what cultural sensitivity is and why it's important. Training about cultural sensitivity in the business includes elements such as communication, etiquette, negotiation, marketing and social norms.
- If your company does a lot of business in another country with customers and partners, for example, it is prudent to educate employees about what business practices are like over there. That country may have a different style of negotiation than yours, or the consumer may prefer a different style of marketing than you're used to. Even simple things such as a handshake or eye contact may be seen differently there, so it's important to take note of the cultural differences.

2. Work Around Communication Barriers

- One of the most common reasons different cultures have issues communicating is due to **language barriers**. If your business interacts with customers or partners who predominantly speak a different language, providing some training to front-line employees helps to enable effective communication. Similarly, if you have employees who speak other languages and are having difficulties learning the language of the business, providing them with business language classes can help to improve communication.

3. Value the Differences

- Cultural sensitivity in the workplace means paying attention to the differences and **placing value** in them. Differences among cultures may include language, communication styles, working styles, religious beliefs and social norms. Differences can be as small as time zones.
- If colleagues fast during Ramadan, for example, it's culturally sensitive to avoid holding lunch meetings during this time since they are not able to eat with you. If some colleagues don't eat meat due to cultural or religious reasons, it's sensitive to provide them with alternate meal options at company functions.
- Similarly, if business partners come from cultures where sales are conducted in a more subtle way, then the hard-sell approach won't work with them. Understanding the differences helps to improve business relations

4. Celebrate Festivals, Customs and Food

- Steps to demonstrate cultural awareness include **celebrating** with employees, customers and partners. If your business works with remote employees in another country, don't expect them to work on major holidays that differ from your own. Instead, celebrate their festivals by sending them a thoughtful card or gift basket.
- **Food** brings people from all different cultures together. Invite employees to share dishes from their cultures once a month at a company potluck or bring in treats for staff during festivals they celebrate. Bonding over food is an effective way for employees to note their similarities and create connections. Food can be a gateway to learning more about other cultures.

IV. CROSS CONVERGENCE

Convergence culture:

Where different cultures become similar or even come together and will be more and more like each other as their interactions increase. In Convergence the more the cultures interact the more that their values, ideologies, behaviours, arts and customs will start to reflect each other.

Divergence culture:

When a culture separates or goes away in different directions it is said to be divergence of culture. Tendency of cultures to become dissimilar over time.

Cross convergence:

This trend is especially pronounced between cross cultures that are heavily engaged with each other through communication and transportation technologies as well as organizational associations.

V. WOMEN EXPATRIATES AND THEIR PROBLEMS

During the past two decades, more and more organizations have been going global, and, as a result, more and more employees are being sent on international assignments. Employers are sending more female workers on international assignments than ever before, according to a report. This trend reflects the increasingly global nature of modern companies. Nowhere is this dynamic more palpable than it is in the Asia-Pacific region, particularly China, which reports the greatest rise in number of female assignees. But this is not the only region experiencing a boom in the number of female assignees. Respondents from North America report having nearly four times as many female assignees, while their European counterparts say they have twice as many.

Issues faced by Women expatriates

1. Assumptions or biased attitudes resulting in gender skewed selections

Although females have shown interest in overseas assignments, companies often assume that women with families would not wish to move to a foreign country. However, study has shown that in fact, a consistent and significant proportion of both women and men who would like to work overseas were parents – 41% of women who expressed interest were mothers, while 40% of men who would say yes to work overseas were fathers.

In other words, women with families want the chance to work overseas, and family is not a more significant issue for women than for men. Some companies also assume women to be less able to cope with being alone in a foreign country and subsequently choose their male counterparts, although women are in fact [well equipped to thrive in a new culture, due to their greater emphasis on harmony and cooperation.](#)

2. Lack of transparency regarding mobility practices

Another reason often cited for gender disparity in international assignees is the lack of transparency regarding international mobility policies. [International assignments are often awarded to those who proactively sought out such opportunities or who were more attuned to informal communications and networks.](#) This is disadvantageous to females, as research has shown that women are less likely to have informal corporate activities (including fast track programs, career counseling and the like) available to them, and are more conservative when pursuing such opportunities, unless they are certain that all job requirements can be fulfilled.

3. Lack of role models

Studies show that inadequate role models may result in females declining an international assignment – 28.2% of female respondents had cited lack of role models, compared to 11.5% of males. This may also result in a vicious cycle when it comes to female employee's perceptions of overseas assignments – females choosing not to go overseas as they have not observed similar female leaders doing so, diminishing the number of female assignees.

4. Perceived inequalities in international work opportunities

Women are 19% less likely than males to perceive equal opportunities to work overseas with their employer. A greater proportion of female professionals, compared to male professionals, believe that they have to work harder than other expatriates to achieve the same success – 23% of females versus 8% males. These beliefs, being more present in females than males, would result in qualified females self-eliminating themselves from selection and relinquishing overseas job opportunities to men, contributing to the gender disparity.

5. Fears in repatriation

Another factor resulting in women being less likely to take up an overseas assignment would be uncertainty or fear when being repatriated to their home country. When the process for repatriation is not certain, those with stronger informal networks are likely to negotiate a better

expat package or support. These are [more likely to be men](#). Uncertainty in repatriation can be eradicated with a good support system or “sponsor” in the company.

6. Employment policies or cultures in other countries

Conditions in the host country may result in greater difficulty for female expats to thrive, although this may be circumvented with proper support systems in place by the company. Women are more distinctly adverse to working in certain locations which may be deemed unfavourable. For example, some 48% of women and 35% of men said they would not relocate to the Middle East, while 43% of women and 39% of men said the same about Africa. Hence, further corporate support for both the female expatriate as well as the host country is required.

7. Concerns with trailing spouses or due to being a dual income couple

It is easy to assume that in a dual income couple, the female earns less compared to the male due to the archetypical pay gap. However, study revealed that 82% of female respondents in a relationship were in a dual income couple, with majority (77%) earning equal to or more than their partner. While it would make financial sense for the couple to relocate overseas (should the opportunity present itself to the higher earning female in the relationship), this has not translated to reality, given that most international assignees are male. Companies would have to identify the possible barriers preventing female high-earners from taking on jobs overseas, despite it being more financially prudent.

8. Cross-cultural adjustment

It plays an important role in the successful completion of the female expatriate overseas assignment. Female expatriates should be aware of the multidimensional concept within the cross-cultural adjustment process. Studies show women were less cross culturally adjusted than men in countries with low female workforce participation and lower percentage of women managers. Psychological and socio-cultural support affects their expatriation adjustment process.

Female managers' adjustment process depends on their abilities to adapt into a cross-cultural environment. For example, work and non-work challenges may create a stressful environment for the female expatriate. As a matter of fact, if female expatriates do not support and interact with the host-national environment, their actions might negatively stereotyped women who are seeking international assignment. Their appropriate norms and behaviors will reduce the myth that female managers cannot handle unexpected situations and actions when they are assigned aboard.

9. Cultural Value

Host nationals cultural values affect the acceptance of expatriate women within a given culture. Thus, country's cultural values could affect how female managers are accepted in the workplace.

For example, if women are not presented in a professional role in their host country, it might be difficult for females' expatriates to be accepted in this society. Since cultural values are shared beliefs among people from the same society; those values could make it difficult for any outsider to adjust or be accepted into the workforce.

The difference between host and home country cultures has been identified as culture distance or country difficulty. Therefore, culture distance would make it difficult for a person to adjust or perform well in the workplace. As a result, "countries low in power distance (i.e. egalitarian societies such as the US and Scandinavian countries) tend to accept people (women included) as equals, while in high power countries, such as Japan, the rigid hierarchies and protocols, many of which are based on the century-old traditions, may stifle the advancement of women to positions of authority."

10. Psycho-Sociological Factors

The social interaction and social support are critical factors that determine the female expatriates' adjustment process. Social support and social interaction can create a sense of belonging, enhance psychological security and self-esteem and reduce anxiety for female expatriates. Given the profound impact social networks can have on a female expatriate's success, organizations should encourage opportunities to support such interactions. As a result,

For example, high power distance culture could alleviate female expatriate's anxiety by providing information on the country's norms, behavior and relationship building techniques, which could ease their affirmation process. Also, this socialization process will reduce uncertainties that are related to work and non-work issues. For instance, host country's network system such as emotional and instrumental support programs are used to ease negative assumptions about female expatriates' socialization and interaction among the host-nationals.

Tips for Global HR Managers in dealing with women expatriates

- Do not assume women (or their husbands) are not interested in international assignments.
- Select the very best person regardless of gender.
- Prepare women expatriates for their new experience beforehand by providing them and their entire family with a cross-cultural training program. Ensure that the training the women receive is designed and conducted with women in mind.
- Offer training about gender issues to host nationals as well as women expatriates.
- Support the entire family, including the spouse/partner as well as the children and teens, during the entire assignment.
- Introduce women expatriates as the most qualified "expert" and "valuable resource" for the job.
- Encourage company support to come from regional directors as well as from managers at your headquarters.

- Offer in-country support networks, mentor programs, and company policies supporting women on overseas assignments.
- Facilitate support among women expatriates and their extended and nuclear families.
- Listen to women expatriates' experiences and help them learn from one another.

VII. EXIT POLICY AND PRACTICES

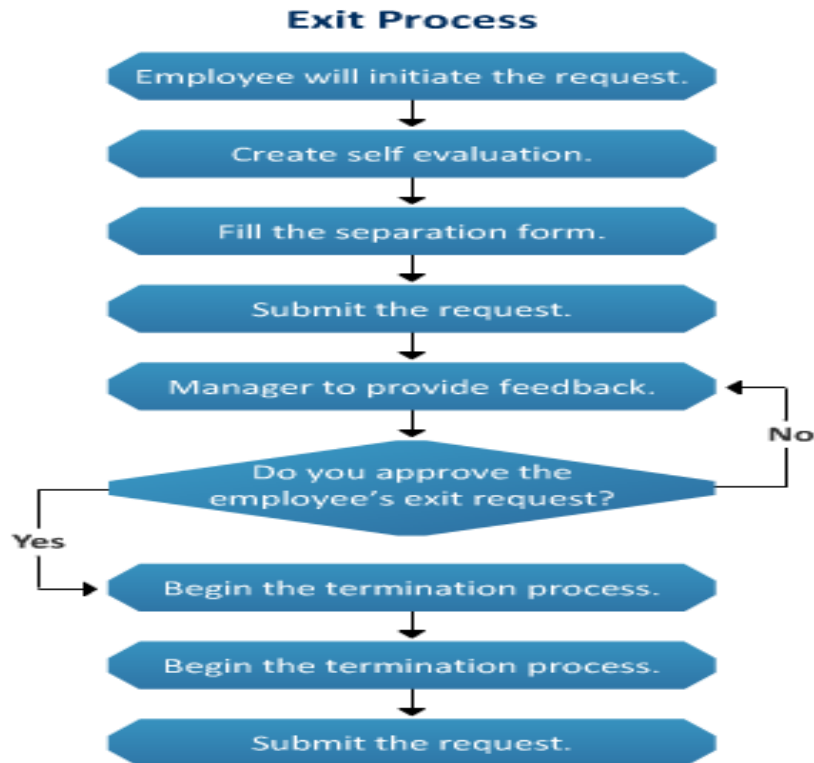
The purpose of an employee exit policy is to have a process in place when an employee is leaving your employment (resignation, retirement, end of contract etc). When an employee resigns from their position, they should submit a written [letter of resignation](#) to their immediate supervisor based on what their notice period is. Having a clear process to follow during Employee Exits will ensure the companies to protect business and its assets, and help the employee leave with dignity. It is also a great time to get feedback from them about their time in the place.

Conduct an Exit interview

An exit interview is often overlooked but is an extremely valuable organizational effectiveness tool. The purpose of exit interviews is to understand the employee's perceptions and experiences and get feedback about the job the employee held, their work environment, and workplace. A good exit interview system can help reduce turnover and increase employee [satisfaction](#) and commitment by addressing some of the things that people are leaving because of.

Follow an Exit Checklist

It is important to have a process in place and a set of steps to follow and ensure the list is completed when each employee finishes. This is extremely handy to ensure the organization doesn't forget anything when the employee leaves. The best person to complete the checklist is usually the employee's supervisor and should be done on the day they leave. The checklist can include the following (but is not limited to these items below):



1. Arrange for the employee to do a formal handover to someone within the business or at least document the procedures of their role explaining any complicated/important elements.
2. Conduct an exit interview
3. Notify other employees that they are leaving.
4. Collect any company property including their company laptop, Smartphone, company credit card, keys, security passes, parking pass, name badges and business identification, a uniform if the business owns it, any tools, electronic devices or other business property they have.
5. Process all outstanding payroll, leave accrued and expenses. If they had a mobile phone accounts ensure this account is reconciled.
6. Delete their computer access, have their files in network folders copied to the network, cancel their accounts. Remind them of confidentiality clauses in their letter of engagement.
7. Ensure to have their current address and phone number is on file in case they need to be contacted after they leave.
8. Make sure employee and their supervisor sign off on the checklist when it is done. In the end, it is always nice to part on good terms, as we never know the person leaving employment may become a client or refer business to the company in the future.

VII. Ethical issues in HRM

Of all the organisational issues or problems, ethical issues are the most difficult ones to handle or deal with. Issues arise in employment, remuneration and benefits, industrial relations and health and safety.

(1) Employment Issues (2) Cash and Incentive Plans (3) Employees Discriminations (4) Performance Appraisal (5) Privacy (6) Safety and Health and (7) Restructuring and layoffs.

1. Employment Issues:

HR professionals are likely to face maximum ethical dilemmas in the areas of hiring of employees.

Major challenges in this area are:

- a. Pressure to hire a friend or relative of a highly placed executive.
- b. Faked credentials submitted by a job applicant.
- c. Discovery that an employee who has been with the organisation for some time, is skilled and has established a successful record, had lied about his educational credentials.

2. Cash and Incentive Plans:

Cash and incentive plans include issues like basic salaries, annual increments or incentives, executive perquisites and long term incentive plans:

Basic Salaries:

HR managers have to justify a higher level of basic salaries or higher level of percentage increase than the competitors to retain some employees. In some situations, where the increase is larger than normal they have to elevate some positions to higher grades. Annual increment/incentive Plans. This situation is particularly true in case of top management executives. The fear of losing some outstanding executives, the HR managers is forced to give higher incentives to them than what the individuals actually deserve.

Executive Perquisites:

In the name of executive perquisites, sometimes excesses are often committed, the ethical burden of which falls on the HR managers. Sometimes the costs of these perquisites are out of proportion to the value added. For example, the CEO of a loss making company buys a Mercedes for his personal use or wants a swimming pool built at his residence.

Long term incentive Plans. Long term incentive plans are to be drawn by the HR managers in consultation with the CEO and an external consultant. Ethical issues arise when the HR manager

is put to pressure to favour top executive interests over the interests of the other employees and the investors.

3. Employees Discriminations:

A framework of laws and regulations has been evolved to avoid the practices of treatment of employees on the basis of their caste, sex, religion, disability, age etc. No organisation can openly practice any discriminatory policies, with regard to selection, training, development, appraisal etc. A demanding ethical challenge arises when there is pressure on the HR manager to protect the firm or an individual at the expense of someone belonging to the group which is being discriminated against.

4. Performance Appraisal:

Ethics should be the basis of performance evaluation. Highly ethical performance appraisal demands that there should be an honest assessment of the performance and steps should be taken to improve the effectiveness of employees. However, HR managers, sometimes, face the dilemma of assigning higher rates to employees who are not deserving them; based on some unrelated factors eg. closeness to the top management. Some employees are, however, given low rates, despite their excellent performance on the basis of factor like caste, religion or not being loyal to the appraiser.

5. Privacy:

The private life of an employee which is not affecting his professional life should be free from intrusive and unwarranted actions.

HR managers face three dilemmas in this aspect:

(i) The first dilemma relates to information technology. A firm's need for information particularly about employees while on job may be at odds with the employee's privacy. Close circuit cameras, tapping the phones, reading the computer files of employees etc. breach the privacy of employees.

(ii) The second ethical dilemma relates to the AIDS testing. AIDS has become a public health problem. HR managers are faced with two issues: Whether all the new employees should be subject to AIDS test and what treatment should be meted out to an employee who is affected with the disease. It is however generally understood that since AIDS cannot be contracted by casual and normal workplace contract, employees with this illness should not be discriminated against and they should be allowed to perform jobs for which they are qualified.

(iii) The third ethical dilemma relates to Whistle Blowing. Whistle blowing refers to a public disclosure by former or current employees of any illegal, immoral or illegitimate practices involving their employers. Generally, employees are not expected to speak against their employers, because their first loyalty is towards the organisation for which they work. However,

if the situation is such that some act of the organisation can cause considerable harm to the society, it may become obligatory to blow the Whistle. The HR manager is in the dilemma how to solve this issue between the opponents and defenders of whistle blowing.

6. Safety and Health:

Industrial work is often hazardous to the safety and health of the employees. Legislations have been created making it mandatory on the organisations and managers to compensate the victims of occupational hazards. Ethical dilemmas of HR managers arise when the justice is denied to the victims by the organisation.

7. Restructuring and layoffs:

Restructuring of the organisations often result in layoffs and retrenchments. This is not unethical, if it is conducted in an atmosphere of fairness and equity and with the interests of the affected employees in mind. If the restructuring company requires closing of the plant, the process by which the plant is chosen, how the news is to be communicated and the time frame for completing the layoffs is ethically important.

VIII. IHRM TRENDS AND FUTURE CHALLENGES

International HRM refers to Human Resource Management practices that deal with managing a diversity of workforce from all around the world.

Internationalisation symbolizes free flow of technology and human resources across national boundaries presenting an ever-changing and competitive business environment. It is a process that is drawing people together from all nations of the world into a single community linked by the vast network of communication technologies. This aspect has also affected the HRM in the business world of today.

HR managers today not need to rely in a small limited market to find the right employees needed to meet the global challenge, but today they can recruit the employees from around the world. The future success of any organizations relies on the ability to manage a diverse body of talent that can bring innovative ideas, perspectives and views to their work. Thus, a HR manager needs to be mindful and may employ a 'Think Global, Act Local' approach in most circumstances.

Future Trends and challenges

- **Managing Cultural Diversity:** Managing different employees from different cultures in the same organisation is a complex activity. Employees from each country think differently, perceptions are different towards work culture, the languages change, vocabulary differs and even non verbal communications are quite different from each region. This makes the task of the human resource department challenging due to globalization.

- **Managing Expatriates:** Preparing the home country employees to work in a different country is a herculean task. The beliefs, value system, culture, attitude are diverse in nature. Recruiting, retaining and motivating expatriates have a major impact on the business. Understanding expatriate's need is a prime concern for the human resource team.
- **Difference in the Employment Laws:** The employment laws or the labour laws differ from one country to another. The understanding of not only the monetary benefits becomes essential but also the non monetary benefits such as leaves, flexi timings are important to be included in the human resource policy.
- **Managing Outsourcing of employees:** Outsourced employees to manage business are the big impact of globalization. Managing the BPO, KPO employees working with a different culture, different language, working in completely opposite shifts is a new shift in the area of human resources. Managing the expectation of these employees is a challenge for today's HR and this challenge is a result of globalization.
- **Managing virtual employees:** Majority of the information technology based organisations have employees working "on-site" at a client's location which is completely new to them. The virtual employees have to be managed, retained and motivated in a different way unlike the "off-shore" employees. This practice of managing the virtual employees is a result of organisations going global.
- **Corporate Social Responsibility:** Corporate houses actively participating in the practice of doing for the betterment of the society has emerged from the western countries. It is one of the ways make the presence felt in the host countries. Employees are encouraged to participate in such activities which help to reduce stress working with MNC's.
- **Coping with flexible working hours:** The practice of flexible working hours has emerged as one of the retention initiative of workforce specially women employees who can maintain the work life balance. This practice of flexible working hours is result of working beyond normal time zones. Organisations which have a global presence need the attention of employees at various time zones which is not possible for all employees doing a continuous shift. Hence this practice emerged from globalization and has a positive impact on the HRM practice.
- **Evolution of more part-time and temporary work (especially among women, the elderly and students):** The concept of part time employment, contract jobs have emerged from the practice of MNC's since hundred percent of workforce on permanent payroll is quite a expensive matter to these organisations. Majority of large MNC's in the information technology sector has their employees under contract employment.
- **Coping up with emerging technologies & quality measures:** Every employee in today's leading organisation is being trained with the latest technologies especially with the ERP concept like SAP or Peoplesoft. This step has been taken by MNC's to equip the employees with latest technology enabling the employees to cope up with the changing technology. Certifications like Six Sigma are availed to employees to manage the business on an international platform.
- **Changing perspective from subordinates to business partners:** The shift has been observed in today's MNC that culture of subordinates is getting extinct. Employees have been treated as

business partners' i.e every employee is responsible towards the growth of the organisation and considered as a partner in the company. This impact is the result of globalization.

IHRM Practices in USA

The concept of human resource management (HRM) had been first developed in the United States of America (USA) since 1960s and 1970s. Since then, the American model of HRM had been widely spread around the world both in the theoretical and practical aspects. However, the influences of American HRM model in other countries in term of its approaches and practices are still open for investigation by researchers.

In general, American HRM model is more emphasis on

- Freedom and flexible working practices;
- High degree of formalisation;
- Strong sense of managerial 'right to manage' and contractual;
- Strong in private enterprise culture;
- Low level of state involvement and legislative control; and
- Antagonism to trade unions.

Communication plays an important role in HRM to generate workforce commitment. To achieve this objective, the companies conduct regular staff feedback sessions and annual staff opinion surveys to ensure employees' needs are well taken care of. Through the staff surveys, companies benchmark the compensation and benefits against the competitors this will be useful in creating long-term staff retention effects.

America is culturally more individualistic and autonomous as compared to the European. They are also very achievement-orientated in their works.

The HRM practices in USA will insist performance appraisal being conducted in a fair manner whereby the management gives emphasis on the measurable aspects in the target setting and performance reviewing exercise. Therefore, employees in USA are always willing and motivated to walk the extra miles to achieve the targets. This will ensure the results be reflected in their performance appraisal for a better rewards and remuneration later.

IHRM Practices in UK

1. Terms & Conditions of Employment

- The contract is made as soon as you accept the job offer and both sides are then bound by its terms until it's properly ended (usually by giving notice) or until the terms are changed (usually by mutual agreement).
- All employees having a contract of employment are entitled to a written statement of the main terms within two months of starting work.
- Most people who work in the UK are “employees” with a contract of employment.
- The law says this must have certain terms and it can usually only be changed with your agreement.

2. Conditions of employment.

Then written statement includes the following: Pay. Hours of work. Holiday entitlement. Sick pay agreements. Notice periods. Information about disciplinary and grievance procedures.

3. Working environment

Lack of trust on Managers: The attitude of British employees towards senior managers is significantly more negative than those of their counterparts in the USA, with fewer than a third expressing trust and confidence in their leaders.

4. National minimum wages

- There are different levels of National Minimum wages, depending on the age of the worker.
- All workers in UK aged 16 or over are legally entitled to be paid a minimum amount per hour. This is regardless of the kind of work they do or the size and type of company.
- A worker on a short-term contract. → A Piece worker. A casual worker. A part-time worker. A home worker. Employed by an agency. Eligibility for national minimum wage: Almost everyone who works in UK is legally entitled to be paid the National Minimum wage.
- Workers are protected against any unauthorized deduction being made from their wages.
- Workers don't have to work for more than 48 hours a week unless he/she has agreed in writing to do so. → Workers are entitled to a minimum of 24 days paid holiday a year. An agricultural workers working in England, works 5 days a week.
- Workers are protected from discrimination on grounds of race, disability, marital status, age, religion or membership / non-membership of trade union.

5. Performance Management:

Results of performance appraisals are used in case of salary increase, bonus and promotion. Performance is measured on the basis of competency and accomplishments against goals or objectives. 9 out of 10 organizations use self appraisal forms as the part of performance appraisal. 55% of the organizations conduct appraisals annually, 7%

quarterly and the rest semi- annually. Almost 80% UK companies now operate a performance appraisal system.

6. Various Laws which affect the HRM policies in UK:

Employment Equality (Age) Regulations 2006.

Disability Discrimination Act, 1995.

Race Relation Act, 1976.

Sex Discrimination Act, 1975.

Occupational safety and health Act.