**UNIT-5**

**Global Human Resource Management: Selection, Development**

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

**Concept of International Human Resource Management**

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

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

Major functions of International Human Resource Management

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

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

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

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

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

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

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

In fast-growing economies, it is easy to access money and technology than good people. Competitive advantage belongs to companies that know how to attract, select, deploy, and develop talent. In multinational companies, major objective of HRM function is to make certain that the most effective use is made of its human resources. To accomplish this, HR professionals undertake a range of activities around sourcing, development, reward and performance management, HR planning, employee involvement and communications. If the organisation has a strategic HR function, these activities will support and inform organisational strategy. HR professionals are also used extensively in organisational change and development initiatives. For international organisations, these HR activities need to be co-ordinated across both the home country and different national subsidiaries and to take into account the needs of both parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs).

**Model of IHRM**

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

**International Human Resource Management**

**Strategies of International Human Resource Management**

To respond major challenges in business, International HR executives are forced to formulate strategies and practices that will make their organizations successful. At the macro level, strategic global HRM is used to ensure that the organization overarching values, objectives and goals are supportedby the HR policies, procedures and practices (Brewster & Suutari, 2015). At the meso level, HR executives are mainly concerned to deal with issues relating to unions in the host country. At the micro level, HR executives are attempting to foster a global mindset among the workforce through developing HR competencies and business-related.

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

**Major issues/ challenges of international Human Resource Management**

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

Major issues for IHRM include the variety of international organizational models that exist, the extent to which HRM policy and practice should vary in different countries, the problem of managing people in different cultures and environments, the approaches used to select, deploy, develop and reward expatriates who could be nationals of the parent company or ‘third-country nationals’ (TCNs), nationals of countries other than the parent company who work abroad in subsidiaries of that organization. Cultural and environmental diversity is main problems in international HRM. Haley stated that in culture where people are emphasized, it is the quality of international relationships which is important. In cultures where ideologies are emphasized, sharing common beliefs is more important than group membership. Hofstede (1980) emphasizes that there are a number of cultural dimensions that affect international operations. Sparrow and Hiltrop (1997) recognize various HR areas that may be affected by national culture such as decisions on what makes an effective manager, giving face-to-face feedback, readiness to accept international assignments, pay systems and different concepts of social justice, approaches to organizational structuring and strategic dynamics.

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

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

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

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

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

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

# Difference between global HRM Vs Domestic HRM

1. **Increased functional activities**

In order to manage human resources across countries, the functional activities of human resource departments increase multi-­fold. These activities include managing expatriation, cross-country relocation, international taxation, trans-national labour legislation, etc.

1. **Functional heterogeneity**

Since an MNE operates in diverse business environments with wide variations in government policies, culture, and regulatory environments, it has to carry out a variety of HRM functions, such as recruitment and selection, performance evaluation, managing compensation, and training and development, with considerable heterogeneity.

Satisfying various stakeholders, such as the employers, business partners, and the host country governments with effective human resource management in cross-country settings is indeed a challenging task.

1. **Increased involvement in employees’ personal lives**

Managing expatriates involves relocating their entire families across countries: this is an important factor in ensuring employees’ satisfaction as satisfied employees are crucial to effective output.

Relocating includes preparing not only the employees but their entire families, including spouse and children, to develop an understanding and appreciation for cross-cultural environment and equip them for potential cultural shock.

Further, issues such as education of children, meaningful engagement/employment for the spouse, accommodation, and transport become highly significant for employees, not only in the capacity to influence the decision to take up an overseas assignment but also in determining the employees’ level of satisfaction and job performance.

1. **Enhanced risks**

Since human resource activities involve relocation of employees and their families across a country, which requires substantially higher costs in terms of their travel, training, and relocation expenses, the consequences of under- performance of expatriates or their premature return from international assignments is much higher compared to domestic assignment.

Therefore, an MNE has to develop and implement its international HRM strategies effectively so as to minimize such risks. Besides, the risks of employees’ and their families’ safety in terms of health and life increases multi-fold in trans-national assignments due to changes in climatic conditions, epidemic, war, terrorism, and incidence of riots and robbery.

1. **Increased influence of external environment**

Like all other activities in international business, managing human resources is also influenced by external environment. The diversity of cultural, regulatory, financial, and political environments requires considerable adaptations in a firm’s HRM strategy.

International managers have to take into account the cultural differences in values, expectations, behaviours, negotiation, and communication styles of international workforce while designing organizations and recruiting, selecting, training, motivating, compensating, evaluating, and controlling of employees.

# Strategic HR Issues in Global Assignments

Operating human resources across geographic and cultural boundaries can often prove difficult for small-business owners and managers. Nonetheless, with the widespread use of technology, the ability to communicate with anyone around the world and access to new and varied markets, international HR issues are important to grasp.

**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. Compliance with international law can be an issue for the under-educated business owner or HR manager, because these laws tend to be complex and sometimes difficult to implement. 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.

**Scope of Human Resource Management**

With an increasing number of busineses operating on an international scale, the impact of globalization on hr can be tricky to navigate. Globalization means various laws, cultures and norms have to be taken into consideration when onboarding 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. It really would not be that hard to have a male manager handle the day-to-day operations in an area where female managers are frowned upon, just in case. Understanding the mechanism that makes each culture tick and implementing as little or as much needed so create balance is something to strive for.

**Cultural Diversity and Global HR Issues**

A salient issue in international HR is understanding and maintaining cultural diversity. Working with people from different locations or from different cultural backgrounds mean adapting the business’s work style to new ideas, new ways of communicating and unfamiliar social practices. 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.

**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. The idea behind work-life balance is to provide employees with programs and initiatives that improve both their personal and professional lives. 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. In fact, 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.

**Training and Development**

Related to the idea of benefits and compensation in international HR are training and professional development programs. 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. Professional development helps employees to hone their skills in global marketing, international business development and finance trends.

# Expatriation and Repatriation

### ****Expatriation****

An expatriate is an employee who has left his native land and is working and temporarily residing in a foreign country. An expatriate can also be a citizen who has relinquished citizenship in their home country to become the citizen of another country. The term originates from the Latin words, ex (out of) and patria (fatherland).

A firm’s employees who are transferred out of their home base into some other area of the firm’s international operations are referred to as expatriates. The practice of global mobility of a company’s workforce helps in building competitive advantages. All expatriate employees are entitled to receive an expatriate premium while working in a foreign country. This includes monetary benefits and non-monetary incentives like housing and education.

When the initiative for expatriation comes from individuals rather than employers, it is called self-initiated expatriation (SIE). An illustration of this is the fact that some Asian Companies have recently hired a number of Western managers.

Dubai is a country where the population is composed predominantly of expatriates from countries like India, Pakistan, Bangladesh and Philippines, with only 20% of the population made up of citizens. Most popular expatriate destinations are Spain, followed by Germany and Britain.

### ****Repatriation****

Before elaboration on the stages in the repatriation process, it is useful to understand that on completion of the overseas assignment, the MNC brings the expatriate back to the human country, although not all foreign assignments end with a transfer to home- rather the expatriate is re-assigned to another international assignment. Some employees are made to travel around the globe frequency in which case they form part of the MNC’s international cadre of managers. Even with such managers, repatriation is essential, particularly at retirement.



Preparation 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(e.g. closer of bank accounts and settling bills) or a through preparation of the employee and his or her family for the transfer to home.

Physical relocation refers to saying good bye to colleagues and friends, and traveling to the next posting, usually the home country. Personalized relocation reduces the amount of uncertainly stress, and disruptions experienced by the repatriate and family.

Transition means setting into temporary accommodation, where necessary , making arrangement for housing and schooling, and carrying out other administrative tasks such as renewing driving license, and opening bank account.

Readjusting involves coping with reverse culture shock and career demands. Of all the steps in the repatriation process, re-adjusting is the most difficult one. The re-entry adjusting is a tough task because of multiple factors. First there is anxiety experienced when he or she returns home, the  apprehensive being accentuated by the uncertainly about the placement  in the firm, career prospects and a  sense of isolation, feeling of devaluing the international experience, coping with new role demands and probable loss of status  and pay.

MNC respond to the repatriation problem in several ways. Many firms have formal repatriation programs. Some companies assign the expatriate to a mentor, popularly called as the godfather. The mentor is usually in a more senior position than the expatriate and knows him or her personally. The purpose behind the use of a mentor is to remove the sense of alienation through the provision of information (e.g. workplace changes) on a regularly basis, so that expatriate is better prepared for the conditions he or she is likely to face upon re-entry. The mentor should also ensure that expatriate is not sidelined when important decisions are made regarding positions and promotions.

**Challenging of re-entry**: Repatriation poses certain problems more intense than those encountered at expatriation. Infact, assignee views expatriation as sort of reward for impressed performance but repatriation is perceived as the end of a honeymoon on his or her career. Challenging of re-entry relate to the individual assignee as well as the MNC

**Individual perspective**: Challenges from the assignee perspective include personal and professional. From a personal perspective, the assignee experience reverse culture shock. The returnee expects that the country would remain the same when he or she had left. But after repatriation the assignee finds that things are not the same. Political, economic, social and cultural climate has changed. Moreover, the returnees themselves are not same old individuals. The stay abroad has brought changes in their perception, attitudes, habits and practices. These changes have created high expectations about the home country, but the hopes do not match with reality. They exhibit fussiness about everything and this separates expatriates from home country citizens. It Is not be assignee alone facing the adjusting problem. Even the spouse has the same problem. Children too find re-entry difficult. Coming back to school, attempting to regain acceptance into peer groups and being out-of-touch with current slang, sports, and fashion do cause problems.

Lowered social status, deleted spendable income, housing problem, problem of children’s school difficulty of club membership and the like add to re-entrant’s problems.

Professional disappointments add to the returnee’s woes. The repartee feels that his or her skills acquired  while on foreign service are no more in use. The repatriate is of the opinion that job at the home is lacking in organization is unfairly ignoring the global competence acquired by the returnee. Worst, organizations may not guarantee jobs to the returnee. Often, due to poor career planning, repatriates are placed in a holding pattern- being assigned jobs that are available, without regard to the individual’s abilities, capabilities and needs. Many returnees companies that, upon returns they are offered a limited member of career choices and are rarely considered for promotions-which make them feel that they have removed from the main stream of corporate advancement.

**Challenges from organization Perspective:** As is too well known majority of the returnees consider quitting the organization. Considering the investment made on training, position, maintaining the assignee while on assignment, his or her quitting will adversely effect the MNC ‘s bottom line. Often loss of the multinational becomes gain for a rival. When an experienced assignee quits and joins a rival organization the latter tends to gain competitive advantage. In addition, high withdrawals by returnees may after the company’s ability to hire bright individuals in future.

**Building a Multicultural Organization**

A multicultural organization is one that has a workforce which includes people from diverse backgrounds across all departments, and which offers them equal opportunity for input and advancement within the company.

A multicultural organization also possesses an absence of discrimination or prejudice towards people of based on their race, religion, ethnicity, gender, age, sexual orientation, or physical limitation. In a multicultural organization, skill, talent, and performance are the criteria for meritocratic advancement.

A multicultural organization recognizes that the contributions of its employees include perspectives based on culture, gender, and other unique characteristics.

Few companies in our times want to make their products or services available only to one narrow slice of the population. A multicultural workforce helps them create products that meet the needs and expectations of a broader population.

An emphasis on diversity also may attract a better talent pool. In a survey by Glassdoor.com, fully 67% of job-seekers said that a diverse workforce was an important factor in their decision to accept or reject a job offer.

Moreover, a multicultural workforce is seen as essential for any business considering going global. “As national politics and discourse seem to grow more inward-looking and divisive across America and Europe, successful businesses must continue to think inclusively and globally,” notes a blog for Hult International Business School. “Embracing cultural diversity in the workplace is an important first step for businesses that want to be competitive on an international scale.”

**Building a Multicultural Organization**

1. Make multicultural management a strategic focus. Value the contributions of employees from all parts of your company and from different cultural backgrounds. To establish a welcoming and supportive work environment, senior management should set the tone by making it clear to managers and employees that the company will not tolerate insensitive comments or discrimination of any kind.
2. Use focus groups, surveys and one-on-one discussions to determine how effectively employees and managers can function in a multicultural setting.
3. Develop strategic and operational plans to correct the identified gaps. For example, if the middle and top management ranks do not have sufficient experience in managing multicultural teams, consider making changes to your in-house leadership development programs. Global companies should not be importing managers from their headquarters to fill overseas management positions, except on a transitional basis.
4. Foster an environment of multicultural understanding. This includes respecting and accommodating the cultural differences in your company. For example, a development team in India may need certain days off during the year for religious celebrations. Publish tips on your internal website that employees can use as references for planning purposes.
5. Create opportunities for culturally diverse groups to work together. For example, if you have one partnership with a manufacturing company in Mexico and another with a product design facility in Europe, bring key employees from these companies together in process improvement teams or new product development groups.
6. Implement cultural diversity training programs. In addition to discussing myths and stereotypes that can prevent multicultural groups from working together effectively, the training programs should increase your employees’ ability to understand cultural differences and communicate effectively across these differences.
7. Train your employees to look for nonverbal communication signals when working in a multicultural environment. For example, silence could indicate agreement in some cultures and disagreement or disapproval in others. Self-promotion may be acceptable and even expected in North America, but not necessarily in certain parts of Asia. You may have to set aside funds for translation facilities, especially when negotiating agreements or collaborating on development projects.
8. Recognize differences in decision-making processes. For example, the chief executive officer of a family-held company in India may sign a partnership agreement, but the actual approval might involve several family members. When it comes to negotiations, executives from some cultures may prefer working on the specifics, while others may prefer to work on a broad framework and fill in the details later.

**Multinational Corporations**

**Multinational Corporations or Multinational Companies** are corporate organizations that operate in more than one country other than home country. Multinational Companies (MNCs) have their central head office in the home country and secondary offices, facilities, factories, industries, and other such assets in other countries.

These companies operate worldwide and hence also known as global enterprises. The activities are controlled and operated by the parent company worldwide. Products and services of MNCs are sold around various countries which require global management.

**Features of a Multinational Company**

1. **High Turnover and Many Assets**

MNCs operate on a global scale. Which means they have huge assets in almost all countries in which they operate. Their turnovers can also be incomprehensibly large.

1. **Control**

MNCs have unity of control. So while they have many branches in many countries, the main control will remain with the head office in its country of origin. The business operations in the host country have their own management and offices, but the ultimate control will still remain at the head office.

1. **Technological Advantages**

As we saw earlier, an MNC has at its disposal huge amounts of wealth and investments. This allows them to use the best technology available to boost their products and their company. Most companies also invest huge money in their Research & Development Department to invent and discover new technological marvels.

1. **Management by Professionals**

An MNC is run by very competent and capable individuals. They have suitable managers to take care of their business operations, technology, finances, expansion etc. And they are also able to attract the top talent to their corporations due to their resources and their reputations.

1. **Aggressive Marketing**

MNCs can spend a lot of their money on marketing, advertising, and promotional activities. They target an international audience, so effective marketing becomes necessary. Aggressive marketing allows them to capture the market and sell their products globally.

**Merits of a Multinational Companies in a Host Country**

* One of the main advantages to the host country is that MNCs boost theireconomic growth. They bring with them huge investments and capital. And then through subsidiaries, joint ventures, branches, factories they promote rapid industrial growth. In fact, MNCs are known as the messengers of progress.
* A multinational corporation helps the technological growth of the country as well. They bring new innovationsand technological advancements to the host country. They help modernize the industry in developing countries.
* MNCs also reduce the host countries dependence on imports. Imports reduce while exports from the country see a rise.
* All MNCs have enormous capitaland resources at their disposal. A good portion of such resources is invested in R&D. This can be very beneficial to the host countries where they set up their R&D facilities.
* Multinational corporations also promote maximum utilization of the country’s resources. This, in turn, leads to economic development.

**Merits of Multinational Companies in the Home Country**

* MNCs make their home countries (country of origin) very rich by their revenues. The corporation will collect fees, royalties, profits, charges from all their host countries and bring them back to the home country. This huge inflow of foreign exchange is very beneficial to the home country.
* MNCs provide a means of co-operation between developed countries and developing or underdeveloped countries. This allows both to benefit from the partnership.
* And these multinational corporations also help promote bilateral trade relations between countries. This is beneficial to both the countries and the global market and economy.

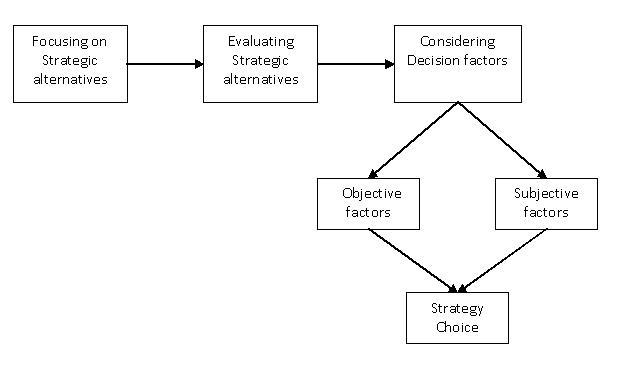
**Strategic Choice**

Strategic choice is a systemic theory of strategy. This theory is built on a notion of interaction in which organizations adapt to their environment in a self-regulating, negative-feedback (cybernetic) manner so as to achieve their goals. The dynamics, or pattern of movement over time, are those of movement to states of stable equilibrium. Prediction is not seen as problematic. The analysis is primarily at the macro level of the organization in which cause and effect are related to each other in a linear manner. Micro-diversity receives little attention and interaction is assumed to be uniform and harmonious.

**Importance of Strategic Choices**

Whether a business succeeds or fails depends in large measure on the strategic choices made by the owner. Spending large amounts of time and money introducing a product that turns out to have a very limited market is an example of a bad strategic choice. Anticipating a change in consumer tastes and introducing a service to take advantage of that change before competitors do is an example of a good strategic choice. The development of business strategy takes into account that all companies must cope with limited resources to some extent. The most successful companies can allocate scarce resources to the projects that have the greatest positive impact on revenue growth or improvements in productivity and efficiency that can increase profit margins.

**Strategic Choice Process**



**(I) Focusing on strategic alternatives:** It involves identification of all alternatives. The strategist examines what the organization wants to achieve (desired performance) and what it has really achieved (actual performance). The gap between the two positions constitutes the background for various alternatives and diagnosis. This is gap analysis. The gap between what is desired and what is achieved widens as the time passes if no strategy is adopted

**(II) Evaluating strategic alternatives:** The next step is to assess the pros and cons of various alternatives and their suitability. The tools which may be used are portfolio analysis, GE business screen and corporate Parenting.

**(iii) Considering decision factors:**

**(a) Objective factors:-**

* Environmental factor
* Volatility of environment
* Input supply from environment
* Powerful stakeholders
* Organizational factors
* Organization’s mission
* Strategic intent
* Business definition
* Strengths and weaknesses

**(b) Subjective factors:-**

* Strategies adopted in the previous period
* Personal preferences of decision- makers
* Management’s attitude toward risk
* Pressure from stakeholder
* Pressure from corporate culture
* Needs and desires of key managers.

**Leadership Meaning and Types of Leaders**

**Leadership**

“Leadership is the quality of behavior of individuals whereby they guide people or their activities in organizing efforts” — Chester I. Barnard

“Leadership is the ability of a superior to induce subordinates to work with confidence and I zeal” — Koontz and ‘Donnell

“Leadership is the process by which an executive imaginatively directs, guides and influences the work of others in attaining specified goals.” — Theo Haimann

Leadership may be defined as a position of power held by an individual in a group, which provides him with an opportunity to exercise interpersonal influence on the group members for mobilizing and directing their efforts towards certain goals. The leader is at the Centre of group’s power structure, keeps the group together, infuses life into it, moves it towards its goals and maintains its momentum.

For example, a leader of national or international standing commands widespread influence over a large number of people while the influence of the leader of a small work group in an organization is very limited. Both are leaders in their own right and fulfill our definition of leadership.

Leadership is an influential process. The leader is in a position to shape, regulate, control and change the attitudes, behaviour and performance of his group members. The latter are supposed to comply with the former’s desires and directives and partially suspend their own judgment and discretion. There exists a particular relationship between the leader and his group members which is characterized by interpersonal and social interaction.

**Nature of Leadership**

(i) Leadership derives from power and is similar to, yet distinct from, management. In fact, “leadership” and “management” are different. There can be leaders of completely unorganized groups, but there can be managers only of organized groups. Thus it can be said that a manager is necessarily a leader but a leader may not be a manager.

(ii) Leadership is essential for managing. The ability to lead effectively is one of the keys to being an effective manager because she/he has to combine resources and lead a group to achieve objectives.

(iii) Leadership and motivation are closely interconnected. By understanding motivation, one can appreciate better what people want and why they act as they do. A leader can encourage or dampen workers motivation by creating a favorable or unfavorable working environment in the organization.

(iv) The essence of leadership is followership. In other words, it is the willingness of people to follow a person that makes that person a leader. Moreover, people tend to follow those whom they see as providing a means of achieving their desires, needs and wants.

(v) Leadership involves an unequal distribution of power between leaders and group members. Group members are not powerless; they can shape group activities in some ways. Still, the leader will usually have more power than the group members.

(vi) Leaders can influence the followers’ behavior in some ways. In fact, leaders can influence workers either to do ill or well for the company. The leader must be able to empower and motivate the followers to the cause.

(vii) The leader must co-exist with the subordinates or followers and must have the clear idea about their demands and ambitions. This creates loyalty and trust in subordinates for their leader.

(viii) Leadership is to be concerned about values. Followers learn ethics and values from their leaders. Leaders are the real teachers of ethics, and they can reinforce ideas. It is very important for leaders to make positive statements of ethics if they are not hypocritical.

(ix) Leading is a very demanding job for both physically and psychologically. The leader must have the strength, power, and ability to meet the bodily requirements; zeal, energy, and patience to meet the mental requirements for leading.

**TYPES OF LEADER**

**1. Managerial Leader**

A managerial leader is the least effective of the five types of leaders. They have the least influence. People only follow them because they have to. They are not in the position to serve others. Their desire is to be served by others because they are in the position. They see others as tools to use to complete the objective for the day. They prefer to make decisions. Their weakness is character development.

Here’s a brief review of characteristics:

* Character is weak.
* Desire is “to be served” rather than “to serve.”
* They have a scarcity mindset.
* Competency can range from undeveloped to highly developed.
* Focus is on managing (directing/controlling) people and processes.
* Values the position more than the people.
* Strength comes from power, control, formal authority, and personal results.

**2. Relational Leader**

A relational leader builds relationships in order to influence others. People want to follow them because of who they are, not what they know. They develop mutual respect with others and work well with them. Although people want to follow them, they have not developed specialized knowledge. Their weakness is not making the necessary sacrifices to develop their competency.

Here’s a brief review of characteristics:

* Character is strong.
* Desire is to serve.
* They have an abundance mindset.
* Competency is undeveloped and generalized.
* Focus is on leading (influencing/releasing) people.
* Values people more than the position.
* Strength comes from relationships and moral authority.

**3. Motivational Leader**

A motivational leader seeks mutual benefit for themselves, others, and the organization. People want to follow them because of who they are and what they know. They influence others from the outside. They are process focused. They are trusted and deliver results for themselves, their families, their team, their organization, their customers, their suppliers, and their community. Their weakness is not making the necessary sacrifices to reproduce other motivational leaders.

Here’s a brief review of characteristics:

* Character is strong.
* Desire is to serve.
* They have an abundance mindset.
* Competency is developed and specialized.
* Focus is on leading (influencing/releasing) people, managing the processes, and getting results.
* Values people more than the position.
* Strength comes from relationships, moral authority, and team results.

**4. Inspirational Leader**

An inspirational leader inspires managerial and relational leaders to become motivational leaders. Their focus is on growing themselves in order to inspire others to grow. They influence others on the inside. They are people-focused not process-focused. They focus heavily on character development. True inspirational leaders are followed because of how much they care and who they are on the inside. They are inspired by the growth of those following them.

Here’s a brief review of characteristics:

* Character is stronger.
* Desire is to serve and develop others.
* They have an abundance mindset.
* Competency is highly developed and specialized.
* Focus is on leading (influencing/releasing) people and developing motivational leaders.
* Values people more than the position.
* Strength comes from relationships, moral authority, and the growth of others.

**5. Transformational Leader**

A transformational leader’s passion and purpose is to transform others. They are the most influential of the five types of leaders and are highly respected. Their reputation precedes them. They are well known for developing leaders. Their influence touches people in all industries and across multiple generations. They have influenced many leaders for many years. Their influence is continuously being transferred through many other leaders at many different times in multiple locations.

Here’s a brief review of characteristics:

* Character is strongest.
* Desire is to serve and to develop others.
* They have an abundance mindset.
* Competency is highly developed and specialized.
* Focus is on leading (influencing/releasing) people and developing motivational and inspirational leaders.
* Values people more than the position.
* Strength comes from relationships, moral authority, growth of others, and the respect they have earned.

**Strategic Issues in International Assignment**

Also referred to as a secondment or transfer, an assignment might be internal (to a different role abroad with the same employer) or to an external employer. A key characteristic of an international assignment is that an employee from one legal entity and country (‘home’ country) temporarily performs services in another country (‘host’ country).

**Potential Assignment Structures**

There are a number of different ways in which assignments can be structured and documented. Which approach is appropriate will depend on a range of issues including employment law, tax, pension, social security and regulatory implications as well as the expectations of employees. Five frequently used assignment structures are:

* The employee continues to be employed solely by the home employer;
* The contract with the home employer is suspended and the employee enters into a local employment contract with the host employer for the assignment;
* The contract with the home employer is terminated with a promise of re-employment at the end of the assignment. In the meantime, the employee enters into a local employment contract with the host employer;
* The contract with the home employer is suspended and the employee enters into a contract with an international assignment company (IAC) within the employer group; or
* The contract with the home employer is suspended and the employee enters into a contract with both an IAC and the host country employer

When deciding on the best structure for the circumstances, some questions to consider are:

* Do the host country’s laws require employment by a local entity, ruling out sole employment by the home employer?
* Where there is no contract of employment in place with the host employer, could local laws presume that the host is the de facto employer?
* If the home contract is “suspended”, is the home employer prepared to accept the legal uncertainty, in employment law terms, that this status brings?
* In a dual contract structure, who will bear the greatest risk of being liable for employment claims – host, home (or the IAC)?
* Will the employee accept the termination of his/her home contract?
* What is the impact on pension and benefit schemes, social security and tax?

Are there key terms in the home contract that require special consideration and protection, for example, restrictive covenants and confidentiality?

Which national law applies, when and to what? Which courts would have jurisdiction in the event of a dispute?

Who pays for, and manages, the employee during the assignment and will the employee return to the home country?

**Looking forward**

It is inevitable that documenting assignments will become a smoother process as employers become more familiar with the issues involved. However, the range of significant personal, legal and financial implications will mean that a degree of tailoring will always be necessary, in order to avoid negative repercussions.