Research Paper   **Human Resource Management ♦**

IHR Planning & Staffing

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ABSTRACT

In IHRM, Human resource planning is a indispensable means of effective inter-unit linkage. It involves synchronizing the staffing, appraisal, and compensation subsystems of IHRM.

Keywords : IHR Planning & Staffing.

HRP in IHRM needs to be comprehensive and responsive to the MNC's industry characteristics, product stage, organizational phase of international development, global structure and competitive strategies (Bartlett and Ghoshal 1991, 1998). These considerations are reflected in the following critical human resource planning issues facing MNCs:

- Identifying top management potential at the earliest possible career stage.
- Identifying critical success factors for the future international manager.
- Providing developmental opportunities.
- Tracking and maintaining commitments in individuals in international career paths.
- Tying strategic business planning to human resource planning, and vice versa.
- Dealing with the organizational dynamites of multiple (decentralized) business units while attempting to achieve global and regional strategies.
- Providing meaningful assignments at the right time to ensure adequate international and domestic human resources

Human Resource Cycle

In the human resource cycle 'selection process' is the main variable influencing directly the 'performance' as also the 'employee development process. The four generic processes: selection, performance appraisal, rewards management and human resource development reflect sequential managerial tasks. Performance, in other words, is a function of all the human resource components: selecting people who are able to best perform the job defined by the structure: motivating employees by rewarding them judiciously, training and developing people for future performance and appraising employees in order to justify the rewards. The strategy and structure also impact performance through the manner in which the jobs are designed, how the organization is structured and how well services and products are planned to meet environmental threats and opportunities.

These basic resource processes can be done at three kvels: strategic level which deals with policy formulation and goal setting; managerial hxel which is concerned with the availability and allocation of resource to carry out the strategy plan; and at the operational level to carry out day-to-day activities.

International Labour Market - Sources

There are three basic sources the MNCs can tap for overseas positions: (1) home or parent country nationals (PCNs); (2) host-country nationals Parent Country Nationals (PCNs)

PCNs are managers who are citizens of the country where the MNC is headquartered. In fact, sometimes the term 'headquarters' nationals' is also used. These managers are commonly called expatriates or, simply, exports, which refers to those who live and work away from their parent country. There are a variety of reasons for using PCNs. The most common reason was to start up operations. MNCs prefer to have their own people launch a new venture. The second most common reason was that the parent country people had the necessary managerial and technical expertise.

Host Country Nationals (HCNs)

HCNs are local managers who are hired by the MNC There are many reasons for hiring them at the lower or middle-level ranks Many countries require the MNC to hire local talent as part of opening their markets to MNCs. For example, in Brazil, two-thirds of employees in any foreign subsidiary have to be Brazilian nationals. In India too, before approving joint venture agreements, the government restricts the number of expatriates to be employed, primarily to limit the foreign exchange outflow and to prepare Indian nationals to undertake the responsibility at a future time.(HCNs); and (3) third country nationals (TCNs).

PCNs fill usually top positions, but this is not always the case. For example, companies following the multi-domestic philosophy or polycentric approach would select most positions, including top ones, from the host country, but usually after starting the operations. For example, Hindustan Lever Ltd. a subsidiary of the Unilever group in India is currently headed by an Indian, identified four reasons for use of host country managers:

- These individuals are familiar with the culture;
- They know the language;
- They are less expensive and know the way things are done, the rules of local market and how to get things done or who can influence; and
- Hiring them is good public relations.

Third Country Nationals (TCNs)

TCNs are managers who are citizens of countries other than the one in which the MNC is headquartered or the one in which it is assigned to work by the MNC found that the two most important reasons that American MNCs use third country nationals are:

- These people have the necessary expertise,
- They were judged to be the best ones for the job

A number of advantages are cited for using them. One is that their salary package is usually less than that of a PCN. The knowledge of local language, like English was the reason for choosing British managers by US companies in former British colonies like India, Jamaica, West Indies and Kenya.

Today, a new breed of multi-lingual, multi experienced 'global-managers' has emerged. These new managers are part of a growing group of international executives who can manage across borders and do not fit the traditional third country mould. With a unified Europe, and North America and Asia becoming business hubs, such global managers are in great demand.

Approaches to International Staffing

The four approaches to multinational staffing decisions ethnocentric, polycentric, geocentric, and regiocentrictend to reflect the managerial philosophy towards international operations held by top management at headquarters.

The Ethnocentric Approach

An ethnocentric approach to staffing results in ail key positions in a multinational being filled by parent-country nationals (PCNs). While this approach may be common for firms at the early stages of internationalization, there are often sound business reasons for pursuing an ethnocentric staffing policy.

- A perceived lack of qualified host-country nationals (HCNs), and
- The need to maintain good communication, coordination, and control links with corporate headquarters.

For instance, when a multinational acquires a firm in another country, it may wish to initially replace local managers with PCNs to ensure that the new subsidiary complies with overall corporate objectives and policies, or because the local staff may not have the required level of competence.

An ethnocentric policy, however, has a number of disadvantages. Zeira has identified several major problems:

- An ethnocentric staffing policy limits the promotion opportunities of HCNs, which may lead to reduced productivity and increased turnover among that group.
- The adaptation of expatriate managers to host countries often takes a long time during which PCNs often make mistakes and make poor decisions.
- When PCN and HCN compensation packages are compared, the often-considerable income gap in favour of PCNs is viewed by HCNs as unjustified.
- For many expatriates a key international position means new status, authority, and an increase in standard of living. These changes may affect expatriates' sensitivity to the needs and expectations of their host-country subordinates.

The Polycentric Approach

A polycentric staffing policy is one in which HCNs are recruited to manage subsidiaries in their own country and PCNs occupy positions at corporate headquarters. The main advantages of a polycentric policy are:

- Employing HCNs eliminates language barriers, avoids the adjustment problems of expatriate managers and their families, and removes the need for expensive cultural awareness training programmes.

- Employment of HCNs allows a multinational company to take a lower profile in sensitive political situations.
- Employment of HCNs is less expensive, even if a premium is paid to attract high-quality applicants.
- Employing HCNs gives continuity to the management of foreign subsidiaries. This approach avoids the turnover of key managers that, by its very nature, results from an ethnocentric approach.

The Geocentric Approach

The geocentric approach option utilizes the best people for the key jobs throughout the organization, regardless of nationality. There are two main advantages to this approach: it enables a multinational firm to develop an international executive team, and it overcomes the "federation" drawback of the polycentric approach. Phatak believes the feasibility of implementing a geocentric policy is based on five related assumptions:

(1) Highly competent employees are available not only at headquarters, but also in the subsidiaries;

(2) International experience is a condition for success in lop positions;

(3) Managers with high potential and ambition for promotion are constantly ready to be transferred from one country to another;

(4) Competent and mobile managers have an open disposition and high adaptability to different conditions in their various assignments; and

(5) Those not blessed initially with an open disposition and high adaptability can acquire these qualities as their experience abroad accumulates.

There are disadvantages associated with a geocentric policy. First, host governments want a high number of their citizens employed and with utilize immigration controls in order to force HCN employment if not enough people with adequate skills are available. Most Western countries require companies to provide extensive documentation if they wish to hire a foreign national instead of a local national. Providing this documentation can be time-consuming, expensive, and at times, futile.

Another disadvantage is that a geocentric policy can he expensive to implement because of increased training and relocation costs. Finally, large numbers of PCNs, TCNs, and HCNs need to be sent abroad in or, to build and maintain the international team required to support a geocentric staffing policy.

The Regiocentric Approach

One illustration of this approach is a regiocentric policy, which Heanan and Perlmutter (1979) define as functional rationalization on a more-than-one country basis. The specific mix will vary with the nature of a firm's business and product strategy. For example, a U.S-based firm could create three regions: Europe, the Americas, and Asia-Pacific. Staff transfers to the Asia-pacific region from Europe would be rare, as would transfers from the regions to headquarters in the United States.

One motive for using a regiocentric approach is that it allows interaction between executives transferred to regional headquarters from subsidiaries in the region and PCNs posted to the regional headquarters. There are some disadvantages in a regiocentric policy. It can produce federalism at a regional rather than a country basis and constrain the organization from taking a global stance. Another difficulty is that, while this approach does improve career prospects at the national level, it only moves the barrier to the regional level Staff may advance to regional headquarters but seldom to positions at the parent headquarters.

Based on the attitudes of the top management a multinational can pursue one of several approaches to international staffing. It may even proceed on an ad hoc basis, rather than systematically selecting one of the four approaches discussed above.

The approach of an appropriate policy on executive nationality tends to reflect organizational needs. For instance, if the multinational places a high priority on organizational control, then an ethnocentric policy will be adopted. However, there are difficulties in maintaining a uniform approach to international staffing. Therefore, strategies in different countries may require different staffing approaches.

Methods of Recruitment for international Companies

Using Head-Hunters

In international recruitment, especially for the top management positions, head-hunters need to offer an integrated service with no international obstacles to cross-border cooperation. In doing so, proper coordination between the international HR manager and the head-hunters is important. This method is becoming a popular method of international recruitment. A recent trend of development of partnership may be noticed among the head-hunters and the executive search firms. A number of firms use supplier relationship including Andersen Consulting, American Express, Philips, Pepsi Cola, Motorola and so on. Such partnerships allow a wider search in terms of wider geographical location and number of candidates. The highest growth includes China, Taiwan, Malaysia, Korea and India.

Cross-national Advertising

Trend in advertising vary across sector. There is a shift away from press advertising to creative alternatives, such as, outdoor poster sites, airport lounges, airline magazine, journey-to-work route. Many recruitment advertising providers now operate as part of global networks in order to deliver targeted global campaigns.

Knowledge about the best suitable recruitment media, national custom, culture and values are important while developing the themes, pictures, design and language of the advertisements.

E-recruitment

Internet recruitment (E-recruitment) has become one of the most popular and effective recruitment methods today, especially to the internationally mobile managers, and small companies seeking specialists from another country. In this type of recruitment, job posting and CV (curriculum vitae) management is accessible. The advantages of the E-recruitment are:

- Widen recruitment sourcing at relatively low cost
- Applicants may apply with more specialized skill match (by using personal search-agent facilities).
- Target the specific group of applicants.
- Target the fresh graduates who are willing in work in a foreign country.

However, there are certain disadvantages of E-recruitment Some of them are:

- Targeting a particular segment becomes difficulty
- Company's image and brand may not be known in a foreign country.
- Quality of applications may not be assured

International Graduate Program

Organizations that have international graduate recruitment programmes tend not to replicate the competencies that they may use for experienced managers in these programmes. Instead, they try to understand and manage graduates through the process of developing an international management career.

Selection Criteria and Techniques

Technical Competency

This criterion is one of the significant ones for selecting a manager for a foreign assignment, since the expatriates have to operate in a foreign environment and have to take full accountability for his/her decisions. Hence, MNCs rely heavily on the relevant technical skills during expatriate selection. Assessing technical skill is relatively easy because the MNCs may assess the potential candidates' skills based on past performance, both, internally and from his earlier organization.

However, the flip side of this aspect rises from the expatriates' unwillingness to return to the parent country after gaining sufficient expertise in technical skills, fearing that there would be no opportunity for application of the same, back home.

Thus, MNCs lose many expatriates who develop technical expertise or skill, once posted abroad. Coupled with this, more opportunities in other organizations in host country locations serve as a dampener for expatriates to return to their home country, since they may be able to use their skills better, and also get better salary or other benefits in host country locations. Thus, one problem of selecting technically skilled people is related to high levels of attrition and turnover in host country locations.

Personal Attributes

This refers to the individual's ability to deal and communicate effectively with superiors, peers, subordinates, customers and other stakeholders in cross-cultural settings. Cultural sensitivity, emotional maturity, empathy, respect towards other religions and value systems and others' customs and traditions are some of the more important personal attributes which are needed by expatriates for successfully dealing with people in foreign countries.

Ability to Cope with Environmental Variables

Environmental factors, such as, government polices, unions' participation, competitors' profile and modus operandi, consumer behavior become significant influencing factors on expatriates' performance in a foreign country. Many a time, the issues related with such factors cannot be predicted and thus, the expatiates have to cope with certain unplanned changes in their business environment. It is, therefore, to be included as a criterion while selecting them for international posting.

Family Situation

An expatriate manager's success in a foreign country largely depends on the informal and formal support from his/her spouse and family (both, at home country and foreign country). The degree of willingness of the family to provide support varies in the context of fear of the unknown, apprehension about children's' education, spouse's career prospects and infrastructural facilities provided by the MNC.

Apart from the above-mentioned criteria, certain other criteria also need to be considered in selection of expatriates:

Country-specific Requirements

Some regions and countries may be considered as 'hardship postings', in terms of distance between the home and host country' culture, geographical location, environment, religion, culture, and ethical orientation.

Company-specific Requirement

Company-specific requirements also needed to be considered in the expatriate selection process. Some of the factors are:

- Duration of the assignment
- The nature and degree of responsibility required in terms of control and coordination with the headquarters

Language

The ability to speak foreign language acts as an added advantage in an international assignment, especially the language spoken in the host country. This facilitates the communication with the locals.

Selection Techniques

MNCs, while selecting international managers, consider both job and organizational requirements and cultural requirements of various countries. Some of the techniques adopted by the MNCs are as follows:

- Screening the applicants' background.
- Testing the candidates' ability to adapt to the new culture and environment.
- Investigate the family situations of the potential candidate vis-a-vis, the foreign cultures and the environment.
- Assessing the capacity of the manager to adjust in the foreign culture.
- Using psychological tests to investigate the overall personality of the manager.
- Using database to track the international managers.
- Using international graduate program.
- Using assessment centre.

Problems of International Staffing

The demand for international staff is increasing as a result of a rapid growth of multinational companies and international joint ventures However, expatriates are expensive to employ as the cost of additional allowances and redeployment increases the base salary by 25-100%. In addition, expatriate assignments presents to them and their families with a number of difficulties and challenges.

An expatriate, while on a foreign assignment, faces a number of job-related, personal and cultural factors, which are unique and different from his/her home country. Expatriates, irrespective of their levels and industry, have to face a certain degree of uncertainty in terms of varying role demands from that of the home organization and the local subsidiaries.

A number of researches have been conducted to find out the significant factors which contribute to an expatriate's failure (for example, Black et al 1991; Shaffer et al. 1999). Some of the findings are as follows:

(1) Expatriates' families and spouses face isolation, loneliness and boredom in the new country and suffer from emotional and physical problems.

(2) Reward package is not sufficient to survive and maintain a life style.

(3) In host countries, expatriates have to face uncertainties, relate to people with different cultures, values and beliefs.

(4) Conflicting goals between the parent company, subsidiary or the joint venture company results inn role conflict.