Global Human Resources - Recruitment, Selection, Retention, Training

1. Overview/Goal
By the end of unit 1, students should be able to understand Human Resource Management, the Talent Development Cycle and how to manage people in a multinational context.
By the end of unit 2, students would know about global staffing, its global approach, the global selection process, causes for expatriate failure and some of the challenges faced by expatriates.
By the end of unit 3, students would know the need for cross cultural training, culture and sub culture shock, cross cultural training techniques, how to integrate training with global orientation and training host country nationals.
By the end of unit 4, students will understand how international managers are compensated, expatriate compensation, compensation packages and the international compensation table.

2. Competencies
Unit 1 - Students should have gained understanding of Human Resource Management and the Talent Development Cycle
Unit 2 - Students should know about Global Staffing and its approach worldwide. They will also understand challenges faced by expatriates and the causes for their failure.
Unit 3 - Students should have understood the concept of Culture Shock and Sub-Culture Shock, different cross cultural training techniques and training HCNs.
Unit 4 - Students should know how international managers and expatriates are compensated.

3.1. Pre-activity discussion / UNIT 1 – Human Resource Management
Students are given handouts with the article about Nucor Steel Company and its human Resource Management.

ATTACHMENT 1:
Nucor Corp., a manufacturer of steel products in Seattle, WA, practices its own brand of no-frills human resource management.

QUESTION:
What is the purpose of this article?
Why does the human resource management practice in the article only apply to Nucor Corp and not to other large corporations?

SOURCES:
Article: http://findarticles.com/p/articles/mi_m3495/is_n7_v39/ai_15603097
4.1. Learning activity (Slide 7): Human Resource Management is a term which describes the combination of administrative personnel functions with employee relations, performance management and resource planning.

SOURCES: Image: http://www.bized.co.uk/educators/16-19/business/hrm/lesson/hrm1map_small.gif

(Slide 8): Staffing
Staffing involves finding the right people, with the right skills, abilities, and fit, who may be hired or already working for the company.

Training
Training refers to the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies.

Compensation
Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.

SOURCES: Image: http://www.hrmc.net/resources/images/talent_development_cycle.jpg

(Slide 9): There has been a considerable increase in the mobility of human resource due to the more rapid growth of internationalization and global competition since the mid 1990’s.
In today’s world, successes and failures in international business can be determined by the IHRM.
Due to globalization, the human capital is the only source of sustainable, competitive advantage.
Multinationals need to pay careful attention to human capital as it is the most critical resource – the one that also provides control over other resources such as capital, technologies etc.
The increasing importance of IHRM is evidenced by the numbers. More than 37,000 MNC’s are currently in business worldwide. They have more than 200,000 foreign affiliates and have more than 73 million employees.
According to the research, about 80% of mid and large sized US companies send managers abroad and most plan to increase that number.

5.1. Post-activity discussion / UNIT 1 – Human Resource Management
The Human resource Diagnostic Checklist is made by Accel-Team, a company that assists managements to obtain the best use of the three main organizational factors in producing goods or services:

- Manpower
- Machine, equipment and plant
- Materials

They do this by tapping into the collective knowledge, experiences and wisdom of the people from all walks, within your organization.

This checklist will help you to identify the critical human resource issues facing any organization of your choice. The aim is to begin to explore how a considered and planned approach to people management can improve business performance, to the benefit of all.

ATTACHMENT:

The check-list present some questions which may prove helpful for you to think about what human resources go through when they plan development programs in an organization.

Use any organization of your choice to identify the critical human resource issues facing the organization. Please answer the attached questions keeping that organization in mind.

SOURCES:

3.2. Pre-activity discussion / UNIT 2 – Global Staffing

Choose any of the following four MNCs (Google, Microsoft, GE and Ernst & Young) and research about their staffing procedures.

QUESTION:
In how many countries around the world are these MNCs located?
What is the overall number of their employees?
What parts of the world do they hire their employees from?

SOURCES:
[http://www.startingbloc.org/GE.jpg](http://www.startingbloc.org/GE.jpg)  
[http://www.sportslaw.nl/images/cms_sports_1_6_ERNST.jpg](http://www.sportslaw.nl/images/cms_sports_1_6_ERNST.jpg)
4.2. Learning Activity

(Slide 14): Global Staffing:
Global Staffing is defined as the critical issues faced by Multinational Corporations (MNCs) with regard to the employment of home, host and third country nationals to fill key positions in their headquarters and subsidiary operations. Thus our conceptualization not only concerns the transfer of Parent Company Nationals (PCN’s) to subsidiary operations as is applied in traditional expatriation but also includes staff flows in other directions.

The rapid growth of the emerging markets such as China and India implies an increasing need for managers with distinctive competencies and a desire to manage in these culturally and economically distinct countries. Also there is greater competition between MNC’s and local organizations in the emerging markets for managers with context specific knowledge of how to do business in these countries.

(Slide 15): Ethnocentric Staffing Approach
It’s the approach in which firms fill key managerial positions with people from headquarters, who are parent country nationals (PCNs).

Polycentric Staffing Approach
In this approach, firms fill key positions with people from the local area who are host country nationals (HCNs).

Global Staffing Approach
Firms using the global staffing approach fill key managerial positions from within or outside the company, regardless of nationality.

Regiocentric Staffing Approach
In this approach recruiting is done on a regional basis.
Example: Recruiting from within Asia for a position in India.

SOURCES:
Image: http://cdn.mapquest.com/mqatlasenglish/world

(Slide 16): The Global Selection Process:
International recruitment and selection: discusses expatriate failures and then links expatriate failure to adjustment. It is significant to select suitable individuals for expatriate assignments and appropriate selection criteria for expatriate management should be established. Companies should use different resourcing strategies to attract international managers.

International Talent Management: discusses some of the major staffing challenges and constraints faced by international firms who seek to develop a pool of global managers. Human Resources play an important role in managing an international talent. They work on the required competencies of an international manager and the development of the global mindset.
Localization: Societies, Organizations and Employees play an important role in international business. In order to be successful in global operation, the local responsiveness is really important. Local responsiveness is utilizing the local resources to ensure the success of the established business. It concerns the degree to which MNC’s are sensitive to local conditions at the same time integrating units abroad to a cohesive corporate whole.

(Slide 17):
Causes for Expatriate Failure
- Inadequate training and orientation prior to assignment
- Lack of support from headquarters
- Lack of sufficient compensation and financial support
- Assignment needs are not taken into consideration, rather selection process is based on headquarters criteria
- Family Problems-example: Problems with spouse and children in adapting to local culture
- Lack of support programs for career and repatriation
- Inadaptability to local culture and working environment

(Slide 18):
Examples of Challenges faced by Expatriates
- Malaysia: The common challenges that foreigners commented on during their stay in Malaysia include the issues of the local public services, environmental awareness and local media.
- Pakistan: Returning executives complain that the pervasiveness of street beggars is overwhelming
- Japan: Expatriates and their families remain concerned about the fact that Japanese doctors revealed little information to their parents.
- Middle East: Restrictions on the expatriates’ freedom to celebrate their cultural and religious festivals.
  Example: Due to security reasons, fireworks are banned in Oman during the Indian festival of lights ‘Diwali.’

5.2. Post-activity discussion / UNIT 2 – Global Staffing
Choose any of the following four MNCs (Google, Microsoft, GE and Ernst & Young) and research about their staffing procedures.

QUESTION:
In how many countries around the world are these MNCs located?
What is the overall number of their employees?
What parts of the world do they hire their employees from?

SOURCES:
3.3. Pre-activity discussion / UNIT 3 – Training and Development for Global Operations
Think of a time when someone tried to help you improve a skill.

QUESTION:
Were you successful?
Did the training or coaching you receive make a difference? If not, what do you think was missing? What would have helped?
Is training in an organization a necessity or luxury?

SOURCES:
Image: http://www.esri.com/common/graphics/training_lg.jpg

4.3. Learning Activity
(Slide 23):
Need for Cross Cultural Training
The lack of cultural preparation has many levels of impact – from an embarrassing moment to a breakdown in intercompany communication resulting in opportunity and revenue loss.
The inability to work effectively, stress within the family, and hostility towards host nationals are common dysfunctional results of culture shock often leading to the manager quitting his/her job.
Sometimes when the manager is transferred to another part of the same country, where the culture and traditions vary, it often leads to the manager quitting his/her job. It’s called sub-culture shock.

(Slide 24):
Culture Shock
Culture shock is anxiety about not knowing how to behave in an unfamiliar culture. In essence it is a state of trauma induced by a lack of familiarity with cultural signs and cues required in everyday life. To cope with the new environment, they must learn new culture cues.
Cultural shock generally progresses through four stages:
Honeymoon – When expatriates are excited about a country and its culture
Irritation and Hostility – When cultural differences result in daily life problems at work and home

**Gradual Adjustment** – stage where people start understanding patterns of behavior, use the language and when families start accepting the new life

**Biculturalism** – the stage when the manager and family appreciate local people and their culture, and are able to function effectively in both cultures

Example: When Americans visit Greece they are not greeted with smiles which are considered to be a form of weakness in Greek culture. This comes to them as a shock because smiling is a common greeting in US.

**SOURCES:**
Video: [http://www.youtube.com/watch?v=FQtzQn1Rvc8&feature=related](http://www.youtube.com/watch?v=FQtzQn1Rvc8&feature=related)

(***Slide 25:**)

**Sub Culture Shock**
It occurs when a manager is transferred to another part of the same country where the culture and traditions vary. In this case, the manager is perceived to be a minority.
Example: When someone moves from the northern part of France to the Southern part, where people are friendlier, hospitable and have a Mediterranean temperament, they experience sub culture shock.

**SOURCES:**

(***Slide 26:**)
There are different cross cultural techniques used to overcome the potential of culture and sub culture shock.

**Area studies** - It is the documentary program about the country’s geography, history, economics and so forth

**Culture Assimilator** - expose trainees to the kinds of situations they are likely to encounter that are critical to successful interactions

**Language Training** -

**Sensitivity Training** - is a form of training that claims to make people more aware of their own prejudices, and making them more sensitive to others, e.g., homosexuality,

**Field Experiences** - exposure to people from other cultures within the trainee’s own country

(***Slide 27:**)

**Integrating Training with Global Orientation**
It is important to remember that training programs should be designed with respect to staffing approaches and company strategies.
It is also practical to consider the level of globalization that the firm has reached.
For Example: from the initial export stage to the full global stage.

(***Slide 28:**
Training Host Country Nationals:
- Training and development of HCN’s is an important factor for long term success of the Multinational Companies
- It helps the company to have a well trained management staff with broad international experience
- Since the markets are emerging and new economies are developing, it is important for the host nationals to be trained in information and communication technologies.
- e-business is increasingly becoming more significant in today’s world, so training would help host country nationals to adopt this business style.

5.3. Post-activity discussion / UNIT 3 – Training and Development for Global Operations
Japanese Management Style
- In Japan, managers have an authoritative management style.
- Training provides corrective discipline and motivation among workers.
- Japanese management is characterized by lifetime employment, a seniority wage system, vague job classifications (which means an unspecified range of responsibilities and power) and groupism.

QUESTION:
If you are a trainer who has to train a Japanese national coming to work in the United States, what training techniques would you apply and why?

SOURCES:
http://library.thinkquest.org/05aug/01746/Japan%20flag.gif

Unit 4: Compensation for Global Operations

3.4. Pre-activity discussion / UNIT 4 – Training and Development for Global Operations
It depends on whom you ask and what country they call home. An effective, global compensation program needs to be tailored to regions, cultures, currencies and even local laws because, in every language, fair pay might not have the same meaning. Designing, planning and managing compensation on a global basis can be challenging when companies expand into new markets and attempt to create consistent processes in multiple countries.
When it comes to compensating a globally dispersed workforce, organizations need to manage intricate data privacy regulations, as well as different cultures, currencies, time zones and languages, while aligning employees across various regions toward common goals.
QUESTION:
If you are given an international assignment and are asked to work in another country, what kind of pay and benefits would you expect from your employer? What do you think is the best compensation strategy?

SOURCES:
Article: http://www.workscape.com/uploadedFiles/Workscape/News_and_Events/In_the_News/2006/TalentMgtRobert%208%202007.pdf
Image: http://www.workingatmcmaster.ca/med/photo/raw/dollar-sign-1--10.JPG

4.4. Learning Activity

(Slide 33): Challenges Faced by MNCs in compensating International Managers
The biggest challenge to IHRM professionals is to maintain a standard of living for expatriates equivalent to their colleagues at home plus compensating them for any additional costs incurred. There must be a must fit between compensation and the goals of the firm as it is the crucial link between strategy and successful implementation. It is a considerable challenge to develop compensation packages according to the local situation and culture, that is finding out the differences between local salaries and those expected by expatriates.

(Slide 34): Balance Sheet Approach
Most of the MNC’s use balance sheet approach to equalize the standard of living between the host country and home country. It helps resolve the problems of pay differentials by making up additional costs that the expatriate would incur for taxes, housing, goods and services. In essence, the compensation package based on a balance sheet approach achieves a goal of providing a standard of living comparable to that of host country managers and to add some compensation for inconvenience or qualitative loss.

(Slide 35): Components of Compensation Package for International Assignments
Salary – Currency translation as compared to home salary, incentives for dislocation or inconvenience
Taxes – The burden of foreign taxes can be lessened in a way that expatriates only pay taxes paid in the home country
Allowances – Cost of living adjustment, education for children, housing allowance,
trips home for family, relocation expenses

Benefits – Medical insurance, stock options and bonuses

(Slide 69):
ORC Worldwide
It is the expatriate data service which provides worksheets that breakdown expatriate compensations elements into base pay, differentials, premiums etc. for individual assignees. It helps to provide up to date information to develop and maintain expatriate pay programs.

SOURCES:
Article: http://www.orcworldwide.co.uk/compensation/expatriate/data.html
Image: http://www.orcworldwide.co.uk/compensation/expatriate/data.html

(Slide 36):
Compensating Host Country Nationals
MNC’s need to make clear so as to what salary and benefits come with a position
MNC’s should concentrate on providing expensive or rare goods and services to manage host country talents
MNC’s should pay attention to local market factors, pay scales, government involvement and benefits, unions and the cost of living

5.4. Post-activity discussion / UNIT 4 – Compensation for Global Operations
Over half of 370 multinationals surveyed pay their expatriates home-country-based or modified home-country-based compensation, according to Price Waterhouse LLP. This approach assumes that workers will continue to maintain a home-country salary, with specific adjustments to provide a comparable standard of living in the host country. Fewer firms are paying incentive premiums, however. Employees who do receive premiums typically receive them each pay period equal to 15 percent of salary on a tax-free basis. Housing norms guarantee that expatriates share housing costs, and itemized deductions are used to determine a hypothetical tax.

The issue of executive compensation has become more complex as companies globalize. The center of global compensation issues involves stock options. Some international organizations believe it is necessary to offer stock options globally to maintain consistent policies, while others feel that compensation practices should differ from country to country. Some experts believe that the development of the euro will equalize compensation policies. Companies with global operations are advised to examine policies on a country-by-country basis. Employers need programs tailored to fit their particular needs, which could mean problems for consultants who sell one-size-fits-all solutions.

QUESTION:
What is the latest trend in global compensation?
How should MNCs compensate employees working on an international assignment?

ATTACHMENT:
6. Assignment specifications
Choose any two multinational companies, for e.g., Pepsi and Coke. Analyze the differences in their recruitment and selection process. What percent of their total employees work outside the United States? Examine any causes of their successes and failures? What compensation packages are these employees being provided?

7. Assessment
Q1. Success and failure in international business can be affected by IHRM.
   A. True
   B. False

Q2. The approach in which firms fill key managerial positions with people from headquarters, who are PCNs.
   A. Polycentric
   B. Global Staffing
   C. Ethnocentric
   D. Regioncentric

Q3. The Global Selection process involves:
   A. International Recruitment
   B. International Talent Management
   C. Localization
   D. All of the above
   E. None of the above

Q4. Culture shock progresses through ----------- Stages.
   A. One
   B. Two
   C. Three
   D. Four

Q5. It is important to remember that training program should be designed W.R.T:
   A. Staffing approaches and company strategies
   B. IHRM
   C. International company policies
   D. None of the above
Q6. Most MNCs use __________ to compensate expatriates.
   A. Balance sheet approach
   B. Parent company standard
   C. Host country standard
   D. None of the above

8. References

Books:

Websites:
http://findarticles.com/p/articles/mi_m3495/is_n7_v39/ai_15603097
http://www.orcworldwide.co.uk/compensation/expatriate/data.html
http://www.ifebp.org/Resources/Periodicals/Benefits+Compensation+Digest/AdditionalResources/globalComp.htm

Image source:
http://www.bized.co.uk/educators/16-19/business/hrm/lesson/hrm1map_small.gif
http://www.maip.com/media/images/Google%20Logo.jpg
http://www.startingbloc.org/GE.jpg
http://www.sportslaw.nl/images/cms_sports_1_6_ERNST.jpg
http://cdn.mapquest.com/mqatlasenglish/world
http://www.maip.com/media/images/Google%20Logo.jpg
http://www.startingbloc.org/GE.jpg
http://www.sportslaw.nl/images/cms_sports_1_6_ERNST.jpg
http://www.esri.com/common/graphics/training/lg.jpg
http://www.destination360.com/maps/world-map.gif
http://www.go2-france.com/images/map1.jpg
http://library.thinkquest.org/05aug/01746/Japan%20flag.gif
http://www.workingatmcmaster.ca/med/photo/raw/dollar-sign-1--10.JPG
Appendix 1

SOURCE: http://findarticles.com/p/articles/mi_m3495/is_n7_v39/ai_15603097

A lean, bottom-line approach at this steel company empowers employees. Nucor Corp., a manufacturer of steel products in Charlotte, N.C., practices its own brand of no-frills human resource management. James M. Coblin, Nucor's manager of personnel services, keeps his eye on the bottom line and has little regard for many of the practices that more conventional human resource managers rely on. At Nucor, time is not spent on team-building sessions or performance appraisals. To Coblin those activities are nothing more than fads he is happy to let pass by. Instead, Nucor concentrates on being ahead of the curve in vital areas such as management structure and employee empowerment. Having worked in human resource management at General Electric and Ingersoll Rand, Coblin knows how large corporations operate. He accepts their approach, but believes it is wrong for Nucor. At the same time, "our way is not for everybody, I'd be quick to say, and probably would be a disaster for many people. It's been successful for this company because it's been our culture from the ground up."

And while his company's management approach may not work in most places, Coblin marshals an impressive array of figures to demonstrate how it's working for Nucor. The company has 16 operating facilities in eight states, with each plant operating as an independent business unit. With only four levels of management and about 6,000 nonunion employees, the company does $2.1 billion a year in sales.

LOW PAY, HIGH BONUSES

Nucor has few requirements of the general managers of its plants, "other than making a 25 percent return," Coblin says. That single-mindedness has made the company the fourth largest producer of steel products in the United States. Managers can earn as much as an extra 75 percent of their salaries in bonuses tied to their units' profits. Hourly employees are on a weekly bonus system based on the production of their eight-to-20-member work groups. For example, an employee working in one of Nucor's bar mills usually makes a base pay of about $9 an hour straightening steel, about half what union workers make in big steel mills. But that employee probably is making about $13.50 an hour in bonus pay for a total of $22.50 an hour. In a bar mill, the bonus pay is based on the amount of steel straightened each hour. Nucor set its base at 8 tons an hour, slightly below the industry average, because "we wanted to set it low enough that they can experience some success right away," Coblin says.
Appendix 2

SOURCE:

The following check-lists present some questions which may prove helpful for you to think about what human resources go through when they plan development programs in an organization.

Use any organization of your choice to identify the critical human resource issues facing the organization. Please answer the attached questions keeping that organization in mind.

The aim is to begin to explore how a considered and planned approach to people management can improve business performance, to the benefit of all.

Culture

- Do the staff people identify with the organization and 'the success of the organization' as being of direct benefit to themselves?
- Do the staff people see themselves as having common interests with their work colleagues and group? Is there a strong team spirit?
- Is work allocated on the basis of individual expertise rather than position in the organization?
- Are there sufficient skills / power bases in the organization?
- Are there appropriate leadership skills within the organization?
- Do staff people encouraged to say what they think about the organization?
- Does your organization encourage innovation and creativity amongst staff?
- Do staff people feel a sense of personal responsibility for their work?
- Is quality emphasized in all aspects of the organization?

Organization

- Does the structure of your organization encourage effective performance?
- Is the organization structure flexible in the face of changing demands?
- Is the structure too complex? If so in what areas?
- Do the employees have clear roles and responsibilities?
- Does the organization structure tend to push problems up rather than resolve them at the point where they occur?
- Do procedures and management in the organization practices facilitate the accomplishment of tasks?

People

- Do employees in the organization have the necessary skills and knowledge to perform their jobs in the most effective manner?
• Do staff people understand their jobs and how they contribute to overall business performance i.e. have clear goals and objectives?
• Does staff have a customer service orientation?
• Are people with potential spotted and developed for the future?
• Are staff people encouraged to perform well through the giving of recognition, feedback, etc.?
• Do people know what their expected performance standards are?

**Systems**

• Do organization’s systems (e.g. employee selection and recruitment, promotion, planning, management, information and control) encourage effective performance among your staff?
• Are these systems consistent across the organization?
• Are there clear rewards for effective performance within the work group?
• Does the organization review its systems frequently and ensure they mutually support each other?

Now consider and write down:

• What are the three critical people issues facing that particular organization?
• What plans /actions can you take to address these issues?

**Appendix 3**

*In Japan, managers have an authoritative management style. Training provides corrective discipline and motivation among workers. Japanese management is characterized by lifetime employment, a seniority wage system, vague job classifications (which means an unspecified range of responsibilities and power) and groupism.*
Appendix 4

SOURCE:

http://www.ifebp.org/Resources/Periodicals/Benefits+Compensation+Digest/AdditionalResources/globalComp.htm