

*Zero to Mastery in*  
**INTERNATIONAL HUMAN  
RESOURCE MANAGEMENT**



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RESOURCE MANAGEMENT**

Lawrence Mason

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• Shadab Saifi (*Illustrator*) • Ayaz Uddin (*Editor*)

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PH.: 011-41564440, MOB. 09910115201

E-MAIL: [vei@veiindia.com](mailto:vei@veiindia.com) • WEB: [www.veiindia.com](http://www.veiindia.com)

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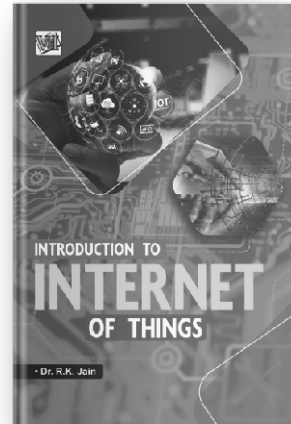
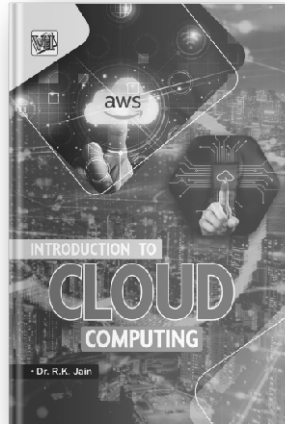
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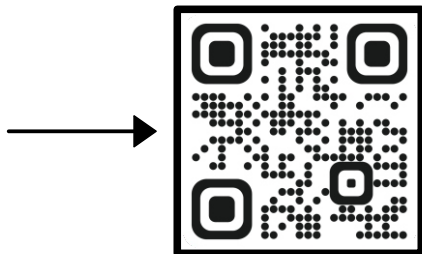
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## INTERNATIONAL HUMAN RESOURCE MANAGEMENT

### 1.1 INTERNATIONAL HUMAN RESOURCE MANAGEMENT

#### 1.1.1 Introduction

In all these international organizations or multinational enterprises (MNEs) human resource management (HRM) is a key to success. For the vast majority of organizations, the cost of the people who do the work is the largest single item of operating costs. Increasingly, in the modern world, the capabilities and the knowledge incorporated in an organization's human resources are the key to success. So on both the cost and benefit sides of the equation, human resource management is crucial to the survival, performance and success of the enterprise. For international organizations, the additional complications of dealing with multicultural assumptions about the way people should be managed and differing institutional constraints become important contributors to the chances of that success.

The need for human resource specialists to adopt an increasingly international orientation in their functional activities is widely acknowledged and becoming ever clearer. It is important not just to people working in the giant MNEs but also to many in small to medium-sized enterprises (SMEs). The freer economic environment of the twenty-first century, the reduction of restrictions on labour movement in areas such as the European Community, and the advent of new technology have combined to mean that many fledgling enterprises operate internationally almost as soon as they are established. It is also worth reminding ourselves that international organizations do not have to be in the private sector. Many international organizations such as those in the UN family, the OECD, the regional trade bodies, etc, have employees who work across national borders. So do many charities and religious groups (Brewster and Lee, 2006).

Any review of world events over the last few years will emphasize the essentially unpredictable and rapidly changing nature of political, economic and social upheavals. Vaill (1989; p.2) used the

metaphor of ‘permanent white water’ to describe the nature of doing business in the latter part of the twentieth century:

**‘Most managers are taught to think of themselves as paddling their canoes on calm, still lakes ... Sure, there will be temporary disruptions during changes of various sorts – periods when they will have to shoot the rapids in their canoes – but the disruptions will be temporary, and when things settle back down, they’ll be back in a calm, still lake mode. But it has been my experience that you never get out of the rapids!’**

Managers working in an international environment are obviously more subject to the impact of multi-country, regional and global change and dynamism than managers in a single-country operation. And this applies to HR managers as much as any others (Stiles, 2006). Hardly surprisingly, choices in this context become complex and ambiguous.

### *International Human Resource Management*

International HRM examines the way in which international organizations manage their human resources across these different national contexts. The international context adds extra complexity to the management of people beyond that found in a purely national setting.

The organization that manages people in different institutional, legal, and cultural circumstances has to be aware not only of what is allowed and not allowed in the different nations and regions of the world, but also of what makes for cost-effective management practices. To take one often-quoted example: a performance appraisal system which depends upon US-style openness between manager and subordinate, each explaining plainly how they feel the other has done well or badly in their job, may work in some European countries. However, it is unlikely to fit with the greater hierarchical assumptions and ‘loss-of-face’ fears of some of the Pacific countries. It may even be unlawful in some states. The literature is replete with examples of such home-country practices that may be allowed in other countries but which depress rather than improve productivity and effectiveness.

Organizations that address IHRM, therefore, have to deal not just with a variety of practices but also with a range of policy and even strategy issues. IHRM explores how MNEs manage the demands of ensuring that the organization has an international coherence in and cost-effective approach to the way it manages its people in all the countries it covers, while at the same time ensuring that it is responsive to the differences in assumptions and in what works from one location to another. This includes, in particular, the management of those people who have to work internationally.

#### **1.1.2 Nature and Concepts of IHRM**

International human resource management (IHRM) has many similarities with domestic human resource management (HRM), but there are also some important differences. In IHRM, the familiar HRM activities are placed in a global context. Among the results of this are circumstances such as:

- Organizations bringing their operations into social contexts with which they are unfamiliar;
- Employees from different cultural backgrounds working together; and

- Movement of employees to unfamiliar foreign work and social environments.

Consequently, this creates an additional set of challenges for HRM. This unit will examine some of these, with a particular focus on issues such as:

- Impacts of culture on work and the organization of work;
- Differences between HRM in different countries;
- Challenges of maintaining an international workforce; and
- Relations between parent companies and employees working in other countries.

Approaches to such issues vary according to organizational factors (e.g. the nationality of the multinational enterprise (MNE), the stage of internationalization, organizational strategy, and the headquarters' orientation and corporate culture), as well as environmental factors such as national culture, the industry in which the MNE is operating, and regional economic development. This unit will explore both successful approaches and potential pitfalls. While the focus of this unit is on IHRM, it should be remembered that many of the topics can apply equally to a domestic environment, especially where multicultural factors are part of the work context.

The advent of the era of liberalization and globalization along with the Advancements in information technology (IT) has transferred the world around us. It has brought to centre stage the importance of human resources, more than ever before. The purpose of human resource management (HRM) is to enable appropriate deployment of human resource so that the quality culture can maintain and satisfy the customers not only in national level but to in global level.

In a competitive scenario, effective utilization of human resources has become necessary and the primary task of every organization is to identify, recruit and channel competent human resources into their business operations for improving productivity and functional efficiency.

Emergency of trade blocks with the formation of different economic and political forums like European Union, North American Free Trade Association, Asia Pacific Economic conference and expanding role of World Trade Organization have now significantly changed the business environment in terms of competition/liberalization and open end marketing opportunity.

Business environment become global business environment. Internalization of business now experts influence not only on labour markets and staffing requirements but also on HR practices. Multi domestic operations (MDOs), Joint Ventures (JVs) and strategic Alliance (SA) are common forms of business structures across regions. Changes in organizational structures, relationships with overseas operations, state – of – the art communications technology and global market now demand different HR approaches for managing MNCs. Globalization of business has probably touched the HR managers more severely than any other functional heads. The HR executives needs to give international orientation to whatever he or she does – employee hiring, training and development, performance review, remuneration, motivation, welfare, or industrial relations. International orientation assumes greater relevance as business get increasing interlinked across nations.

Since an international business must procure, motivate, retain, and effectively utilize services of people both at the corporate office and at the foreign plants, therefore, the process of procuring,

allocating and effectively utilizing human resources in an international business is called International Human Resource Management.

### **1.1.3 Definitions of IHRM**

“IHRM encompasses: ‘the worldwide management of people in the multinational enterprise”

**(Poole, 1990; p1)**

“Human resource management in an international environment. problems created in an MNC performing business in more than one country, rather than those posed by working for a foreign firm at home or by employing foreign employees in the local firm.”

**(Briscoe and Schuler, 2004; p1)**

“How MNCs manage their geographically dispersed workforce in order to leverage their HR resources for both local and global competitive advantage.”

**(Scullion, 2005; p5)**

‘A branch of management studies that investigates the design of and effects of organizational human resource practices in cross-cultural contexts.’

**(Peltonen, 2006; p523)**

‘All issues related to the management of people in an international context (including) human resource issues facing MNCs in different parts of their organizations and comparative analyses of HRM in different countries.’

**(Stahl and Björkman, 2006; p1)**

‘. . .Complex relationship between organization, national systems and companies (which provides us with) three distinct “levels of analysis” for interpreting and understanding HRM strategies and practices (the organization effect, the regional and national effect, and the organization effect’).

**(Edwards and Rees, 2008; p22)**

‘. . .The subject matter of IHRM (must be) covered under three headings: cross-cultural management; comparative human resource management; and international human resource management’

**(Brewster *et al*, 2007, p5)**

‘. . .How MNCs manage the competing demands of ensuring that the organization has an international coherence in and cost-effective approach to the way it manages its people in all the countries it covers, while also ensuring that it can be responsive to the differences in assumptions about what works from one location to another’.

**(Dickmann *et al*, 2008; p7)**

‘. . .The ways in which the HRM function contributes to the process of globalization within multinational firms’.



(Sparrow and Braun, 2008; p96)

‘ . . . The implications that the process of internationalization has for the activities and policies of HRM’.

(Dowling *et al*, 2008; p293).

International human resource management is all about the world wide management of human resources – Process of sourcing, allocating, and effectively utilizing their skill, knowledge, ideas, plan and perspective in responding to TQM.

The process of procuring, allocating and effectively utilizing human resources in an international business is called International Human Resource Management or IHRM.

International Human Resource Management is the process of sourcing, allocating and effectively utilizing human resources in a multinational organization.

### 1.2 INTERNATIONAL HUMAN RESOURCE MANAGEMENT AND STRATEGY

- International issues must be included in organization strategy.
- Strategic operations decisions to be made:
  - where operational facilities are to be located
  - how operations network should be managed across national boundaries
  - whether operations in different countries are allowed to develop own way of doing business
  - whether operations practice successful in one part of world can be transferred to another part.
- Where organization should be located is a strategic decision.
- Configuration strategies:
  - home country
  - regional
  - globally coordinated
  - combined regional and coordinated.

#### 1.2.1 Ten Steps to a Global Human Resources Strategy

Creating an effective global work force means knowing when to use “expats,” when to hire “locals” and how to create that new class of employees — the “glopats.”

The scarcity of qualified managers has become a major constraint on the speed with which multinational companies can expand their international sales. The growth of the knowledge-based society, along with the pressures of opening up emerging markets, has led cutting-edge global companies to recognize now more than ever that human resources and intellectual capital are as significant as financial assets in building sustainable competitive advantage. To follow their lead, chief executives in other multinational companies will have to bridge the yawning chasm between

their companies' human resources rhetoric and reality. H.R. must now be given a prominent seat in the boardroom.

Good H.R. management in a multinational company comes down to getting the right people in the right jobs in the right places at the right times and at the right cost. These international managers must then be meshed into a cohesive network in which they quickly identify and leverage good ideas worldwide.

Such an integrated network depends on executive continuity. This in turn requires career management to insure that internal qualified executives are readily available when vacancies occur around the world and that good managers do not jump ship because they have not been recognized.



*Fig. 1.1*

Very few companies come close to achieving this. Most multinational companies do not have the leadership capital they need to perform effectively in all their markets around the world. One reason is the lack of managerial mobility. Neither companies nor individuals have come to terms with the role that managerial mobility now has to play in marrying business strategy with H.R. strategy and in insuring that careers are developed for both profitability and employability.

Ethnocentricity is another reason. In most multinationals, H.R. development policies have tended to concentrate on nationals of the headquarters country. Only the brightest local stars were given the career management skills and overseas assignments necessary to develop an international mindset.

The chief executives of many United States-based multinational companies lack confidence in the ability of their H.R. functions to screen, review and develop candidates for the most important

posts across the globe. This is not surprising: H.R. directors rarely have extensive overseas experience and their managers often lack business knowledge. Also, most H.R. directors do not have adequate information about the brightest candidates coming through the ranks of the overseas subsidiaries. “H.R. managers also frequently lack a true commitment to the value of the multinational company experience,” notes Brian Brooks, group director of human resources for the global advertising company WPP Group Plc.

The consequent lack of world-wise multicultural managerial talent is now biting into companies’ bottom lines through high staff turnover, high training costs, stagnant market shares, failed joint ventures and mergers and the high opportunity costs that inevitably follow bad management selections around the globe.

Companies new to the global scene quickly discover that finding savvy, trustworthy managers for their overseas markets is one of their biggest challenges. This holds true for companies across the technology spectrum, from software manufacturers to textile companies that have to manage a global supply chain. The pressure is on these newly globalizing companies to cut the trial-and-error time in building a cadre of global managers in order to shorten the leads of their larger, established competitors, but they are stymied as to how to do it.

The solution for multinationals is to find a way to emulate companies that have decades of experience in recruiting, training and retaining good employees across the globe. Many of these multinational companies are European, but not all. Both Unilever and the International Business Machines Corporation, for example, leverage their worldwide H.R. function as a source of competitive advantage.

Anglo-Dutch Unilever has long set a high priority on human resources. H.R. has a seat on the board’s executive committee and an organization that focuses on developing in-house talent and hot-housing future leaders in all markets. The result is that 95 per cent of Unilever’s top 300 managers are fully homegrown. Internationalization is bred into its managers through job content as well as overseas assignments. Since 1989, Unilever has redefined 75 per cent of its managerial posts as “international” and doubled its number of managers assigned abroad, its expatriates, or “expats.”

I.B.M., with 80 years’ experience in overseas markets, reversed its H.R. policy in 1995 to deal with the new global gestalt and a new business strategy. Instead of cutting jobs abroad to reduce costs, I.B.M. is now focusing on its customers’ needs and increasing overseas assignments. “We are a growing service business — our people are what our customers are buying from us,” explained Eileen Major, director of international mobility at I.B.M.

When managers sign on with these companies, they know from the start that overseas assignments are part of the deal if they wish to climb high on the corporate ladder. These multinational companies manage their H.R. talent through international databases that, within hours, can provide a choice of

Grade-A in-house candidates for any assignment. Even allowing for company size, few United States-based multinationals come close to matching the bench strength of a Unilever or Nestlé. The Japanese multinationals are even farther behind.

This article outlines a global H.R. action agenda based on the approaches used by leading multinational companies. The goal is to build sustainable competitive advantage by attracting and developing the best managerial talent in each of your company's markets.

The strategy demands global H.R. leadership with standard systems but local adaptation. The key underlying ideas are to satisfy your company's global human resources needs via feeder mechanisms at regional, national and local levels, and to leverage your current assets to the fullest extent by actively engaging people in developing their own careers.

Implementing these ideas can be broken down into 10 steps. By taking these steps, a company should be able to put into place an effective global human resources program within three to four years.

### **1. Break all the “local national” glass ceilings**

The first, and perhaps most fundamental, step toward building a global H.R. program is to end all favoritism toward managers who are nationals of the country in which the company is based. Companies tend to consider nationals of their headquarters country as potential expatriates and to regard everyone else as “local nationals.” But in today's global markets, such “us-versus-them” distinctions can put companies at a clear disadvantage, and there are strong reasons to discard them:

- Ethnocentric companies tend to be xenophobic — they put the most confidence in nationals of their headquarters country. This is why more nationals get the juicy assignments, climb the ranks and wind up sitting on the board — and why the company ends up with a skewed perception of the world. Relatively few multinational companies have more than token representation on their boards. A.B.B. is one company that recognizes the danger and now considers it a priority to move more executives from emerging countries in eastern Europe and Asia into the higher levels of the company.
- Big distinctions can be found between expatriate and local national pay, benefits and bonuses, and these differences send loud signals to the brightest local nationals to learn as much as they can and move on.
- Less effort is put into recruiting top-notch young people in overseas markets than in the headquarters country. This leaves fast-growing developing markets with shallow bench strength.
- Insufficient attention and budget are devoted to assessing, training and developing the careers of valuable local nationals already on the company payroll.

**EXHIBIT I: THE PROS AND CONS OF USING EXPATRIATES****The advantages of appointing a national of the headquarters country in an overseas posts are that the expat:**

1. Knows the company's product and culture
2. Relates easily and efficiently to corporate headquarters speaks the verbal and cultural language
3. Has technical or business skills not available locally.
4. May have special transferable capabilities for example, opening in emerging markets.
5. Will protect and promote the interest of headquarters in international joint ventures and acquisitions and situation requiring tight financial control.
6. Is unlikely to steal proprietary knowledge and set up competing businesses.
7. Does not put the country ahead of the company (unless he or she "goes native").
8. Fits the company's need to develop future leaders and general managers with international experience

**The disadvantages of appointing an expat include:**

1. High costs—covering relocation, housing, education, hardship allowance—often exceeding 200 per cent of the home-country base.
2. Black-cuts: 25 of expats have to be called home early.
3. Brown-cuts: another 30 percent to 50 percent say but under perform, leading to lost sales low staff morale and a decline in local goodwill.
4. Prolonged start-up and wind-down time in a typical three-year assignment, the first year is spent unpacking and the third year is spent pecking and positioning for the next move.
5. A shortsighted focus: expats with a three-year assignment tend to focus on the neat career rather than on building the local company.
6. Difficulty in finding experienced managers willing to move because of spouse's career child's schooling or life-style and security concerns for examples, in Middle's Eastern countries.
7. Expat's concern about negative out-of-sight cut-of-mind impact on career development.
8. Re-entry problems a high percentage of expats leave that companies after overseas assignments because jobs with similar breadth of responsibility are either not available or not offered.
9. Diversion of senior managers to overseas markets is difficult, especially for smaller companies that do not yet have a lock on their domestic markets.

Conventional wisdom has defined a lot of the pros and cons of using expatriates versus local nationals. (See Exhibits I and II). But in an increasingly global environment, cultural sensitivity and cumulative skills are what count. And these come with an individual, not a nationality.

## EXHIBIT II: PROS AND CONS OF USING LOCAL NATIONALS

**The advantages of appointing a national of the country in which your company subsidiary is located to manage that unit are the local nationals.**

1. Are cheaper.
2. Have the language of country culture in their blood.
3. Know local market customs, and can better adapt the marketing mix, spot emerging trends and anticipate implementation problems available locally.
4. Comprehend how to motivate other local national staff.
5. Enable the multinational company to project a local company image.
6. Have no trading spouse or educational issues
7. Are increasingly more available and qualified because of advances in management education, foreign study programs and the establishment of business schools in emerging markets.
8. Increasingly know English, the world-wide business . The number of Chinese currently learning English is higher than the entire British population.
9. Are generally highly educated, especially the candidates in many former Communist countries and other prove to be quick-studies of entrepreneurial as well as technical skills.

**The disadvantages of appointing local national include:**

1. The demand for qualified local nationals outstrips supply, especially in fast growing emerging markets.
2. It takes too much time to bring local nationals up to speed on highly technical product lines with short life cycles.
3. In some business globalization is homogenizing customers requirements across markets.
4. Local nationals lack a personal network at corporate headquarters, so they have difficulty obtaining timely responses (This is especially true for non-Japanese local nationals in Japanese multinational companies.)
5. Government leaders often doubt that local nationals have high-level access at corporate headquarters and thus would rather deal with expats.
6. The social origins and family background of a local national will bear upon his or her effectiveness more than those of an expat.
7. Some local nationals feel obliged to be advocates for their countries as well as their companies. When push comes to shove headquarters may not know where their true loyalties lie.
8. Local nationals hesitate to put the plug on local joint ventures turning sour because they probably will have to live with the local partners and their executives afterward.
9. Local nationals often have less international and/or varied experience than expats so they may have narrower vision and less to offer when mentoring subordinates.

After all, what exactly is a “local national”? Someone who was born in the country? Has a parent or a spouse born there? Was educated there? Speaks the language(s)? Worked there for a while? All employees are local nationals of at least one country, but often they can claim a connection with several. More frequent international travel, population mobility and cross-border university education are increasing the pool of available hybrid local nationals. Every country-connection a person has is a potential advantage for the individual and the company. So it is in a

multinational company's interests to expand the definition of the term "local national" rather than restrict it.

## 2. Trace your lifeline

Based on your company's business strategy, identify the activities that are essential to achieving success around the world and specify the positions that hold responsibility for performing them. These positions represent the "lifeline" of your company. Typically, they account for about 10 per cent of management.

Then define the technical, functional and soft skills needed for success in each "lifeline" role. As Ms. Major of I.B.M. notes, "It is important to understand what people need to develop as executives. They can be savvy functionally and internationally, but they also have to be savvy inside the organization."



*Fig. 1.2*

This second step requires integrated teams of business and H.R. specialists working with line managers. Over time, they should extend the skills descriptions to cover all of the company's executive posts. It took 18 months for I.B.M. to roll out its worldwide skills management process to more than 100,000 people in manufacturing and development.

A good starting point is with posts carrying the same title around the globe, but local circumstances need to be taken into account. Chief financial officers in Latin American and eastern European subsidiaries, for example, should know how to deal with volatile exchange rates and high inflation. Unilever circulates skills profiles for most of its posts, but expects managers to adapt them to meet local needs.

Compiling these descriptions is a major undertaking, and they will not be perfect because job descriptions are subject to continuous change in today's markets and because perfect matches of candidates with job descriptions are unlikely to be found. But they are an essential building block to a global H.R. policy because they establish common standards.

The lifeline and role descriptions should be revisited at least annually to ensure they express the business strategy. Many companies recognize the need to review the impact of strategy and marketplace changes on high-technology and R&D roles but overlook the fact that managerial jobs are also redrawn by market pressures. The roles involved in running an emerging market operation, for example, expand as the company builds its investment and sales base. At I.B.M., skills teams update their role descriptions every six months to keep pace with the markets and to inform senior managers which skills are "hot" and which the company has in good supply.

### **3. Build a global database to know who and where your talent is**

The main tool of a global H.R. policy has to be a global database simply because multinational companies now have many more strategic posts scattered around the globe and must monitor the career development of many more managers. Although some multinational companies have been compiling worldwide H.R. databases over the past decade, these still tend to concentrate on posts at the top of the organization, neglecting the middle managers in the country markets and potential stars coming through the ranks.

I.B.M. has compiled a database of senior managers for 20 years, into which it feeds names of promising middle managers, tracking them all with annual reviews. But it made the base worldwide only 10 years ago. Now the company is building another global database that will cover 40,000 competencies and include all employees worldwide who can deliver those skills or be groomed to do so. I.B.M. plans to link the two databases by 2000.

Unilever has practiced a broader sweep for the past 40 years. It has five talent "pools" stretching from individual companies (e.g., Good Humor Breyers Ice Cream in the United States and Walls Ice Cream in Britain) to foreign subsidiaries (e.g., Unilever United States Inc. and Unilever U.K. Holdings Ltd.) to global corporate headquarters. From day one, new executive trainees are given targets for personal development. Those who show the potential to move up significantly are quickly earmarked for the "Development" list, where their progress through the pools — company, national, business group and/or region, global, executive committee — is guided not only by their direct bosses but by managers up to three levels above. "We want bigger yardsticks to be applied to these people and we don't want their direct bosses to hang on to them," explains Herwig Kressler, Unilever's head of remuneration and industrial relations. To make sure the company is growing the general management talent it will need, the global H.R. director's strategic arm reaches into the career moves of the third pool — those serving in a group or region — to engineer appointments across divisions and regions.

To build this type of global H.R. database, you should begin with the Step 2 role descriptions and a series of personal-profile templates that ask questions that go beyond each manager's curriculum vitae to determine cultural ties, language skills, countries visited, hobbies and interests. For overseas

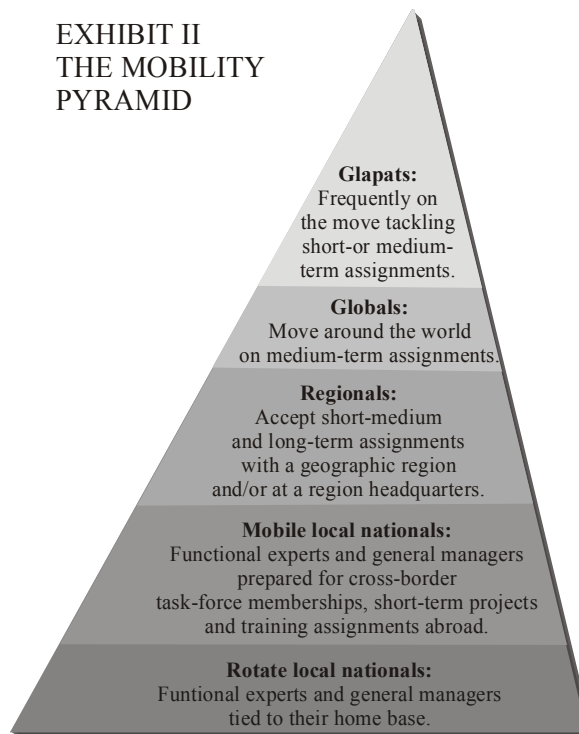


assignments, H.R. directors correctly consider such soft skills and cultural adaptability to be as important as functional skills. The fact that overseas appointments are often made based largely on functional skills is one reason so many of them fail.

#### 4. Construct a mobility pyramid

Evaluate your managers in terms of their willingness to move to new locations as well as their ability and experience. Most H.R. departments look at mobility in black-or-white terms: “movable” or “not movable.” But in today’s global markets this concept should be viewed as a graduated scale and constantly reassessed because of changing circumstances in managers’ lives and company opportunities. This will encourage many more managers to opt for overseas assignments and open the thinking of line and H.R. managers to different ways to use available in-house talent.

EXHIBIT II  
THE MOBILITY  
PYRAMID



Some multinational companies, for example, have been developing a new type of manager whom we term “glopats”: executives who are used as business-builders and troubleshooters in short or medium-length assignments in different markets. Other multinational companies are exploring the geographical elasticity of their local nationals.

Consider the five-level mobility pyramid in Exhibit III. To encourage managerial mobility, each personal profile in your database should have a field where managers and functional experts assess

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where and for what purposes they would move. When jobs or projects open, the company can quickly determine who is able and willing to take them.

Managers can move up and down a mobility pyramid at various stages of their career, often depending on their family and other commitments. Young single people or divorced managers, for example, may be able and eager to sign up for the glopat role but want to drop to a lower level of the pyramid if they wish to start or restart a family life. Or seasoned senior managers may feel ready to rise above the regional level only when their children enter college.

I.B.M. uses its global H.R. database increasingly for international projects. In preparing a proposal for a German car manufacturer, for instance, it pulled together a team of experts with automotive experience in the client's major and new markets. To reduce costs for its overseas assignments, I.B.M. has introduced geographic "filters": a line manager signals the need for outside skills to one of I.B.M.'s 400 resource coordinators, who aims to respond in 72 hours; the coordinator then searches the global skills database for a match, filtering the request through a series of ever-widening geographic circles. Preference is often given to the suitable candidate who is geographically closest to the assignment. The line manager then negotiates with that employee's boss or team for the employee's availability.

The shape of a company's mobility pyramid will depend on its businesses, markets and development stage and will evolve as the company grows. A mature multinational food-processing company with decentralized operations, for example, might find a fiat pyramid adequate, whereas a multinational company in a fast-moving, high-technology business might need a steeper pyramid with proportionately more glopats.

Kevin Barham and Marion Devine, "The Quest for the International Manager: A Survey of Global Human Resource Strategies" (Economist Intelligence Unit, 1991).

### 5. Identify your leadership capital



*Fig. 1.3*

Build a database of your company's mix of managerial skills by persuading people to describe the information in their c.v.'s, their management talents and their potential on standard personal-profile templates. Jump-start the process by having your senior managers and those in the lifeline posts complete the forms first. Add others worldwide with the potential to move up. Include functional specialists who show general management potential.

Require over time that every executive join the global H.R. system. This makes it harder for uncut diamonds to be hidden by their local bosses. Recognizing that people's situations and career preferences shift over time, hold all managers and technical experts responsible for updating their c.v.'s and reviewing their personal profiles at least once a year.

Companies should make it clear that individual inputs to the system are voluntary but that H.R. and line managers nevertheless will be using the data to plan promotions and international assignments and to assess training needs. Be mindful of the personal privacy provisions in the European Union's new Data Protection directive and similar regulations forthcoming in Japan that basically require employee consent to gather or circulate any personal information.

### **6. Assess your bench strength and skills gap**

Ask each executive to compare his or her skills and characteristics with the ideal requirements defined for the executive's current post and preferred next post. Invite each to propose ways to close any personal skills gaps — for example, through in-house training, mentoring, outside courses or participation in cross-border task forces.

Compare the skills detailed in the personal assessments with those required by your business strategy. This information should form the basis for your management development and training programs and show whether you have time to prepare internal candidates for new job descriptions.

Unilever uses a nine-point competency framework for its senior managers. It then holds the information in private databases that serve as feeder information for its five talent pools. The company thoroughly reviews the five pools every two years and skims them in between, always using a three- to five-year perspective. In 1990, for example, its ice cream division had a strategic plan to move into 30 new countries within seven years. Unilever began hiring in its current markets with that in mind and set up a mobile "ice cream academy" to communicate the necessary technical skills.

I.B.M. applies its competency framework to a much broader personnel base and conducts its skills gap analyses every six months. Business strategists in every strategic business unit define a plan for each market and, working with H.R. specialists, determine the skills required to succeed in it. Competencies are graded against five proficiency levels.

Managers and functional experts are responsible for checking into the database to compare their capabilities against the relevant skills profiles and to determine whether they need additional training. Their assessments are reviewed, discussed and validated by each executive's boss, and then put into the database. "Through the database, we get a business view of what we need versus what we have," explains Rick Weiss, director of skills at I.B.M. "Once the gaps are identified, the

question for H.R. is whether there is time to develop the necessary people or whether they have to be headhunted from the outside.”

### **7. Recruit regularly**

Search for new recruits in every important local market as regularly as you do in the headquarters country. Develop a reputation as “the company to join” among graduates of the best universities, as Citibank has in India, for example.

The best way to attract stellar local national recruits is to demonstrate how far up the organization they can climb. Although many Fortune 500 companies in the United States derive 50 per cent or more of their revenues from non-domestic sales, only 15 per cent of their senior posts are held by non-Americans.

There may be nothing to stop a local national from reaching the top, but the executive suite inevitably reflects where a company was recruiting 30 years earlier. Even today, many multinational companies recruit disproportionately more people in their largest — often their longest-established — markets, thereby perpetuating the status quo.

To counter such imbalances, a multinational company must stress recruitment in emerging markets and, when possible, hire local nationals from these markets for the middle as well as the lower rungs of its career ladder. Philips Electronics N.V., for example, gives each country subsidiary a target number of people to bring through the ranks for international experience. Some go on to lengthy international careers; others return to home base, where they then command more respect, both in the business and with government officials, as a result of their international assignments.

### **8. Advertise your posts internally**

Run your own global labor market. In a large company, it is hard to keep track of the best candidates. For this reason, I.B.M. now advertises many of its posts on its worldwide Intranet. Unilever usually advertises only posts in the lower two pools, but this policy varies by country and by business unit.

Routine internal advertising has many advantages in that it:

- Allows a competitive internal job market to function across nationalities, genders and other categories.
- Shows ambitious people they can make their future in the company.
- Makes it harder for bosses to hide their leading lights.
- Attracts high-flyers who may be ready to jump ship.
- Helps to break down business-unit and divisional baronies.
- Reduces inbreeding by transferring managers across businesses and divisions.
- Gives the rest of the company first pick of talent made redundant in another part of the world.
- Solidifies company culture.
- Is consistent with giving employees responsibility to manage their own careers.

There are also certain disadvantages to this practice: Line managers have to fill the shoes of those who move; a central arbiter may need to settle disputes between departments and divisions, and applicants not chosen might decide to leave. To prevent that, disappointed applicants should automatically be routed through the career development office to discuss how their skills and performance mesh with their ambitions.

I.B.M. used to hire only from the inside, but five years ago it began to recruit outsiders — including those from other industries — to broaden thinking and add objectivity. Unilever is large enough that it can garner a short list of three to five internal candidates for any post. Yet it still fills 15 per cent to 20 per cent of managerial jobs from outside because of the need for specialist skills and because of the decreasing ability to plan where future growth opportunities will occur.

### 9. Institute succession planning



*Fig. 1.3(a)*

Every manager in a lifeline job should be required to nominate up to three candidates who could take over that post in the next week, in three months or within a year, and their bosses should sign off on the nominations. This should go a long way toward solving succession questions, but it will not resolve them completely.

The problem in large multinational companies is that many of today's successors may leave the company tomorrow. In addition, managers name only those people they know as successors. Third, the chief executives of many multinational companies keep their succession plans — if they have any — only in their heads. This seems to overlook the harsh realities of life and death. A better approach is that of one European shipping magnate who always carries a written list with the name of a successor for the captain of every boat in his fleet.

### 10. Challenge and retain your talent

Global networks that transfer knowledge and good practices run on people-to-people contact and continuity. Executive continuity also cuts down on turnover, recruitment and opportunity costs. As international competition for talent intensifies, therefore, it becomes increasingly important for

companies to retain their good managers. Monetary incentives are not sufficient: the package must include challenge, personal growth and job satisfaction.

A policy should be adopted that invites employees to grow with the company, in every market. In addition, a career plan should be drawn up for every executive within his or her first 100 days in the organization. And plans should be reviewed regularly to be sure they stay aligned with the business strategy and the individual's need for job satisfaction and employability.

Overseas assignments and cross-border task forces are excellent ways to challenge, develop and retain good managers. They can also be awarded as horizontal "promotions." This is particularly useful since the fiat organizations currently in fashion do not have enough levels for hierarchical promotions alone to provide sufficient motivation.

Unilever has long had a policy of retentive development and manages to hold on to 50 per cent of its high-fliers. As an integral part of its global H.R. policy, it develops the "good" as well as the "best." Unilever reasons realistically that it needs to back up its high-fliers at every stage and location with a strong bench of crisis-proof, experienced supporters who also understand how to move with the markets.

Unilever bases these policies on three principles:

1. Be very open with people about the company's assessment of their potential and future.
2. Pay people well — and pay those with high potential really well, even though it may look like a distortion to others.
3. Don't hesitate too long to promote people who have shown ability.

Sometimes this policy involves taking risks with people. But the point of a good system is to enable a company to place bets on the right people.

### 1.2.2 Making IT/Work

The 10-step global H.R. framework has the potential to affect every executive in every location. This scale of culture change has to be led by a company's chief executive, with full commitment from the top management team. A task force of H.R. and business strategists will be needed to facilitate and implement the program, but its success in the end will depend on line managers. As Rex Adams, former worldwide director of human resources at Mobil Oil, has commented, "The development of jobs and the people who fill them has to be the prime responsibility of line managers, supported by H.R. as diagnosticians and strategists."

Line managers will have to be won over to the business case for a multicultural mix, trained seriously for their career-development roles and offered strong incentives to implement world-class H.R. practices.

### 1.2.3 Managing Overseas Postings

Overseas assignments are an essential part of the 10-step program. Yet the track record at most United States-based multinational companies is poor. One study found that up to 25 per cent of United States expats "black out" in their assignments and have to be recalled or let go. Between 30 per cent and 50 per cent of the remainder are considered "brown-outs": they stay in their posts but

underperform. The failure rates for European and Japanese companies were half those of American multinational companies.

Finding exciting challenges for returning expats is another problem. About 20 per cent of United States expatriates quit their companies within one year of repatriation, often because their newly acquired overseas experience is disregarded. A 1992 study revealed that only 11 per cent of Americans, 10 per cent of Japanese and 25 per cent of Finns received promotions after completing global assignments, while 77 per cent of the Americans, 43 per cent of the Japanese and 54 per cent of the Finns saw themselves as demoted after returning home.

Although the average annual cost of maintaining a United States employee abroad is about \$300,000, and the average overseas assignment lasts about four years, United States multinational companies have been accepting a one-in-four chance of gaining no long-term return on this \$1.2 million investment. The way around this problem is to manage an expat's exit and re-entry as you would any other major appointment by adopting these strategies:

- “Accord overseas postings the same high priority as other important business assignments.”
- Match the candidates' hard skills, soft skills, cultural background and interests with the demands of the post and location. An American manager who studies 9 tan and Asian philosophy, for example, is more likely to succeed in China than one who coaches Little League.
- Give internal applicants the edge, with personal and company training if needed.
- Spend on some insurance against blackouts and brownouts, especially with medium- to long-term assignments in the company's “lifeline.” Send the final candidates to visit the country where the post is based, preferably with their spouses, and give the local managers with whom they will work input into the final selection.
- Give the appointee and his or her family cultural and language-immersion training.
- Assign a mentor from headquarters who will stay in touch with the manager throughout the posting. Ideally, the mentor will have similar overseas experience and can alert the appointee to possible pitfalls and opportunities.
- Set clear objectives for the appointee's integration into the local business environment. I.B.M., for example, traditionally expects a country general manager to join and head the local American Chamber of Commerce and to entertain a government minister at home once a quarter.
- Continue developing the manager while he or she is overseas. Do not make it an “out of sight, out of mind” assignment.
- Discuss “next steps” before departure and again during the assignment.

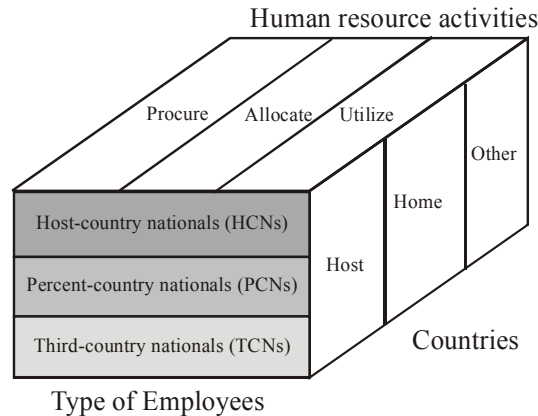
### 1.3 DIMENSIONS OF IHRM

**According to P.V. Morgan:**

IHRM is the interplay among 3 dimensions:

- HR Activities

- Types of employees
- Types of Countries



### EXHIBIT III

1. Broad activities of IHRM – procurement, allocation and utilization of human resources cover all the six activities of domestic HRM i.e, HR planning, Employees Hiring, Training and Development, Remuneration, Performance Management and Industrial Relations.
2. The three national or country categories involved in IHRM activities are:
  - The host country where subsidiary may be located
  - The home country where the company has its head quarters and
  - Other countries that may be sources of labour or finance
3. The three types of employees of an international business are – Parent Country Nationals (PCNs) , Host Country Nationals (HCNs) and Third Country Nationals (TCNs). For example, IBM which employs Australian citizens in its Australian operations, after sends US citizens to Asia Pacific countries on assignment, and may send some of its Singaporean employees to its Japanese operations.

#### 1.4 OBJECTIVES OF IHRM

- Remaining competitive throughout the world
- Efficient
- Locally Responsive
- Flexible and adaptive
- Capable to transforming learning across their globally dispersed units



### 1.5 DIFFERENCE BETWEEN DOMESTIC AND IHRM:

One obvious difference between domestic and international HRM is that staff are moved across the national boundaries into various roles within the international firm's foreign operations – these employees have traditionally been called 'expatriate'. An expatriate is an employee who is working temporarily residing in a foreign country. However, as pointed out by Dowling (1999) domestic HRM is involved with employees within only one national boundary; on the other hand IHRM deals with 3 nationals or country categories (expatriate): PCN, HCN and TCN. So, broadly there are two major factors therefore which differentiate domestic HRM from IHRM.

1. The complexities of operating in different countries / cultures
2. Employing different nationals and different categories of workers across boarder.

It has been also argued by Dowling (1999) that the complexities of IHRM can be attributed to six factors that differentiate international from domestic HRM.

Theses are:

1. A wide range of HR activities
  1. The need for a broader perspectives
  2. More Involvement in employee's personal life.
  3. Responsiveness to changes in staffing requirements as international strategy changes.
  4. Higher risk exposure
  5. More external influences.

However, the international dimension brings with it a host of issues, which the domestic HR functions would not normally get involved in.

The practice of HRM in the international context is different from its domestic counterpart in a number of ways. These include:

1. Being responsible for a greater number of functions and activities such as selection, training and management of international assignees
2. Having to expand one's area of expertise to include a much broader knowledge of foreign country employment laws and global organization designs.
3. Having to get much more closely involved with employees lives as the firm moves employees to foreign assignments. For example, collecting information and furnishing to visa authorities about aids or material status of employees.
4. Being involved with greatly expanded and constantly changing mix of employees (from the host countries and foreign locals), adding considerable diversity and complexity to the HR tasks.
5. Having no cope with more external influences; for example, having to consider the impact of foreign cultures and laws.

6. Having to face greater exposure to problems and liabilities (for example, making mistakes in expatriate assignments can cost as much as US\$4 million per assignee). The accumulated direct and indirect costs can be huge.
7. Additional responsibilities like translation of language, both at headquarters and at the subsidiary level, organizing schooling and housing for expatriates and providing administrative services.
8. Management of differential compensation due to variety of allowances and adjustments.
9. More emphasis on activities like international relocation and orientation, both pre departure and post departure cultural training. Knowledge of international taxation, rate of inflation and cost of living, including currency fluctuation.
10. Diversity management, like managing people from different cultural and political backgrounds and gender differences.
11. More contacts with Government officials for obtaining visas, work permits, tax certificates, fixing of meetings and so on.
12. More coordination and travel to assess performance of expatriates and solve problems.
13. More risk management as threats from terrorists, Kidnappers and protecting intellectual property rights of firms.
14. More risk management as threats from terrorists, kidnappers and protecting intellectual property rights of firms.
15. More public relations work to enhance the multinationals image and deal with human rights and other NGOs and interest group operating in different countries.

### **1.6 HOW INTERNATIONAL ASSIGNMENTS CREATE AN EXPATRIATE?**

Here we have to remember that IHRM Department is purely heterogeneous in nature because it deals the diverse cultures i.e. amalgamation of Global Workforce. (PCN, HCN and TCN). What types of people required where or which unit it is depends on the following points:

- Availability of useful human resources
- Economic Justification / cost effectiveness
- Employee motivation and performance
- Global exposure for need of the organization
- Development of Cross cultural Management
- Brand Loyalty or International fame.

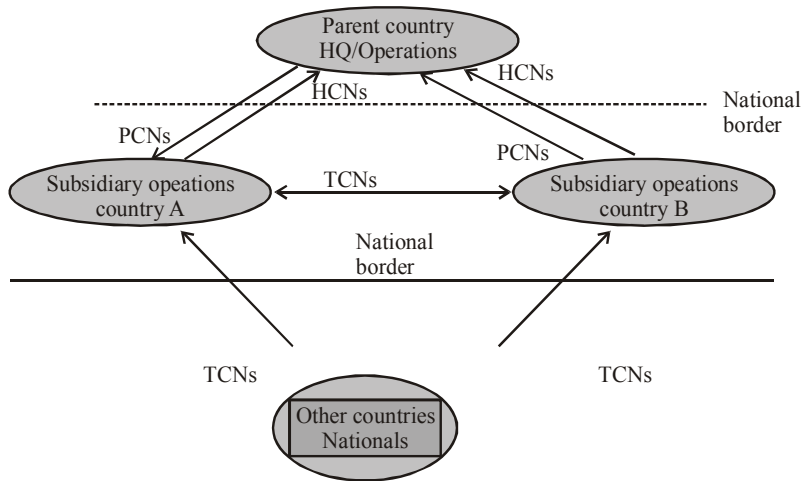


Fig. 1.4

**EXHIBIT IV**

**1.7 SIGNIFICANCE OF IHRM IN INTERNATIONAL BUSINESS:**

Scullion (2001) outlined 10 major significance of IHRM in globally business environment. This significance can categorize in 5 key areas:

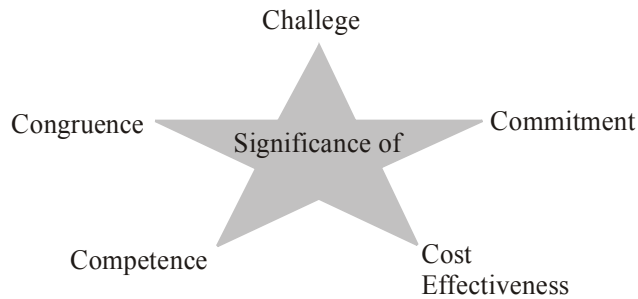


Fig. 1.5

**EXHIBIT V****CHALLENGE:**

- Rapid growth of internalization and global competition has increased the nos. and significances of MNCs – resulting in the increased mobility of human resources.
- Increasing no. of strategic alliances and cross border mergers and acquisitions has increased the strategic implementation of IHRM as Global business.

**COMMITMENT:**

1. Worldwide recognition of management of human resources in international business and cross cultural management.
2. Business Networks and Horizontal communication and HR plays a vital role.

**COST EFFECIVENESS:**

- The performance of expatriates. (poor performance of expatriate may affect the market share and damage to foreign relations)
- Growing Importance of Expatriates in International Business.

**COMPETENCE:**

- Global Strategy Implementation.
- Success or failure of international business based on effectiveness of management of HR.

**CONGRUENCE:**

- Learning, knowledge acquisitions have been identified as important potential sources of comp. advantages for MNCs. This has also enhanced the role of IHRM to meet the key strategic challenge of objectives.
- Knowledge management is an important source of comp. advantage for MNCs, where IHRM is the key partner and plays a central role.

**1.8 MAJOR ISSUES IN INTERNATIONAL HRM:**

According to Hendry (1994), there are three main Issues in IHRM:

1. The management and development of expatriates- selection, training, compensation and repatriation of expatriate failures.
2. The internationalization of management throughout the organization (host country, parent country and other third countries)
3. The need to internationalize the whole organization by creating a new corporate culture reflecting the need for greater international experiences across the whole organization, due to the increasing

frequency of cross cultural interactions of doing business at home as well as abroad mainly Cultural communication and gauge and Language and communication.

### **1.9 THE ADVANTAGES OF HR DECISION MAKING IN INTERNATIONAL BUSINESS OPERATION**

Human resource decision making entails finding the most effective ways of investing in people. It involves determining where to use money and resources in order to enhance business and employee performance. In international business operations, human resources (HR) managers have to contend with the ever-changing global business environment. Deliberately engaging in the process of human resources decision making can have a positive impact on the local and overseas operations of a business.

#### **Remaining Competitive**

HR decision making involves developing policies and strategies that will keep a business competitive in a cutthroat global business environment. HR practices in international business are evolving such that only the most competent and sustainable HR practices succeed. HR practices comprise processes such as manpower planning and development and performance management. In making decisions about the manpower needs of the company's global operations, HR managers are able to implement new trends in international business HR practices within their organizations.

#### **Ethics**

Ethics is an integral aspect of international business operations. Ethics in human resources entails making decisions about what is acceptable and unacceptable with regard to an organization's personnel. Outsourcing and off-shoring are examples of ethical questions that affect people within an organization with international operations. In this context, HR decision making enables an organization to obtain a fair balance between business realities such as cost cutting through outsourcing and protecting the interests of its own employees.

#### **Local Adaptation**

Local adaptation entails molding business operations with respect to the values and cultures of an area. Businesses with international operations face the challenge of localizing operations with regard to the HR practices of local personnel. In this case, the task of an HR manager is to make decisions about how best to streamline the local corporate culture of a subsidiary with the corporate culture of the parent company. Decision making on local adaptation ensures that the parent company and subsidiaries maintain the same levels of quality in areas such as recruitment, performance management and training.

#### **Universal Involvement**

Universal involvement in international business describes a process in which a parent company works in collaboration with its local subsidiaries. The bureaucracy in decision making that may face

international operations is eliminated when power is diffused from the parent company to the subsidiaries. When subsidiaries are given decision making autonomy, their HR managers are better positioned to make decisions that meet the human resources needs of that subsidiary. Conversely, a straitjacket approach commandeered by the parent company only leads to dissatisfaction among local personnel

### 1.10 HOWEVER, THERE ARE SOME IMPORTANT LIMITATIONS IN IHRM:

- Management is basically the principle based on local cultures, traditions, practices and needs of the organizational growth. *It is not universal* for everywhere, especially in the field of human resources management.
- HRM methods and systems developed by one society cannot *always be transferred and applied to another*.
- HRM and industrial relations practices differ across countries as these have their historic origin in countries.
- Personnel management and industrial relations are embedded in societal rules, norms, values, ideologies and no MNC can afford to ignore the influence of local culture.

### Conclusion:

Thus it has been observed that *effective internationalization of human resources management and IRs remains bleak*. The degree of adaptation on International HRM to local customs in various subsidiaries of MNCs will be remaining on the strategic agenda. and managing International HR activities is an elaborate and complex task for today's manager.

## CASE QUESTIONS

1. How is HRM structured in individual countries?
2. What strategies are discussed?
3. What is actually put into practice?
4. What are the main differences and similarities between countries?
5. To what extent are HRM policies influenced by national factors such as culture, government policy, and educational systems?

# IHRM CHALLENGES

## 2.1 IHRM CHALLENGES

### **According to Dowling et al. 2008; Evans et al., 2010**

In a large number of ways HRM and IHRM are similar and often are treated synonymously. However, there are also some substantive differences between the two in terms of the theory and practice of strategic management. In IHRM it is impossible to consider the needs and assumptions of the organization from the perspective of one country, national economy and single domestic market

In this concluding section of the chapter, three major IHRM challenges are outlined:

1. Cross-cultural Communication and Diversity,
2. Global Knowledge Management,
3. And Local and Global Sustainability.

**1. Cross-cultural communication and diversity:** As a starting point, the international and global diversity of IHRM makes it much more difficult to understand how one organizational culture can be achieved and

Three critical elements for the viability of the firm furthermore whether its attainment is a desirable goal. It is worth remembering that Hofstede's (1980) landmark research investigation of national culture and fundamental differences between country cultures was conducted all in one organization – IBM – a company renowned for its corporate culture and uniformity of values symbolized by the organization men in blue and grey suits and white shirts. Essentially, in HRM and especially in IHRM the cultural perspective should be a varied one that can accurately reflect the issues of homogeneity and heterogeneity.

In this regard Alvesson (1993) has offered a helpful framework for thinking flexibly about culture by viewing it in four distinct ways:

1. unitary and unique organizational culture
2. organizations as meeting points of 'fields' of culture
3. local subcultures
4. ambiguous cultural configurations.

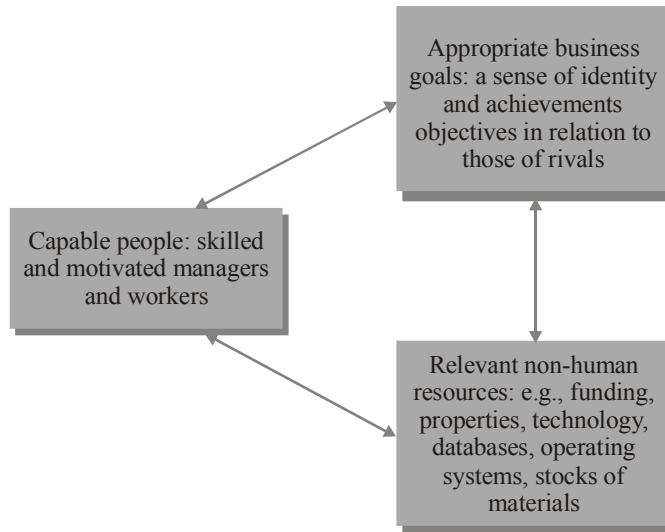


Fig. 2.1

Understanding organizational culture as *unitary* and *unique* means making the assumption that the culture really is not like any other and thus is different from the rest. By contrast, understanding organizations as *meeting points of 'fields'* conceptualizes all organizational culture as being composed of societal-level commonalities and divisions. An individual organization culture following this way of thinking therefore can never be entirely distinctive or unique because it is entirely a manifestation of macro-social phenomena. The *local subcultures* approach plays down the macro-societal issues conceptualizing the organizational culture as constructed out of a variety of local, contextual influences. The fourth approach, understanding organizational culture as comprising *ambiguous cultural configurations*, assumes a plethora of sources of culture, simple and unique, macro and shared, local and others, complex and confused

Alvesson recommended using all four approaches to gain a more informed and comprehensive insight into organizational culture.

Cultural differences should be considered from different perspectives. Theorists on culture argue that we should be sensitive in our cross-cultural communication to differences in national and organization culture (Frost et al., 1991; Martin, 1992). They recommend that when working and collaborating in diverse cultural settings, people should seek to understand the extent of:

- *Integration* consistency and consensus
- *Differentiation* variation and sub-culture conflict
- *Fragmentation* ambiguity, inconsistency and fluctuation



**2. Global knowledge management:** Knowledge management faces both more opportunities and obstacles in the global environment.

Some countries and cities hold a competitive advantage deriving from their historical development, established infrastructure, reputation and location advantages (Nachum, 2003; Nachum and Keeble, 2003; Sassen, 2001). As the following quotation from an Australian lawyer shows, from his experience as Partner-in-charge (Asia) for a top tier Australian law firm, the international commercial environment is not a level playing field in the high fee paying global legal services business:

'I could never understand why in London to give you an example. You know, a Korean shipbuilder selling a new ship to a Norwegian ship owner or operator um with intending to use Greek crews with US dollar financing would come to London to have all the legal work done, but they did. Now they don't come to Australia for that! And that is. You just have to look at what work are we in and who do we meet as a result of that' (Partner-in-charge, Asia, top tier Australian law firm). (Pinnington and Gray, 2007: 163)

There are though also massive opportunities for MNCs to exploit the scale and scope of their knowledge resources. Unilever, a multinational fast-moving consumer goods company, is one MNC that has been strategically managing its knowledge assets. A review of Unilever's knowledge management practices (Krogh et al., 2001) found knowledge creation and knowledge transfer were fundamental strategies and implemented simultaneously by the organization. Unilever is just one example of the multitude of ways that MNCs can transfer, expand, appropriate and create new knowledge. Unilever worked across a broad range of fronts throughout the company using internal and external specialists for project advice, virtual teams, task teams, communities of practice (pools of people with practice-based expertise), world conferences (divided into various categories relevant to products and services), and partnerships and collaborations with customers, suppliers, professional associations and universities. Krogh et al (2001) identified four knowledge management strategies:

- **Leveraging strategy** – Communicate and transfer existing knowledge within your organization
- **Expanding strategy** – Create and build on existing knowledge
- **Appropriating strategy** – Take new knowledge from external individuals and organizations and transfer it to your organization
- **Probing strategy** – Create new, proprietary knowledge from your internal organizational resources

**3. Local and global sustainability:** The global economy and local economies are in a constant state of change and flux. Even major policies, habitual practices and global patterns of trading activity are changing with the anticipated demise of the US dollar which was previously considered for over 50 years as the most reliable world currency. The world is undergoing a gradual change with the balance of power currently towards the East and away from the previous hegemony of Western advanced countries. Some financial markets, business practices, social customs and values are converging so that in some ways the world has become more uniform. In other ways, the environment is becoming more complex. As Reiche and Harzing

(see Chapter 6) observe, MNCs are experimenting with many different forms of international assignment influenced by the advent of the

|                  |          | Knowledge Process      |                    |
|------------------|----------|------------------------|--------------------|
|                  |          | Transfer               | Creation           |
| Knowledge Domain | Existing | Leveraging strategy    | Expanding strategy |
|                  | New      | Appropriating strategy | Probing strategy   |

*Fig. 2.2*

Four knowledge strategies dual career couple and greater political and cultural sensitivity around the traditional, standard concept of the 2–3 year long stay by a home country expatriate. There remain notable country differences. Reiche and Harzing note that Japan, Italy and Germany are more likely to have parent country expatriate foreign subsidiary managers than are Denmark, the UK and Norway. Further, some industries remain more Parent Country National (PCN) dominated such as Banking, Commodity Broking, Printing and Publishing. In contrast, Food, Computers and Electronics are comparatively less so.

### 2.2.1 Human Resource Management Challenges

The rapidly transforming business landscape means that there are currently many human resource management challenges which will continue to evolve for years to come. Tom Marsden, Director of Professional Services at Alexander Mann Solutions says that HR departments really need to be adding real business value to their organizations. “Although the restrictions of the recession aren’t over yet, companies are recognizing that in 2010, they will need to take steps to retain their workforce. This could be through an increased emphasis on training and engagement programs or by investing in areas that will optimize expenditure, such as integrated technology systems or improved candidate attraction schemes. The signs are that HR departments are preparing to maximize their resources and staff as organizations look to grow.”

**2.2.2 The Evolution of HR Professionals**

Coach, Counselor, Employee Advocate, Business strategist. As the business world changes, so does the role of HR professionals. Since human resources are a business-driven function, effectiveness depends on a thorough understanding of the strategic corporate direction, as well as the ability to influence key policies and decisions. In addition, human resource management challenges must be defined and solutions determined in order to succeed.

**2.2.3 Today’s Top 10 Human Resource Management Challenges**

Due to the fluctuating economy as well as local and global advancements, there are many changes occurring rapidly that affect HR in a wide range of issues. In the *Survey of Global HR Challenges: Yesterday, Today and Tomorrow*, conducted by PricewaterhouseCoopers on behalf of the World Federation of Personnel Management Associations (WFPMA), several challenges for human resource management were revealed. This survey, which concluded that “despite national and regional differences, there was remarkable unanimity,” disclosed the following top 10 human resource management challenges:

| <b>Challenges</b>  | <b>% of Companies</b> |
|--|-----------------------|
| 1. Change management   | 48%                   |
| 2. Leadership development  | 35%                   |
| 3. HR effectiveness measurement                                  | 27%                   |
| 4. Organizational effectiveness                                  | 25%                   |
| 5. Compensation  | 24%                   |
| 6. Staffing: Recruitment and availability of skilled local labor | 24%                   |
| 7. Succession planning   | 20%                   |
| 8. Learning and development                                      | 19%                   |
| 9. Staffing: Retention   | 16%                   |
| 10. Benefits costs: Health & welfare                             | 13%                   |

**2.2.4 Taking a Closer Look at the Top 3 Human Resource Management Challenges**

- 1. Change Management:** Since this is generally not a focal point for HR professional training and development, change management represents a particular challenge for personnel management. The WFPMA finds that “This may also be the reason why it is cited as the foremost issue as HR continues to attempt to help businesses move forward. An intensified focus on training may be needed to develop added competencies to deal with change management.”
- 2. Leadership Development:** As the second of the biggest challenges for human resource management, leadership development needs to be a critical strategic initiative. HR professionals are faced with being expected to provide the essential structures, processes,

tools, and points of view to make the best selection and develop the future leaders of the organization. The WFPMA reports that, “Across the globe leadership development has been identified as a critical strategic initiative in ensuring that the right employees are retained, that the culture of the organization supports performance from within to gain market position, and that managers are equipped to take on leadership roles of the future so that the organization is viable in the long term.”

- 3. HR Effectiveness Measurement:** How can improvement happen without the right tools to measure HR effectiveness? As with many other areas of business, this profession also needs to be able to measure results in terms of transaction management, as well as in terms of the positive influence on business. “Utilizing metrics to determine effectiveness is the beginning of a shift from perceiving HR’s role as purely an administrative function to viewing the HR team as a true strategic partner within the organization,” the WFPMA says. “In fact, the next section reports that survey participants believe a critical future issue for HR will be organizational effectiveness - again supporting HR’s critical role as a strategic partner to management.”

This world federation also notes that, “Where HR departments have traditionally focused on measuring their own effectiveness; there is an evolving recognition that they can provide organizational value by measuring the effectiveness of the entire business organization. The shift is significant as it represents movement from simply counting the numbers hired to determining the ROI of collective and individual hires on a long-term basis. Going beyond measuring turnover, this new approach considers ‘bad’ turnover and ‘good’ turnover along with the overall cost of replacement hires.”

### 2.2.5 The Numbers Speak Volumes

When you start looking at the numbers, you realize the significant impact of trends and challenges in human resource management. There are many variables that influence human resource management. To give you a glimpse at some of the upcoming changes, the HR Leadership Council has released the following statistics:

- One in four high potentials plans to leave their organization in the next year.
- By effectively developing employees, managers can be better coaches and improve performance by up to 25%.
- Three out of five organizations have either restructured or plan to restructure within the next six months.
- Recent declines in employee engagement further decreased overall productivity by 3 to 5%.
- Leaders with strong people development skills are 50% more likely to outperform revenue expectations.
- Delivering on critical onboarding activities boosts new hire performance by 11.3%.
- 77% of midsized companies use (or plan to use) wellness to reduce costs.
- 46% of midsized-company CFOs anticipates a merger or acquisition in less than six months.

Global organizations are focused on human capital issues. There seems to be an almost global consensus that people issues are vital to company success. As the “war for talent” intensifies, the acceptance of the importance of human capital will continue to grow. Among the people challenges, there is a broad consensus, across international regions, on what the important challenges are. They include:

- The development of “global” leaders
- The creation of a high-performance global corporate culture & high-performing teams
- Managing talent (recruitment, retention, training, compensation & incentives)

If HR professionals are to be seen to play a crucial role in strategy and operational results they need to pick up the gauntlet on these people issues and act as “functional leaders”. This means more time spent focusing on the business drivers and less on HR “programs and services”. Adopting the role of global, functional leadership is the great opportunity for HR professionals. They need to be perceived as being totally committed to improving the business - which they must understand as well as any other leader - by their expertise in “people issues”. For many years now, I have believed that the globalization of business presents an incredible opportunity to the HR profession. To succeed they absolutely need a “global mindset.

## **2.3 IHRM**

### **2.3.1 Introduction**

- HRM role integral to strategy of organization and so role must be proactive in the international arena.
- Advent of organization brought about increased international market.
- HRM has to ensure that training designed to distinguish between national and international human resources.
- World class organizations continuously benchmark their:
  - products
  - processes
  - results.

### **2.3.2 Definition**

- Process of employing and developing people in international organizations which operate globally.
- Applying HRM policy familiar in domestic markets to international workforce, for example:
  - employee development (ED)
  - recruitment and selection
  - reward and remuneration
  - policies and practices.

- Means working across national borders.
- Includes any type of worker, for example:
  - own country national working as expatriate
  - own country national working overseas for short time for specific project/s
  - individual of one nationality working for organization based in another country but who is actually working in yet another country.
- IHRM primarily exists in multinational corporations with HRM having a wider contextual setting.

### **2.3.3 Different practices for different regions**

- Each organization adopts own individual way of running business dependent upon, for example:
  - culture
  - economic conditions
  - tradition
  - market needs
  - demographic trends.
- Successful global organizations adapt to local conditions.

### **2.3.4 Challenge of international human resource management**

- Increase in need for ability of HRM specialists and line managers to accept challenge of IHRM, because of:
  - organization
  - workplace diversity.
  - Need to manage beyond domestic and national boundaries.
- Demands likely to be found in:
  - managing complexity of workforce mix
  - managing diversity
  - communications
  - finding the right caliber people.

### **2.3.5 Characteristics of international human resource management**

- Adaptation must be within cultural limits with extra care being taken, for example, when recruiting.
- HRM specialists can take generalisations and develop them according to international situation they find themselves in.
- IHRM must be included as part of core programs in training and development – it is no longer an option.

**2.3.6 Internationalism and the human resource management specialist**

- Understanding and working with diverse national practices essential for HRM specialists and line managers with international responsibilities.
- Must know country's arrangements in areas of, for example:
  - recruitment
  - contracts of employment
  - national legislation
  - practice and procedures on contract termination.
- HRM professionals:
  - oversee IHRM issues
  - exercise 'due diligence' as part of overseas acquisitions
  - undertake strategic reviews of HRM policies in other countries.
- Organization becoming increasingly important and causing increase in number of IHRM specialists required, because:
  - many organizations managing international workforce
  - many employees employed by organizations which have overseas branches
  - increase in organizations having overseas bases
  - organizations conscious of need to be interdependent and global.

**2.3.7 International dimensions and management**

- Way management carried out depends upon:
  - culture
  - legislation
  - economic conditions
  - competition
  - employee relationships
  - training and development.

**2.3.8 People and the organization's global environment**

- Advanced capitalist countries are in 'post-career' phase.
- Organization's needs for workers changes very quickly and thus individuals feel insecure.
- Advanced capitalism continuing to create more long-term unemployment with growing disparity between 'the haves' and 'the have nots'.
- Areas of concern:
  - insecure employment prospects
  - deteriorating terms of employment

- weakening in the rights of employees
- often lower wages and salaries for those in lower echelons.
- More apparent in UK than other western countries.
- Employees of global organizations with enlightened attitudes will find retraining normal and natural.
- Training needs to be given high priority.
- Information technology (IT) and strategies of multinational organizations are the integration of the global capitalist economy.

## **2.4 DIFFERENCE BETWEEN GLOBAL OR IHRM AND DOMESTIC HRM**

### **Global Human Resource Management**

- Global Human Resource Management
- Difference between Global or IHRM and Domestic HRM
- Factors Affecting Global HR Management
- Types of Global Organizations
- International Staffing
- International Recruitment
  - o Ethnocentric approach
  - o Polycentric approach
  - o Regiocentric approach
  - o Geocentric approach
- Selection for International Assignments
- Global Employee Relations Issues
- HRM in Europe
- HRM in Japan
- HRM in Africa

### **Anti-discrimination laws**

There are some commonalities in IHRM and domestic HRM practices, particularly in areas like; HR planning and staffing, recruitment and selection, appraisal and development, rewards, etc the main distinctions, however, lies in the fact that while domestic HRM is involved with employees within only one national boundary, IHRM deals with three national or country categories, i.e., the parent country where the firm is actually originated and headquartered; the host country where the subsidiary is located; and other countries from where the organization may source the labour, finance or research and development.



**CASE QUESTIONS**

1. Define international human resource management challenges.
2. Differentiate between domestic and international HRM.
3. What do you mean by IHRM? Explain its characteristics and significance.
4. Explain the top three human resource management challenges.

# MANAGING WORK FORCE DIVERSITY

## 3.1 MANAGING WORK FORCE DIVERSITY

Despite the efforts of many companies to embrace diversity, women and minorities continue to report many barriers to feeling valued and advancing in their careers. A survey by the Society for Human Resource Management revealed barriers including stereotyping and preconceptions, corporate culture, exclusion from informal networks, and lack of mentors and role models. That is, anyone who is perceived as “different” is likely to have a difficult time contributing to company goals and experiencing personal growth.

### 3.1.1 What Is Diversity? Why Is It Important?

**Diversity** can be considered any dimension that differentiates one person from another. For example, at Verizon, diversity means embracing differences and variety, including age, ethnicity, education, sexual orientation, work style, race, gender, and more. The goals of diversity training are (1) to eliminate values, stereotypes, and managerial practices that inhibit employees’ personal development and therefore (2) to allow employees to contribute to organizational goals regardless of their race, age, physical condition, sexual orientation, gender, family status, religious orientation, or cultural background. Because of equal opportunity Employment Law, companies have been forced to ensure that women and minorities are adequately represented in their labor force. That is, companies are focused on ensuring equal access to jobs. Also, the impact of culture on the workplace, and specifically on training and development, has received heightened attention. Cultural factors that companies need to consider include the terrorist attacks of 9/11; employees’ fear of discussing cultural differences; more work being conducted in teams whose members have many different characteristics; the realization that people from diverse cultures represent an important customer market; and, especially for professional and technical jobs, the availability of highly trained employees that has many companies seeking workers from overseas. These new immigrants need diversity training to help them understand such facets of American culture as obsession with time, individualistic attitudes, and capitalistic ideas.

**Managing Diversity** involves creating an environment that allows all employees to contribute to organizational goals and experience personal growth. This environment includes access to jobs

as well as fair and positive treatment of all employees. The company must develop employees who are comfortable working with people from a wide variety of ethnic, racial, and religious backgrounds. Managing diversity may require changing the company culture. It includes the company's standards and norms about how employees are treated, competitiveness, results orientation, innovation, and risk taking. The value placed on diversity is grounded in the company culture.

### 3.1.2 Managing Diversity through Adherence to Legislation

One approach to managing diversity is through affirmative action policies and human resource practices that meet standards of equal employment opportunity laws. This approach rarely results in changes in employees' values, stereotypes, and behaviors, which can inhibit productivity and personal development. To address these concerns, a greater number of women and minorities are hired by the company. Managers see little need for additional action because women and minority employment rates reflect their availability in the labor market. However, as women and minorities gain experience in the company, they likely become frustrated. Managers and co-workers may avoid providing coaching or performance feedback to women and minorities because they are uncomfortable interacting with individuals from different gender, ethnic, or racial backgrounds. Co-workers may express the belief that women and minorities are employed only because they have received special treatment (e.g., hiring standards were lowered). As a result of their frustration, women and minorities may form support groups to voice their concerns to management. Because of the work atmosphere, women and minorities may fail to fully utilize their skills and may leave the company.

### 3.1.3 Managing Diversity through Diversity Training Programs

The preceding discussion is not to suggest that companies should be reluctant to engage in affirmative action or pursue equal opportunity employment practices. However, affirmative action without additional supporting strategies does not deal with issues of assimilating women and minorities into the work force. To successfully manage a diverse work force, companies need to ensure that

- Employees understand how their values and stereotypes influence their behavior toward people of a different gender, ethnicity, race, or religion.
- Employees gain an appreciation of cultural differences among themselves.
- Behaviors that isolate or intimidate minority group members improve.

These goals can be accomplished through diversity training programs.

**Diversity training** refers to training designed to change employee attitudes about diversity and/or to help employees develop the skills needed to work with a diverse work force.

Diversity training programs differ according to whether attitude or behavior change is emphasized. Some research suggests that composition of the training group and prior experience with diversity training may affect attitudinal and behavior change. Diversity training programs purchased off the shelf or developed without taking into account the company's needs, history, and culture will likely be unsuccessful.

### 3.1.4 Attitude Awareness and Change Programs

**Attitude awareness and change programs** focus on increasing employees' awareness of differences in cultural and ethnic backgrounds, physical characteristics (e.g., disabilities), and personal characteristics that influence behavior toward others. Awareness training covers questions such as, What is diversity? Who am I? and stereotypes, assumptions and biases regarding different ethnic groups. The assumption underlying these programs is that by increasing their awareness of stereotypes and beliefs, employees will be able to avoid negative stereotypes when interacting with employees of different backgrounds. The programs help employees consider the similarities and differences between cultural groups, examine their attitudes toward affirmative action, or analyze their beliefs about why minority employees are successful or unsuccessful in their jobs. Many of these programs use videotapes and experiential exercises to increase employees' awareness of the negative emotional and performance effects of stereotypes, values, and behaviors on minority group members.

**Behavior-Based Programs** Behavior-based programs focus on changing the organizational policies and individual behaviors that inhibit employees' personal growth and productivity.

One approach of these programs is to identify incidents that discourage employees from working up to their potential. Groups of employees are asked to identify specific promotion opportunities, sponsorships, training opportunities, or performance management practices that they believe were handled unfairly. The program may collect employees' views regarding how well the work environment and management practices value employee differences and provide equal opportunity. Specific training programs may be developed to address the issues presented in the focus groups.

Another approach is to teach managers and employees basic rules of behavior in the workplace. These lessons include behavior toward peers and managers as well as customers. For example, managers and employees should learn that it is inappropriate to use statements and engage in behaviors that have negative racial, sexual, or cultural content. Companies that have focused on teaching rules and behavior have found that employees react less negatively to this type of training than to other diversity training approaches. All 11,000 employees at Saks Fifth Avenue, the New York-based retailer, have received diversity training that focuses on providing customer service to a diverse customer base. The training is video-based and shows actual employees interacting with customers in various situations. Saks Fifth Avenue estimates that every customer interaction is worth about \$250, so treating customers inappropriately can cost the company a lot of money.

A third approach is cultural immersion. **Cultural immersion** refers to the process of sending employees directly into communities where they have to interact with persons from different cultures, races, and/or nationalities. The degree of interaction varies, but it may involve talking with community members, working in community organizations, or learning about religious, cultural, or historically significant events.

## 3.2 CHARACTERISTICS OF SUCCESSFUL DIVERSITY EFFORTS

Which is most effective, a behavior-based program or an attitude awareness and change program? Increasing evidence shows that attitude awareness programs are ineffective and that one-time diversity

training programs are unlikely to succeed. Effective diversity training programs are part of a broader company strategy to manage diversity and make capitalizing on diversity a business goal.

For example, R. R. Donnelley and Sons suspended its diversity awareness training program even though the company spent more than \$3 million on it as a result of a racial discrimination lawsuit. At various R. R. Donnelley training sessions, participants were encouraged to voice their concerns. Many said that they were experiencing difficulty in working effectively because of abuse and harassment. The managers who were attending the training disputed those concerns. Also, after training, an employee who applied for an open position was rejected because, she was told, she was too honest in expressing her concerns during the diversity training session. Although R. R. Donnelley held much diversity training sessions, little progress was made in increasing the employment and promotion rates of women and minorities. Because of the low ratio of black employees to white employees, many black employees were asked to attend multiple training sessions to ensure diverse groups, which they resented. The company declined to release to shareholders data that it provided to the Equal Employment Opportunity Commission regarding female and minority representation in jobs throughout the company. The firm also failed to act on recommendations made by company-approved employee “diversity councils.”

More generally, surveys of diversity training efforts have found that

- The most common area addressed through diversity is the pervasiveness of stereotypes, assumptions, and biases.
- Fewer than one-third of the companies do any kind of long-term evaluation or follow up. The most common indicators of success are reduced number of grievances and lawsuits, increased diversity in promotions and hiring, increased self-awareness of biases, and increased consultation of human resource specialists on diversity-related issues.
- Most programs last only one day or less.
- Three-fourths of the survey respondents indicate that they believe the typical employee leaves diversity training with positive attitudes toward diversity. However, over 50 per cent report that the programs have no effect over the long term.
- 29 per cent of survey respondents report that no tools are provided to reinforce diversity training and 22 per cent report that no development or advancement issues are addressed.

Table 3.1 shows the characteristics associated with the long-term success of diversity programs. It is critical that the diversity program be tied to business objectives. For example, cultural differences affect the type of skin cream consumers believe they need or the fragrance they may be attracted to. Understanding cultural differences is part of understanding the consumer (which is critical to the success of companies such as Avon). Top Management Support can be demonstrated by creating a structure to support the initiative. For example, Pepsi’s president believes that the full potential of diversity cannot be realized unless employees are “comfortable being uncomfortable” so that they are willing to share difficult issues in the workplace. As a result, members of the senior management team have been named as sponsors for specific employee groups, including African Americans, Latinos, Asians, women, women of color, white males, people with disabilities, and people who are

gay, lesbian, and transgendered. The managers are expected to understand their group members' needs, identify talent, and mentor at least three employees in their group. Also, they are expected to provide updates to the president on their progress.

Another important characteristic of diversity programs is that managers are rewarded for progress toward meeting diversity goals. Allstate Insurance Company surveys all 50,000 of its employees four times a year. The survey asks employees to evaluate how well the company is satisfying customers and employees. Several questions are used as a "diversity index." Employees are asked questions about the extent to which managers' racial or gender biases affect development opportunities, promotions, and service to customers. 25% of a manager's yearly bonus is determined by how employees evaluate him or her on the diversity index.

Consider Sodexo's diversity effort. Sodexo is the leading food and facilities Management Company in the U.S. Canada, and Mexico, serving 10 million customers daily. Diversity is seen as being important for the company to meet its business growth targets. As a result, diversity and inclusion are core elements of Sodexo's business strategy. The objectives of the company's efforts to manage diversity are related to the business, its employees, its shareholders, and the community. For example, some of the company's objectives include understanding and living the business case for diversity and inclusion; increasing awareness of how diversity relates to business challenges; creating and fostering a diverse work environment by developing management practices that drive hiring, promotion, and retention of talent; engaging in relationship management and customer service to attract and retain diverse clients and customers; and partnering with women and minority businesses to deliver food and facility management services.

Sodexo separates equal employment opportunity (EEO) and legal compliance training from diversity education. Every three years, employees are required to take EEO and affirmative action refresher courses. Top management is also involved in and committed to managing diversity. The senior executives' program includes ongoing classroom training that is reinforced with community involvement, sponsorship of employee groups, and the mentoring of diverse employees. Executives are engaged in learning the business case for diversity and are accountable for the company's diversity agenda. Every manager takes an eight-hour introductory class (Spirit of Diversity). Other learning opportunities are also available, including three-to four-hour learning labs that include topics such as cross-cultural communications, sexual orientation in the workplace, generations in the workplace, and gender in the workplace. The company's learning and development team develops customized learning solutions for different functions and work teams. For example, a course related to selling to a diverse client base was developed and offered to the sales force and a cross-cultural communications program was provided for recruiters.

In addition to diversity training activities, Sodexo has six employee network groups, such as the African American Leadership Forum and People Respecting Individuality, Diversity and Equality, that provide a forum for employees' professional development and the sharing of ideas to support the company's diversity efforts. Sodexo's "Champions of Diversity" program rewards and recognizes employees who advance diversity and inclusion.

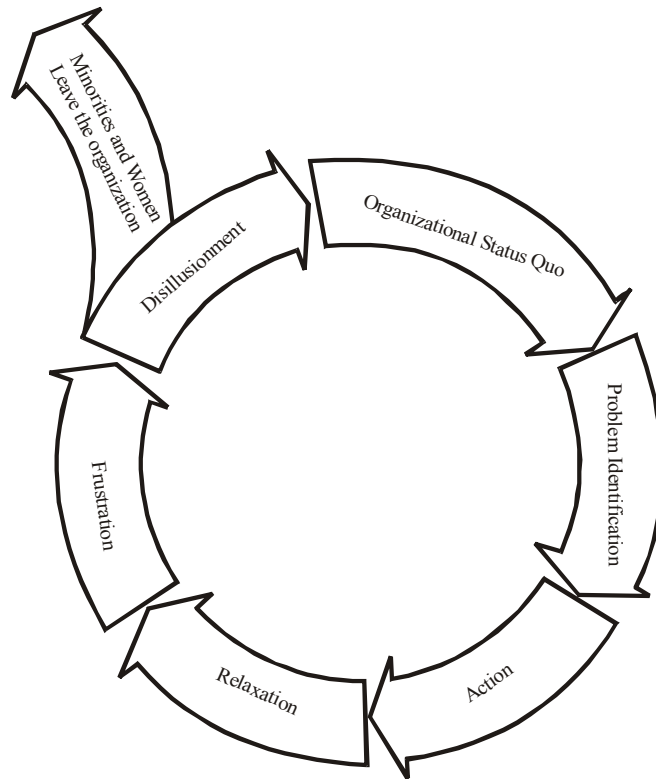
To emphasize the importance of diversity for the company, at Sodexo each manager has a diversity scorecard which evaluates their success in the recruitment, retention, promotion, and development of all employees. The scorecard includes both quantitative goals as well as an evaluation of specific behaviors such as participating in training, mentoring, and community outreach. A portion of managers’ pay bonuses is determined by success in these areas.

Sodexo has found that its diversity training and efforts to manage diversity are having a positive impact on business results. Its mentoring program has led to the increased productivity, engagement, and retention of women and people of color. There has been an estimated return on investment of \$19 for every \$1 spent on the program. Sodexo also has been awarded several new business contracts and has retained clients because of its involvement in managing diversity.

Most effective programs to manage diversity, such as Sodexo’s diversity program, include the key components shown in Table 3.2. Other companies, such as Denny’s (in response to a lawsuit) and Weyerhaeuser (in response to a retiring work force and survey results that suggested the need for a more accepting workplace), have established diversity programs that include some of the same features as Sodexo’s program. As should be apparent from this discussion, successful diversity programs involve more than just an effective training program. They require an ongoing process of culture change that includes top management support as well as diversity policies and practices in the areas of recruitment and hiring; training and development; administrative structures, such as conducting diversity surveys and evaluating managers’ progress on diversity goals; and improved relationships with minority customers, vendors, and suppliers.

**TABLE 3.1 HOW MANAGING DIVERSITY CAN PROVIDE A COMPETITIVE ADVANTAGES**

| Argument                          | Rationale   |
|-----------------------------------|---|
| Cost                              | As organizations become more diverse, the cost of a poor job in integrating workers will increase. Organizations that handle integration well will thus create cost advantages over those that don't.   |
| Employee Attraction and Retention | Companies develop reputations as favorable prospective employers for women and ethnic minorities. These with the best reputations for managing diversity will win the competition for the best personnel. As the labor pool shrinks and changes composition, the edge will become increasingly important. |
| Market Share                      | For multinational organizations, the insight and cultural sensitivity that members with roots in other countries bring to the marketing effort should improve these efforts in important ways. The same rationale applies to marketing to subpopulations within domestic operations.                      |
| Creativity                        | Diversity of perspectives and less emphasis on conformity to norms of the past (which characterize the modern approach to management of diversity) should improve the level of creativity.  |
| Problem Solving                   | Heterogeneity in decisions and problem solving groups potentially produces better decisions through a wider range of perspectives and more thorough critical analysis of issues.  |
| Flexibility                       | Organizations that become more diverse will experience greater adaptability in rapidly changing market.   |



*Fig. 3.1: Characteristics Associated with Diversity Programs Long-Term Success*

- Top management provides resources, personally intervenes, and publicly advocates diversity.
- The program is structured.
- Capitalizing on a diverse work force is defined as a business objective.
- Capitalizing on a diverse work force is seen as necessary to generate revenue and profits.
- The program is evaluated using metrics such as sales, retention, and promotion rates.
- Manager involvement is mandatory.
- The program is seen as a culture change, not a one-shot program.
- Managers and demographic groups are not blamed for problems.
- Behaviors and skills needed to successfully interact with others are taught.



- Managers are rewarded on progress toward meeting diversity goals.
- Management collects employee feedback and responds to it.
- The company fosters a safe and open culture to which all employees want to belong and in which all employees can discover and appreciate the differences and benefits of diversity.

### **KEY COMPONENTS OF EFFECTIVE MANAGING DIVERSITY PROGRAMS**

#### **Top Management Support**

- Make the business case for diversity.
- Include diversity as part of the business strategy and corporate goals.
- Participate in diversity programs and encourage all managers to attend.
- Form an executive management team that mirrors the diversity of the work force.

#### **Recruitment and Hiring**

- Ask search firms to identify a wider array of candidates.
- Enhance the interviewing, selection, and hiring skills of managers.
- Expand college recruitment at historically minority colleges.

#### **Identifying and Developing Talent**

- Form a partnership with INROADS, a nationwide internship program that targets minority students for management careers.
- Establish a mentoring process.
- Refine the company's global succession planning system to improve identification of talent.
- Improve the selection and development of managers and leaders to help ensure that they are capable of maximizing team performance.
- Ensure that all employees, especially women and minorities, have access to management development and leadership programs.

#### **Employee Support**

- Form resource groups or employee network groups that include employees with common interests (e.g., Asian Pacific employees, women, gays, Native American employees, veterans, Hispanic employees) and use them to help the company develop business goals and understand the issues with which they are concerned.
- Celebrate cultural traditions, festivities, and holidays.
- Make work/life balance initiatives, such as flextime, telecommuting, and eldercare, available to all employees.

#### **Ensuring Fair Treatment**

- Conduct extensive diversity training.
- Implement an Alternative Dispute Resolution process.
- Include women and minorities on all human resource committees throughout the company.

### **Holding Managers Accountable**

- Link managers' compensation to their success in meeting diversity goals and creating openness and inclusion in the workplace.
- Use employee attitude or engagement surveys to track employees' attitudes regarding inclusion, fairness, opportunities for development, work/life balance, and perceptions of the company's culture.

### **3.3 Improving Relationships with External Stakeholders**

- Increase marketing to diverse communities.
- Provide customer service in different languages.
- Broaden the company's base of suppliers and vendors to include businesses owned by minorities and women.
- Provide scholarships and educational and neighborhood grants to diverse communities and their members.

#### **3.3.1 School-to-Work Transition**

Industry and education experts agree that a system is needed for training students who do not attend college directly after high school. **School-to-work transition programs** combine classroom experiences with work experiences to prepare high school graduates for employment. Many school districts have changed their curriculum to include more work experience as part of the traditional classroom-based educational experience. The federal government, recognizing a need for this type of program, has helped fund local government efforts.

#### **3.3.2 Welfare-to-Work**

Companies are seeking to hire people from nontraditional sources such as welfare roles and prisons to meet labor needs and give hard-to-employ persons a second chance. Also, the welfare reform act passed by Congress in 1996 (the Personal Responsibility and Work Opportunity Act) increased the pressure on welfare recipients to find jobs, through either public employment agencies or other ways. Under the law, most people have a five-year limit on benefits and must find jobs within two years. The law also gives employers incentives (tax credits) for each welfare recipient they hire. Training plays an important part in helping these employees succeed on the job.

### **3.4 THE USE OF EXPATRIATES VERSUS LOCALISATION**

Historically, most international organizations adopted an ethnocentric approach to staffing. Control remained with the parent organization and was exercised through the use of parent country expatriates. Nowadays, many organizations are striving to make the best use of their global human resources and to adopt a more transnational approach. This in turn raises the question as to whether the continued use of expatriates is both a cost-effective and ethical use of organizational resources, or whether the localisation of senior posts would be a more appropriate strategy.

From this perspective, the continuing use of expatriates needs to be questioned. Expatriates are estimated to cost three to four times as much as the employment of the same individual at home. Although organizations are aware of the costs of such assignments, they are less sure of how to measure the benefits. There are also the financial costs of expatriate mistakes. On the other hand there are the opportunity costs of failing to develop local management talent and not promoting staff who understand the local market and political environment, can work effectively in the local cultural context, develop long-term relationships with local customers and suppliers and build a network of local contacts. Decisions about whether to employ an expatriate or a local need to be part of a strategic IHRM approach.

### 3.4.1 Key Issues in the Management of Expatriates

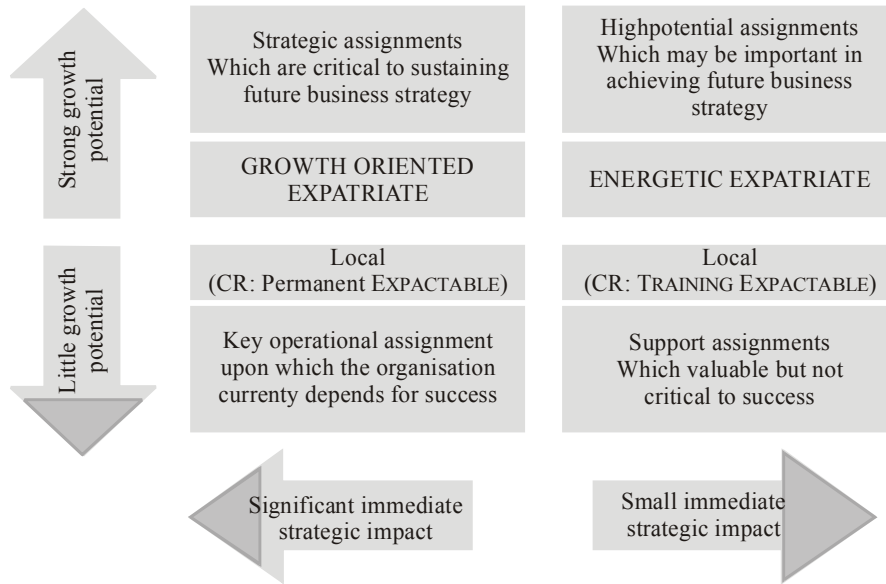
For organizations to ensure effective expatriate management, a strategic approach should be taken to the whole expatriate cycle. The cycle starts at the planning stage. Traditionally, expatriates have been sent abroad for the following reasons:

- Control and co-ordination of operations
- Transfer of skills and knowledge.
- Managerial development

In order to operate strategically, organizations need to link foreign assignments more closely to the strategic operational requirements. This requires a careful assessment of whether an expatriate is the best choice in global sourcing decisions. It also implies a need to assess the cost effectiveness of expatriation.

An example of problems of lack of strategic planning of expatriate assignments One household name international company took a decision at board level that it should reduce its costs by cutting the number of expensive expatriates it employed around the world by one quarter. The decision was taken at main Board level but had to be implemented by the international HRM manager. “No business manager was prepared to tell me that he was running unsuccessful operations” he said “so the only thing we could do was to “localise” some of the jobs”. Within two years he had achieved the objective: and at around the same time, the company realised that whilst some of the local replacements had been obviously successful, some of the changes had been – equally obviously – disastrous. Over the next few years the company began to increase the number of expatriates again. “Of course, the IHRM manager said “we shouldn’t have started with a decision on numbers; we should have found some way of working out which jobs needed to be filled by expatriates and which didn’t. We’ve tended to do it mainly by intuition”.

The “Expatriate Portfolio” framework developed at Cranfield School of Management allows corporate managers to identify how an international assignment should be managed and whether a local should fill it or an expatriate. The framework outlines four types of assignment based upon the degree of importance of the assignment to the parent organization and indicates the most suitable type of appointment for each instance. By plotting their assignment against the Portfolio, managers can make more rational and sensible sourcing decisions.



*Fig. 3.2: The Expatriate*

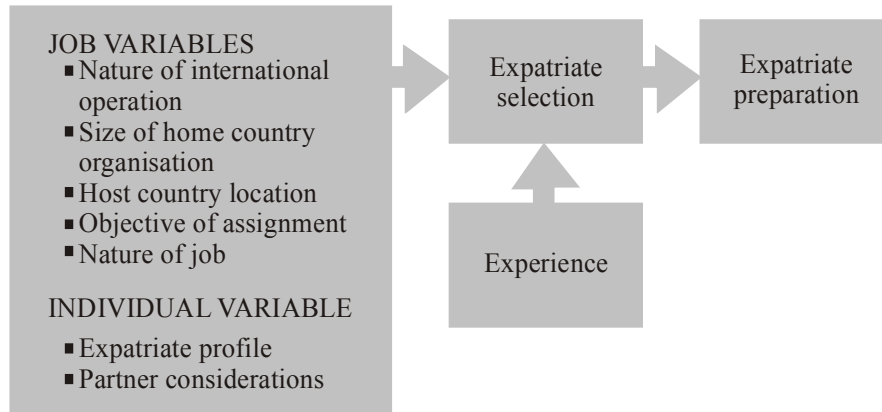
### 3.4.2 Portfolio

Once a strategic decision has been made to use an expatriate in an international posting, the selection process starts. Research into criteria of effective international managers consistently highlights the importance of “soft” skills such as self-awareness, flexibility, intercultural empathy, interpersonal skills and emotional stability. However, surveys of international selection practice within organizations show that most rely on technical competence as a prime determinant of eligibility for international assignments. ORC’s 1997 survey of International Assignment Practice also shows that only 8% of international organizations use any form of psychological testing during the selection process.

Pre-departure training forms the next part of the cycle. Effective preparation can do much to alleviate culture shock and help the expatriate and his or her family adjust more quickly and effectively to the new environment. In order to maximise the value of this for the expatriate and spouse/family members, a framework has been developed by members of Crème which allows international HR managers to customise training to the unique needs of the expatriate and the assignment.

Using the checklist provided by the framework, managers could assess both the nature and extent of pre-departure preparation required for each individual. For instance, in the case of a

manager from a large multinational organization going to a set-up operation in Vietnam, the preparation would need to concentrate on cross-cultural, language and local business briefing, with substantial involvement from headquarters' expatriate administration department in arranging accommodation and practical local living details.



*Fig. 3.3: Harris-Brewster Framework for Expatriate Preparation*

Monitoring performance whilst on an expatriate assignment requires an understanding of the variables that influence an expatriate's success or failure in a foreign assignment. Three critical variables are the environment (for instance culture), job requirements and the personality characteristics of the individual. Organizations need to be careful to balance the desire for a global standardised performance appraisal system with the local requirements of subsidiaries.

The final stage of the expatriate cycle is repatriation. For most organizations and individuals, this remains highly problematic. 57% of organizations in ORC's survey reported that the job level to which expatriates are normally repatriated depends entirely on what jobs are available at the time. Expatriates are expected to be far more proactive during their time abroad and to network in order to ensure a position is available on return. For many expatriates, the impact of "re entry" shock can be more traumatic than the initial culture shock at the start of the assignment.

Organizations need to pay careful attention to the way in which they handle repatriation for two key reasons. Firstly, the cost of losing someone who is dissatisfied with his or her position on return is significant, both in purely financial terms and also in terms of the investment in human capital. Secondly, and perhaps more importantly, expatriate assignments are seen as crucial tools in the effort to create a transnational mindset in the organization. Failure to disseminate the individual learning gained from a foreign assignment to others in the organization is a clear barrier to the goal of becoming a truly global operation.

### 3.5 BEYOND EXPATRIATION: INTERNATIONAL HRM STRATEGY

We can see, therefore, that the management of expatriates remains a critical feature of international HRM. However, expatriates make up only a small proportion of a global workforce and the IHR director will need to agree an integrated IHR strategy which supports and develops the global corporate strategy.

One vital factor here is the impact of different national cultures on views about appropriate management styles and organizational processes. Evidence from cross-cultural research (see Hofstede 1991 and Trompenaars 1993) shows significant variations in perspectives amongst managers from different countries.

Andre Laurent (1986) for example, undertook a systematic survey of upper middle managers attending INSEAD's executive programs. His results showed strikingly different attitudes towards authority according to the national origin of the managers. His findings showed that whilst a majority (over 59 per cent) of French and Italian managers and nearly 78 per cent of Japanese managers agreed with the statement: "It is important for a manager to have at hand precise answers to most of the questions that his subordinates may raise about their work", the majority of Swedish and American managers disagreed. The implications, in terms of perspectives of what is an appropriate management style, are obvious. In the same way, cultural differences need to be borne in mind when deciding on HR systems.

Can a Western-style appraisal system be implemented throughout the world?

How do different cultures view reward?

The IHR professional must take into account the implications of cultural differences when making global HR policy decisions.

#### CASE QUESTIONS

1. What do you mean by workforce diversity?
2. What are the Key Issues in the Management of Expatriates?
3. Define expatriates portfolio preparation.
4. Comment on Beyond Expatriation: International HRM Strategy.
5. Explain the Harris-Brewster Framework for Expatriate Preparation.
6. Define Key Components of Effective Managing Diversity Programs.
7. How managing diversity can provide a competitive advantages?

# RISK EXPOSURE

## 4.1 RISK EXPOSURE

A problem when you have a number of possible risks is that it can be difficult to decide which risks are worth putting effort into addressing. Risk Exposure is a simple calculation that gives a numeric value to a risk, enabling different risks to be compared.

Risk Exposure of any given risk = Probability of risk occurring × total loss if risk occurs

A limitation of this calculation is that it will give the same scores to high-probability/low loss risks and low-probability/high loss risks. If you are concerned with these differences, a Risk Matrix may be a better way of evaluating risks.

### 4.1.1 Definition

The quantified potential for loss that might occur as a result of some activity. An analysis of the risk exposure for a business often ranks risks according to their probability of occurring multiplied by the potential loss, and it might look at such things as liability issues, property loss or damage, and product demand shifts.

## 4.2 WHAT IS “BUSINESS RISK EXPOSURE (BRE)?”

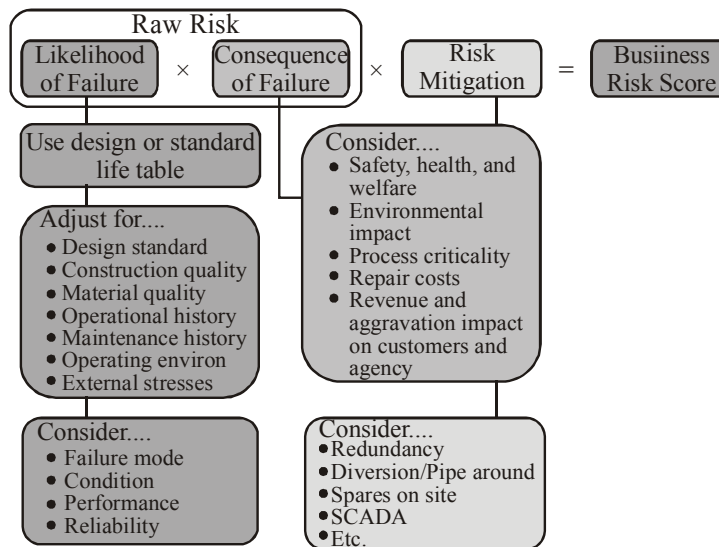
### 4.2.1 Introduction

This Business Risk Exposure (BRE) Tool forms part of a broader Strategic Asset Management program developed by WERF, in association with the Water Research Foundation, United Kingdom Water Industry Research (UKWIR), and the Global Water Research Coalition (GWRC). The web based Tool has been developed to assist asset managers in decision making based on performing a systematic assessment of the level of business risk exposure a Utility faces from potential failures of its water and/or wastewater assets.

### 4.2.2 Business Risk Exposure

Business Risk Exposure (BRE) is a method of calculating (scoring) the nature and level of exposure that an organization is likely to confront through a potential failure of a specified asset or group of assets. Business Risk Exposure is derived by assessing both likelihood of failure (what is the likelihood or probability that a predicted failure may actually occur?) and the consequence of failure attributable to an asset should it fail (what are the implications or cost to the utility and the community if an asset fails?).

Expressed mathematically, BRE is the product of the Consequence and Likelihood of a possible failure, adjusted for risk mitigation measures currently in place and those that could be put in place. Risk mitigation measures are those practices applied to an asset on a case by case basis to either reduce either the likelihood of failure or the consequence of failure.



*Fig. 4.1: Schematic representation of the key variables of business risk exposure.*

Likelihood of Failure – from a risk standpoint is the expected possibility of failure occurring based on history or known performance of the particular asset.

Consequence of Failure – is the outcome of an asset failure expressed either qualitatively or quantitatively, being a loss, injury, or disadvantage from a social, economic and environmental or regulatory standpoint?

For BRE calculations, the Consequence of Failure considers both the direct impacts of the failure event (e.g. cost of repair of the asset) and the indirect and intangible impacts of the failure event (e.g. the loss of the service potential, or assessed environmental damage). Examples of the factors to consider for water and wastewater assets when calculating Consequence of Failure are listed in Figure 4.1 above.



For each element contributing to the overall consequences of failure, a score is assigned as either an ordinal number (e.g. 1- 10) or an estimated dollar value, depending on the level at which the BRE analysis is applied.

The overall Consequence of Failure score is the sum of the products of the score and weighting for all of the factors relevant to the analysis. A specific factor may have greater or lesser significance in its impact for a particular organization. To permit this, the analyst may develop relative weightings for each of the individual factors when using the Tool.

“Core Risk” – is defined as the product of the Consequence of Failure (CoF) and the Likelihood of Failure (LoF) adjusted for that risk mitigation measures currently in place for the asset/system. Mitigation treatments reduce the significance of the failure event by modifying the likelihood of failure and the consequence of failure. Examples of mitigation treatments include:

- Additional redundancy
- Refocusing of operations and maintenance (e.g. toward more proactive O&M strategies, storing critical spares on site, staging mobile generators around the service area, contracting stand-by waste trucks, etc.)
- Rehabilitation or replacement
- Management of post-failure impacts (e.g. constructions of containment berms, provision of offline waste storage reservoirs, citizen clean-up teams, etc.)
- Insurance
- Influencing of customer expectations (e.g. “hotspot” web site for problem area status updates,

#### **4.2.3 Different mitigation strategies will have different impacts on the total BRE score.**

Once the core risk is available as a base line measurement, appropriate (additional) risk mitigation strategies may be developed and analyzed for cost effectiveness. For example, in buried water pipes, the Consequence of Failure might be somewhat mitigated by being able to quickly deploy by-pass pumping for certain high risk assets.

Risk Mitigation factor - In the BRE Tool, the product of the Likelihood of Failure and Consequence of Failure is reduced by a Risk Mitigation Factor in calculating the BRE. The Risk Mitigation Factor used in the BRE Tool is expressed as a value between 0 and 100 %. Core Risk should reflect risk mitigation strategies already in place at the time of the analysis. The Risk Mitigation Factor is intended to assist the Asset Manager/ Asset Management Team in identifying additional strategies that might be deployed, to understand the relative impact on BRE of each of those strategies, and to determine the relative cost-effectiveness of each.

Reduction factor values for a given mitigation strategy are set by the user. Mitigation factor values should be based on sound professional judgment and should be asset specific in its operating environment – a factor value determined for one asset in one environment for a given strategy may differ in value for the same type of asset and strategy in a different operating environment and setting.

The BRE Tool can be used to identify those assets with high potential exposure to risk, and in advanced applications, to estimate the relative risks of an unwanted failure event when considered along side the proposed mitigation strategies. Knowledge of relative risk assists an asset manager in making improved business decisions.

#### 4.2.4 The BRE Steps and BRE Tool Structure

The BRE methodology involves application of the following steps:

- Identify potential risk or failure events
- Calculate BRE scores
- Identify and prioritize high risk failure events
- Develop management strategies for the prioritized failure events

Users of the Tool should follow the flow chart through the various sequential steps of creating a business risk exposure profile. At each step the user is able to access knowledge relevant to the particular step. The steps in the Tool are:

- Step 1 – Enter Project Details
- Step 2 – Determine Most Imminent Primary Failure Mode
- Step 3A – Identify Consequences of Failure (CoF) – Social/Community Perspective
- Step 3B – Identify Consequences of Failure (CoF) – Economic/Financial Perspective
- Step 3C – Identify Consequences of Failure (CoF) – Environmental Perspective
- Step 4 – Set Likelihood of Failure (LoF)
- Step 5 – Consider Risk Mitigation Strategies
- Step 6 – Calculate BRE Score and Generate Risk Map
- Step 7 – Review and Finalize Risk Profile

The BRE Tool has been structured to enable the user to move step by step through the risk assessment process. Note that the tool is “progressive”: that is, cell/column values are best established by building the spreadsheet column by column from left to right, with the preceding columns giving insight into the following columns. We do not advise jumping around the columns unless great care is taken to assure consistency in evaluation across the columns.

It is important that consistency in scoring be maintained across risk scoring teams and over time. This is best accomplished through:

- Written scoring procedures (use text from this tool to assist development as relevant);
- Independent vetting by an Asset Management Task team of all risk scores; and
- Periodic sampling-based audit review by the asset manager.

### 4.3 MORE EXTERNAL EXPOSURE

#### 4.3.1 Introduction



*Fig. 4.2*

We all make use of the services provided by transportation companies. For example, you will probably have caught the bus into town or travelled on a school bus or made an intercity journey by train. Some of you may have travelled on a super green energy-efficient tram or used a Park & Ride bus service.

FirstGroup plc (known as First) is the UK's largest surface transportation company. It has revenues of over £5 billion a year. It employs over 137,000 staff throughout the UK and North America and moves more than 2.5 billion passengers a year.

- First is the largest UK rail operator carrying almost 275 million passengers every year. This is one quarter of the passenger network. First operates rail passenger services, which include regional, intercity and commuter services such as First Great Western, First TransPennine Express, First Capital Connect, First ScotRail and Hull/Trains.
- First is Britain's largest bus operator running more than one in five of all local bus services. A fleet of nearly 9,000 buses carries around three million passengers a day in more than 40 major towns and cities, such as Manchester, Leeds and Glasgow.
- The company also operates First GBRF, a rail freight business and the Croydon Tramlink network which carries almost 26 million passengers a year.
- In North America, First is the largest provider of student transportation carrying nearly 4 million students everyday.

First is the leader in providing reliable, safe, innovative and sustainable transport services. Although First is a global business, it aims to be local in its approach. This means that local issues are dealt with by people that largely live and work in that location. This ensures a clearer understanding of what needs to happen and a more prompt response.

### 4.3.2 External influences

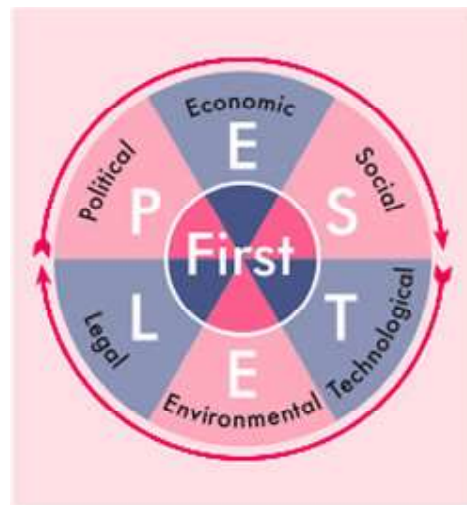


*Fig. 4.3*

Running a business would be simple if the directors and managers only had to think about what went on inside the business. They could concentrate on internal decisions, such as determining routes, timetables and operating buses. However, business planners have also to understand what goes on outside the business.

Businesses are able to identify external changes that may affect it by carrying out a PESTEL analysis. This is a business tool in which each of the letters in PESTEL describes a type of change that takes place in the external business environment.

Many of these external changes may be outside the control of the company, for example, new government legislation. Some changes may present a threat to the business, such as a competitor using new or improved technology.



*Fig. 4.4*

Social changes may bring opportunities, for example, migrant workers bringing new skills to the employment market. Environmental impacts, such as those caused by carbon dioxide (CO<sub>2</sub>) emissions or the management of waste, are of particular concern to businesses like First.

**4.3.3 Business strategy**

A business must assess what external changes are likely and which it needs to react to or take advantage of. Business planners can then create strategies to help the business respond effectively. We use the term “business strategy” to refer to a plan for a group of related products. First’s strategy relates to its transportation plans and takes into account all of the PESTEL factors in its environment.

**4.3.4 Political and economic factors**

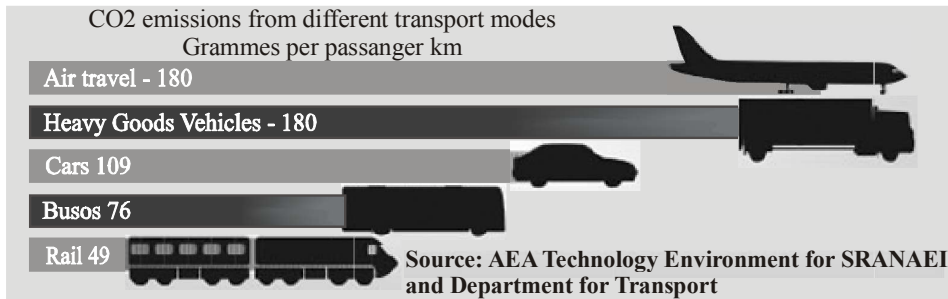
**Political**

Transport services are at the heart of the UK economy - moving people to work, home and school, and goods to households and businesses. In the 1980s, the government started to privatise bus services in the UK. It believed that allowing private firms to compete to run bus services would keep prices low and ensure companies would try harder to give customers what they wanted. The result has been more efficient, innovative and sustainable bus services.

Government operates at two levels - national and local. First believes in providing local solutions, therefore it concentrates on working closely with local government. For example, it provides a service to local schools and plans bus routes that are convenient for elderly people.

A key government policy affecting all transport services relates to the reduction of CO<sub>2</sub> emissions. The UK government has signed an international treaty the Kyoto Protocol. Countries which sign the agreement intend to reduce the emission of harmful gases. This can succeed only through partnership with business. A good example of this is the government initiative to encourage more children to use bus services rather than travelling to school by car. This will help to reduce carbon emissions. First is actively encouraging people to use the bus instead of their cars.

**4.3.5 Climate Change Strategy**



*Fig. 4.5*

First has produced a Climate Change Strategy that shapes every action the company takes. This is part of First's vision - to 'Transform Travel'. It wants to change how people feel about public transport by delivering the highest levels of service and customer satisfaction. This involves recognizing its responsibility to reduce CO<sub>2</sub> emissions to as low a level as possible.

Tram, bus and rail travel create less pollution than other forms of transport, but there is still room to improve. Key elements of First's Climate Change Strategy include:

- improving the fuel efficiency of its vehicles
- purchasing vehicles with greater fuel efficiency
- using alternative fuels, such as biodiesel
- operational improvements through driver training and new technology to monitor driver performance

First aims to reduce its CO<sub>2</sub> emissions by 25% for its bus division and 20% for rail, both by 2020.

### **Economic**

Businesses need to make money to continue to exist. They do this by listening to customers to ensure they keep their customers and attract new ones with good services that customers want and need.



*Fig. 4.6*

### **Responding to demand**

It is extremely important for businesses to respond to changes in demand from customers. For example, First has responded to increased demand in the Neath valley in Wales by working closely with the Neath Port Talbot Council to run improved services.

Another good example of responding to demand is in the provision of high quality Yellow School Bus transport. Market research showed that parents and students wanted safer buses, so First designed special pilot services with the student in mind, based on the lessons learned from its US operations. Drivers are trained to work with students. Each day students step onto the same bus, can take the same seat and are looked after by the same specially trained driver. Vehicle safety features include padded seating, integrated seat belts, additional escape hatches and CCTV. First is working with the government via a specially appointed Yellow School Bus commission to investigate the possibility of rolling out specialised yellow school bus services throughout the UK.

### **Taxation**

Another economic factor affecting First's business is taxation. High tax on fuel encourages customers to switch from using cars to more economical bus and rail transport. Congestion charges in cities like London also encourage drivers to switch to other forms of transport. Of course, First does not want to replace the use of cars. Cars are an important means of transport and many families now have more than one car. However, many people are not aware of the environmental impact of, for example, a single person travelling to work in a large 'gas-guzzler' car.

First's approach is to complement rather than compete with the car. First seeks to make it easy for people to switch between public transport and private car journeys. For example, in major cities where parking is inconvenient or expensive, First makes public transport easily available through its Park and Ride schemes.

### **4.3.6 Social and technological factors**

#### **Social**

Social changes may have a major impact on business:

- The number of older people in the UK is rising. There are more people with bus passes in this country than ever before. The passes mean that users travel free, as the local authority pays First for providing the service. Many elderly people prefer to travel by bus because it is convenient and safe.
- Society's habits and tastes are changing. People are more aware of the importance of the environment and becoming 'green consumers'. Green consumers prefer goods and services that are 'environmentally-friendly' and which have less impact on the environment. The green consumer, for example, prefers to travel by bus or train than by air or in a large car.
- People are now more mobile and travel more.

Statistics produced by the Department for Transport in 2007 pick out some of the major trends. These statistics show a positive picture for First. The market is growing and more people are realising the benefits of a more environmentally-friendly form of transport.

## Technological

Businesses are continually developing new technologies to provide the best solutions for the market place. Intelligent companies find out what the most appropriate technologies are for their businesses and use them. This is particularly true in transport.

A good example of this is in the provision of buses that lower the floor for easy entry. These provide better accessibility for disabled and elderly people. First has invested heavily to meet government targets for the provision of low-floor buses.

## New Developments

In 2006 first introduced this is text shorthand for 'Future'. These are state-of-the-art articulated vehicles that look like trams but have the flexibility of a bus and use normal roads. First has set up schemes using these vehicles in partnership with local authorities. First provides the bus service and the local authority the infrastructure, such as new road layouts and bus shelters. Ftr vehicles are capable of carrying more people per journey, so fewer bus journeys are necessary. They are also more popular with customers resulting in fewer car journeys. This reduces the amount of fuel used, reduces CO<sub>2</sub> emissions and means less impact on the environment.

In First Group's rail division, First ScotRail has set up ground-breaking alerting services for passengers, Journey Check and Journey Alert. These enable passengers to receive up-to-date train information by text or email. These services provide a convenient way of letting people know if there are delays or alterations to train times so they can plan their journeys accordingly.

Other technological solutions include the use of prepaid Smart cards to make payment on buses easier and faster.

### 4.3.7 Environmental and legal factors

#### *Environmental*



Fig. 4.7



Today the environment is perhaps the most important external influence on any transport service. There is overwhelming evidence that human activity is contributing to climate change. Government, consumers and businesses all want to see better environmental management. In 2007, First set out its Climate Change Strategy. The strategy sets targets to reduce CO<sub>2</sub> emissions in the short and long term along with plans to achieve these targets.

The strategy identified some of the risks of climate change. These included the vulnerability of road and rail infrastructure to flooding and storm surges along the coast. It identified ways of managing these risks, for example, by working with transport network providers to monitor and maintain roads and rail. The strategy also identified opportunities. For example, First has set out ambitious targets of reducing its CO<sub>2</sub> emissions from its bus and rail divisions by 25% and 20% respectively by 2020. This gives First a clear advantage over its competitors.

### ***Legal***

Many changes in the law stem from government policy. Many of these laws are Europe-wide, for example, the standards for bus transport emissions. First makes sure that all its buses meet these requirements. Legal changes that affect business are closely tied up with political ones. First has to anticipate and prepare to meet future legal changes. From 2010, as part of an initiative called Carbon Reduction Commitment, First and other companies will need to buy carbon credits. These credits will permit companies to generate specific quantities of carbon emissions. First is already preparing a budget to do this and is setting out clear plans for anticipating how much CO<sub>2</sub> it will produce after 2010.

### ***Conclusion***



***Fig. 4.8***

It is possible to see PESTEL factors as threats. However, First prefers to see them as opportunities. Social trends are creating increasing numbers of older passengers seeking comfortable easy-to

access buses. Government pressure is encouraging more and more individuals (particularly on school runs) to use public transport. Many people are seeking a 'greener' form of transport. A detailed PESTEL analysis helps First to make appropriate plans to rise to the challenges of a changing environment. First is able to move forward with confidence and grow its business.

### **CASE QUESTIONS**

1. Define risk exposure.
2. What is Business Risk Exposure? Define key variables of business risk exposure.
3. Define more external exposure.
4. What are the role of IHRM?

# INTERNATIONAL HUMAN RESOURCE MANAGEMENT APPROACHES

## 5.1 INTERNATIONAL HUMAN RESOURCE MANAGEMENT APPROACHES

Corporate management philosophy is an important issue because it decides how a firm views the world in relation to itself and how it wants to manage human resources in different countries. HR manager at international level must not only select people with skills, but also employees who can mix with the organizations' culture. *General Electric*, for example, is not just hiring people who have skills required to perform particular jobs, it wants to hire employees whose style, beliefs, and value system are consentient with those of the firm.

Corporate culture and management philosophy, to a great extent decide the formulation and implementation of corporate and operational strategies and their evolution into various stages of internationalization. Companies involved in world trade and investment can be divided into four types based on their management approach and corporate philosophy:

- Ethnocentric
- Polycentric
- Regiocentric
- Geocentric

### 5.1.1 Ethnocentric Organization

Their motto is 'this work in my country therefore, it must work in other countries also'. These are home country oriented organization. Example, when a Japanese corporation invests in Mexico, Japan is the home country and Mexico is the host country. If the Japanese Corporation is ethnocentric, it will expect Mexicans to accept the inherent superiority of Japan. Investments will be made on the Japanese methods of conducting business.

In this approach, all key management positions are held by parent country nationals, e.g., Toyota, Matsushita and Samsung etc. this strategy may be appropriate during the early phases of international business, because firms at that stage are concerned with transplanting a part well in their home country. Ethnocentric corporations believe that home country nationals are more intelligent, reliable

and trust worthy than foreign nationals. Firms such as Procter and Gamble, Philips, and Matsushita originally followed the ethnocentric approach.

In this approach, all important positions in MNCs are filled up by PCNs in the early stages of internalization. Apart from this, for certain business-related reasons which are as follows:

1. A perception that qualified HCNs may not be available for the units;
2. To ensure that coordination and communication are maintained adequately in headquarters.

But, these are several problems in adopting the approach. Some of them have been pointed below:

1. An ethnocentric staffing policy limits the promotion opportunities of HCNs, which may lead to reduced productivity and increased turnover among that group.
2. The adaptation of expatriate managers to host countries often takes a long time during which PCNs make mistakes and make poor decisions.
3. When PCN and HCN compensation packages are compared, the often considerable income gap in favour of PCNs is viewed by HCN, as unjustified.
4. 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.

Apart from, this the cost of maintenance of expatriates is quite high. This approach is not only reflected in the staffing policy but in all other areas such as performance appraisal where evaluation format is designed and administered by parent nationals and new product development is done in the home country. Many international companies exhibit this ethnocentric philosophy. They have difficulty in communicating in different languages and accepting cultural differences. But ethnocentrism limits strategic alternatives to entry modes, such as exporting, licensing and then key operations.

### 5.1.2 Polycentric Organizations

These motto is ‘when in Rome do as the Romans do’. When you are elsewhere lives as they live elsewhere. The polycentric staffing requires host country nationals to be hired to manage subsidiaries, while parent-country nationals occupy key positions at corporate headquarters. Although top management positions are filled by home-country personnel, this is not always the case. They see profit potential in a foreign country but find the foreign market difficult to understand.

The polycentric message is: ‘Local people know what is best for them. Let’s give them some money and leave them alone as long as they make us a profit.’ Governmental pressure and foreign laws often necessitate polycentric approach. The local government may be a major customer and insist on local ways to be adopted. Many multinationals adopt this approach because they face the heterogeneous environments in which product preferences may be the deciding factors and strategies are to be developed on a market by market basis. There are several advantages with this approach are outlined below:

1. Employing HCNs eliminate language problems for the expatriates and their family members, reduces cost on costly awareness training programs, and takes care of the adjustment problems to a large extent.
2. In politically sensitive situations, it helps the MNCs to maintain a low profile.
3. Even though high salaries may have to be given to attract HCN applicants, it still works out cheaper for the company in the long run as compared to employing PCNs.
4. The crucial problem of turnover experienced when employing PCNs can be avoided effectively by employing HCNs, since they are more stable and can help in maintaining the continuity in managing subsidiaries more efficiently.

**Some of the problems are as follows:**

1. Bridging the gap between HCN subsidiaries. Managers and the PCN managers at headquarters is a major problem, especially with regard to language barriers, conflicting national loyalties and differences emanating from personal values, attitudes to business and so on. This may result in a MNC becoming a 'federation' of independent national units with weak linkages to the corporate head quarters.
2. Lack of exposure to international assignments among PCN managers at headquarters and lack of career mobility among HCN managers due to their stagnation in subsidiaries will ultimately affect the strategic decision-making capabilities, reducing their market share and customer base and their position in the foreign country vis-à-vis their competitors.

### **5.1.3 Regiocentric Organization**

These are regionally oriented organizations. A Corporation implements a regional strategy when synergistic benefits can be obtained by sharing functions across regions. The international staff is transferred within the same region they work, example, for a global firm having a number Asia-Pacific, European and US, a manager working in Asia-Pacific region will be moving within the same region only, if the company adopts regiocentric approach. Regional headquarter organizes collaborative efforts among local subsidiaries, it is responsible for the regional plan, local research and development, local executive selection and training, product innovation, cash management, brand policy, capital expenditure and public relations.

The headquarter managers world strategy, country analysis basic research and development, foreign exchange, transfer pricing, inter company loans, long-term financing, selection of top management, technology transfer and establishing corporate culture. The advantages of using a regiocentric approach are:

1. It allows interaction between executives transferred to regional headquarters from subsidiaries in the region and PCNs, posted to the regional headquarters.
2. It reflects some sensitivity to local conditions, since local subsidiaries are staffed almost totally by HCNs.
3. It can be a way for a multinational to more gradually from a purely ethnocentric or polycentric approach to a geocentric approach.

**Disadvantages of regiocentric policy.**

1. It can produce federalism at a regional rather than a country basis and constrain the organization from taking a global stance.
2. While this approach does improve career prospects at the national level it only moves the barrier to regional level staff may advance to regional headquarters but seldom to positions at the parent headquarters.

**5.1.4 Geocentric Organization**

This staffing philosophy seeks the best people for key jobs throughout the organization, regardless of nationality, selecting the best person for the job, irrespective of nationality is most consistent with the underlying philosophy of a global corporation. The MNC is taking a global approach to its operation, recognizing that each part (subsidiaries and headquarters) makes a unique contribution with its unique competence. It is accompanied by a worldwide integrated business and nationality is ignored in favour of ability. There are three main advantages to its approach:

1. It enables a multinational firm to develop an international executive team which assists in developing a global perspective and an internal pool of labour for deployment throughout the global organization.
2. It overcomes the federation drawback of the polycentric approach.
3. It supports cooperation and resource sharing across units.

There are disadvantages associated with a geocentric policy.

1. Bridging the gap between HCN subsidiary managers and the PCN managers at headquarters is a major problem, especially with regard to language barriers, conflicting national loyalties and differences emanating from personal values attitudes to business and so on.
2. Host government want a high number of their citizens employed and may utilise immigration controls in order to force HCN employment if enough people and adequate skills are unavailable.
3. Many western countries need extensive documentation if they wishes to hire a foreign national instead of a local national, which is time consuming, expensive and at times, futile.
4. A geocentric policy can be expensive to implement because of increased training and relocation costs. A related factors is the need to have a compensation structure with may be higher than national levels in many countries.
5. Lack of exposure to international assignments among PCN managers at headquarters and lack of career mobility among HCN managers due to their stagnation in subsidiaries will ultimately affect the strategic decision-making capabilities of both the groups of managers, thereby affecting the firms, and the quality of their business decisions and their resource allocation capabilities, reducing their market share and customer base and their position in the foreign country, vis-à-vis their competitors.
6. Large numbers of PCNs, TCNs and HCNs need to be sent abroad in order to build and maintain the international team required to support a geocentric staffing policy. To implement

a geocentric staffing policy successfully, therefore, requires a longer lead time and more centralized control of the staffing process. This necessarily reduces the independence of subsidiary management in these issues, and this loss of customarily may be resisted by the subsidiary.

## **5.2 PHILOSOPHY TOWARD STAFFING**

Based on top management attitudes, a multinational can pursue one of several approaches to international staffing. It may even proceed on an adhoc basis, rather than systematically selecting one of the above four approaches. The dangers with the approaches are: ‘The firm will opt for a policy of using parent-country nationals in foreign management positions by default, that is, simply as an automatic extension of domestic policy, rather than deliberately seeking optimum utilization of management skills.’

### **CASE QUESTIONS**

1. What are the approaches of international HRM?
2. Discuss in detailed the geocentric approach oh IHRM.
3. Comment on polycentric organization.
4. Discuss about regeocentric organization.

# DIFFERING STAGES OF INTERNATIONALIZATIONS

## 6.1 DIFFERING STAGES OF INTERNATIONALIZATIONS

Although terminology differs, most writers identify four stages of internationalisation:

**Domestic:** no activities outside home country

**International:** an export sales and marketing function

**Multinational:** production and other facilities located in fairly autonomous subsidiaries

**Global or Transnational:** Global sourcing and location of functions. High degree of coordination and adaptation.

**Bartlett and Ghoshal (1989)** see the transnational solution as more of an approach or frame of mind than a strategic and structural response. They refer to it as a “new managerial mentality”.

This focus on managers’ mind-sets as a critical determinant of IHRM policy choice is reflected in the classic work of Perlmutter (1969) who identified four major mindsets as follows:

**Ethnocentric:** Few foreign subsidiaries have any autonomy; strategic decisions are made at headquarters. Key positions at the domestic and foreign operations are held by headquarters’ management personnel. In other words, subsidiaries are managed by expatriates from the home country (PCNs).

**Polycentric:** The MNE treats each subsidiary as a distinct national entity with some decision-making autonomy. Subsidiaries are usually managed by local nationals (HCNs) who are seldom promoted to positions at headquarters. Likewise, PCNs are rarely transferred to foreign subsidiary operations.

**Regiocentric:** Reflects the geographic strategy and structure of the multinational. Personnel may move outside their countries but only within a particular geographic region. Regional managers may not be promoted to headquarter positions but enjoy a degree of regional autonomy in decision-making.



**Geocentric:** the MNE takes a worldwide approach to its operations, recognizing that each part makes a unique contribution with its unique competence. It is accompanied by a worldwide integrated business, and nationality is ignored in favour of ability. PCNs, HCNs and TCNs can be found in key positions anywhere, including those at the senior management level at headquarters and on the board of directors.

Direct linkages between these orientations and the stages of internationalisation are tempting, for instance, the geocentric approach closely matches Bartlett and Ghoshal's transnational concept. In reality, things are not quite so simple. Many organizations calling themselves global have a very ethnocentric mindset. HR policy and practice emanate from Head Office, as do most expatriate managers. "Global" culture is more an attempt to disseminate the home country culture to all its subsidiaries. stages of internationalisation are tempting, for instance, the geocentric approach closely matches Bartlett and Ghoshal's transnational concept. In reality, things are not quite so simple. Many organizations calling themselves global have a very ethnocentric mindset. HR policy and practice emanate from Head Office, as do most expatriate managers. "Global" culture is more an attempt to disseminate the home country culture to all its subsidiaries.

**Example:** A newly acquired French subsidiary of an American-based multinational had been reassured that the organization operated on a truly global basis, acknowledging and integrating the diversity of management styles apparent in its national subsidiaries. A few months after the acquisition, the senior management team in the French company received a thick wad of documentation outlining the new competence management scheme with instructions that this was to be implemented in all subsidiaries. The competency framework was extremely detailed and had been designed by American consultants working solely with the American parent company. Much of the terminology could not be translated to the French context. The French management team were astounded at the arrogance of the Americans to think that they would bother with such an imposed and alien system.

## 6.2 THE IMPACT OF INTERNATIONALIZATION

As we move towards a more global economy, organizations have to rethink their traditional ways of managing people. What would be normal custom and practice in one country may well be illegal in another. Routine decisions on career development, for example, can become extremely complex in an organization working across 30 countries. How do we select our high potential employees, who makes decisions on moves, what kind of leadership are we trying to develop for our global company?

In any organization, the primary objective of the human resource management (HRM) function is to ensure that the most effective use is made of its human resources. To achieve this, HR professionals undertake a range of activities around sourcing, development, reward and performance management, HR planning, employee involvement and communications. If the organization has a strategic HR function, these activities will support and inform organizational strategy. HR professionals are also used extensively in organizational change and development initiatives. For international organizations, these HR activities need to be coordinated 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).

Given this broader perspective, how do managers decide on appropriate IHRM policy choices? A critical challenge for all international organizations is the need to achieve best fit in relation to the competing demands of global integration and co-ordination versus local responsiveness, the “global versus local” debate. 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. Organizations may, however, still want to implement standardised HR systems globally. Their choice depends to a great degree on their stage of internationalisation and international mindset.

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### **CASE QUESTIONS**

1. Define the early stages of internationalization.
2. How a domestic company become MNC?
3. How can you describe the impact of organization?

## INTERNATIONAL DIVISION

### 7.1 INTERNATIONAL DIVISION

In economics the **new international division of labor (NIDL)** is an outcome of globalization. The term was coined by theorists seeking to explain the spatial shift of manufacturing industries from advanced capitalist countries to developing countries—an ongoing geographic reorganization of production, which finds its origins in ideas about a global division of labor. It is a spatial division of labor which occurs when the process of production is no longer confined to national economies. Under the “old” international division of labor, until around 1970, underdeveloped areas were incorporated into the world economy principally as suppliers of minerals and agricultural commodities. However, as developing economies are merged into the world economy, more production takes place in these economies.

This has led to a trend of transference, or what is also known as the “global industrial shift”, in which production processes are relocated from developed countries (the USA, Europe and Japan) to developing countries in Asia (for example China, Vietnam and India) and Latin America. This is because companies search for the cheapest locations to manufacture and assemble components, so low-cost labour-intensive parts of the manufacturing process are shifted to the developing world where costs are substantially lower. Companies do so by taking advantage of transportation and communications technology, as well as fragmentation and locational flexibility of production. From 1953 to the late 1990s, the industrialized economies’ share of world manufacturing output declined from 95% to 77%, and the developing economies’ share more than quadrupled from 5% to 23%.

The resultant division of labor across continents closely follows the North–South socio-economic and political divide wherein the North—with one quarter of the world population—controls four fifths of the world income while the South—with three quarters of the world populations—has access to one fifth of the world income.

### 7.2 GLOBAL PRODUCT DIVISIONS

Global product divisions are part of a multinational’s organizational structure when the primary division of the firm’s activities is based on product (or service) categories. For example, an automobile

manufacturing firm may be primarily divided into a truck division, a passenger car division, and an SUV division; or a large professional service firm may be divided into audit, business advising, information technology, and tax divisions. Then each of these “global product divisions” may be divided into several geographic (e.g., Americas, Africa-Middle East, Asia-Pacific, Europe) and/or market subdivisions (e.g., corporate, government, and private clients). The strategic logic underlying the global product division is the need to concentrate resources at the level of the product (or product group).

Thus, in the above automobile example, the firm may feel that these three markets are quite independent, and that appointing a separate management team for each division will allow each to focus on their markets and thus develop their businesses and compete more effectively. Further, C. K. Prahalad and Gary Hamel and other proponents of the resource-based view of the firm would insist that the firm should be structured around the key resources that give the firm sustainable competitive advantage. Thus, for example, a certain set of products could be based on certain technologies and competencies—and a global product division is a natural structure to house these products and resources. Traditionally a global product division had control over most of value chain relevant to its market.

**For example**, Procter and Gamble (P and G) has three global product divisions, namely Global Beauty, Global Household Care, and Global Health and Well-being (as well as a Global Operations division). Thus, the Global Beauty division would have its own manufacturing facilities, suppliers, brands, distribution network, and service department. However, contemporary managerial and organizational approaches have de-emphasized the advisability of this kind of control for two sets of reasons. First, as stated by Stephen Young and Ana Teresa Tavares, complete autonomy is not necessarily an optimal situation.

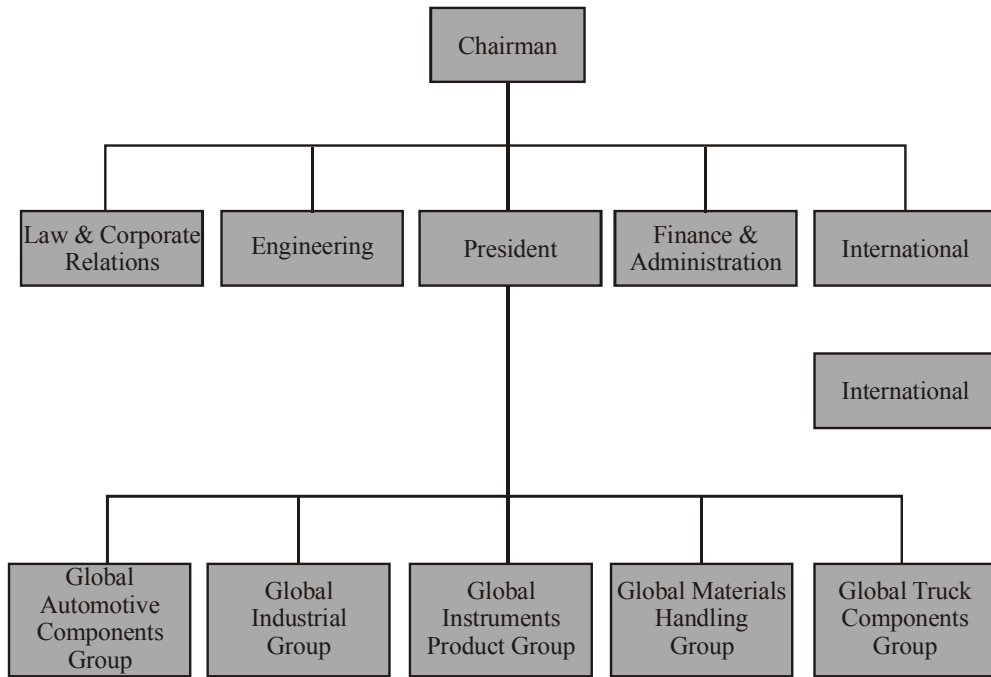
Along these lines, authors like Julian Birkin Shaw have suggested that the overall global firm is better off with coordinating mechanisms across its global divisions that seek to find economies of scale, economies of scope, and other efficiencies and synergies. Thus the normative tendency would be to share information systems, production, facilities, and services across its product divisions; and P&G’s Global Operations division would have a mandate to facilitate many of these synergies.

Another popular contemporary approach is “outsourcing” (or off-shoring) of parts of the value chain—such as production of various components or a service call center—to an external service provider. For example, Stanley Holmes writes that Boeing is outsourcing more than 70 percent of the 787’s airframe, allowing Italian, Japanese, and Russian engineering concerns to design and build major parts of the fuselage and wings. The benefits of these programs include cutting costs and forging relationships with potential clients. For example, Kristien Coucke and Leo Sleuwaegen report on a recent study whereby off-shoring programs increase the likelihood that Belgian manufacturing firms will survive.

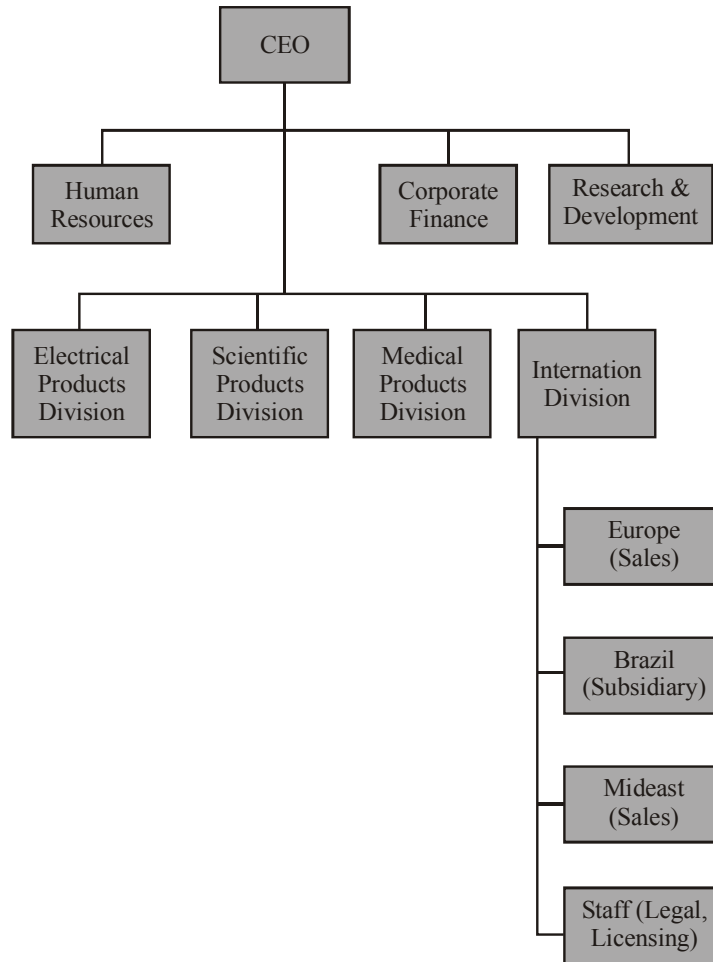
Nevertheless, there is a general acceptance and adoption of global product divisions by multinational firms. This is especially the case in corporations moving away from international division structures—over time, the domestic and international businesses are recombined and then split into either product, market, or geographic structures. However, along the same developmental

process, these structures often continue to evolve into some form of matrix-whereby managerial authority descends to the business via two (or sometimes, three) dimensions.

**For example**, one dimension may be like the global product structure responsible for various offerings and the other may be geographic. A more advanced stage of development would be what Chris Bartlett and Sumantra Ghoshal call the “transnational” structure, whereby the firm develops dual capacity to deal with both local (national) as well as global contingencies.



*Fig. 7.1: Partial Global Product Structure Used by Eaton Corporation*



*Figure 7.2: Domestic hybrid structure with international division*

### 7.3 A MULTINATIONAL FIRM'S ORGANIZATIONAL STRUCTURE

A multinational firm's organizational structure that reflects the "global" philosophy that the world is basically one homogeneous market is called a "global structure." For example, by this philosophy, many large electronics and consulting firms, while allowing for minor local adjustments to packaging and language, basically project the same kinds of products and services around the world. However, there are several differences in terminology and philosophy in this field.

First, a "global" philosophy is characterized by seeing the world as one more-or-less monolithic market with similar tastes and preferences. In contemporary parlance this is opposite to a "multi-domestic" (or multi-national or multi-local) philosophy by which one sees the world as made up of many more-or-less unique markets, each with its distinct tastes and preferences. A position between

these two extremes is called regionalism, whereby one sees the world as being made up of a small number of quite homogenous regions. These constructs can be applied to industries, firms, and organizational structures, and it is informative to understand how global thinking at industry and strategic levels apply.

**For example,** George Yip sees globalization as a function of the degrees to which the global marketplace is fragmented, local customer needs are distinct, local sourcing imperatives exist, costs are heterogeneous, and trade barriers are significant to cross-border commerce. Thus Randall Schuler, Peter Dowling, and Helen De Cieri and other scholars refer to some industries-like commercial aircraft, copiers, generic drugs, most electronics and computer hardware-as global industries; while retail, the food industry, and most services are considered substantially multidomestic.

Multinationals-and other large firms, for that matter-generally are divided into several parts, units, or divisions that reflect some aspect of their strategy. This link between structure and strategy was made famous in the classic book *Strategy and Structure* by Alfred DuPont Chandler. For example, a firm with five product categories may have been structured into five divisions, each division mandated to manage one of the product categories. Chris Bartlett and Sumantra Ghoshal build on this logic as they focus on organizational responses to global and local forces; and they describe four organizational types (or mentalities) for the global organization that represent organizational and strategic responses to various industry contingencies. For example, they describe the global firm that views the world as its market, assumes that national tastes are more similar than different, and that believes in standardized products; and these strategic approaches require structural integrative mechanisms that are to coordinate worldwide activities, production, marketing, research and development (R&D), and planning.

Thus, it is these structural processes that are implied by the term global structure. Mechanisms All large organizations need some structures that coordinate and integrate to some degree. However, the global strategy relies on these structures for implementation There are three major aspects to this kind of structure. The first is the locus of strategic responsibility. Second, the way the structure separates reporting relationships and dictates how the firm is divided. This aspect of structure may be called structuring. The final aspect is the kinds of coordination and integration systems-these may be called processes.

**Locus of strategic responsibility:** A crucial aspect of organization structure is the extent to which decision-making autonomy is delegated from corporate headquarters to parts of the business. In the global firm there is a strategic imperative to centralize important strategic decisions. For example, decisions on product range, research and development, branding, and human resource management tend to be made at corporate rather than subsidiary level. Even customer service, which is the function most likely to be located closer to the customer, may have its major policies and standards set at corporate level. **Structuring:** A characteristic of the global structure is that it is relatively blind to geographic distance and instead focuses on one or more other strategic dimensions-like products or markets-that it considers more important (than geography) to its success at implementing a global strategy.

Thus a global structure commonly has a major top-level division into product categories (generally called a global product structure), markets (global market structure), or some matrix (global matrix structure). As an example of a global product structure, Procter and Gamble (P and G) has three global product divisions, namely Global Beauty, Global Household Care, and Global Health and Well-being. However, the distinction between product and market structures is likely to be blurred—for example, Boeing’s business units seem like different product divisions (commercial airplanes, integrated defense systems, and Boeing capital corporation), but in effect all three have the aim of marketing various aircraft and aerospace products and services to different market groups—in this case commercial airlines, governments, and financial intermediaries.

The global matrix structure attempts to organize activities by two (or more) managerial dimensions—like product, geography, and/or market. ‘For example H. J. Heinz has simultaneously geographic divisions in North America, Europe, Australia/New Zealand, and emerging markets (selected countries in Asia and Eastern Europe); several product categories, namely ketchup/condiments/sauces, meals and snacks (including frozen foods), soups/beans and pasta, and infant feeding; and separate operations for retail and food service channels. In a global structure these various departmental and business divisions may have necessary aspects of local focus, but essentially they work together for implementing the firm’s global strategy.

**Processes:** Finally, and very importantly, structure implies processes such as coordination, integration, and information systems. These processes tend to be pronounced in the global structure, and generally very common in contemporary organizations. Kwangsoo Kim and Jong-Hun Park identify four generic integrating mechanisms: (1) people-based integrating mechanisms that use people to coordinate business operations across borders, involving the transfer of managers, meetings, teams, committees, and integrators; (2) information-based integrating mechanisms use information systems such as databases, electronic mail, Internet, intranet, and electronic data interchanges to integrate business operations across borders; (3) formalization-based integrating mechanisms rely on the use of standardized or common work procedures, rules, policies, and manuals across units; and (4) centralization-based integrating mechanisms retain decision-making authority at the corporate headquarters—a similar concept to that in the “locus of strategic responsibility” section above.

The more global the firm, the more it uses these processes. Intel, for example, uses relatively few formal structural mechanisms, but several cross functional teams—including information technology (IT), knowledge management, human resources, finance, legal, change control, data warehousing, common directory information management, and cost reduction teams—as integrating processes that allow them rapid adaptation to changing conditions. Integrating mechanisms can also have negative effects—perhaps tying the hands of local managers, imposing compliance costs (both time and other resources), and creating unintended bureaucratic barriers to efficient decision making. A study by David Brock and Ilene Siscovick, for example, found effects of integrative factors at subsidiary level were often negative.



## 7.4 NEW INTERNATIONAL STRUCTURE FOR MNE

A person who has a lazy, slow-moving gait tends to look less commanding than someone who walks with a good posture that exudes confidence. Likewise, the way the company is organised can help it position for future growth.

The world has changed dramatically. These days, being internationally competitive is the name of the game. With the dissolution of the international trade barriers and the evolution of a new global economy, many companies have gone through a continuum of transition from being international (stressing an export-import orientation), to being multinational (having major operations abroad that are concentrated on specific, relatively protected markets) to being global (looking at the entire world as a market). The new and total global economy has come of age.

### 7.4.1 There are three organizational structures

- 1. Multi-local:** The overseas affiliates are given full autonomy with little interference from the headquarters. This structure is suitable for organizations that require high customisation, flexibility and speed to respond to the market place. Examples of industries requiring such structures include the retailing, auditing and consulting businesses etc. The downside is that there are wasteful duplications and low cost efficiency. However, in industries that require ground knowledge, the trade-off for economy of scale and duplications is speed and flexibility.
- 2. Global:** The overseas affiliates are given little autonomy. The headquarters make all the major decisions. The organizational structure is by functions, with each function such as the sales and marketing, financial heads of the subsidiaries reporting to the headquarters' functional heads. In some companies, the functions are grouped by product lines and major customer accounts reporting back to the heads for the product lines and multinational accounts. If worldwide efficiency is required, then this structure is more appropriate. Examples of industries requiring such structure include electronic chips, consumer electronics etc. The disadvantage of this structure is the erosion of local responsiveness as it entails very centralized control.
- 3. Transnational:** In some cases where both local and global know-how are important, the transnational structure may be appropriate. The organizational structure is based on a matrix with dual reporting and the achievement of consensus as the key driver. Depending on the nature of your business, you should adopt an organizational structure that enables you to meet with your business objectives, and which will provide flexibility and room for future growth. The common thread in the above three structures is the concept of 'flat organization'. The phrase 'flat organization' is now overworked and misunderstood. It is an oxymoron, a contradiction in terms. Any organization that exists for a purpose needs a spine of decision-making accountability. This applies to private corporations, public institutions, voluntary organizations and cooperatives.

A good organization structure is one with the optimal number of layers of leadership, which demonstrably add value to the work of the others. This includes the design and delivery of mission and strategy. It provides space and challenge for individuals to achieve, continue to learn, grow and enjoy their work and be duly rewarded for their performance.

The theory is clear. The problem for managers is how to design it in practice. How many vertebrae should there be in this spine of accountability? What are the key functions?

How are they identified? What is the impact of removing a function from this spine? What impact will this have on the development and motivation of the incumbents? Surprisingly, at the beginning of the 21st century this is still an area of guesswork and fashion in most organizations

### **CASE QUESTIONS**

1. Define international division.
2. What do you mean by global product/area division?
3. Discuss in detail types of MNCs structure.
4. Write a short note on-
  - (a) Multi-local
  - (b) Global
  - (c) Translational structure.

### CHAPTER OUTLINE

The chapter reviews common approaches to strategy and strategic management and then discusses different perspectives on strategy and the central importance of IHRM and SHRM. It ends with three major IHRM challenges which will be of strategic significance for most organizations in the future.

#### 8.1 INTRODUCTION: VALUE CREATION THROUGH STRATEGIC MANAGEMENT

Whenever organizations operate in a competitive market then they will find themselves under pressure to formulate and implement *value-creating strategies*. The relevance of strategic management also applies to the public and not-for-profit sectors, when they find themselves competing for resources, collaborating with private sector organizations, operating in quasi-markets and evaluated according to corporate policies and management techniques. The success of these organizations' strategies often has a fundamental impact on their capacity to survive, grow and prosper.

Since Michael Porter's (1980, 1985, 1990) influential works on competitive strategy published three decades ago, executives and managers have been encouraged to identify ways that their organizations can gain a competitive advantage. A sustained or sustainable, competitive advantage occurs when a firm implements a value-creating strategy of which other companies are unable to duplicate the benefits or find it too costly to imitate. (Hanson et al., 2002) Managing value means 'maximising the long-term cash-generating capability of an organization' (Johnson et al., 2010: 490). The main ways of specifically increasing shareholder value are increasing revenue through sales volume and prices; disposal of unnecessary assets; efficient management of stock, debtors and creditors; and effective financing of the business through an appropriate mix of capital (debt and equity).

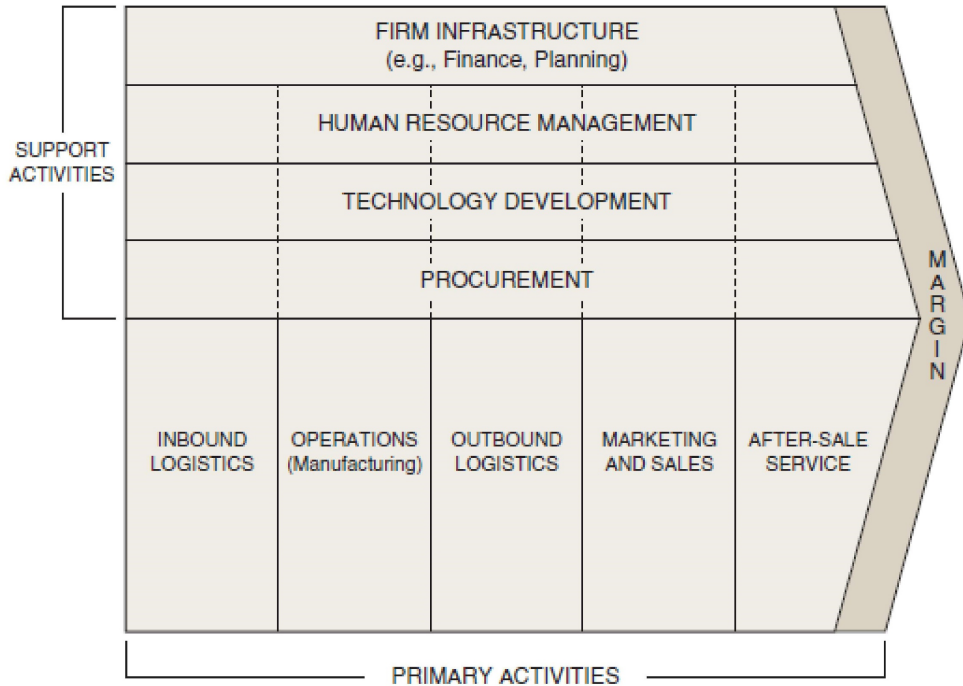
Porter (1985) specified the primary value-creating activities of an organization when creating any product or service as inbound logistics, operations, outbound logistics, marketing and sales, and service. His basic idea of the value chain is that in each activity the organization should add value or consider outsourcing it to another organization which can do it either just as well or preferably

can add more value. HRM is relegated to what Porter categorised as support value-creating activities along with firm infrastructure, technology development and procurement. His model is frequently criticized for having more relevance to the manufacturing sector and is seen as less applicable to the services and knowledge sectors of the economy. Nevertheless, in the context of competitive strategy, the value chain and value network (inter-organizational links to create products/services) remain prevalent concepts today.

In some contexts however, competitive strategy and competitive advantage are problematic concepts whenever organizations are not seeking to win necessarily at others' cost. This makes strategic management more complicated because the objectives of value-creation and excellent performance are salient, but gaining a unique advantage against peer organizations may not be a relevant goal. This ambivalent relation to competitive strategy is common in public-funded initiatives which usually serve multiple stakeholders as well as within collaborative partnerships and amongst partners in alliance networks (Skoufa, 2004). Major stakeholders Notwithstanding these complexities, whatever school of strategic management one subscribes to, ethically there is no doubt that people do matter and this is so when managers behave as if employees and subcontractors are solely a cost to their business. The organization and its employees are considered to be major stakeholders, although there is considerable debate on the extent that their interests should be acknowledged in relation to profits allocated to shareholders. They in effect underwrite much of the risk capital of the business through buying and selling company shares traded on the public stock markets. The three major stakeholder groups are usually said to be the capital markets, product markets and organizations. Capital markets comprise shareholders and lenders such as banks. Product markets consist of primary customers, suppliers, host communities and unions. Organizational stakeholders include managers, employees and other members of the organization. Stakeholder theory has its proponents and detractors. Its proponents can be subdivided broadly into those who concentrate on multiple economic claims and those who argue further in terms of diverse moral claims and expectations to have a voice in important decisions. Stakeholder theory is based on two principles that balance the rights of the claimants on the corporation with the consequences of the corporate form.

The first, the principle of corporate effects, states that 'the corporation and its managers are responsible for the effects of their actions on others' (Evan and Freeman, 2004: 79) ... The second principle, namely the principle of corporate rights, states that 'the corporation and its managers may not violate the legitimate rights of others to determine their own future' (Evan and Freeman, 2004: 79). (Greenwood and De Cieri, 2007: 122–3)

Its detractors argue that the theory is problematic because it is often not clear exactly who are the valid stakeholders and some claim further that it draws attention away from the major rights and responsibilities of shareholders and corporations. One way of responding to this unitarist shareholder-dominated perspective is to argue that ethically its very exclusivity ignores the essentially pluralist nature of society and business, and furthermore that 'any intellectually and morally acceptable approach to HRM must take account of a pluralism of partially conflicting interests' (Campbell et al., 2007: 284).



*Fig. 8.1: Porter's value chain*

**8.2 STRATEGIC MANAGEMENT**

If the ‘design school’ (An off, 1991) approach to strategy subdivides the process into an iterative cycle of stages which are also interactive and involve feedback loops. For the sake of ease of understanding, these stages can be considered to proceed in a sequence which repeats itself. For example, the strategic management process commences with ideas on the mission, vision, intent, purpose, goals and objectives. These strategic intentions over time will become partially or totally changed through processes of reflection, analysis and debate and from direct experience in action and of course the results during implementation. These ideas go through refinement, revision, elaboration and change during the analysis stage.

The strategic analysis considers the external and internal environments of the organization (e.g. SWOT – Strengths, Weaknesses, Opportunities and Threats) and then moves on to the formulation of strategy (e.g. Corporate-level, International Strategy, Business-level, Cooperative

– alliances and partnerships, Acquisition and Restructuring). Finally, there is the implementation of the strategy (e.g. Corporate Governance, Organizational Structure, Coordination and Control, Leadership, Entrepreneurship, Innovation, Change and Sustainability).

In reality, the purposes and processes of strategic management are often complex and even confused and chaotic. These strategy processes are also interactive and simultaneously both reinforcing and contradictory. In all events nobody can predict the future exactly and in many situations people are actually unsure why they are doing things and unclear about unintended consequences which may occur. Henry Mintzberg's (1990) critique of the design school and his proposed theory of emergent strategy addresses the messiness and uncertainty of planning and action. Mintzberg notes the frequently *ad hoc* and even unanticipated nature of action and learning and provides a useful critique of the tendency for strategy teaching to be unrealistically

### 8.3 STRATEGIC, COMPARATIVE AND ORGANIZATIONAL PERSPECTIVES ON IHRM

Rationalist in its assumptions and too idealistic in its core principles. So, the tools and techniques of strategic management must be applied flexibly and not become a substitute for learning by doing and learning from others. Organizations therefore must encourage experimentation and improvisation (Pinnington et al., 2003). External analysis involves the scanning, assessment and evaluation of the environment for opportunities and threats often using tools that assist with understanding different levels of analysis. These may be subdivided into macro, mesa and micro levels. The macro environment is often surveyed using tools such as PESTEL (Political, Economic, Social, Technological, Environmental, Legislative). Then there are tools for the mesa level – typically the competition within the industry assessed through such frameworks as Porter's (1985) Five Forces analysis (Threat of New Entrants, Power of Buyers, Power of Suppliers, Threat of Substitutes, Competitive Rivalry within the Industry). Finally there are micro-level aspects to do with the immediate environment and on-going interactions with competitor firms (assessed through tools of competitor analysis).

An internal analysis also involves scanning, assessment and evaluation of the environment, and is concerned with identifying strengths and weaknesses of the organization relative to its actual (current) and potential (future) competitors. During the 1980s and 1990s the concept of internal resources (Penrose, 1959) gained more attention and led to further elaboration and development of the Resource Based View of the Firm (Barney, 1991). Consequently, a wider range of tools and frameworks are now available to **practitioners and researchers. A typical approach** is to assess the internal environment of the organization for its resources, capabilities and core competences (Kamoche, 1996; Hamel and Prahalad, 1994).

An audit of resources will include such aspects as financial, physical, human, organizational and reputational characteristics. In some industries, such as automotive assembly, the cost of human resources is a small percentage of total costs compared to physical plant, machinery and parts, whereas in knowledge intensive firms such as consultancies and law firms the major cost is human resources even when the information technology budget may run into many millions. The potential

of the firm's resources for competitive advantage has become more recognised by strategy practitioners and researchers following the growth in significance of the services and knowledge sectors of the economy, in relation to the primary (e.g. agriculture, mining resources) and secondary (e.g. manufacturing) sectors.

Within business and management research, the fields of strategy and innovation were in fact the first to recognise the importance to organizations of strategies and tactics for managing knowledge. Academics interested in strategic management wrote about the importance of managing teams of resources so that they become productive, and capabilities of the firm (Grant, 1991: 118–19). They emphasised knowledge resources that deliver value as opposed to knowledge for its own sake (Wernerfelt, 1984). The resource-based view of the firm helped to focus interest on ways that resources can be managed strategically by attending to their capacity for creating uniqueness and competitive advantage through characteristics such as producing economic value, possessing some rarity, being hard to copy and difficult to substitute (Barney, 1991).

In summary, which ones out of the organization's resources and capabilities are:

- Valuable?
- Rare?
- Hard to copy?
- Difficult to substitute?

The knowledge-based theory of the firm developed by Spender (1996) emphasized the importance of managers getting involved in actively managing knowledge and learning from it through:

- (a) managing by thinking and interpreting multiple phenomena by exercising a high degree of flexibility,
- (b) managing the boundaries of the organization such as its interfaces with customers and suppliers,
- (c) identifying institutional effects and influences on knowledge and its strategic management
- (d) distinguishing between the influence of wider systems as well as the elements and components of knowledge, systems and technologies.

Since the emergence of the resource-based view of the firm (Barney, 1991; Grant, 1991), there has been increased interest in strategic management based upon an internal analysis of the strengths and weaknesses of the organization, the capabilities of its internal resources (physical, human and organizational), its management of the value chain (primary and support activities) and development of a sustained competitive advantage. **The resource-based approach has encouraged more reflection on how HR practitioners can be better included in processes of strategic management (Grant, 1996a,b) and consequently become more proactive in incorporating ideas on ways that HRM can** Following the analysis of the strategy a choice has to be made regarding the available strategic options.

A standard approach is to assess each anticipated and specified option for its suitability, acceptability and feasibility.

- *Suitability* – Does the strategy address the key issues relating to the competitive position of the organization?
- *Acceptability* – Will the strategy achieve an acceptable return, is at reasonable levels of risk and likely to be acceptable to stakeholders?
- *Feasibility* – Can the strategy be pursued within the resources, capabilities and competences of the organization?

The business-level strategy is still based on comparatively minor variations on Porter's three generic strategies. Hanson et al. (2002: 129) helpfully define it as: 'an integrated and coordinated set of commitments and actions designed to provide value to customers and gain a competitive advantage by exploiting core competencies in specific, individual product markets'. The firm has an opportunity to formulate and implement a business-level strategy with a specific competitive scope (broad, narrow) and approach to competitive advantage (cost, uniqueness). As Figure 8.2

|                   |               | Competitive Advantage |                         |
|-------------------|---------------|-----------------------|-------------------------|
|                   |               | Lower Cost            | Differentiation         |
| Competitive Scope | Broad Target  | Cost Leadership       | Differentiation         |
|                   | Narrow Target | Cost Focus            | Focused Differentiation |

*Fig. 8.2: Business-level strategies*

below shows this creates four alternatives known as: cost leadership, differentiation, cost focus and differentiation focus. While all firms are expected to have a business-level strategy only those that have several products and services and offer them in different markets and regions are likely to be of sufficient complexity to require a corporate strategy. A corporate-level strategy can be defined as: 'an action taken to gain a competitive advantage through the selection and management of a mix of businesses competing in several industries or product markets' (Hanson et al., 2002: 196). The corporate strategy concerns the nature and extent of diversification of the company. Through value-creating strategies the organization has to make choices concerning the amount that it facilitates sharing between its different business units (known as operational relatedness) and the extent that



the corporate headquarters leads through transferring knowledge and skills into businesses (known as corporate relatedness). The corporate strategy is significant for HRM because it creates organizational norms, systems and procedures for the amount that different business units are expected to share knowledge and skills with each other and the extent that the corporate headquarters is required to proactively manage and support the business units.

International corporate-level strategy is different in so far as it reflects specifically on the intended reach and scope of the organization in terms of global integration and local responsiveness. Three alternative strategies are normally articulated:

- **Multi-domestic strategy** – Strategic and operating decisions are decentralised to the separate business units and management within individual countries. Philips was traditionally renowned for this approach.
- **Global strategy** – Corporate headquarters devises strategy and monitors and rewards standardisation and operational conformance to global specifications for products and services. Japanese corporations such as Sony and Komatsu have enjoyed strong reputation for success in this area.
- **Transnational strategy** – Simultaneous implementation of strategies of global efficiency and local responsiveness. ABB is one of the most commonly cited MNCs advocating and implementing transnational strategies.

The field of strategic management contains a complex array of competing theories selecting the main unit of analysis as either the firm or the industry or the nation. There are a wide range of available approaches to the subject matter with strategy seen as evolutionary paths or as emergent change, and, its fundamental building blocks are very different so that it is conceptualised by some scholars as assets/resources while others see it as composed of processes of strategic management (Whittington, 2001).

What is somewhat more surprising though is the nature of the specialist knowledge of the discipline of strategy. On the one hand strategy is very broad-based including ideas from, for example, different branches of economics, evolutionary ecology, information sciences, and simulation and game theories (Hoskisson et al., 1999). Whittington (2001) subdivided the field into classical, evolutionary, processual and systemic schools of thought and identified a range of influential disciplines, in particular, military scholarship and economics (classical), economics and biology (evolutionary), psychology (processual) and sociology (systemic).

On the other hand, looking at how it is commonly taught in business schools and corporate training events the implementation issues connected with people seem almost to be sidelined and upstaged by a greater concentration on other functional areas of management such as: finance, accounting, sales, marketing, public relations, operations, logistics and information technology. The limited amount of attention given to the people issues is especially pertinent in the area of strategy implementation as it is presented in some of the popular texts widely used by training and education practitioners. For example, in a number of these textbooks and training guides, the human concerns of the organization remain somewhat implicit rather than gain explicit mention.

#### 8.4 THREE PERSPECTIVES ON STRATEGY IMPLEMENTATION:

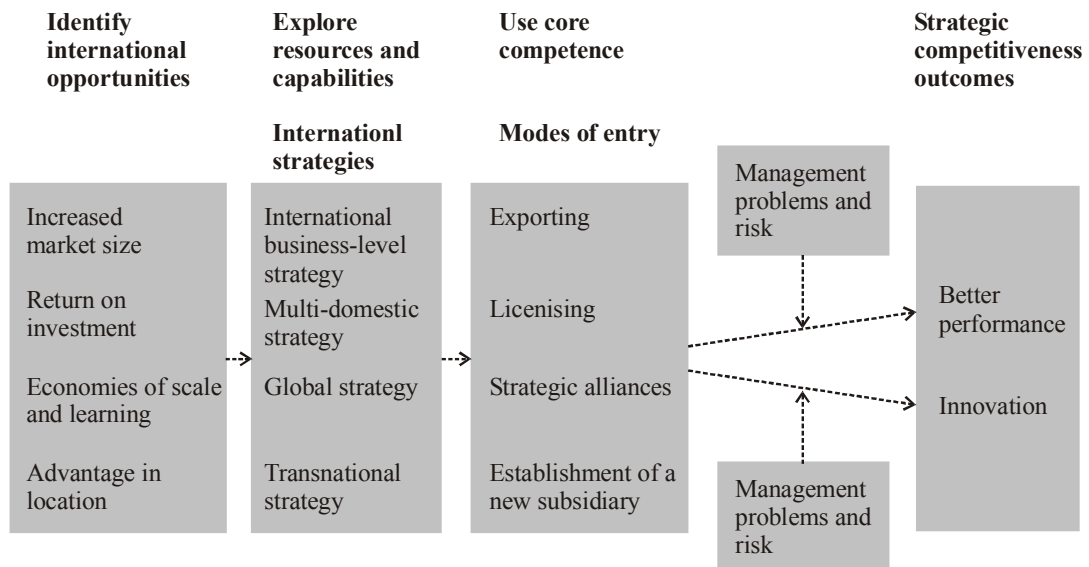
1. strategic management,
2. international strategy and
3. national competitiveness

**1. Strategic management:** There are many different frameworks available on the implementation of strategy. Authors writing on the subject of strategy implementation attend to different issues concerning organizational action. Most of them make reference to issues of structure and control with some then focusing more on the topics of governance and leadership, or entrepreneurship and innovation or functional management (e.g. finance, accounting, public relations, sales and marketing, procurement, logistics, operations, human resource management, information technology, legal compliance, etc.) or the management of change. Hanson et al. (2002) describe strategy implementation as involving four organizational processes of strategic management:

1. Corporate Governance;
  2. Organizational Structure and Controls;
  3. Strategic Leadership; and
  4. Strategic Entrepreneurship.
- **Corporate governance** is the oversight of stakeholders in an organization particularly the owners, managers and boards of directors. Effective governance is essential for ensuring ethical, transparent and fair practices in the implementation of the organization's strategies.
  - **Organizational structure and controls** need to be aligned with the strategy to maximize likelihood of achieving a competitive advantage. Organizational structure includes concerns such as the overall design of the organization, its positions of authority, decision-making channels and networks of roles and jobs. Strategic competitiveness is said to be achieved when the firm's chosen structure and controls are aligned with the strategy.
  - **Strategic leadership** is the ability of an individual or group to anticipate, envision, maintain flexibility and empower others to create strategic change. Grant (2005: 1–32) argues that leadership is an ambiguous concept related to many aspects including person-based leadership (groups acknowledge particular individuals as leaders), positional leadership (leaders occupy formal positions of power), result based leadership (leadership only exists when it leads to effective results), process based leadership (leaders are distinguished from non-leaders by what they do), and hybrid leadership (people and machines combined create leadership). In the context of implementation of strategy, leadership is complex, multi-functional, and requires the ability to manage and lead the organization to achieve and sustain high performance.
  - **Strategic entrepreneurship** is the ability to implement strategy, create innovations, achieve organizational renewal of mature and declining businesses, and develop new successful corporate ventures. Entrepreneurs are traditionally understood as the key individuals to

stimulate new economic activity and as such as the primary agents responsible for growth and prosperity in the economy.

**2. International strategy:** An international strategy is one that sells products and services outside of the firm’s domestic market. The most common reason given for an international business strategy is to extend the product lifecycle and gain new resources and markets from operating and selling outside of the domestic market (Vernon, 1996). Some of the main reasons for moving into international markets are given as the incentives:



**Fig. 8.3: Opportunities and outcomes of international strategy**

1. to increase *market size*;
2. opportunity to make a greater *return on investments*;
3. attainment of optimal *economics of scale and learning* through knowledge sharing and exploiting resources, capabilities and core competences;
4. and achieving *advantages of location* such as reducing the cost of products and services combined with reaching superior networks of suppliers and customers.

**3. National competitiveness:** *The Determinants of Competitive Advantage of Nations* (Porter, 1990) operates at the country level rather than the organizational level as in the previous two examples. So the idea here is one of competitive advantage as seen from the perspective of nations of the world rather than from the position of one particular organization in an industry.

The national determinants of competitive advantage are:

1. Factor Conditions;
2. Demand Conditions;

3. Related and Supporting Industries;
4. Firm Strategy, Structure and Rivalry;
5. Role of Government;
6. And Role of Chance.

Porter called these determinants diamonds and proposed that nations with all four main determinants in the diamond are more likely to attain a competitive advantage. The theory has been criticised for over-emphasizing the extent that all four are necessary and a number of theoretical and empirical research articles have demonstrated that a nation can exploit a comparative advantage and prosper possessing just one or two factors such as wealth generation through territorial ownership of valuable resources such as oil and copper (Yet ton et al., 1992).

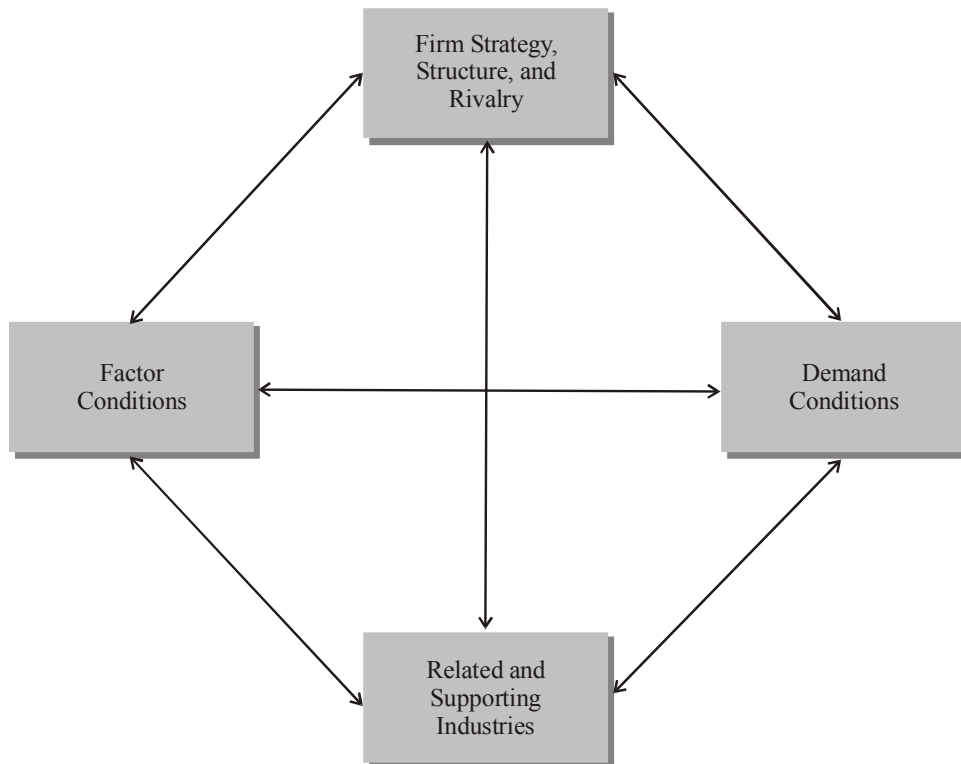
1. **Factor conditions** are the factors of production such as labour, land, natural resources, financial capital and physical infrastructure. They can be subdivided into basic and advanced factors. Labour is considered either as a basic or advanced factor dependent on the education, skills and competences of the worker.
2. **Demand conditions** are calculated on the basis of the amount of demand for basic and advanced goods and services in the home market. Economies of scale are achieved by organizations through efficient management and through competition winning a sizeable share of the market.
3. **Related and supported industries** are important networks of suppliers, buyers and services and are vital for the survival and growth of the business.
4. Pools and clusters of expertise and experience emerge amongst the patterns of **firms' strategy, structure and rivalry** such that some places in different countries are the location of choice for particular industries, products and services. Silicon Valley in California is one of the most commonly mentioned regions that is an incubator for innovation in new computer media, information and communication technologies. Porter (1990) argues that it is often easier to innovate and grow in these locations.

In addition to these four determinants, Porter identifies two further ones,

5. **Fifth the role of government** in facilitating a supportive, or conversely creating a negative, environment and economy, and
6. **Sixth the role of chance** occurrences in making winners and losers in the competition between nations.

The words 'human' or 'people' as in Human Resource Management or People Management do not gain specific mention and therefore are not given an obvious and sufficiently high profile. It can be counter-argued however that many of the above mentioned terms on strategy implementation actually do include these concepts, albeit implicitly. It is self-evident that in 'strategic management', strategic leadership has to involve leaders and followers, hence people. Similarly, in 'international

business strategy' acquisitions are specified as one of the modes of entry to another country and are bound to involve the direct or indirect employment of people. Furthermore, in 'national competitiveness' phrases like factor conditions include advanced factors such as people with rare and specialised skills.



*Fig. 8.4*

## 8.5 EFFECTIVE IHR STRATEGY IMPLEMENTATION

So how do we go about implementing an IHR strategy? The following checklist identifies some of the critical decisions/actions required in the formulation and implementation of an effective IHR strategy.

1. Ascertain the current and intended nature of international operations in the organization (multi-domestic, international, global or transnational?)

2. Determine the extent to which HR policies and practices should be standardised or localised in accordance with overall organizational strategy.
3. 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 organizational strategy.
4. Ensure a computerised database of global human resources is used if integration is desired.
5. Work with the senior management team to identify the competencies required to achieve global organizational objectives.
6. 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 organization.

### **Summary and conclusions**

In summary, the role of the IHR manager will vary depending on the international orientation of the organization. It is critical, therefore, that managers working in this field are able to interpret international organizational 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 organization internationalisation goals and actual IHR practice. One major European airline found that although they had a stated business objective of being a global organization, their actual HR policies and practices were almost completely ethnocentric!

### **DISCUSSION QUESTIONS**

1. 'People are our greatest asset' – debate for and against this statement on the basis of strategic management.
2. What is the relevance of IHRM for international strategy? Identify different aspects of international strategy and discuss how IHRM can be linked to its successful implementation.
3. Imagine that you are responsible for reorganising IHRM policy for a major airline. What would you want to know about the industry and the company to be able to undertake this task?
4. What are the difficulties with conducting an internal analysis of the organization?
5. Specify a country of your choice. What are its strengths and weaknesses in relation to the determinants of competitive advantage?
6. A successful strategy from the perspective of the company does not necessarily imply success from the individual employees' point of view. Find examples for this statement and discuss them in class.

## CASE STUDY

### EMIRATES AIRLINE – AIRLINE KEEPS CASH RESERVES STRONG

This case is adapted from the Business section of The National newspaper, 4 May 2; 6 May 1–22; www.thenational.ae. Copyright © 2009, National.

New Boeing 777 Aircraft delivery delayed until the next year Emirates Airline will delay the delivery of several new Boeing 777 aircraft next year by several months to protect its cash reserves during the downturn, says officials. It is the latest interim measure for the Dubai airline to navigate through the global recession, following efforts to give staff leave of absence and reposition aircraft to more promising routes as demand has waned in some markets. Emirates is expected to announce a small profit in coming weeks amid one of the worst revenue environments for airlines in decades.

Maurice Flanagan, the executive vice chairman of Emirates Airline and Group, said there had been a ‘slight rearrangement’ of deliveries next year, without disclosing further details. However, in a media report yesterday, Abdullah al Shams, a fleet manager at Emirates based at the Boeing factory in Washington, said the delays involved the long-range 777. Airlines around the world have deferred and even cancelled aircraft orders amid the global recession. Boeing received 40 new aircraft orders this year while seeing 33 previous orders cancelled. The cancellations come as airlines in the first quarter lost US\$1 billion – in line with a forecast for a US\$4.7bn loss for the year, the International Air Transport Association said.

‘Around the globe, we are seeing a number of customers looks for some deferrals, including in the Middle East,’ said Marty Bentrutt, the senior vice president of Middle East and Africa sales for Boeing’s commercial aeroplanes division. ‘We are staying close to these customers in these challenging times.’ Mr Flanagan said the move would help the airline’s cash position, which suffered a 32 per cent drop during the six months ending in September, to US\$2.3bn from US\$3.4bn. The airline said the drop came after pre-delivery payments, financing a cabin refurbishment program and paying a dividend to the Dubai Government, its primary shareholder.

‘Re-arranging these orders means that forecast pre-delivery payments will not take place,’ he said. ‘The cash position is strengthened, and the market will come back in a year from now.’ Deferring the deliveries would give it more time to arrange financing, Mr Flanagan added. The long-range 777 is a major feature in Emirates’s plans to expand its network to six continents. The 777 aircraft costs between US\$205 million and US\$286 million each, at list prices. Emirates will receive a total of 17 new aircraft this year, including wide-bodied planes from Airbus, and is expected to receive a similar number next year.

Airlines from the Gulf gear up for recovery At a time when Singapore Airlines is reducing its fleet, Emirates Airline is increasing the number of its aircraft and Etihad is installing new first-class seats. And Qatar Airways is putting the finishing touches to a US\$1 billion program of airport improvements. Many of the world’s largest airlines may have cut capacity and even parked aeroplanes because of the economic downturn, but Gulf carriers are instead uniting under a strategy to build up their networks to prepare for the recovery. Sheikh Ahmed bin Saeed, the chief executive and chairman

of Emirates Airline, likened his company to a surfer waiting for the next big swell – even though the sea is flat. ‘Still, we are receiving 17 aircraft, that’s a big number. So at least we want to catch the wave when it picks up,’ he said at the Arabian Travel Market trade show in Dubai yesterday.

Sounding a cautious but upbeat note, the chief executive – who has overseen the evolution of the Dubai airline from a small regional carrier into the Arab world’s largest and most profitable operator – said the business was still generating cash. ‘We remain very positive,’ he said. ‘But sometimes you have to be cautious.’ James Hogan, the chief executive of Etihad, said the carrier had achieved its first quarter targets of 75 per cent seat load factors, while acknowledging that the airline industry was suffering from price discounting to lure customers. ‘We hit our numbers, but we’re entering a difficult second quarter. It’s a tough cycle, but you’ve got to be flexible enough to adjust to move forward,’ he said. Other airlines are expressing their caution in more significant ways.

Singapore Airlines is preparing to reduce its fleet by 17 aircraft due to declining ticket sales. Cathay Pacific Airways, Hong Kong’s largest carrier, is cutting flights to London, Paris, Frankfurt and Sydney and asking staff to take unpaid leave as it faces steep drops in demand. And Qantas, the Australian flag carrier, is reducing its workforce by about 5 per cent and delaying the delivery of new planes in response to the depressed travel market. Moves by the Gulf airlines to protect cash and lower expenses have come in more incremental ways. Qatar Airways, the second-largest Gulf long-haul airline, will cut one route to India this year even as it expands into new destinations on the subcontinent. The airline will pull out of its unprofitable Nagpur service and will redirect the aircraft into new destinations at Amritsar and Goa.

Investments to build up world class airlines While Emirates Airline has had to make slight adjustments to its delivery schedule in the coming years for Boeing 777 and the Airbus A380, and has also begun offering staff unpaid leave, these moves pale in comparison to the strategic investments taking place. Several airlines in the Gulf countries are building up world-class airlines and airports. Their global growth strategies and related domestic infrastructure developments are anticipated to have significant benefits for the GCC. ‘While our competitors are parking planes, we are doing the opposite, said Akbar al Baker, the chief executive of Qatar Airways. ‘We are launching seven destinations. I would reveal more, but some of you may have a tummy upset.’ Etihad Airways is introducing its new first-class product as first and business-class travel demand has fallen significantly. Within the Middle East, premium tickets fell 10.6 per cent this year compared with the same period last year, according to the International Air Transport Association. Premium travel between the Middle East and the Far East fell 14.5 per cent, while first-class travel between the region and the south-west Pacific dropped even further, by 23.6 per cent.

The lavish first-class cabin includes an 80.5-inch (204 centimetres) lie-flat seat, a changing room with full-length mirror and a sliding door that creates a private suite. The new product will be unveiled on a new Airbus A340–600 being delivered in September, and will then be outfitted on Etihad’s existing aircraft that carry a three-class configuration. The project cost Etihad US\$70.36 million, the airline said. ‘Demand will come back, and when it does, we will be well positioned,’



Mr Hogan said. Likewise, Sheikh Ahmed warned that pulling back now could be detrimental in the long term. ‘In our business, whatever action you take today will affect you in the long term.

We know that it will pick up.’

### **CASE QUESTIONS**

1. Based on what you know and can find out about the global airlines industry in mid- 2009, make an assessment of the risks and opportunities facing Emirates Airlines.
2. In what ways may a corporate and professional approach to SHRM and IHRM assist Emirates Airlines to achieve its short-term and long-term strategic goals?
3. What human resources and skills does Emirates Airlines need for participation in the industry (i.e. threshold competences) and to achieve a competitive advantage (i.e. core competences)?

# OBJECTIVES OF HUMAN RESOURCE PLANNING (HRP)

## 9.1 OBJECTIVES OF HUMAN RESOURCE PLANNING (HRP)

1. To recruit and maintain the HR of requisite quantity and quality.
2. To predict the employee turnover and make the arrangements for minimizing turnover and filling up of consequent vacancies.
3. To meet the requirements of the programs of expansion, diversification etc.
4. To anticipate the impact of technology on work, existing employees and future human resource requirements.
5. To progress the knowledge, skill, standards, ability and discipline etc.
6. To appraise the surplus or shortage of human resources and take actions accordingly.
7. To maintain pleasant industrial relations by maintaining optimum level and structure of human resource.
8. To minimize imbalances caused due to non-availability of human resources of right kind, right number in right time and right place.
9. To make the best use of its human resources; and
10. To estimate the cost of human resources.

So, human resource planning is required to achieve the objectives of estimating potential human resources requirements; to cope with changing requirements of the organization taking into consideration the changing technology; to make full utilization of the existing and potential workforce of the organization; and career planning of employees.

### Facts

According to a recent study on workforce engagement, nearly one-third of the U.S. workforce fits the category of “unengaged.” Unengaged employees perform their jobs in ways that do not contribute to organizational success, performance, and profitability. The productivity loss of unengaged workers equals nearly \$300 billion a year.

## 9.2 BENEFITS/IMPORTANCE OF HUMAN RESOURCE PLANINNG

Human resource planning or manpower planning is necessary for ail organizations because of following reasons:

- 1. To meet up requirements of the organization:** To do work in the organization, every organization needs personnel of desired skill, knowledge and experience. This human resources requirement of organization can be effectively fulfilled through proper human resource planning. It helps in defining the number of personnel as well as kind of personnel required to satisfy its needs. It ensures the reservoir of desired human resources as and when required.
- 2. Counterbalance insecurity and change:** There must be proper utilisation of human and non-human resources in the organization. Sometimes the organization may have adequate non-human resources e.g. machines, materials and money but inadequate human resources as a result, manufacturing process/production cannot be started. Human resource planning helps to offset uncertainties and changes as far as possible and enables to ensure availability of human resources of the right kind, at right time and at right place.
- 3. It helps in checking labour imbalance:** Human resource planning helps to anticipate shortages and/or surpluses of manpower in the organization. The shortage of manpower as well as surplus of manpower is not good for the organization. It proves very expensive for the organization. In case of shortage of human resources, physical resources of the organization cannot be properly utilized. In case of surplus of human resources, this resource may remain under-utilized it helps in counter balancing the problem of shortage and surplus employees very comfortably. Human resource planning helps in correcting this imbalance before it become unmanageable and expensive.
- 4. Right-sizing the human resource requirements of the organization:** In an existing organization, there is a constant need for right-sizing the organization. In the organization, some posts may fall vacant as a result of retirement, accidents, resignations, promotions or death of employees. Consequently, there is constant need of replacing people. Human resource planning estimates future requirements of the organization and helps to ensure that human resources of right kind, right number, in right time and right place.
- 5. To meet expansion and diversification needs of the organization:** It helps to execute future plans of the organization regarding expansion, diversification and modernization. Through human resource planning it is ensured that employees in right number and of right kind are available when required to meet these needs of the organization. It ensures that people of desired skills and knowledge are available to handle the challenging job requirements.
- 6. Training and Development of Employees:** There is constant need of training and development of employees as a result of changing requirements of the organization. It provides scope for advancement and development of employees through training and development etc. Thus, it helps in meeting the future needs of the organization of highly skilled employees.
- 7. Fulfill Individual Needs of the Employees:** It helps to satisfy the individual needs of the employees for promotions, transfer, salary encashment, better benefits etc.

8. **Helps Formulation of Budgets:** It helps in anticipating the cost of human resources e.g. salary and other benefits etc. It facilitates the formulation of human resource budget for various departments/divisions of the organization. So, it may also help in, the formulation of suitable budgets in an organization.
9. **To Check Joblessness:** In the exercise of right-sizing of employees by the organization, some of the employees may become surplus. It means their services are no more required in the organization. It tries to foresee the need for redundancy. It plans to check job loss or to provide for alternative employment in consultation with various concerned parties and authorities.

### 9.3 CONCEPT, OBJECTIVES, SCOPE, IMPORTANCE OF HUMAN RESOURCE PLANNING

#### 9.3.1 Concept of human resource planning

Human resource (HR) planning or manpower planning is the process by which the organization ensures that it has the right kind of people, at right time, at right place and they are working effectively and efficiently and help the organization in achieving the overall objective. It is a continuous process. Of developing and determining objectives, policies that will procure, develop and utilize human resources to achieve the goal of the organization.

#### 9.3.2 Objectives of Human resource planning/ manpower planning:

1. To ensure proper utilization of human resources.
2. To check the development of the employees for the achievement of the organization goal.
3. To ensure proper human resource policies.
4. To provide proper control measures whenever required.

#### 9.3.3 Scope of Human resource planning/ manpower planning:

1. To make the list of current manpower.
2. To check how much current manpower is being utilized.
3. To find out how much manpower is required.
4. To make manpower procurement plans.
5. To make the training programs.

#### 9.3.4 Importance of Human resource planning/ manpower planning:

1. Human resource planning/ manpower planning is helpful in finding out surplus/ shortage of manpower.
2. It is helpful in employee development.
3. It is useful in finding out the deficiencies in existing manpower and providing corrective training.

4. It is helpful in overall planning process of the organization.

I hope you understand the concept, objectives, scope and importance of human resource planning.

### 9.4 HUMAN RESOURCE PLANNING PROCESS OR STEPS OF HR PLANNING

Human resource planning is a process through which the company anticipates future business and environmental forces. Human resources planning assess the manpower requirement for future period of time. It attempts to provide sufficient manpower required to perform organizational activities. HR planning is a continuous process which starts with identification of HR objectives, move through analysis of manpower resources and ends at appraisal of HR planning. Following are the major steps involved in human resource planning:

- 1. Assessing Human Resources:** The assessment of HR begins with environmental analysis, under which the external (PEST) and internal (objectives, resources and structure) are analyzed to assess the currently available HR inventory level. After the analysis of external and internal forces of the organization, it will be easier for HR manager to find out the internal strengths as well as weakness of the organization in one hand and opportunities and threats on the other. Moreover, it includes an inventory of the workers and skills already available within the organization and a comprehensive job analysis.
- 2. Demand Forecasting:** HR forecasting is the process of estimating demand for and supply of HR in an organization. Demand forecasting is a process of determining future needs for HR in terms of quantity and quality. It is done to meet the future personnel requirements of the organization to achieve the desired level of output. Future human resource need can be estimated with the help of the organization's current human resource situation and analysis of organizational plans and procedures. It will be necessary to perform a year-by-year analysis for every significant level and type.
- 3. Supply Forecasting:** Supply is another side of human resource assessment. It is concerned with the estimation of supply of manpower given the analysis of current resource and future availability of human resource in the organization. It estimates the future sources of HR that are likely to be available from within and outside the organization. Internal source includes promotion, transfer, job enlargement and enrichment, whereas external source includes recruitment of fresh candidates who are capable of performing well in the organization.
- 4. Matching Demand And Supply:** It is another step of human resource planning. It is concerned with bringing the forecast of future demand and supply of HR. The matching process refers to bring demand and supply in an equilibrium position so that shortages and over staffing position will be solved. In case of shortages an organization has to hire more required number of employees. Conversely, in the case of over staffing it has to reduce the level of existing employment. Hence, it is concluded that this matching process gives knowledge about requirements and sources of HR.
- 5. Action Plan:** It is the last phase of human resource planning which is concerned with surplus and shortages of human resource. Under it, the HR plan is executed through the designation

of different HR activities. The major activities which are required to execute the HR plan are recruitment, selection, placement, training and development, socialization etc. Finally, this step is followed by control and evaluation of performance of HR to check whether the HR planning matches the HR objectives and policies. This action plan should be updated according to change in time and conditions.

## 9.5 RECRUITMENT

### 9.5.1 Concept And Meaning Of Recruitment

Recruitment is a process of identifying and preparing potential candidates to fill the application form. It is an initial phase of employment process. Recruitment inspires the potential candidates to fill the application form for employment. After estimating the need and requirement of human resource in an organization, the HR manager proceeds with identification of sources of HR, which is termed as recruitment.

Recruitment may be defined as a process of bringing right people for right position, at the right time to perform organizational activities in order to achieve the objectives. It is concerned with identifying and attracting a pool of candidates to fill the organizational vacancies. Recruitment generates applications or applicants for specific positions to be filled in the organization. In other words, it is a process of finding and attracting capable applicants for employment. Hence, theoretically recruitment process ends with the receipt of applications. It is regarded as a positive process as it attracts a large number of qualified applicants who will take the job if it is offered.

It is concluded that, recruitment is a process of searching for and securing applicants for specific position to be filled. It specifies HR requirements through the generation of a pool of candidates for organizational vacancies. It identifies different sources of manpower.

Recruitment process identifies the following:

1. Recruitment process identifies different sources of manpower supply,
2. Recruitment assesses their validity,
3. Recruitment process choose the most suitable source and
4. Recruitment process invites applications from prospective candidates.

Recruitment process begins after preparing HR planning and conducting job analysis. Therefore, it keeps a relationship with other human resource activities.

### 9.5.2 Recruitment Process Or Steps Of Recruitment

Recruitment is a step-by-step process of locating, identifying and attracting qualified people to apply for the vacant post in an organization. It requires the following phases:

- 1. Identifying The HR Requirement:** The first step of recruitment is to assess the requirement of human resource in an organization to carry out the organizational mission, goals and objectives. Under this step, the required number and kinds of people needed for the organizational performance are identified. It can be done through the information obtained

from HR planning and job analysis. This provides information on the current availability of human resources and anticipates the future requirement of HR for organizational activities. Under it, comprehensive draft is prepared specifying the duties, responsibilities, working conditions and skill requirements to perform the task.

2. **Identifying Possible Sources Of HR Supply:** After the assessment of HR requirement, the probable sources are identified for generating a pool of qualified candidates. This process involves searching for the potential candidates. Mainly sources of HR supply are of two types: internal sources and external sources. Internal sources consist of transfers and promotions. Whereas, external sources include a variety of alternatives like employment agencies, advertisement, casual callers, recommendations, educational institutions etc. Along with the probable sources, the suitable method of recruitment is also identified under this phase of recruitment. The sources and methods are adopted in such a way that they provide the best and qualified human resource at a minimum cost.
3. **Communicating The Information:** In this step of recruitment, the potential candidates are informed about vacancy announcement. Under it, the information about the job requirement is passed away to the potential candidates about the job and required number of employees to be recruited. This information is passed away through different media or from the organization's notice board. The popular media for vacancy announcement are print media, electronic media, internet, and so on.
4. **Receiving Application:** Recruitment process ends by generating a pool of qualified candidate to fill organizational vacancies. Under it, a recruiter receives the application forms dropped by different applicants who are interested to apply for a job. It provides a pool of candidates for selection. After recruitment, selection process begins, which chooses the best applicant for the job who is supposed to perform well in the actual work situation. After receiving application forms, they are evaluated to check whether the basic requirement is maintained or not.

### 9.6 FACTORS AFFECTING RECRUITMENT

Recruitment policy of an organization is affected by various factors. These factors may be divided into dimensions:- internal factors and external factors as follows:

1. **Internal Factors:** For the internal mechanism of the organization, some of internal factors that affect recruitment are as follows:
  - (i) **Size of the organization:** Recruitment process is affected by the size of the organization to a large extent. Experience suggests that larger organizations recruits more candidates than small ones. Large organizations find recruitment less problematic than small organizations.
  - (ii) **Recruiting Policy:** The recruitment policy of the firm also affects the recruitment process. This policy is concerned with candidates from outside the organization, whereas others want to recruit from internal sources.

- (iii) **Image of the organization:** Image or goodwill of the organization also affects the recruitment. Organizations having good image can attract potential and competent candidates to a large extent. Good public relation, rendering public services, etc. help to enhance the image and reputation of the organization.
  - (iv) **Image of job:** Jobs having good image in terms of better remuneration, working condition, promotion, career development opportunities etc can attract the potential and qualified candidates to a large extent.
2. **External Factors:** External factors are concerned with the environmental changes that will take place in the external environment of organization. Some of the external factors that affect recruitment policy are as follows:
- (i) **Demographic factors:** A demography is the study of human population in terms of age, sex, occupation, religion, composition, ethnicity etc. The demographic factors have profound influence on recruitment process.
  - (ii) **Labor market:** Labor market constitutes the force of demand and supply of labor of particular importance. For instance, if demand for a particular skill is high relative to its supply, the recruitment process evolves more efforts. Contrary to it, if supply is more than demand, the recruitment process will be easier.
  - (iii) **Unemployment situations:** Unemployment rate of particular area is yet another influencing factor of recruitment process. If the unemployment rate is high, the recruitment process will be simpler and vice versa.
  - (iv) **Social and political environment:** The forces of social and political environment also influence recruitment policy. For instance, the change in government can have a direct impact upon recruitment policy of the company due to change in government rules and regulations.
  - (vi) **Legal considerations:** Legal considerations with regard to employment provision for under-privileged castes etc. will have a positive impact on recruitment policy of the organization.

## 9.7 ADVANTAGES OF INTERNAL RECRUITMENT

*Internal recruitment has following advantages:*

1. **Moral:** Internal method of recruitment ensures that employees would be preferred over the outsiders; hence, it yields high morale in them.
2. **Labor Relation:** Internal recruitment brings an efficient labor relation between employees and management as they are transferred and promoted to desired places.
3. **Better Selection:** Internal recruitment policy provides an opportunity for the better selection of qualified and experienced personnel who can perform the job well.
4. **Economy:** Internal recruitment method is economical, as the organization need not spend much money for recruitment of employees from outside the organization.



- 5. Better Performance:** The transferred or promoted employees can perform better work performance, as they are known with requirement of skill, knowledge and ability.
- 6. Employee Development:** Under internal recruitment, every employee gets an opportunity for transfer and development, which motivates him/her for higher level of performance. Ultimately, it helps in employee development.
- 7. Less Time:** Internal recruitment takes less time in comparison to the external source and methods of recruitment. Different aspects of an employee are already known, it does not consume much time to appoint him/her in the organization.

### 9.8 DISADVANTAGES OF INTERNAL RECRUITMENT

*Internal recruitment sources and methods have some disadvantages as follows:*

- 1. Limited Choice:** Internal recruitment provides limited choice of talent available in the organization as it avoids the arrival of fresh candidates. Internal recruitment does not tap any candidate from outside the organization; hence, the choice upon members of organization is limited.
- 2. Implementation Of Traditional System:** Internal recruitment requires the implementation of traditional form, system, process and procedures. And this limits the scope of fresh talent in the organization.
- 3. No Opportunity:** In internal recruitment, the internal employees are protected from competition by not providing any opportunity to fresh talents. This also develops a tendency among the employees to take promotions without any extra knowledge or talent.
- 4. Favourism:** There will be tendency of referring friends and family members in the organization. Then, the organization will be overstaffed with talent-less crowd.
- 5. Limited Internal Sources:** The source of supply of manpower is limited in internal recruitment method. When an employee is promoted, his/her previous position will be vacant and another personnel is to be recruited to fill that vacant position.
- 6. Costly:** Taking into consideration that when an employee is promoted, his/her position will be vacant. In this regard, another employee is to be recruited to fill that position, which may be costly affair.

### 9.9 SELECTION PROCESS

#### 1. Define selection?

**Ans.** Selection is the process of choosing the most suitable person out of all applicants. According to Thomas “Selection is the process of differentiating between applicants in order to identify those with greater likelihood of success in the job.”

#### 2. Briefly explain the selection procedure?

**Ans.** The selection process consists of various steps. At each stage facts may come to light which may lead to rejection of the applicant. Steps involved in the selection are: -application

- \* **Preliminary interview:** Initial screening is done to weed out totally undesirable/unqualified candidates at the outset. It is essentially a sorting process in which prospective candidates are given necessary information about the nature of the job and the organization.
- \* **Application blank:** Application form is a traditional and widely used device for collecting information from candidates. The application form should provide all the information relevant to selection.
- \* **Selection test:** Psychological are being increasingly used in employee selection. A test is sample of some aspects of an individual's attitude, behavior and performance. It also provides systematic basis fro comparing the behavior, performance and attitudes of two persons.
- \* **Employment interview:** An interview is a conversation between two persons. In selection it involves a personal, observational and face to face appraisal of candidates for employment.
- \* **Medical examination:** Applicants who have crossed the above stages are sent for a physical examination either to the company's physician or to a medical officer approved for the purpose.
- \* **Reference checks:** The applicant is asked to mention in his application form the names and addresses of two or three persons who know him well.
- \* **Final approval:** The shortlisted candidates by the department are finally approved by the executives of the concerned department. Employment is offered in the form of appointment letter mentioning the post, the rank, the grade, the date by which the candidate should join and other terms and conditions in brief.

### 3. What is psychological test?

**Ans.** A psychological test is an objective and standardized measure of a sample of behavior from which references about future behavior and performance of the candidate are drawn.

### 4. How a test program is developed?

**Ans.** Developing a testing program requires careful planning, analysis, experiment and technical knowledge. The main steps involved in designing and executing sound testing program are: -

- \* **Deciding the objectives:** Objectives of the testing program are listed.
- \* **Analyzing jobs:** Jobs are analyzed to identify the characteristics considered necessary for the success of the job.
- \* **Choosing test:** Appropriate test are chosen to measure the identified characteristics.
- \* **Administering the tests:** The chosen tests are applied on the desired group of persons to measure the predetermined traits.
- \* **Establishing criteria of job success:** Success criteria may be laid down in terms of quality and quantity of output, attendance record etc.
- \* **Analyzing results:** The tests scores are carefully analyzed in the light of success criteria. After analysis decision about the candidate's selection or rejection is drawn.

**5. What precautions should be taken while using tests?**

**Ans.** While applying tests, the following precautions should be observed: -

- o Only valid tests should be used, that is, content valid, predictive valid and construct valid.
- o Tests should be used only when found reliable.
- o Test must be standardized so that the test scores become comparable.
- o A test must be constructed in such a way that two or more persons can score the responses in the same way.
- o Tests should be designed, administered, interpreted and assessed only by a trained person.

**6. What are the types of tests?**

**Ans.** Tests can be broadly classified into four and they are: -

- \* **Aptitude test:** These tests measure the latent ability or potential of a candidate to learn a new job or skills.
- \* **Achievement test:** These tests measure what a person can do. These determine the skill or knowledge already acquired through training and on the job experience.
- \* **Personality test:** These are pen and paper tests used to judge the psychological make-up of a person. These probes deeply to discover clues to an individual's value system, emotional reactions and maturity and his characteristic mood.
- \* **Interest test:** These tests are inventories of the candidate's likes and dislike in relation to work. These are generally used for vocational guidance

**CASE QUESTIONS**

1. Define selection?
2. Briefly explain the selection procedure?
3. What is psychological test?
4. How a test program is developed?
5. What precautions should be taken while using tests?
6. What are the types of tests?

# NATIONAL LABOR RELATIONS ACT

## 10.1 NATIONAL LABOR RELATIONS ACT

**The national labor relations act (NLRA)**, also known as The Wagner Act, became law during the great depression of 1935. The NLRA formally recognized private-sector workers' rights to organize and bargain collectively with representatives of their own choosing. To enforce that right, the NLRA described what constituted unfair labor practices by employers.

Prohibited activities included forbidding employers from

1. interfering with employee representation and collective bargaining rights;
2. dominating or interfering with the affairs of unions;
3. discriminating in regard to hiring, retention, or any employment condition against workers who engage in union activity or who file unfair labor practice charges; and
4. not bargaining in good faith with employee representatives.

Further, the NLRA established the National Labor Relations Board (NLRB) to enforce the Wagner Act and to conduct representation elections. Essentially, the goal of the NLRB is to regulate the processes of organizing and collective bargaining, not necessarily the outcomes. As an independent federal agency (see [www.nlr.gov](http://www.nlr.gov)), the two primary functions of the NLRB are (1) to prevent and correct unfair labor practices and (2) to administer certification and decertification elections to determine whether workers choose to be represented.

When an **unfair labor practice (ULP)** charge is filed, a field office conducts an investigation to determine whether there is reasonable cause to believe the NLRA was violated. If the Regional Director determines that the charge lacks merit, it is dismissed. A dismissal may be appealed to the General Counsel's office of the NLRB. If the Regional Director finds reasonable cause to believe a violation of the law has been committed, that office of the NLRB seeks a voluntary settlement to remedy the alleged violations. If the settlement efforts fail, a formal complaint is issued and the case goes to a hearing before an NLRB judge. The judge issues a written decision that may be appealed to the five-member NLR Board in Washington for a final agency determination. The Board's decision is subject to review in a U.S. Court of Appeals.

About 30,000 ULPs are filed each year, and about one-third are found to have merit. Over 90 per cent are settled. The NLRA also empowers the NLRB to petition a federal district court for an injunction to temporarily prevent unfair labor practices by employers or unions and to restore the status quo, pending the full review of the case by the Board. The NLRA also *requires* the Board to seek a temporary federal court injunction against certain forms of union misconduct, principally involving “secondary boycotts” and certain forms of picketing.

Some academic experts maintain that many of the most recent NLRB rulings are contrary to the goals of the NLRA. For example, the NLRB overturned a Clinton-era ruling that gave nonunion employees the right to have a colleague accompany them to an investigative or disciplinary ruling involving a colleague (known as the Weingarten rule). The NLRB reversed a 1990s ruling granting graduate students the right to unionize. The NLRB also ruled that a company claiming “financial distress” did not have to share financial information with the union during contract negotiations and those unions did not have the right to use company e-mail for union organizing.

There is no question that the NLRA has been interpreted at least to some extent based on the political leanings of the decision makers, either NLRB members or judges. A classic example may be the 2008 Supreme Court ruling in *Chamber of Commerce v. Brown*. The democratic-leaning California legislature passed a pro-union law prohibiting companies receiving more than \$10,000 of state funds from using those funds to “assist, promote or deter union organizing.” The U.S. Supreme Court found the California law to be in violation of the NLRA and rejected the law. It is possible that a future pro-union piece of federal legislature could amend the NLRA to make such state laws in compliance.

President Obama supports a major piece of labor legislation that could have a big impact on union organizing. Unions strongly support an amendment to the NLRA called the Employee Free Choice Act (EFCA), which has three important provisions: (1) The EFCA would allow certification of a union as the bargaining representative of a unit of employees if the NLRB found that a majority of those employees have signed authorization cards designating the union as its bargaining representative. A company has the legal ability to allow its workers to have union representation (without going through the NLRB) if a majority of potential members support Unionization. The EFCA would make this recognition mandatory, taking away a company’s ability to force a majority of potential members to go through the NLRB Election process. (2) The EFCA would declare that if an employer and a union are engaged in bargaining for their first contract and are unable to reach an agreement within 90 days, either party may refer the dispute to the Federal Mediation and Conciliation Service (FMCS) for mediation. If the FMCS was then unable to bring the parties to agreement after 30 days of mediation, the dispute would be referred to arbitration, and the results of the arbitration would be binding on the parties for two years. (3) Violations of the National Labor Relations Act would now face civil fines of up to \$20,000 per violation against employers found to have willfully or repeatedly violated employees’ rights during an organizing campaign or first-contract drive, and the amount an employer is required to pay when an employee is discharged or discriminated against during an organizing campaign or first-contract drive would increase to “three

times back pay.” The EFCFA, with perhaps some changes from the description above, may already be the law of the land as you read this.

## 10.2 THE STRUCTURE OF THE INTERNATIONAL LABOR MARKET AND IMPLICATIONS FOR DIVERSITY PROGRAMS

### 10.2.1 Population Growth and Immigration

Immigrants contributed to most of the population growth in both large and small cities in the United States between 1990-2000.

**TABLE 10.1: POPULATION CHANGE AND CONTRIBUTIONS TO GROWTH IN SAN FRANCISCO, INDIANAPOLIS, AND A SMALL INDIANA TOWN: 1990-2000**

Share of total growth accounted by growth in:

| City             | 2000 Population | 1990-2000 Growth | Foreign born | Hispanic/Asians |
|------------------|-----------------|------------------|--------------|-----------------|
| San Francisco    | 7,039,362       | 786,051          | 83 per cent  | 95 per cent     |
| Indianapolis, IN | 860,454         | 63,295           | 38 per cent  | 45 per cent     |
| Plymouth, IN     | 9,840           | 1,537            | 64 per cent  | 67 per cent     |

**Source:** (BEYOND WORKFORCE 2020. Table 10. 1. Hudson Institute, p.4).

## DECLINE OF AGRICULTURAL JOBS AND SOURCES OF NEW LABOR

Although more than half of the population of less advanced nations is involved in agriculture, this distribution of labor is rapidly changing creating massive labor migrations in the search of less-skilled industrial and service jobs both within their own countries and in more advanced countries.

“Given the size of the world’s agricultural workforce, even small improvements will unleash vast numbers of people into the industrial and service labor markets. Every 1 per cent of the global workforce that can move from farming to other sectors adds an additional 10 million new industrial and service workers. . . . .changes are coming in the way the world grows its food. And that means phenomenal changes to how the world apportions its labor resources.” Workforce 2020. Hudson Institute, p.7.

## 10.3 COMPETITION IN WORLD LABOR MARKET

“The most important demographic theme that confronts our workforce, employers, and policymakers in the new century is, the growing mismatch between the location of the world’s new workers and the historical location of the world’s best jobs.”

Managers must not only deal with an interdependent global economy, but also an interdependent global workforce. (White Paper, p.2)

As the following chart illustrates, the less advanced nations will have an increasingly large share of the world’s available labor force.

#### 10.4 SHARE OF THE WORLD'S LABOR FORCE FROM ADVANCED AND LESS ADVANCED NATIONS

|   | ADVANCED NATIONS                    | LESS ADVANCED NATIONS                           |
|---|-------------------------------------|---|
| <b>ABSOLUTE POPULATION</b>                    | 1950-1970<br>1,215.2 billion people | 2000-2010 (projected)<br>3,461.4 billion people |
| <b>ADVANCED NATIONS' SHARE OF GROWTH</b>      | 25 per cent                         | 7 per cent                                      |
| <b>LESS ADVANCED NATIONS' SHARE OF GROWTH</b> | 75 per cent                         | 93 per cent                                     |

Excerpted from, Workforce 2020, p.10

The United States competes in the world labor market for the best and brightest as well as unskilled workers while at the same time trying to prevent its own best jobs from immigrating to less developed countries.

Competition for skilled labor favors the United States due the significant wage disparities between the United States (and other Western nations) compared to that of non-Western nations. Migration flows tend to follow higher wages. Table 4 below illustrates these wage discrepancies.

**TABLE 10.2 : MOST RECENTLY AVAILABLE EARNINGS IN SELECTED NATIONS AS A PER CENTAGE OF U.S. EARNINGS BY ECONOMIC ACTIVITY**

| Country  | Mining      | Manufacturing | Utilities   | Construction |
|----------|-------------|---------------|-------------|--------------|
| Egypt    | 4 per cent  | 13 per cent   | 4 per cent  | 5 per cent   |
| Mexico   |             |               | 11 per cent | 9 per cent   |
| Peru     | 12 per cent | 10 per cent   |             | 12 per cent  |
| Barbados | 24 per cent | 28 per cent   | 24 per cent | 25 per cent  |
| India    |             | 1 per cent    |             |              |
| Sudan    | 4 per cent  | 1 per cent    |             | 1 per cent   |

Excerpted from Table 10.2. Workforce 2020. Hudson Institute, p. 6

“The less developed countries have a surplus of college graduates who speak Western languages. India has an astounding 520,000 IT engineers with starting salaries around \$5000 per year. In comparison, U.S. schools produce only 35,000 mechanical engineers a year....It is predicted that by 2008 in India, information technology (IT) work and other service exports will generate \$57 billion in revenues, employ over 4 million people, and account for over 7 per cent of Gross Domestic Product.”

*Texas Labor Market Review Newsletter*. July 2003. Labor Market Information Department of the Texas Workforce Commission.

### 10.5 EFFECT OF AGING OF POPULATIONS IN MORE VS LESS ADVANCED NATIONS ON LABOR MARKETS

Through the middle of the 21st century, the world's population will increase. However, this increase, except for the United States, will come disproportionately from population growth in less advanced countries.

For United States to meet its future labor needs, let alone other Western countries, it will increasingly depend on population growth fueled primarily by immigration.

The slowing of population growth in the more advanced countries and its affect on available labor markets is exacerbated by the aging of the population in these countries.

For advanced nations with political commitments to benefits for retired workers, the combination of either an absolute decline or slowing in the increase in number of people in the workforce compared to the number of retirees will create a major challenge to economic growth.

The 50 and over population in the more advanced nations is projected to increase from 99 million in 1950 to 248 million in the year 2000 and 308 million in 2050. This is a growth rate from 2000-2050 that is **68** times faster than for the population as a whole.

The situation will be less severe for the United States. However, as the Baby Boomer generation moves into retirement age, the labor force required to sustain economic growth will have to come either from higher levels of participation of those 65 in the labor force or increased immigration or both.

Nevertheless, "...no practical degree of change to retirement activity can completely offset the slowdown in labor force growth. In 2030, that level of older labor force participation would require 84% of the 55-75 year old population to stay working."

In order to address their labor market needs, as of the year 2000, every advanced nation was a net importer of labor and every less developed nation was a net exporter with the United States being the largest importer of international labor.

### 10.6 THE UNITED STATES IS THE LARGEST CONSUMER OF INTERNATIONAL LABOR.

|  |             |
|--|-------------|
| Per cent of Total Population of Advanced Nations | 20 per cent |
| Per cent of International Labor Absorbed         | 50 per cent |

### 10.7 POPULATION AND WORKFORCE DIVERSIFICATION

The increasing disparity between the growth in the 50+ population of the more advanced countries compared to the much larger increases in the population of those under 60 years of age and younger in the less developed countries will intensify the global competition for these younger workers in order to maintain sufficient economic growth. Therefore, the labor force in the more advanced nations will have larger and larger proportions of immigrants.

The affect of increased immigration will result in increased population diversification. Since the source of population growth will be from the younger populations of less advanced, non-European



nations, population diversification will be a feature of all advanced nations, particularly the United States.

Population diversification has shown in the table below will in turn affect the ethnic diversity of the workplace.

**10.8 CHANGING ETHNIC COMPOSITION OF THE AMERICAN WORKFORCE**

(Workforce 2020). Hudson Institute. Indianapolis, Indiana. 1998.)

|                    | 2000 | 2010 | 2020 |
|--------------------|------|------|------|
| White non-Hispanic | 74%  | 72%  | 68%  |
| Black non-Hispanic | 11%  | 11%  | 11%  |
| Hispanic           | 10%  | 12%  | 14%  |
| Asian non-Hispanic | 5%   | 5%   | 6%   |

Hispanics and Asians, moreover, will contribute an ever increasing share of the growth of the domestic workforce. Between 2000-2015, over half of net workforce growth will come from Hispanics and Asians. Between 2020-2050, these two groups will account for the entire growth in the workforce.

“As the middle of the next decade approaches...and the number of white workers begins to decline in absolute levels, any inability to attract or retain racial and ethnic minorities will bar employers from attracting or retaining the only source of workforce growth in the American economy.” White Paper by Justin Heet Hudson Institute.

**10.9 THE UNITED STATES AS THE ENGINE OF THE GLOBAL KNOWLEDGE ECONOMY**

“To continue the gains in educational attainment that are at the heart of America’s knowledge economy, Hispanics and African Americans will have to occupy a far larger share of college and university lecture halls.” Correcting the imbalance between the educational attainment of whites and that of Hispanics and African Americans will be the key to the United States maintaining its competitive edge in the knowledge economy. White Paper by Justin Heet, Hudson Institute.

As pointed out in the first issue in 2004 of SHRMS’s Workplace Visions, Europe will be in direct competition with the United States for “knowledge workers” among immigrant populations. In this competition, “we will see whether the European Social Model, with an emphasis on social capital, pays off. Because in a knowledge economy, success will increasingly depend on how attractive working conditions are to an in-demand pool of international knowledge workers. The question then becomes what do knowledge workers want, and (particularly what do) young knowledge workers want?”.

## 10.10 IMPLICATIONS FOR DIVERSITY PROGRAMS

1. How aware is top management and those responsible for major lines of business of recruitment opportunities both domestic and international over the next 10 years?
2. What is the company's policy and programs for hiring and training older workers?
3. What is the company's policy and programs for hiring and training foreign-born immigrants?
4. Does the company have recruitment and training capacities in countries that are likely sources of high-skilled labor?
5. What benefits, which are most attractive to young international knowledge workers, does your company offer, such as longer vacations, paid time off, guaranteed health benefits?

## 10.11 RECRUITMENT AND SELECTION

### 10.11.1 Personnel Selection for Overseas Assignments

One expert on expatriate assignments tells the story of a major U.S. food manufacturer who selected the new head of the marketing division in Japan. The assumption made in the selection process was that the management skills required for successful performance in the United States were identical to the requirements for an overseas assignment. The new director was selected primarily because of his superior marketing skills. Within 18 months, his company lost 89 per cent of its existing market share. What went wrong? The problem may have been the criteria that were used in the selection process.

The selection criteria used to hire a manager for an overseas position must focus on more facets of a manager than the selection of someone for a domestic position. The weight given to the various criteria also may be different for overseas assignments. Besides succeeding in a job, an effective expatriate must adjust to a variety of factors: differing job responsibilities even though the same job title is used, language and cultural barriers that make the training of local personnel difficult, family matters such as spouse employment and family readjustment, simple routine activities that are frustrating in the new culture, and the lack of traditional support systems, such as religious institutions or social clubs. The marketing head in Japan, for example, spent considerable time during the first six months of his assignment simply trying to deal with family problems and to adjust to the new environment.

This experience is hardly unique. Expatriate selection is a real challenge, often cited by senior human resource managers as one of the most likely causes of expatriate assignment failure. One survey of 80 U.S. multinational corporations found that over 50 per cent of the companies had expatriate failure rates of 20 per cent or more.

The reasons cited for the high failure rate were as follows (presented in order of importance):

1. inability of the manager's spouse to adjust to the new environment,
2. the manager's inability to adapt to a new culture and environment,
3. the manager's personality or emotional immaturity,

4. the manager's inability to cope with new overseas responsibilities,
5. the manager's lack of technical competence, and
6. the manager's lack of motivation to work overseas

Obviously, some of these problems have to do with training and career issues. Shown Fig. 10.1 presents an often-cited model of expatriate selection, which identifies job and personal categories of attributes of expatriate success. Several of the factors listed above concern the process of selecting personnel for such assignments. The food manufacturer placed almost all the decision weight on the technical competence of the individual, apparently figuring that he and his family could adjust or adapt to almost anything.

In fact, we now know that adjustment can be predicted to some extent, and that selection systems should place emphasis on adaptability along with the ability to interact well with a diverse group of clients, customers, and business associates. Surprisingly, few organizations place emphasis on so-called relational abilities in the selection of expatriates. One recent review found that despite the existence of useful tests and questionnaires, "many global organizations do not use them extensively because they can be viewed as overly intrusive."<sup>70</sup> Studies involving the Big Five or FFM show better cross-cultural adjustment with higher scores in "Openness to Experience" and stronger performance with high "Conscientiousness" scores. One recent meta-analysis of 30 studies and over 4,000 respondents found that in addition to conscientiousness, extroversion, emotional stability, and agreeableness predict expatriate job performance.

While openness to experience did not predict job performance, additional factors such as cultural sensitivity and local language ability did. Of course, one critical question that must first be addressed is whether a corporation would be better off hiring someone from within the host country. Figure 10.2 presents a decision model that addresses this option. If the answer to this question is no, the model provides a chronology of the questions to be answered in the selection of an expatriate. If the answer is yes, the decision makers must be aware of any applicable host laws regarding personnel selection. In Poland and Sweden, for example, prospective employees must have prior knowledge of any testing and can prohibit the release of testing data to the company.

Many European countries require union participation in all selection decisions for host nationals. Thus, companies may find that hiring host nationals is more problematic than going the expatriate route. Assuming that the host option is rejected, what steps should be followed to make better selection decisions about expatriates? Let us examine some organizations that select large numbers of expatriates successfully. The Peace Corps has only about a 12 percent turnover rate (i.e., people who prematurely end their assignments). Of the 12 percent, only 3 to 4 percent are attributed to selection errors. The Peace Corps receives an average of 5,000 applications per month. The selection process begins with an elaborate application and biographical data form that provides information on background, education, vocational preferences, and volunteer activity in the past. Second, the applicant must take a placement test to assess GMA and language aptitude.

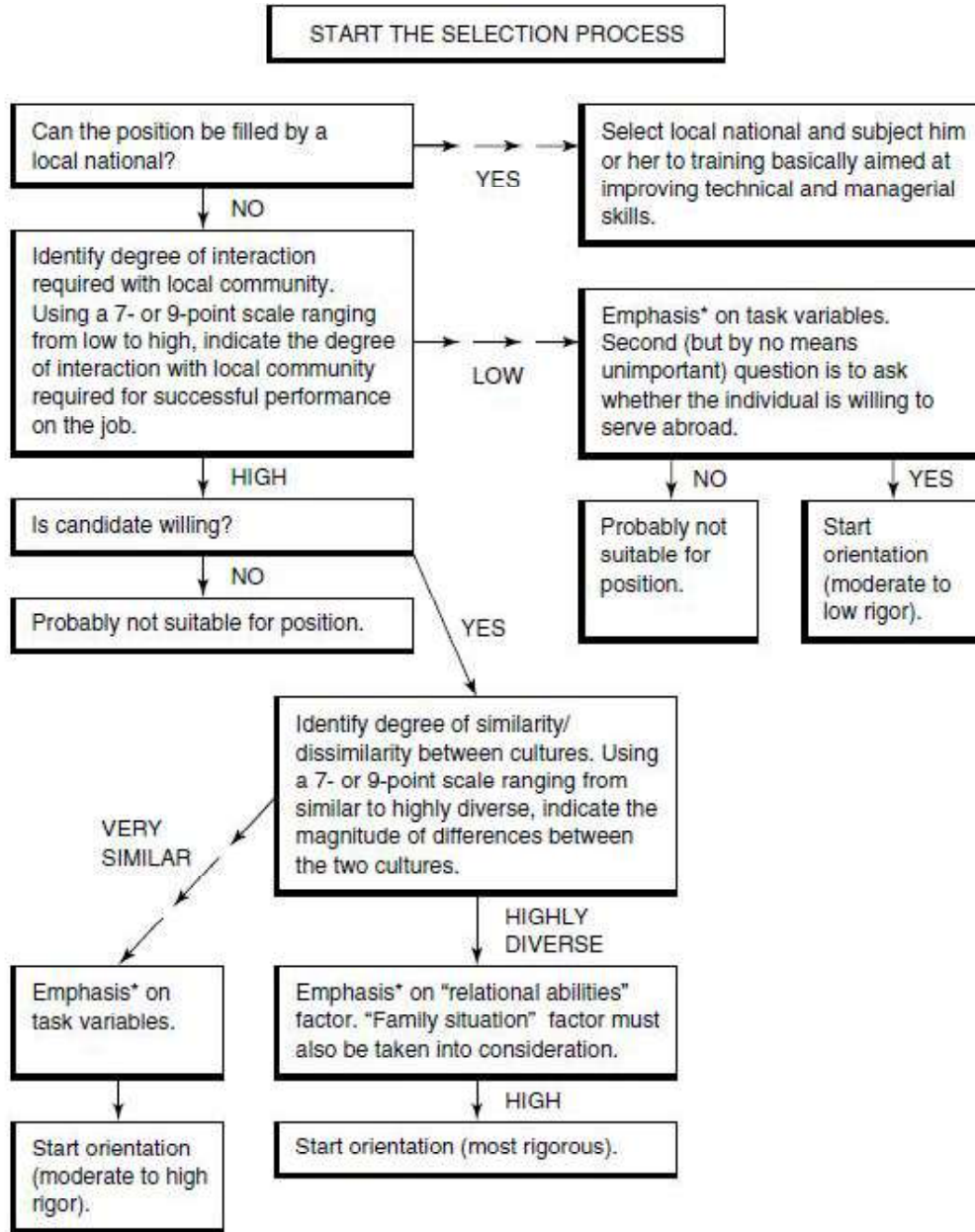
Third, college or high school transcripts are used for placement rather than screening. The fourth step requires up to 15 references from a variety of sources. Although the general tendency among references is to provide positive views of candidates, one study found that for sensitive

positions such as the Peace Corps volunteer, references often provide candid comments about applicants. The final step is an interview with several Peace Corp representatives. During the interview process, the candidate is asked about preferred site locations and specific skills as well as how he or she would deal with hypothetical overseas problems. An ideal candidate must be flexible and tolerant of others and must indicate a capacity to get work done under adverse conditions. The interviews also provide Peace Corps staff with details concerning the candidate's background and preferences so that appropriate work assignments may be determined. Based on the above four sources of information, the screeners assess a candidate using the following questions:

1. Does the applicant have a skill that is needed overseas, or a background that indicates he or she may be able to develop such a skill within a three-month training period? This question is designed to match the candidate with a job required by a foreign government, such as botanist, small business consultant, or medical worker.
2. Is the applicant personally suited for the assignment? This question focuses on personality traits such as adaptability, conscientiousness, and emotional stability.

| <b>Job Factors</b>                              | <b>Relational Dimensions</b>           | <b>Motivational</b>   | <b>Family situation</b>              | <b>Language Skills</b>  |
|---|--|---|--------------------------------------|-------------------------|
| Technical skills                                | Tolerance for ambiguity                | State Belief in the mission                                   | willingness of spouse to live abroad | Host country language   |
| Familiarity with host country and HQ operations | Behavioral flexibility                 | Congruence with career path                                   | adaptive and supportive spouse       | Nonverbal communication |
| Managerial skills                               | Non-judgementalism                     | Interest in overseas experience                               | Stable marriage                      |                         |
| Administrative competence                       | cultural empathy and low ethnocentrism | Interest in specific host country culture                     |                                      |                         |
|   | interpersonal skills                   | Willingness to acquire new patterns of behavior and attitudes |                                      |                         |

*Fig. 10.1. Categories of attribute of expatriate success*



\* "Emphasis" does not mean ignoring the other factors. It only means that it should be the dominant factor.

Fig. 10.2: Model of the selection process for overseas assignments

### 10.11.2 Expatriate Selection

The weight to be given to expatriate selection factors differs as a function of the position to be filled. For example, a position that has an operational element requiring an individual to perform in a preexisting structure does not require strong interpersonal skills. However, a “structure reproducer,” an individual who builds a unit or department, does need strong interpersonal skills. Thus, the selection system should focus on the cultural environment, job elements, and individual talents. The weights given to the various criteria should be determined by the individual job. A job analysis would be helpful in this regard. This system is exemplified by Texas Instruments (TI), a manufacturer of electronics and high-technology equipment based in Dallas. In seeking expatriates for start-up ventures, the company focuses on such issues as an individual’s familiarity with the region and culture (environment), specific job knowledge for the venture (job elements), knowledge of the language spoken in the region, and interpersonal skills. TI uses several methods to make assessments on these dimensions, including the Five-Factor Model.

Many companies emphasize the “manager as ambassador” approach since the expatriate may act as the sole representative of the home office. IBM and GE, for example, select people who best symbolize the esprit de corps of the company and who recognize the importance of overseas assignments for the company.

A review of the most successful systems for selecting expatriates provides a set of recommendations for a selection system. First, potential expatriates are identified through posted announcements, peer and/or superior nominations, or performance appraisal data. Second, promising candidates are contacted and presented with an overview of the work assignment. A realistic job preview would be ideal at this stage. Third, applicants are examined using a number of selection methods, including paper-and-pencil and performance tests. A growing number of companies now use standardized instruments to assess personality traits. The 16PF, for example, has been used for years to select overseas personnel for the U.S. Department of State and is used by some U.S. companies and executive search companies that specialize in expatriate assignments. Although relational ability is considered to be a major predictor of expatriate success, the one available survey on the subject found that only 5 per cent of companies were assessing this ability through a formal process (e.g., paper-and-pencil tests, performance appraisals).

After a small pool of qualified candidates is identified, candidates are interviewed and the best matches are selected for the assignment. Successful expatriates are ideal as interviewers. Our coverage of employment interviews provides recommendations for enhancing the validity of these interview decisions. Do the more rigorous selection systems result in a higher rate of expatriate success? The answer is clearly “yes.” Two tests that have been shown to be useful (and valid) are the Global Assignment Preparedness Survey, which assesses candidates on six dimensions, including cultural flexibility, and the Cross-Cultural Adaptability Inventory, which focuses on the ability to adapt to new situations and interact with people different from oneself.

### 10.11.3 Selection in Other Countries

The use of employment tests in other countries of the world varies considerably as do the government regulations regarding the use of tests. Turning first to Asian countries, Korean employers report the

use of employment tests extensively and more than any other country. These tests tend to be written examinations covering English language skills, common sense, and knowledge of specific disciplines. A smaller percentage of Japanese companies use employment tests. Some Japanese companies use the **Foreign Assignment Selection Test (FAST)** to identify Japanese who are more likely to be successful expatriates in the United States.

The FAST assesses cultural flexibility, sociability, conflict resolution style, and leadership style. Within Japan, however, most people are hired directly from the universities, and the prestige of the university attended is a major criterion for selection purposes. A survey of companies in Hong Kong and Singapore revealed little use of employment tests, but there are a growing number of U.S. companies that have opened offices in Hong Kong. Aside from some use of clerical and office tests (e.g., typing), only two companies from these countries indicated use of any personality, cognitive ability, or related tests. Finally, recent evidence indicates China makes extensive use of employment testing, contrary to previous research.

European countries have more controls on the use of tests for selection, but there is considerable variability in usage. Due to the power of unions in most European countries, employers have more restrictions on the use of tests for employment decisions, compared to the United States. A wide variety of employment tests appear to be used in Switzerland, including graphology, but in Italy selection tests are heavily regulated. In Holland, Sweden, and Poland, job applicants have access to all psychological test results and can choose to not allow the results to be divulged to an employer.

Several surveys have given us clues about selection methods in England. One survey found that more than 80 per cent of companies in England does some type of reference check and another found almost 40 per cent had used personality tests and 25 per cent had used cognitive ability tests to assess managerial candidates. About 8 per cent of the surveyed firms in England reported using cognitive ability tests to select managers.

In general, there is wide variation in the use of employment tests outside the United States. While some countries have restricted the use of tests (e.g., Italy), their use appears to be far more extensive in others (e.g., China, Korea). The United States and England appear to be major centers for research and development of employment tests. Japanese companies make extensive use of testing for their U.S. plants as well as for their expatriates. Their Nissan plant in Tennessee relies on team assessment using a structured interview and a battery of cognitive ability tests to select new team members.

U.S. HRM specialists considering the use of tests outside of the United States to hire employees must be very familiar with laws and regulations within the country where the testing is being considered. These laws, regulations, and collective bargaining issues are very different across countries.

## 10.12 THE BOTTOM LINE ON STAFFING

**Figure 10.1** Presents a chronology of steps that should be followed based on solid research and legal considerations. You should note that effective selection requires effective recruiting. That recruiting should be done only when the organization has determined which KASOCs or competencies are required to execute strategic goals.

Figure 10.3: The Bottom-Line Chronology on Staffing

**1. DEFINE THE JOB WITH A FOCUS ON JOB SPECIFICATIONS (COMPETENCIES) COMPATIBLE WITH STRATEGIC GOALS AND EXECUTING THOSE GOALS**

Action: Re-do job descriptions/specifications or competencies.

Define critical KASOCs/competencies.

**2. RECRUIT FROM A BROAD POOL OF CANDIDATES**

Action: Lower selection ratio (increase number of qualified applicants for key positions) through better and more focused recruiting; for managerial positions, emphasize internal talent.

Increase pool of qualified minorities.

**3. USE VALID INITIAL SCREENING DEVICES**

Action: Develop or purchase most valid and most practical screening devices with the least adverse impact.

Refer to Mental Measurements Yearbook ([www.unl.edu/Buros](http://www.unl.edu/Buros)) for test reviews.

If using Validity Generalization (VG) research to validate, make certain the VG study has sufficient detail to show similar jobs were studied.

Where more than one valid selection procedure is available, equally valid for a given purpose, use the procedure which has been demonstrated to have the lesser adverse impact.

Use more than one method to assess job-related traits/competencies (e.g., self-reported inventories and interviews). Develop weighting scheme (an actuarial predictive model) for competencies and the information sources that purport to measure them (including interview data).

**4. DO BACKGROUND/REFERENCE CHECKS**

Action: Develop performance-based reference checking focused on KASOCs/competencies.

**5. USE BEHAVIORAL INTERVIEWING TECHNIQUE WITH STRUCTURED FORMAT OR INDEPENDENT MULTIPLE INTERVIEWERS ASKING BEHAVIORAL QUESTIONS**

Action: Develop questions to assess KASOCs/competencies.

Train interviewers on valid interviewing and Legal Issues.

Derive a scoring system for interviews regardless of format.

**6. USE WEIGHTING SCHEME FOR INFORMATION**

Action: Derive weighting scheme based on relative importance of KASOCs/competencies and/or relative validity of the sources of information on each critical KASOC/competency.

Use “actuarial” not clinical or holistic method for ranking candidates.

**7. EXTEND AN OFFER**

Action: Offer should be in writing with the facts of the offer; train employees to avoid statements regarding future promotions, promises of long-term employment, etc.

**10.13 STAFFING APPROACHES**

*Perlmutter's* EPRG-concept has four basic approaches to staffing international assignments. These are *ethnocentric staffing*, *polycentric staffing*, *geocentric staffing* and *regiocentric staffing*. (Högel, 2010-11).



In ethnocentric staffing companies usually look at the world mainly from their own cultures perspective. They believe that their own race or ethnic group is the most important and see some or all aspects of their culture as superior. In international management elements of ethnocentricism usually are that foreign subsidiaries have little autonomy, strategic decisions are made at headquarters, HQ personnel holds key positions in domestic and foreign operations and PCNs manage subsidiaries. Reasons and advantages for using this type of staffing are quality, coordination, control and compliance. Disadvantages are limited promotion opportunities for HCNs, equity problems in income between PCNs and HCNs and high costs. Also it can take time to adapt to host country and expatriates may lack necessary sensitivity towards HCNs expectations and needs. (Högel, 2010-11)

In polycentricism companies favor decentralization and federal structure. In this approach independence of different cultures is recognized and attitude towards them is more open. In polycentric staffing HCNs prefer local management, HCNs are not promoted to positions at headquarters and PCNs are not transferred to subsidiary operations. This approach lowers profile of MNE in sensitive political situations, eliminates language barriers and lowers costs. Also there is no need for pre-departure training or problems with PCNs and their families' adjustment to the host country. Disadvantages with polycentric staffing are gap between HCN and PCN managers, staff in headquarters might get isolated from their subsidiaries, management might not get the international mindset and do not gain overseas experience, limitations in strategic decision making and limited opportunities for HCNs for promotions and experience outside their HC. This approach might also cause MNE to have many independent national units that only have nominal links to the headquarters. Polycentric staffing might be used if MNE wants to be seen as a local company or if HC government demands that key managerial positions must be filled by its nationals. (Högel, 2010-11)

For geocentric approach the more fitting term in this context is globalist staffing. Typical elements of globalist staffing are MNE taking global approach, recognizing the competence of headquarters and foreign subsidiaries, worldwide integrated business and focusing more on abilities than nationality. Advantages with this approach are developing an international executive team with global perspective, having employees for deployment throughout the global organization, cooperation and resource sharing across the national units of the MNE. Disadvantages for this approach are need to send large number of PCNs, HCNs and TCNs abroad for an international team, higher costs for training, relocation and possibly payroll, need for longer lead time, need of more centralized control of staffing process and loss of autonomy of subsidiary management. Also it can be difficult to build the necessary international team of managers. (Högel, 2010-11)

The final approach is called regiocentric staffing. In regiocentricism geocentricism is broken down to regional level. Typical elements are reflecting the geographic strategy and structure of the MNE, utilizing a wider range of

### **CASE QUESTIONS**

1. Define Effect of aging of populations in more vs less advanced nations on labor markets.
2. Explain Personnel selection for overseas assignments.
3. Comment on Expatriate selection.
4. Define the bottom-line chronology on staffing.
5. Define staffing approaches.

# TYPES OF INTERNATIONAL EMPLOYEES

## 11.1 TYPES OF INTERNATIONAL EMPLOYEES

This is because there are three types of employees in an international organization, i.e.

### 1. Parent country nationals (PCNs);

A parent-country national is a person working in a country other than their country of origin. Such a person is also referred to as an expatriate. Long periods of assignment (perhaps 4–5 years or more) may run the risk of “de facto” employee status in the host country, so that labor laws or the host country apply.

A U.S. parent-country national residing abroad still owes U.S. taxes each year on his or her worldwide income. The US has income tax treaties with over 35 other countries. The IRS and the foreign taxing authorities can exchange information on their citizens living in the other country. Qualifying U.S. citizens and residents working outside the United States are permitted to elect to exclude a portion of their foreign earned income under the Internal Revenue Code (IRC). This section provides a general exclusion limited to a specified amount, another exclusion measured by foreign housing costs, and, for self-employed persons, a foreign housing cost deduction.

## CROSS-CULTURAL PREPARATION

Companies today are challenged to expand globally. Because of the increase in global operations, employees often work outside their country of origin or work with employees from other countries. Top managers who obtain experience through international assignments contribute to their global company’s successful performance. Table 11.1 shows the different types of employees in global companies. **Expatriates** work in a country other than their country of origin. The most frequently selected locations for expatriate assignments include the United States, China, the United Kingdom, Singapore, Germany, and Japan. Many U.S. companies are using international rotational assignments as a training tool.

For example, at Microsoft, 14 divisions use international rotational programs. Companies are also increasing the movement of employees from one global location to another. These relocations involve the movement of management or technical positions from one country to another, such as

from India to China or Vietnam. This type of relocation is less expensive than moving a U.S.-based manager (who would have to be paid wages comparable to what he or she would earn in the U.S.) to China. Unfortunately, only about 25 percent of companies make cultural training mandatory for international assignments. This may be because of the mistaken belief that employees who have already been on international assignments or who have traveled internationally will be able to adapt to a new culture.

Because of a growing pool of talented labor around the world, greater use of host-country nationals is occurring. (**Host-country nationals** are employees with citizenship in the country where the company is located.) A key reason is that a host-country national can more easily understand the values and customs of the work force than an expatriate can. Also, training and transporting U.S. employees and their families to a foreign assignment and housing them there tends to be more expensive than hiring a host-country national.

**Cross-cultural preparation** involves educating employees (expatriates) and their families who are to be sent to a foreign country. To successfully conduct business in the global marketplace, employees must understand the business practices and the cultural norms of different countries. Table 11.2 “impression shock” column shows the typical impressions that a Japanese manager may have of the U.S. culture. The “integration shock” column describes the typical American interpretation of Japanese managers’ style. Clearly, for American and Japanese managers to have successful business discussions, they need to be prepared to deal with cultural differences!

Cross-cultural preparation is important for the success of the assignment, which can be very expensive. The annual cost of sending an employee overseas has been estimated to be three to seven times the employee’s salary. Besides salary, expenses include taxation, housing, and education. Most companies offer tax equalization to expatriates. That is, the company will either pay taxes, offer additional salary, or provide other goods and services, depending on tax laws, so that the employee does not incur additional tax expenses by living abroad.

For example, expatriates in Germany may have twice the income tax they would have in the United States, and they are taxed on their housing and cost-of-living allowances. Most employees expect to duplicate their U.S. housing arrangements, and expatriates with families may expect that they will be able to send their children to English-speaking schools, which adds considerable expense. Unfortunately, 10 to 50 per cent of expatriates return early from their assignments, costing companies between \$250,000 and \$1 million! Even if they do not return early, expatriates who are not adequately prepared for the assignments can still hurt the company through damaged relations, poor productivity, or lost business opportunities.

### ***Dimensions of Cultural Differences***

Many cultural characteristics influence employee behavior. Keep in mind that there are national cultures as well as company cultures. A culture refers to the set of assumptions that group members share about the world and how it works and the ideals worth striving for. Culture is important because it influences the effectiveness of different behaviors and management styles. A management

style that seems friendly to some employees might offend others who would rather maintain distance and respect toward their bosses.

In Germany, managers achieve their status by demonstrating technical skills, and employees look to managers to assign tasks and resolve technical problems. In the Netherlands, managers focus on seeking agreement, exchanging views, and balancing the interests of people affected by a decision. Indians may shake hands rather limply and avoid eye contact. This is not a sign of dislike or disrespect. In Indian culture, a soft handshake conveys respect, and lack of eye contact is a sign of deference. Consider how cultural differences affect European managers' perceptions of American managers.

European managers admire the financial results of many American companies. But they also believe that American managers do not know how to eat and drink properly and do not understand European history. One German manager was embarrassed when managers from an Indiana company to whom he was recently introduced called him by his first name. In Germany, such informality occurs only after long-term relationships have been established. Other work style differences include the American emphasis on monthly and quarterly business results versus the European focus on yearly and long-term profits.

Research conducted by G. Hofstede identified five dimensions of national culture: individualism-collectivism, uncertainty avoidance, masculinity-femininity, power distance, and time orientation. Figure 11.1 shows the locations of selected countries on these dimensions. Awareness of these dimensions can help trainers develop cross-cultural preparation programs that include meaningful information regarding the culture the expatriates will find themselves working in. Awareness of these dimensions can also help trainers adapt their training styles to employees in non-U.S. locations. But note that individuals differ within any culture, so these generalizations describe some members of a culture better than others.

The degree to which people act as individuals rather than as members of a group is the cultural dimension known as **individualism-collectivism**. In an individualistic culture like the United States, employees expect to be hired, evaluated, and rewarded based on their personal skills and accomplishments. In a collectivist culture, employees are more likely to have a voice in decisions. As you saw in Table 11.2, Japanese managers, who tend to have a collectivist orientation, can be shocked by the apparent self-interest of their American colleagues!

**Uncertainty avoidance** refers to the degree to which people prefer structured rather than unstructured situations. Cultures with a strong uncertainty avoidance orientation (e.g., Japan, Russia) favor structured situations. Religion, law, or technology in these countries socialize people to seek security through clear rules on how to act. In a culture with weak uncertainty avoidance (e.g., Jamaica, Hong Kong), employees cope by not worrying too much about the future.

**Masculinity-femininity** refers to the extent to which the culture values behavior considered traditionally masculine (competitiveness) or feminine (helpfulness). Examples of "masculine" cultures include Japan, Germany, and the United States. Here assertiveness and competitiveness are valued. In contrast, in a culture such as the Netherlands, a higher value is likely placed on quality of life, helping others, and preserving the environment.

**Power distance** refers to expectations for the unequal distribution of power in a hierarchy. India, Mexico, and Russia, for example, have great power distance. This means that people attempt to maintain differences between various levels of the hierarchy. One illustration of differences in power distance is how people talk to one another. In high power distance countries such as Mexico and Japan, people address each other with titles (Señor Smith, Smith-san). At the other extreme, in most situations in the United States people use first names—behavior that would be disrespectful in other countries.

**Time orientation** refers to the degree to which a culture focuses on the future rather than the past and present. In cultures with a short-term orientation, such as the United States, Russia, and West Africa, the orientation is toward the past and present. These cultures tend to emphasize respect for tradition and social obligations. A culture with a long term orientation, such as Japan and China, values such traits as thrift and persistence, which pay off in the future rather than the present.

In a Mexican slipper-manufacturing plant (a culture with high power distance), an effort to expand the decision-making authority of production workers was derailed when the workers rebelled at doing what they saw as the manager's work. Realizing they had moved too quickly, the managers narrowed the scope of the workers' decision-making authority. On the other hand, Mexico's high collectivism culture supported worker empowerment. The employees liked discussing team-related information and using the information to benefit the entire team.

### 11.2 IMPLICATIONS FOR EXPATRIATES AND THEIR FAMILIES: CROSS-CULTURAL TRAINING

To prepare employees for cross-cultural assignments, companies need to provide crosscultural training. To be successful in overseas assignments, expatriates (employees on foreign assignments) need to be

1. Competent in their area of expertise.
2. Able to communicate verbally and nonverbally in the host country.
3. Flexible, tolerant of ambiguity, emotionally stable, outgoing and agreeable, and sensitive to cultural differences.
4. Motivated to succeed, able to enjoy the challenge of working in other countries, and willing to learn about the host country's culture, language, and customs.
5. Supported by their families.

Studies have found that personality characteristics were related to expatriates' desire to terminate the assignment as well as to their performance in the assignment. Expatriates who were extroverted (outgoing), agreeable (cooperative, tolerant), and conscientious (dependable, achievement-oriented) were more likely to want to stay on the assignment and perform well. This suggests that cross-cultural training may be effective only when an expatriate's personality predisposes him or her to be successful in assignments in other cultures.

One reason for U.S. expatriates' high failure rate is that companies place more emphasis on developing employees' technical skills than on preparing them to work in other cultures. Research

suggests that the comfort of an expatriate's spouse and family is the most important determinant of whether the employee will complete the assignment.

One key to successful foreign assignment appears to be a combination of training and career management for employees and their families. Foreign assignments involve three phases: predeparture, on-site, and repatriation (preparing to return home). Training is necessary in all three phases.

***Predeparture Phase*** In the predeparture phase, employees need to receive language training and an orientation in the new country's culture and customs. It is critical that the family be included in the Orientation Programs. Expatriates and their families need information about housing, schools, recreation, shopping, and health care facilities in the area where they will live. Expatriates also must discuss with their managers how the foreign assignment fits into employees' career plans and what type of position expatriates can expect upon return. Although English is the common business language in many countries, failing to speak the native language may keep the expatriate from informal conversations and increase the risk of being misinterpreted. For example, a manager at ABB Ltd. oversees 7,000 employees in China and speaks only basic Mandarin. He is having difficulty conducting business with his Chinese employees because they are reluctant to say no to managers. Because he isn't fluent in Chinese languages, he tries to read employees' Body Language but often reaches the wrong conclusions.

Cross-cultural training methods range from presentational techniques, such as lectures that expatriates and their families attend on the customs and culture of the host country, to actual experiences in the home country in culturally diverse communities. Experiential exercises, such as miniculture experiences, allow expatriates to spend time with a family in the United States that is from the ethnic group of the host country.

Research suggests that the degree of difference between the United States and the host country (cultural novelty), the amount of interaction with host country citizens and host nationals (interaction), and the familiarity with new job tasks and work environment (job novelty) all influence the "rigor" of the cross-cultural training method.

**Rigor** here refers to the degree to which the training program emphasizes knowledge about the culture as well as behavior and skills needed to effectively live in the culture. Less rigorous training methods such as lectures and briefings focus on communicating factual material about the country and culture to trainees. More rigorous methods not only offer factual material but also help expatriates and their families develop communication skills and behavior needed to interact in another country.

Figure 11.2 shows the relationship between training rigor and training focus (characteristics that a training program needs to be effective). Experiential training methods are most effective (and most needed) in assignments with a high level of cultural and job novelty that require a good deal of interpersonal interaction with host nationals. A trainer from India took 20 managers from Advanced Micro Devices on a two-week immersion trip during which the group traveled to New Delhi, Bangalore, and Mumbai, meeting with businesspersons and government officials. The program, which required six months of planning, provided the executives with information on foods to eat, potential security issues, and how to interact in business meetings. For example, Indians prefer to

indirectly enter into business discussions, so the managers were advised to first discuss current events and other subjects before talking business.

**On-Site Phase** On-site training involves continued orientation to the host country and its customs and cultures through formal programs or through a mentoring relationship. Expatriates and their families may be paired with a mentor from the host country who helps them understand the new, unfamiliar work environment and community. Companies are also using the Web to answer questions from employees on expatriate assignments. Expatriates can access a Web site for answers to questions such as, “How do I conduct a meeting here?” or “What religious philosophy might have influenced today’s negotiation behavior?” Knowledge management software allows employees to contribute, organize, and access knowledge specific to their expatriate assignment.

A major reason that employees refuse expatriate assignments is that they can’t afford to lose their spouse’s income or are concerned that their spouse’s career could be derailed by being out of the work force for a few years. Spouses may be unable to work in the host country because of difficulties in obtaining a work permit. Some “trailing” spouses decide to use the time to pursue educational activities that could contribute to their long-term career goals. But it is difficult to find these opportunities in an unfamiliar place. Pfizer, the pharmaceutical firm, is taking action to help trailing spouses. It provides a \$10,000 allowance that the spouse can use in many different ways. A person at the expatriate location is assigned to help the spouse with professional development and locating educational or other resources. In countries where spouses are allowed to work, Pfizer tries to find them jobs within the company. Pfizer also provides cross-cultural counseling and language assistance. The company tries to connect the family with the expatriate community. Several multinational companies, including Hewlett-Packard, Axalto, and Group Danon, have worked together to develop partnerjob.com, an online employment resource that helps trailing spouses find work by posting job openings at other member companies. However, a major restriction to spouse employment is work permit rules requiring potential employers to demonstrate that the spouse possesses skills that are not locally available.

Research suggests that companies should offer support for expatriates. Services such as career counseling for expatriates are important for reducing stress and anxiety. Support from the foreign facility (either one person or a department) is also important for work and interaction adjustment. Expatriates who have high-quality relationships with their supervisors are more effective in completing job responsibilities.

**Repatriation Phase** **Repatriation** prepares expatriates for return to the parent company and country from the foreign assignment. Expatriates and their families are likely to experience high levels of stress and anxiety when they return because of the changes that have occurred since their departure. This shock can be reduced by providing expatriates with company newsletters and community newspapers and by ensuring that they receive personal and workrelated mail from the United States while they are on foreign assignment. It is also not uncommon for employees and their families to have to readjust to a lower standard of living in the United States than they enjoyed in the foreign country, where they may have had maid service, a limousine, private schools, and clubs. Salary and other compensation arrangements should be worked out well before employees return from overseas assignments.

Aside from reentry shock, many expatriates decide to leave the company because the assignment they are given upon returning to the United States has less responsibility, challenge, and status than the foreign assignment. Experts suggest that companies can minimize turnover by offering the expatriates recognition, career support, a choice in the assignment they are given upon return, and opportunities to use their international experience. Career planning discussions need to be held before the employees leave the United States to ensure that they understand the positions they will be eligible for upon repatriation.

Employees should be encouraged to self-manage the repatriation process. Before they go on the assignment, they need to consider what skills they want to develop and the types of jobs that might be available in the company for an employee with those skills. Because the company may undergo changes and because colleagues, peers, and managers may leave while the expatriate is on assignment, he or she needs to maintain contact with key company and industry people. Otherwise, the employee's reentry shock will be heightened from having to deal with new colleagues, a somewhat changed job, and a company culture that may have shifted.

Royal Dutch Shell, a joint Dutch and United Kingdom oil and gas company, has one of the world's largest expatriate work forces. To avoid expatriates who feel undervalued and leave the company, Royal Dutch gets involved with expatriates and their careers. Resource planners track workers abroad, helping to identify their next assignment. Most expatriates know their next assignment three to six months before the move, and all begin the next assignment with a clear job description. Expatriates who have the potential to reach top-level management positions are placed in the home office every third assignment to increase their visibility to company executives. Expatriates are also assigned technical mentors who evaluate their skills and help them improve their skills through training at Royal Dutch's training center.

Because of the difficulty in getting employees to accept foreign assignments and the low success rate of expatriate assignments, companies are creating "virtual" expatriate positions and using short-time assignments. **Virtual expatriates** are assigned an operation abroad to manage without being located permanently in that country. The employees periodically travel to the overseas location, return, and later use videoconferencing and communications technology to manage the operation. Virtual expatriates eliminate exposing the family to the culture shock of an overseas move. This setup also allows the employee to manage globally while keeping in close touch with the home office. Virtual expatriates are less expensive than traditional expatriates, who can cost companies over three times as much as a host-country national employee. One major disadvantage of virtual expatriates is that visiting a foreign operation on a sporadic basis may lengthen the time needed to build a local management team, so it will take longer to solve problems because of the lack of a strong personal relationship with local employees.

Because of family issues, poor economic times, and security issues, many companies are reducing the number of expatriates and relying more on short-time assignments, frequent business travel, and international commutes in which an employee lives in one country and works in another. Companies such as Wal-Mart Stores and NCR have reduced the number of expatriate assignments, but they still believe that long-term expatriate assignments are necessary in order to develop key



talent possessing global responsibilities and experience. One of the potential difficulties of short-term international assignments is that employees may be perceived as foreigners rather than colleagues because they haven't had the time to build relationships and develop trust among co-workers in their short-term location. Another is that traveling can take a physical and emotional toll on employees as they try to juggle business responsibilities with maintaining contact with family and friends. Procter and Gamble helps employees on short-term assignments by providing a trip fund that is based on the length of time an employee is on an extended business trip. For example, a U.S.-based employee working in western Europe for six months would get a fund containing the cost of five business-class round-trips. The employee can use money from the fund to take trips home or to cover family visits to the employee's location.

### **11.3 IMPLICATIONS OF CULTURAL DIFFERENCES FOR TRAINING**

Table 11.3 presents the implications of each of the cultural dimensions for training. In the United States, interaction between the trainer and the trainees is viewed as a positive characteristic of the learning environment. However, in other cultures, this type of learning environment may not be familiar to the trainee or may violate expected norms of good instruction. For example, consider the cultural differences that exist when conducting training programs in China compared to Brazil. In China, trainers are highly respected. Because education is valued, trainees are most likely motivated to learn. Because China is a culture high on power distance, trainees expect the trainer to lead the class as an expert, lecture is the preferred delivery method, and it is difficult for trainees to question the trainer. Harmony is valued in China because the culture is low on individualism. Therefore, trainers should focus on group performance and not highlight the performance of individual trainees. In Brazil, on the other hand, trainers need to build a personal relationship with trainees, so trainers should share their experiences and background. Power distance in Brazil is accepted and respected. Popular training methods in Brazil include lecture and small group work. Group discussion of issues may be uncomfortable for trainers because the trainees may seem like they are arguing and angry with each other; however, they are engaging in acceptable communication behavior in Brazil.

Expectations regarding the environment in which training is to occur may also differ from U.S. culture. On-the-job training may be viewed skeptically by Russian employees because historically most workers are expected to have been formally trained by attending lectures at an institute or university. Because Russian culture values family relationships (Russian culture is more "feminine" than American culture), the meaningfulness of training materials is likely to be enhanced by using examples from employees' work and life situations.

Besides cultural dimensions, trainers must consider language differences in preparing training materials. If an interpreter is used, it is important to conduct a practice session with the interpreter to evaluate pacing of the session and whether the amount of topics and material is appropriate. Training materials, including videos and exercises, need to be translated well in advance of the training session.

Consider the Deloitte Touche Tohmatsu (DTT) ethics training. DTT must establish, sustain, and communicate high ethical standards to clients worldwide. Nine ethical principles are required

by all the member firms: honesty and integrity, professional behavior, competence, objectivity, confidentiality, fair business practices, responsibility to society, respect and fair treatment of colleagues, and Leading by Example. DTT provides Web-based training through a program it calls the Integrity Compass. The company has a chief ethics partner for at least one member firm in each country it operates in. A toll-free telephone hotline is available for employees to report evidence of unethical conduct. The hotline presents a cultural challenge. In some countries, history and values make the hotline unacceptable. For example, in France and Italy, anonymous tips are associated with memories of people collaborating with the enemy during World War II. In parts of the Middle East, employees might accept the idea of making reports to a local office but not to an international headquarters. In addition to addressing the value differences, DTT faces the challenge of providing understandable and accurate ethics materials in several languages. Examples used in training materials also need to be realistic for the different cultures. As a result, although the nine ethical principles are shared globally, DTT has customized various elements of the ethics program to match the culture of each country.

**“The key to success in a foreign training session is preparation! The needs assessment must include an evaluation of cultural dimensions and the characteristics of the audience (such as language ability, trainees’ company, and cultural status).”**

#### 11.4 TYPES OF EMPLOYEES IN GLOBAL COMPANIES

Parent-country national: Employee whose country of origin is where the company has its headquarters

Host-country national: Employee from the host country

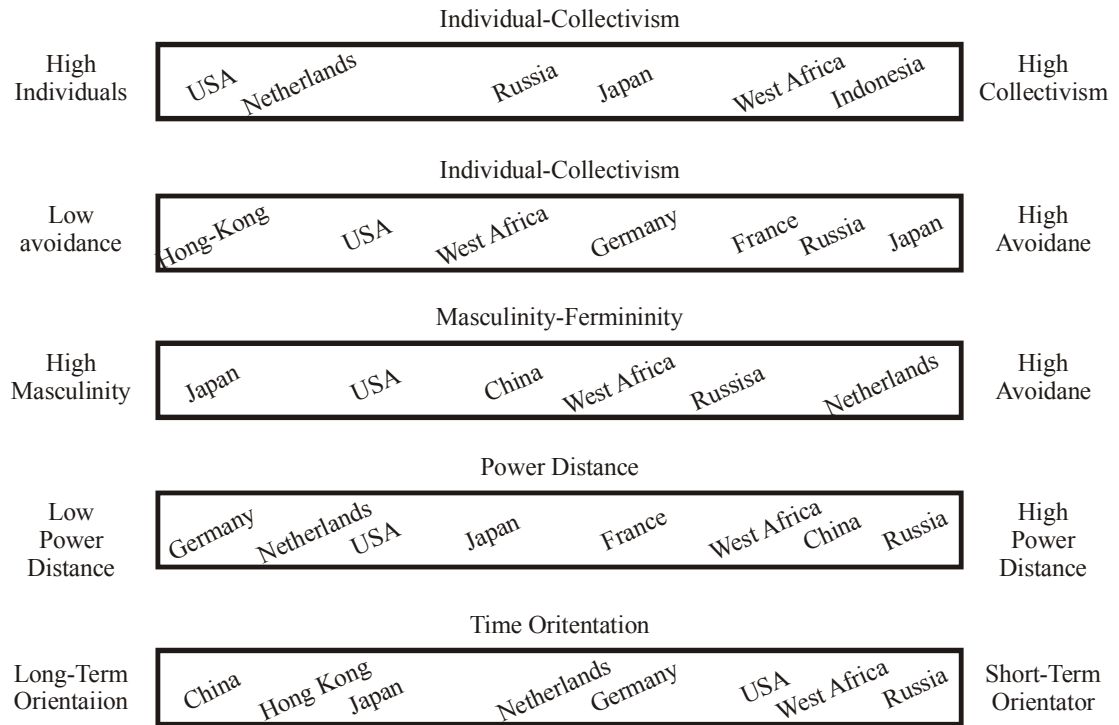
Third-country national: Employee who has a country of origin different from both the parent country and host country where he or she works

**TABLE 11.1 NEGATIVE SURPRISE FACING THE NEWLY ARRIVED JAPANESE MANAGER**

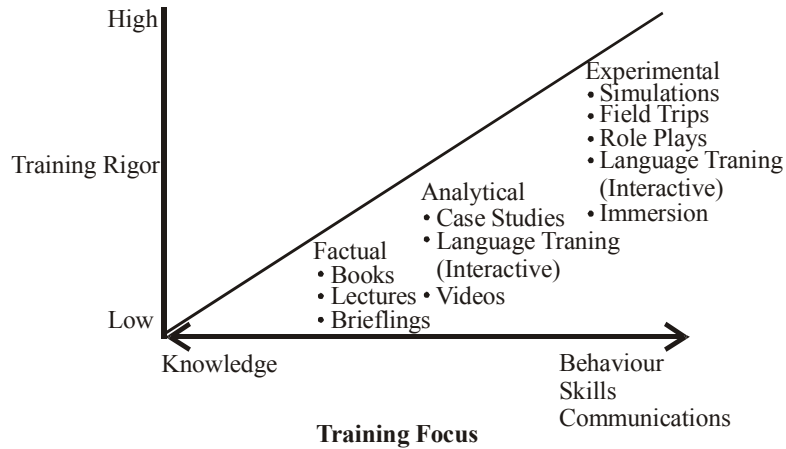
|                         | <b>Impression Shock—<br/>Japanese Perceptions<br/>of Americal Ways</b>  | <b>Impression Shock—<br/>American Responses<br/>to Japanese Ways</b>   |
|-------------------------|---|--|
| Community               | Social diversity<br>Violence and crime<br>Poverty and homelessness<br>Education problems<br>Ignorance of foreign ways | Aloof/clannish community<br>Misunderstood customs<br>Economic takeover<br>Lingering resentment<br>Self-serving conduct |
| Business Practice       | Different operations<br>Shortsightedness<br>Lackluster service<br>Hasty dealmaking<br>Legal minefields                | Vagueness and delay<br>Overworked employees<br>Unfair industrins<br>Ethical violatic<br>Influence pedding              |
| Organizational Dynamics | No spiritual quality<br>Individual careerism  | Management inexperience<br>Avoided accountability  |

|                        |                         |                          |
|------------------------|-------------------------|--------------------------|
| Interpersonal Dealings | Narrow job focus        | Closed inner circle      |
|                        | Political confrontation | Stifled employees        |
|                        | Employee disloyalty     | Discriminatory practices |
|                        | Assertiveness           | Distrust/secretcy        |
|                        | Frankness               | Arrogance/hubris         |
|                        | Egoism                  | Withheld sentiments      |
|                        | Glibness                | Cautions intimacy        |
|                        | Impulsiveness           | Excessive sens           |

Source: From P.M. Wright and R.A. Noe *Managements of Organisations* (Burr, Redge. II.: Irwin/Craw-Hill, 1996)



**Fig. 11.1: Culture dimensions with relative standing of selected countries**



*Fig. 11.2: Relation between training methods and training rigor*

**TABLE 11.2 IMPLICATIONS OF CULTURAL DIMENSIONS FOR TRAINING RIGOR**

| Cultural              | Implications  |
|-----------------------|---|
| Individualism         | Culture high in individualism expects participation in exercises and questioning to be determined by status in the company or culture.        |
| Uncertainty Avoidance | Culture high in uncertainty avoidance expects formal instructional environmentless tolerance for impromptu style.                             |
| Masculinity           | Culture low in masculinity values relationships with fellow trainees; female trainers less likely to be resisted in low masculinity cultures. |
| Power Distance        | Culture high in power distance expects trainer to be expert; trainers expected to be authoritarian and controlling of session.                |
| Time Orientation      | Culture with a long-term orientation will have trainees who are likely to accept development plans and assignments.                           |

### **Expatriate (Expat)**

Any employee residing and working outside of his or her home country. May work for a foreign or domestic company.

### **Regional or Intra-regional Expatriate:**

Any employee residing and working in a neighboring host country but outside of his or her home country. (A Saudi in Dubai, a Taiwanese in China).

## Types of International Employees

### Third Country National (TCN):

A citizen of country A (e.g.: American) working in country B (e.g.: Brazil) for a company that is headquartered in country C (e.g.: Canada).

### Key Local National (KLN):

Executive, partner or high level manager working in his/her own country for a foreign company.

### U.S.-bound Expatriate:

A non-U.S. citizen working and residing in the U.S.

### Business Traveler:

An employee who travels outside his or her home country or country of assignment on the business of the policyholder.

## Type of international employee

Over the next few blog posts I am going to be building the groundwork towards an article that is bouncing around in my head. There are some things that we need to go over first.

Companies have employees in every shape, background, personality type and, well this list could go on and on. The point is, as managers we have to evaluate a multitude of employees to find the next generation of leaders. This is a daunting task that I would never dream of diminishing, but the truth is we have to evaluate and know our teams in order to be successful.

In the same vein, we have to evaluate our own careers and career paths. Checking the gauges every once in a while is necessary and important. The hard decision to go somewhere else may need to be made.

There is an illustration that we use at SVI to better understand our employees, our team, and our selves called The Four Types of Employees.

In this illustration employees are measured along two spectra. The first spectrum measures productivity and the question very simple. Are we productive or not in our role?



Fig. 11.3

The other spectrum runs vertically and it measures how inspired or engaged we are.

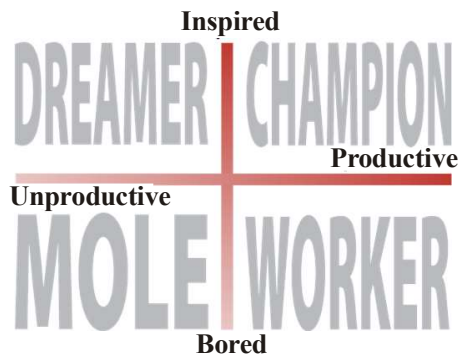
When we lay these spectra over one another we get a matrix that helps to illuminate and describe our current job situation or state of mind. It looks like this:

inspired



bored

Fig. 11.4

*Fig. 11.5*

### The Mole

Here is how it works. Let's start in the bottom left corner. This is someone who is neither productive nor inspired. We have all encountered these people. They tend to suck the energy out of everything they touch. They are energy vampires. In most organizations, if there aren't extenuating circumstances, they aren't long for the world. They tend to move on to another job or are asked to leave.

### The Worker

If we move to the right, we see the worker. The worker is productive and very capable. She has more than likely been at her position for a long time. There is nothing in her day that really challenges her because by this time she has it all figured out.

As managers, we tend to like workers. They get their job done with little to no supervision or complaining. However, there is a problem. Workers don't tend to stay workers for long. They either lose interest and become moles or they leave for greener pastures.

### The Dreamer

This that guy with all the plans and schemes who never seems to do any of them. He talks a big game and his energy can be quite infectious, but has little or no track record. The people are fun to be around. Their energy can be intoxicating, but be careful and don't be fooled. Dreamers are dangerous if left unchecked. Dreamers can leave teams frustrated and confused because they are constantly casting new and sometimes conflicting visions of the future. Dreamers rip teams apart.

When the day is done, if you will pardon the expression, the proof is in the pudding. In spite of all the glossy team-building/leadership-building/leadersoftomorrow mumbo jumbo, it is still about getting your job done, hitting your marks, and being excellent in what you do. The trick is to be extraordinary. The trick is to be a game changer. The trick is to be transformational not transactional. That brings us to the final corne.

### The Champion

This person is both inspired and productive. This person plays at the next level. This person stands out in a crowd. She is a maverick, but not at cost of the company. She isn't afraid to attack problems when they arise even when it leads to a course of action that isn't popular.

Don't ask yourself what the world needs. Ask yourself what makes you come alive, and go do that, because what the world needs is people who have come alive." *-Gil Bailie*

This quote by Gil Bailie captures the heartbeat of what it takes and what it means to be a champion. On its face, the quote seems to be counterintuitive. It seems to prompt us to go against what we have been trained to do our whole lives and become selfish or self-indulgent. However, upon further examination it starts to make more and more sense.

Imagine a team of people who are inspired and productive, and who do it from a drive that lies within each of the team members. Who wouldn't want to be on that team?

Are you a champion? Do you want to be a champion? These questions are the very bedrock on which this blog is built. We have to build the foundation in order to proceed.

## 11.5 THREE TYPES OF EMPLOYEES HIRED IN BATAM'S EPZS

### There are Three types of Employees Hired in Batam's EPZS

The most exploited worker is an

- 1. OUTSOURCED WORKER.** They are hired through a labour agency and usually sign a contract with the agency which holds them liable should they lose their job, sometimes at fees five to 10 times their normal wage. These employees are traded like commodities, one step removed from human trafficking. Should they get ill, pregnant or hurt on the job, the company will immediately release them and the labour agency will likely fine the employee for breach of contract. FSPMI has been successful in negotiating an end to all of these types of contracts for outsourced employees. In FSPMI plants, these contracts no longer exist.
- 2. CONTRACT WORKERS** are generally hired by the principal company or recruited by an intermediary but contracted with the company directly. Contracts range from three months to two years. By law, after three years of contracted work, workers should be hired permanently by the employer. Lomenik and FSPMI have both been successful in using this unenforced law to make companies change the status of workers after three years. This has been largely due to positive outcomes for the unions in the courts on this issue.
- 3. PERMANENT WORKERS** make up a very small minority of workers. Many of these jobs are staff positions and at management level. These workers tend to make more money through annual raises and have better benefits

## 11.6 COMPETENCY-BASED RECRUITMENT

**Competency-based recruitment** is a process of recruitment based on the ability of candidates to produce anecdotes about their professional experience which can be used as evidence that the candidate has a given competency. Candidates demonstrate competencies on the application form, and then in the interview, which in this case is known as a **competency-based interview**.

The process is intended to be fairer than other recruitment processes by clearly laying down the required competencies and then testing them in such a way that the recruiter has little discretion to favour one candidate over another; the process assumes high recruiter discretion is undesirable. As a result of its perceived fairness, the process is popular in public services. Competency-based recruitment is highly focused on the candidates' story-telling abilities as an indication of competency, and disfavours other indications of a candidate's skills and potential, such as references.

### Best Practices

Having established the competency profiles for groups and roles, organizations can use the competencies as the standards for assessing candidates throughout the screening and selection process as well as advertising and communicating the organization's requirements to potential applicants.

Competencies support recruitment and selection by:

- Providing bona fide, validated, fair and unbiased standards against which to assess applicant competencies to perform in the targeted role/job.
- Improving the transparency of the selection process by clearly communicating the behaviours employees must display for success in the role/job.
- Contributing to the design of a well-articulated, efficient and effective recruitment and selection processes.
- Creating efficiencies by providing re-usable selection tools and processes (e.g., question banks for interviews and reference-checking organized by competency; template interview and reference checking guides for roles/jobs within the organization; targeted role plays, work simulations, in-basket assessments; etc.)
- Providing explicit, clear and transparent criteria on which to give candidates feedback on their performance in the selection process (e.g., input for future learning and development; etc.)
- Providing standards for evaluating the success of the selection process - e.g., correlating the results of the selection process with competency-based on-the-job performance.

**Some of the common benchmark competency-based practices in Recruitment and Selection include:**

- **Notices of job requirements** - A template is developed to define how competencies will be reflected in notices regarding the requirements of jobs to be filled. As the competency profiles are completed, sample notices are developed for the varied types of jobs/ roles.
- **Interview and Reference Checking Guides** - Template interview and reference checking guides are developed for varied types of jobs/ roles, including instructions and rating guides. These are made available to hiring managers and HR Advisors.



- **Template Interview and Reference Checking Guides** - Template interview and reference checking guides are developed for roles/career streams and levels within Occupational Groups including instructions and rating guides. These are made available to hiring managers and HR Advisors.
- **Competency-based Track Record / Portfolio Reviews** - Track record / portfolio reviews allow employees / applicants to document their past experiences and accomplishments that relate to the competency requirements for positions within the organization. Once completed, trained evaluators score the extent to which the required competencies are demonstrated in the written examples using standardized scoring criteria. Typically, the candidate / employee also provides references who can attest to the validity of the examples provided. Results can be used as part of the staffing process and / or for other purposes (e.g., competency gap analysis for Learning and Development; Succession Management; HR Planning).
- **Other Competency-based Assessment Methodologies** - A variety of other competency-based assessment methodologies can be incorporated into the selection process, including In-basket assessments, role plays or simulations of workplace situations that the employee will encounter, multi-source input (as appropriate), etc. When designing and implementing any methodology, it is important that it be defensible (i.e., reliable, fair, valid and unbiased).
- **Training on Competency-based Selection** - Managers must have the knowledge and skills to be able to apply the various competency-based assessment methodologies noted above to arrive at valid selection decisions. Likewise, employees must be able to participate effectively to provide an accurate picture of the competencies they possess. Finally, both managers and HR professionals must be able to establish selection processes that are both efficient and effective (i.e., reliable, fair, valid and unbiased). All of this requires targeted training / orientation programs to ensure that all stakeholders have the necessary skills.

### Implementation Stages

As competency profiles are developed for varied job groups, the following implementation stages are suggested for their use in recruitment and selection on a corporate-wide basis.

#### Stage 1

- Define the policies and decision-rules for using competencies in the recruitment and selection processes
- Identify considerations/guidelines for including information on competencies in notices of job requirements
- Develop sample notices of job requirements as the competency profiles become available for use.
- Customize or build an interview/reference checking question bank organized by competencies included in the competency profiles.
- Customize or build other competency-based tools or processes (e.g., track-record reviews) that can be used across a number of occupational groups.

## Stage 2

- As the competency profiles are completed for the job groups, develop and implement recruitment, and selection processes consistent with policy and tools / templates defined in Stage 1. Review and evaluate the effectiveness and efficiency of these processes and adjust policies, procedures, templates, etc., as required.
- Plan for and train managers and HR personnel on appropriate competency-based interviewing approaches (e.g., behavioral interviewing; situational interviewing). This training should be just-in-time – i.e., as competency profiles become available for the different job groups.
- Plan for, design and implement an orientation / training program for employees on how to participate in a competency-based recruitment and selection as new processes are being implemented).
- Collect data on the effectiveness of the new recruitment and selection process (e.g., correlate results of selection process with on-job or training performance results) and make adjustments to the process, as required.

## 11.7 EMPLOYEE DEVELOPMENT STRATEGIES

You may observe several behaviors in a person that could be strong indicators of his or her capabilities in the Employee Development Strategies competency. The International Human Resources Director is expected to demonstrate Subject matter depth and breadth in the Employee Development Strategies competency. To demonstrate Subject matter depth and breadth in the Employee Development Strategies competency, one should demonstrate knowledge of and the ability to design, implement and monitor an organization's employee development strategies.

- Designs and implements training and development strategies that is in line with organizational business development.
- Predicts future training and development trends within the organization and industry.
- Establishes standards for evaluating the effectiveness of training and development programs and systems.
- Plays leadership role in designing annual training budgets and measuring the ROI of training programs.
- Develops new programs and systems in response to organizational training needs.
- Promotes the role of training programs and systems in the overall success of the business

## 11.8 INTERNATIONAL TALENT MANAGEMENT

### Talent Management Defined

Although the term Talent Management is becoming more widely used, it does not have a single, clear definition.

**Silzer and Dowell (2010) define** , “Talent Management as an integrated set of processes, programs, and cultural norms in an organization designed and implemented to **attract, develop, deploy and retain** talent to achieve strategic objectives and meet future business needs

Talent management is the integrated process of ensuring that an organization has a continuous supply of highly productive individuals in the right job, at the right time. Rather than a one-time event, talent management is a continuous process that plans talent needs, builds an image to attract the very best, ensures that new hires are immediately productive, helps to retain the very best, and facilitates the continuous movement of talent to where it can have the most impact within the organization. The goal of the talent management process is to increase overall workforce productivity through the improved attraction, retention, and utilization of talent. The talent management strategy is superior not just because it focuses on productivity, but also because it is forward looking and proactive, which means that the organization is continuously seeking out talent and opportunities to better utilize that talent. It produces excellent results because it overcomes the major problem of traditional recruiting, which is isolation. It instead integrates the previously independent functions of recruiting, retention, workforce planning, employment branding, metrics, orientation and redeployment into a seamless process.

### The Key Success Factor of Talent Management

Before going into any detail about talent management, it's important to take a step back and look at where it fits into the larger role of HR and the business. Start with the operation of the HR department. Most HR departments operate using a functional model where every HR unit operates on a relatively independent basis. Other than HR generalists, every HR unit has independent goals, measures, and budgets.

For example, there is little or no integration in the traditional recruiting function between its recruiting programs and the activities of other HR functions like development, compensation, and retention. Although this traditional separation provides the recruiting function with the opportunity to focus on its own specialty area, it can limit the impact of recruiting efforts by not meeting the expectation or needs of other people management and business processes and programs. Some have tolerated the problems related to this independence, while other organizations have instead implemented an overall HR strategy that integrates the different HR functions. This integrated strategy has become known as talent management or in some cases the term "workforce management" is used. The reader should be aware that many in the field of HR use (or misuse) these terms, sometimes attaching them to approaches that in fact offer no real change in their approach to HR. Fortunately, some have used the principles of talent management to create a unified approach to people management that produces significantly higher business results.

**Primary Principles of Talent Management** The four primary factors that make the talent management approach unique include:

- 1. An integrated approach within HR.** Talent management formally integrates people management programs and functions so that they work as a continuous process.
- 2. Integrating people processes into standard business processes.** Talent management goes the next step and further repositions people management programs and processes into the company's standard business processes, such as the corporate strategic planning process, budgeting, mergers, and new product development.

3. **Shifting responsibility to managers.** Talent management pushes the accountability and the responsibility for executing people management down to the line management levels.
4. **Measuring success with productivity.** Talent management shifts the success measures from the more traditional HR and recruiting functional metrics towards measuring the overall productivity of the workforce.

### **An Integrated Approach within HR**

The first unique element of workforce management is the integration of disparate HR functions. Workforce management differs from the traditional approach to HR where individual HR functions operate independently. For example, look at the relationship (or lack thereof) between recruiting and compensation. Even though the amount of total compensation that is actually offered to candidates might have a huge impact on recruiting success (especially if the compensation is too low), in most organizations there is little or no interaction between the separate functions of compensation and recruiting. Because compensation has no “stake” in recruiting, there’s no reason for them to speed up their offers or to make them more competitive. A similarly weak relationship exists between recruiting and retention.

Even though the types of people that you recruit, the sources that you use, and the promises you make during the selection process have a tremendous impact on retention rates, there is traditionally no relationship between the recruiting function and retention function within HR. Talent management takes a broader and more strategic approach because it demands that independent HR efforts be integrated through common goals, metrics, and rewards. This makes “handoffs” in processes more seamless and increases the overall quality of recruiting, retention, and workforce planning efforts.

### **Integrating People Processes into Standard Business Processes**

The second key element of the talent management focuses on embedding talent management into traditional business processes. Talent management starts with the premise that managing talent is an essential part of any businesses success, where it is considered at least as important as budgeting, quality control, and customer service. Talent management integrates traditional talent-related functions that were considered as “administrative” functions into routine business processes. By “embedding” people management processes into standard business processes you force line managers to think of recruiting, retention, development, etc. as essential activities that make a significant contribution to any manager’s business results and success. By eliminating the premise that recruiting and retention efforts are “occasional” events, you get managers to begin to think that people management activities are not separate and distinct things that you do on occasional basis, but rather continuous activities that must be carried out every day on an ongoing basis.

### **Shifting Responsibility to Managers**

The third element of workforce management is getting managers to accept responsibility for developing and maintaining excellence in people management. A talent management strategy teaches individual managers that their goals of increasing productivity, output, cutting costs, etc. are not

independent from recruiting, retention, and development efforts. The talent management process provides managers with a convincing business case that demonstrates how their individual success is tied to the continuous process of recruiting, retaining, moving and developing talent. Once managers begin to realize that they cannot reach their output goals without effective talent management/people processes, they then commit more of their own time and resources into the recruiting, development, and retention of their talent.

### Measuring Success With Productivity

The final differentiator between talent management and standard HR is how the success of people management is measured. While most HR functions measure their success with functional metrics like number of hires, number of development programs offered, and customer satisfaction, talent management instead measures its success by assessing its overall business impact. Business impact in this case is measured by the overall increase in the productivity of the workforce (employees) at a particular firm. In other words, you don't improve development, recruiting, or retention just to improve them; instead you improve these people processes in order to increase the output of your workers. The ultimate measure of effective talent management is the change in the return on investment for people management as measured by the ratio between dollars spent on employees (total employee costs) and the dollar value of the employees output (output value or revenue).

### Other Key Elements of Talent Management

In addition to the four above elements of talent management, there are some other factors that help define how talent management differs from traditional recruiting. They include:

- **A focus on high impact positions.** A talent management strategy requires managers and HR to determine which jobs, when filled with top talent, have the largest impact on a firm's success.
- **Accountability.** Talent management assigns responsibility for managing the talent inventory to the chief talent officer, who is responsible for results, not effort.
- **Rewards and metrics.** Talent management builds cooperation and integration between previously independent efforts through its heavy use of common goals, metrics and rewards. As a result, no independent function can be considered successful unless the overall talent management effort is also successful.
- **Balanced metrics.** Talent management gets managers' attention by instituting a system of measures and rewards that ensures every manager is recognized and rewarded for excellence in people management (high workforce productivity). It simultaneously measures employee engagement to ensure that managers reach their productivity goals while using the appropriate management behaviors (two-way communications, empowerment, meritocracy, etc.).
- **Business approach.** The talent management strategy is not derived from an overhead or administration model. It is developed from and mirrors other successful business process models, like supply chain management, finance, and lean manufacturing.

- **Recognition of the business cycle.** The talent management approach involves recognizing that different types of talent are required depending on changing business situations. As a result, talent management requires the continuous internal movement of talent in and out of jobs and business units based on current business needs and where the company is in its business cycle.
- **Truly global.** Talent managements encourages finding, retaining, and developing the best talent no matter where it is. It also stresses putting the work where the best talent is.
- **Focus on service.** Seamless service is the expectation of talent management. Customer satisfaction, process speed, quality, and responsiveness are continually measured.
- **Anticipation.** While traditional recruiting and retention tend to be reactive, talent management is forward looking. It forecasts and alerts managers about upcoming problems and opportunities. It encourages managers to act before the need arises in talent management issues.

**Benchmark Firms:** Firms that have been recognized for their broader and more strategic approach to talent management include:

- Microsoft
- GE
- Pepsi
- Wachovia
- Intel
- Wal-Mart
- Dell
- Southwest Airlines
- SAS

### **The Essential Pieces of Talent Management**

The various elements of the talent management process that must be integrated and work as a single unified process are listed below. Talent management elements 2 through 5 are the more traditional recruiting areas that are now integrated into the overall talent management process:

1. Workforce planning to project future needs and to prioritize key jobs and skills
2. Sourcing of candidates
3. Screening of candidates
4. Offers to candidates
5. Relocation
6. Orientation at the corporate level and at the supervisor level
7. Initial development
8. Improving time to productivity for new hires

9. New hire failure assessment (for those that are terminated within one year of hire)
10. Employee development to continually improve skills and capabilities
11. Leadership development to fill the management pipeline
12. Project and team assignments for development purposes
13. Succession planning to identify and speed up the development of future leaders
14. Internal movement of individuals (voluntary and non-voluntary) to fill individual vacancies
15. Redeployment of groups and teams into higher impact business units
16. Outsourcing and off shoring to reduce labor costs
17. Replacement plans (in the case of a sudden vacancy)
18. Retention
19. Metrics for measuring the effectiveness of the workforce management process
20. A “feedback” loop to improve the overall workforce management process as a result of successes and failures
21. Branding and external image-building (ensuring a steady supply of qualified candidates for future needs)
22. Revised forecasts of future needs and supply
23. Retirement planning (voluntary and encouraged)
24. Releasing non-productive new hires or surplus workers (firing, layoffs, and other workforce reduction tools)

### 11.9 INTERNATIONAL MIGRATION

**International migration** occurs when peoples cross state boundaries and stay in the host state or some minimum length of time. Migration occurs for many reasons. Many people leave their home countries in order to look for economic opportunities in another country. Others migrate to be with family members who have migrated or because of political conditions in their countries. Education is another reason for international migration, as students pursue their studies abroad. While there are several different potential systems for categorizing international migrants, one system organizes them into nine groups: temporary labour migrants; irregular, illegal, or undocumented migrants; highly skilled and business migrants; refugees; asylum seekers; forced migration; family members; return migrants; and long-term, low-skilled migrants. These migrants can also be divided into two large groups, permanent and temporary. Permanent migrants intend to establish their permanent residence in a new country and possibly obtain that country’s citizenship. Temporary migrants intend only to stay for a limited periods of time; perhaps until the end of a particular program of study or for the duration of their work contract or a certain work season. Both types of migrants have a significant effect on the economies and societies of the chosen destination country and the country of origin.

Similarly, the countries which receive these migrants are often grouped into four categories: traditional settlement countries, European countries which encouraged labour migration after World

War II, European countries which receive a significant portion of their immigrant populations from their former colonies, and countries which formerly were points of emigration but have recently emerged as immigrant destinations.

Incentives for migration

### Push Factors

- Poor Medical Care
- Few opportunities
- Political fear
- Religious discrimination
- Natural disasters
- Lower chances of finding courtship
- Not enough jobs
- Primitive Conditions
- Fear of torture and mistreatment
- Loss of wealth
- Bullying

### Pull Factors

- Chances of getting a job
- Enjoyment
- Better Medical Care
- Family Links
- Better chances of finding courtship
- Better living standards
- Education
- Security
- Lower crime

### Conclusion

The HR department is a very traditional function that is slow to change. Professionals in recruiting are no different: they seem to like their independence and they often loathe working closely with generalists, compensation, or development professionals. But companies like Wal-Mart that have championed integrated processes like supply chain management have demonstrated the dramatic impact that coordination and integration can have on company's success and profitability. A successful talent management process starts with the foundation built by supply chain management, Six Sigma, CRM, and lean manufacturing, and adapts it to HR. Unfortunately, its strength and integration are also the primary roadblock within HR ó because getting HR people to coordinate their efforts is about as easy as herding cats.

## CASE QUESTIONS

1. Define International migration. What are the Incentives for migration.
2. Explain the Key Elements of Talent Management and The Essential Pieces of Talent Management.
3. Define The Key Success Factor of Talent Management and Primary Principles of Talent Management.
4. Define and common benchmark competency-based practices in Recruitment and Selection .
5. What do you mean by International talent management
6. Competencies support recruitment and selection? Comment.
7. Discuss in detail Types of International Employees.



# SELECTING AND USING ASSESSMENTS

## 12.1 SELECTING AND USING ASSESSMENTS

### Introduction

This chapter will address three issues: (a) the institutional assessment needs of workforce development organizations, (b) the assessment needs of individual youth to help make informed choices about their careers, and (c) the practical needs of practitioners for information about how to select and use different assessment tools. At the end of this chapter, Exhibit 12.1 contains information that can be used to help with the selection and use of assessments, including a directory of commonly used published tests.

### Meeting Institutional Assessment Needs

Agencies and organizations in the workforce system use assessments to meet institutional needs in two ways—to determine a youth’s eligibility for services and to document achievement of program goals by assessing the progress of program participants. The number of participants served and achievement of program goals can impact the amount of funding an organization receives.

Funding for the youth programs considered in this guide may come from the Department of Education, the Department of Labor, other federal agencies, states, local governmental agencies, or a combination of these.

Assessing progress can be complicated, since the outcome measures required by different funding sources often vary, sometimes significantly. In order to address this problem, the President’s 2001 Management Agenda included the development of common performance measures for the evaluation of similar programs. Each federal agency and individual programs within those agencies are charged with developing instructions to the field about how these common measures will be incorporated into their unique reporting requirements, and there are various time lines in place for launching the common measures. The first agency to do so was the Employment and Training Administration (ETA) at the U.S. Department of Labor. The common measures for adult and youth programs are indicated in Table 12.1:

TABLE 12. 1: EMPLOYMENT AND TRAINING COMMON MEASURES

|  |
|--|
| <p><b>Adult</b></p> <ul style="list-style-type: none"> <li>• Entered employment</li> <li>• Average earnings</li> <li>• Employment retention</li> </ul>   |
| <p><b>Youth</b></p> <ul style="list-style-type: none"> <li>• Placement in employment or education</li> <li>• Literacy and numeracy gains for out-of-school youth</li> <li>• Attainment of degree or certificate</li> </ul> |

The youth measure that is most commonly provided through an individual assessment in workforce settings is the gain in literacy and numeracy skills (for those who are deficient in basic skills). In order to achieve a positive outcome on this measure, youth will have to increase one or more educational functioning levels (EFLs) as measured in pre- and post-tests for adult basic education or English as a second language. The U.S. Department of Education requires that these assessments are cross-walked, or explicitly linked, to the EFLs. Currently cross-walked instruments include CASAS, TABE, ABLE, WorkKeys, and BEST. (See the Directory of Published Tests at the end of this chapter for a description of these tests.)

For more information on the common performance measures, refer to the Department of Labor's Training and Employment Guidance Letter (TEGL). The TEGL contains a list of the programs subject to the common measures, definitions of key terms, explanations of the common measures, and descriptions of the educational functional levels.

Because youth with disabilities are expected to achieve the same gains as other students, it is critically important that appropriate assessment accommodations are provided for these students in order to ensure they can accurately demonstrate their knowledge. Many youth and youth service practitioners are unaware of the accommodations available for any given assessment instrument. Determining appropriate accommodations may require both contacts with the test publisher and contact with government officials.

The TEGL also lists EFLs for individuals in English as a Second Language programs. These programs, besides using the assessments mentioned above, many incorporate Student Performance Levels (SPLs), which are descriptions of English language proficiency levels for adult non-native speakers of English. SPLs describe how an individual performs in three areas: speaking and listening, reading and writing, and functional and workplace literacy. For more information on SPLs, go to the Center for Adult English Language Acquisition at <http://www.cal.org/caela/tools/program%5Fdevelopment/elltoolkit/>.

### Meeting an Individual's Assessment Needs

Many young people leave high school uncertain of their interests and abilities and unprepared to choose or pursue a career. Effective career planning and assessment for transition-age youth allows them to consider multiple options, act with self-advocacy, bridge academic and career plans, and equip themselves with critical information (Borgen and Amundsen, 1995).

In order to help youth become skilled at making informed choices and acting on them, the programs that serve them should have career planning activities and assessment procedures in place, and these should be readily accessible upon entrance to the program. Often there is one person in a program or agency who coordinates youth services and activities—a teacher, counselor, social worker, or staff person in a youth-serving program. This transition resource professional often will be responsible for setting up meetings to help the young person formulate education, training, or employment plans. He or she will follow up with the youth to develop written objectives and work with other entities to ensure that appropriate records and assessment data are available. To help a young person with disabilities to develop a comprehensive plan, the transition resource professional must understand the various community transition systems, including those providing medical, mental health, financial, and independent living resources. In addition, because each youth comes to the assessment process with a unique set of issues and needs, transition resource professionals have the challenging task of understanding an individual's background and the implications for transition plans. This information can be collected through interviews, observations, and records. Psychological and medical history records may or may not be part of the process at this point, depending on individual circumstances.

To be useful, records containing background information, prior interviews and observations, histories, and testing must be up-to-date. Whether or not prior assessment results are considered current can often be determined from publishers' materials or through consultation with an assessment professional. If an individual's situation has recently changed (because of schooling, training, onset of a disability, therapy, treatment, etc.), new assessments may be needed. Records should be reviewed with an eye to assessing their value in supporting a youth's future academic or career planning needs. If outdated or lacking validity, records may inappropriately limit a young person's options.

Careful consideration should be given to whether formal assessments using published tests are needed only after completing thorough interviews, observations, and a review of records.

### Choosing Published Tests and Assessments

Compiling sufficient data for career planning may require the use of commercially prepared and published tests. These assessments must be chosen with the ultimate goal of helping the individual—this includes considering the effects of the individual's disability on the results of the testing process.

There are a number of factors to consider when choosing tests and assessments.

The ideal assessment instrument is (a) reliable, (b) fair, (c) valid, (d) cost-effective, (e) of appropriate length, (f) well-matched to the qualifications of the test administrator, (g) easy to administer, (h) able to provide easy-to-understand results, and (i) appropriate for the individual's needs. Balancing these factors can be difficult. Each of these factors is discussed in detail below.

- 1. Reliability.** A reliable test provides consistent results over time; in other words, students with the same reading level who take a reading test would have very similar if not identical scores on the test regardless of when they take it, assuming their reading levels did not change over time. Publishers' Web sites or test manuals often cite research establishing the reliability of test instruments. If no information is provided about test reliability, the test should be used with caution and should not be used as the only source of information for making important decisions about the youth tested.
- 2. Fairness.** Fair tests are free from bias and conform to recognized test administration standards and ethics. For example, standardized tests must be administered exactly according to the directions with only specified accommodations permitted. Cultural and linguistic differences can affect the fairness of a test. For example, children from rural areas might have difficulty with a reading comprehension test based on a passage describing a subway trip. Immigrant youth from El Salvador may not understand questions in a career interest inventory if they are written in Mexican Spanish.

Fairness can also be affected by the test-taker's familiarity with testing processes. For example, people who have never used "bubble" answer sheets may become so confused by the process that their scores are affected. Other factors may include fluency in the language in which the test is given, familiarity with the test administration mode (computer, pencil and paper), and prior experiences or cultural familiarity with tests. Practice sessions can be useful to help with these issues. Test administrators should also observe youth as they mark answers to see if they have difficulty with the answer sheets. For more information on construction and characteristics of various tests, see Kapes and Whitfield (2002).

- 3. Validity.** Validity is "the extent to which a test measures what its authors or users claim it measures; specifically, test validity concerns the appropriateness of the inferences that can be made on the basis of test results" (Salvia and Ysseldyke, 2004, p. 693). If a test is valid for one group or population, it may not be valid for another group. For example, if a test of mathematical reasoning is based on a tenth grade reading level, a low score for a test-taker with a sixth grade reading level may reflect either the test-taker's reading level or mathematical reasoning ability. Care should be taken when testing youth with disabilities and when selecting accommodations so as not to affect validity.
- 4. Cost.** Cost can sometimes be a deciding factor in selecting tests. Published assessment instruments have a wide range of costs; higher priced tests are not necessarily better, and care should be taken to choose appropriate instruments for the task at hand.

There are a variety of factors to be considered in determining cost-effectiveness. Some inexpensive tests are very useful, valuable, and can be used with a wide variety of individuals, while some very expensive tests have limited usefulness. Many Internet sites now offer free tests that can be used for career planning, but evidence of their reliability and validity may be lacking, and they often do not provide interpretation or research to support the instrument.

The publishers of paper and pencil tests usually charge for manuals or administration materials, as well as for individual tests, answer sheets, and scoring services (either by computer, by

mail, or over the Internet). Tests that assess work skills or manual dexterity may employ customized equipment that can be used over and over, but the original cost can be quite high. When start-up costs are involved, it is important to determine how often the test will be used in an organization and whether collaborating with other organizations to share the costs is an option that ought to be explored.

All publishers of these tests have Web sites that explain in greater detail how their products are sold. Some test publishers will provide an examination kit for minimal cost for personnel to determine if they want to use the instrument. Many publishers have several versions of tests and offer pricing based on quantity, scoring methods, and whether or not administration materials are already owned by those administering the tests.

5. **Time Needed to Administer and Score.** Publishers usually have explicit instructions for timing certain tests but often will include provisions for additional time for individuals with specific disabilities such as learning disabilities or visual impairments. For some young people, tests that take a long time can lead to anxiety that may make scores less valid than those based on shorter tests. For other youth, fatigue becomes a factor. Care should be taken to select tests whose validity for an individual is not likely to be affected by such variables, especially when comparing individual test scores to norm groups. Scoring of tests has generally become more efficient, with computerized and Internet scoring now widely available. Scoring that provides results immediately can be very useful in many situations. For tests that are administered and scored by consultants (such as psychologists or work evaluators), time should be scheduled to review the results with the young person as soon as possible after the test is completed.
6. **Qualifications of the Test Administrator.** Tests vary in the level of expertise and training needed by those who administer or score individual tests. Therefore, publishers usually indicate these qualifications on the test materials or in their marketing materials-and may require documentation of expertise prior to purchase of tests. Doctoral or masters' degrees, special coursework, or specific experience may be required. Administration or scoring of tests by unqualified personnel is a serious ethical violation and may also result in invalid or misleading test results.
7. **Ease of Use.** Tests should be as easy to take and to administer as possible. Scores can be adversely affected if the test-taker or the test administrator does not understand the directions. Complex answer sheets can be difficult to use and to score. (Many test-takers have gotten half-way through a bubble answer sheet-or farther-only to discover that they have been filling in the bubbles on the wrong line or in the wrong section.) Young people who have limited experience taking tests may waste precious test time concentrating on the process rather than the content of the test. For some assessments, it is acceptable to take practice tests prior to official test administration. If practice sections are not provided, consider other ways to simulate testing activities prior to actual testing.
8. **Reporting Format.** Test results should be reported in a useful, easy-to-understand format. Scores, interpretive data, diagnoses, and recommendations should be clearly expressed and

understandable. Reports should be available to the young person and/or family members in written form for future reference. Unfamiliar terms should be defined. If tests are administered by consultants, the consultant should be available to answer questions or provide further insight by phone, mail, or in person as part of the reporting process. Sometimes personnel can use a test to gain critical information without using it in a standardized way or comparing scores to norms. This should be noted when results are reported.

- 9. Appropriateness.** In addition to considering the eight factors above, appropriateness of the test or assessment content should be considered, i.e., the test should be matched to the individual's cognitive functioning level, reading ability, math ability, and level of career development. For example, tests requiring an eighth grade reading level should not be administered to someone who reads at a third or fourth grade level. The uniqueness of vocabulary words should also be considered. For example, students may not understand certain questions about careers unless they have had some degree of career awareness and exploration in their past. They may be unfamiliar with the vocabulary or may not have been exposed to certain careers. If such career assessments are administered-inappropriately-the results produced may be invalid.

### Using Formal Testing Instruments in Assessment

In addition to having criteria for assessing quality in tests, youth service practitioners must choose tests that fulfill the specific needs of the individual. After reviewing available records and conducting informal interviews, planning should determine some short-term, and possibly longer-term, goals. Eligibility assessment can be conducted at this point along with diagnostic or achievement testing to determine where an individual may belong in classes or in training programs. Here, more formal assessments may be used to answer some questions. For the purposes of this guide, formal assessments are defined as published instruments with specified administration procedures.

Formal testing is used to assess seven areas related to career planning:

- Academic Performance or Achievement
- Cognitive Abilities
- Behavioral, Social, and Emotional Issues
- Vocational Interests
- Vocational Aptitudes
- Certification of Occupational Competencies
- Physical and Functional Capacities

Individual youth may need assessment in a few or several of these areas. Older youth with established academic credentials or clear vocational goals may not need extensive testing to measure achievement or uncover vocational interests. Others may have complicated situations requiring an extended process of supported planning and implementation. In more complex cases, it is good practice to have written plans with objectives and timelines that formalize the activities, make all participants aware of the process, and hold everyone accountable. Deciding which formal tests

should be administered and in what order is part of this process. Plans can be amended and updated depending on testing outcomes, and the youth's input should be considered as much as possible.

### **Appropriate use of Published Assessment Instruments**

Assessment instruments are used to help determine a person's specific abilities, strengths, and challenges. The results of assessments should not be used merely to categorize a young person but rather as tools to develop strategies to help him or her reach desired goals. Assessments also help identify areas to probe in order to understand an individual's potential strengths and functional abilities in educational or community settings.

When test results indicate a need or potential limitation, logical next steps may include reviewing additional school records, talking further with the young person and his or her family to obtain additional information, or consulting with a professional. This information-gathering process may lead to referral to an appropriate agency for additional testing or services.

Educational Domain - Academic Performance Or Achievement Testing

### **Purposes of Assessment in Academic Planning**

Academic testing is used primarily by educational institutions to determine eligibility for special services, to aid student placement and instruction, and to support accountability efforts. The goal of assessment in academic planning is to identify the academic skills, preferences, learning styles, cognitive abilities, and educational challenges of individual youth. Specifically, these activities should

- promote the individualized learning and growth of every youth;
- identify cognitive skills and learning challenges of youth;
- identify helpful or essential remedial educational strategies;
- identify secondary and postsecondary academic accommodations and supports needed by youth to enhance learning;
- examine potential academic and career pathways for youth;
- increase knowledge about a youth's preferred learning styles
- develop plans to increase a youth's vocational skills or employment success; and
- identify (for youth with disabilities) critical learning objectives for individualized service plans including Individualized Education Programs (IEPs), Individualized Plans for Employment (IPE), or Individualized Service Plans (ISPs).

### **Academic Teacher-Made Testing**

Academic teacher-made testing is generally non-standardized performance review that individual teachers and others use to assess progress in a specific subject area. These tests are given at the end of curriculum units or academic terms and are often written and graded by the teacher. These are the tests on which grades are based, and they can lead to screening or further assessment for special education services for students who consistently perform at levels below the norm. These tests are

also used in adult or postsecondary programs. Academic testing can be informal in nature, particularly if observation, interviews, and record reviews indicate such a need. Objective measures should take precedence over subjective measures to eliminate bias as much as possible.

### **Achievement Testing**

**Standardized Norm-Referenced or Curriculum-Based** Educational achievement tests are used by virtually all public schools in the United States to measure what a student has learned from an academic curriculum. An achievement test can measure a targeted academic skill or ability, such as reading comprehension, or can measure skills across several key areas of an educational curriculum, such as reading, math, writing, spelling, and science.

Most achievement tests in use today are either standardized norm-referenced or curriculum-based assessment tools. Standardized norm-referenced achievement tests allow educators and others to compare the academic performance of an individual youth with national averages based on established norms of expectancy. Tests, such as the Kaufman Test of Educational Achievement (K-TEA), Peabody Individual Achievement Test (PIAT), Stanford 10, Test of Written Language (TOWL), Wide Range Achievement Test (WRAT), or Woodcock-Johnson III, enable youth service practitioners to measure the academic achievement of a youth in comparison with peers of the same age or grade level. Note that special training may be required to administer many of these tests.

In a similar way, the widely used Tests of Adult Basic Education (TABE) are norm-referenced tests for adult basic education students, postsecondary vocational-technical students, adult and juvenile offenders, and college students. The TABE tests measure achievement of basic skills in language, reading, and mathematical abilities.

Achievement tests can help to measure the size and scope of challenges associated with a youth's academic learning and future postsecondary choices. When, for example, a youth's achievement test score is significantly below the performance of a peer group, it may indicate that special education, academic tutoring, or other support services will be needed. Finally, achievement tests can offer information leading to different teaching methods or learner accommodations to support the achievement of long-term career development goals.

Curriculum-based assessments measure the learning performance of a youth using the content from an existing instructional curriculum. These assessments are often constructed by the curriculum or textbook publishers and do not have widespread recognition outside of classroom settings. In a curriculum-based assessment, performance expectations are aligned with activities and objectives from a specific academic curriculum. Curriculum-based assessment provides insight into a youth's learning or mastery of skills within specific academic disciplines. These assessments are often used as alternatives to standardized tests because they assess exactly what has been taught in the classroom with the instructional curricula used by a school or youth development program. These assessment strategies enable educators and others to analyze an individual's performance and refine instruction based on the results. Because of their flexible nature, curriculum-based assessments are often helpful in establishing IEP learner objectives. They also help educators assess whether a school's curriculum has been effectively taught.



### **General Educational Development (GED) Testing**

The General Educational Development (GED) test is an achievement test and exit examination administered to more 800,000 people worldwide each year. The test questions are based upon periodic analysis of high school graduation requirements established by the states. Thus as high school graduation requirements increase, GED requirements also increase. The GED measures the knowledge, skills and abilities (KSAs) of people tested in comparison to students who graduate with a traditional high school diploma. The GED measures performance in five academic areas: writing, social studies, science, literature/arts, and mathematics. Successful completion of the test is considered by many employers as equivalent to a high school diploma, although others may view it as less valuable.

Because the GED is also recognized by many postsecondary education and training institutions, successfully completing the GED is an important step for youth who are high school dropouts. This is especially true for young people who are considering applying to local community colleges, vocational-technical training programs, four-year colleges and universities, or the Armed Forces. For this reason, education and youth programs that offer career development services to high school dropouts need to maintain formal linkages with GED programs.

### **ACT Assessment (ACT) and Scholastic Aptitude Test (SAT)**

The ACT (formerly the American College Test) and the SAT (formerly the Scholastic Aptitude Test) are separate standardized college entrance exams used by many college admissions counselors to judge applicants by a common standard of measurement. College admissions counselors use the ACT and SAT to predict academic performance of a prospective student in the first year of college and as screening tools for college admission and eligibility for scholarships. By design, the ACT and SAT provide an assessment independent of high school grading systems. The ACT and SAT measure a student's abilities pertaining to reading comprehension, English proficiency, science reasoning, and mathematics.

An individual's ACT or SAT score often provides a basis for advising a student about applying to various universities and colleges. Also, it provides a foundation for anticipating future challenges and the types of academic support that may be needed to succeed in a postsecondary education program. For a variety of reasons, many youth do not 'test well' or perform well on standardized tests; thus student advisors should take into account additional aspects of performance such as grades, other achievements, and talents.

#### **English as a Second Language (ESL) or English Language Learners (ELL) Proficiency Testing**

Many education and youth development programs struggle to develop access to reliable academic and vocational assessment procedures for youth with limited English proficiency (LEP). A number of testing tools have been developed to support programs serving youth with LEP. For example, the Comprehensive Adult Student Assessment System (CASAS) is designed to assist in the assessment of LEP populations and is used in some One-Stop career centers as a tool to assess the academic skills of non-English speaking refugees, immigrants, and ethnic minorities. In addition to the CASAS, the Secondary Level English Proficiency Test (SLEP) is used by some education and youth

development agencies to help assess youth and young adults with LEP. The Tests of English as a Foreign Language (TOEFL) are used by colleges and universities throughout the United States to determine English proficiency of students from other countries prior to acceptance. An applicant who scores poorly on the TOEFL may be required to take special English preparatory classes prior to acceptance or during his or her first year.

The testing of English proficiency skills is crucial to the career development objectives of youth with identified oral, written, and reading language barriers. These tests can enable a youth to obtain access to ESL/ELL classes, GED classes, individual tutoring, and other forms of remedial education. In addition, LEP testing can help to identify the service needs of youth who are placed in competitive employment, job training programs, or career development activities. This testing information enables youth service practitioners to assess the suitability of various career development models and guide each youth to select appropriate services.

**Cultural Considerations in Assessment** Many education and youth development programs are inadequately prepared to provide assessments for youth from culturally diverse backgrounds. For this reason, it is important for youth service programs to incorporate cultural diversity in the design and delivery of its youth assessment services. A cultural diversity plan should consider the following issues: (1) recruiting youth service practitioners who reflect the cultural diversity of youth populations served; (2) ensuring that professionals and hired consultants are culturally and linguistically competent; and (3) ensuring that testing instruments, strategies, and methods selected for vocational assessment purposes are valid and reliable for the youth populations served-and where they are not, that alternate assessment activities are arranged.

The administration of reading-free career interest inventories or the use of hands-on vocational assessment activities, such as situational work assessment or occupational skills assessment, can offer helpful information when evaluating the job interests, skills, and behaviors of youth with LEP. These vocational assessment strategies reduce the relative importance of English language skills and enable a youth to participate in a vocational assessment through direct, hands-on experiences.

### **Educational/Psychological Domains-Cognitive Abilities Testing**

The cognitive abilities and preferred learning styles of youth are important factors in transition planning. Youth service practitioners need accurate information about a youth's intellectual or cognitive abilities in order to offer appropriate vocational guidance. This information is often fundamental to the selection of suitable postsecondary options including education, training, or employment pathways. When a youth's school and agency service records are unavailable or inadequate to address these questions, youth service practitioners can recommend the use of intelligence testing and other assessment tools to gather needed career planning information.

#### **Intelligence or IQ Testing**

Intelligence testing is the measurement of an individual's general cognitive ability to function within various community settings. The results of intelligence tests are normally reported in the form of standardized scores called an "intelligence quotient" or IQ.

Despite some historical controversy in educational assessment, IQ testing remains a core policy provision of IDEA for youth with disabilities who receive special education services. The IQ score continues to be used as a standard in public education to measure a youth's cognitive abilities and determine eligibility for special education and other remedial services. Intelligence testing is commonly used by secondary education and youth development programs to document the presence of mental retardation, some learning disabilities, and cognitive dysfunction. This diagnostic information is also necessary to determine disability eligibility and to enable access to many adult service programs for transition-age youth and young adults. Intelligence testing can only be administered and interpreted by licensed psychologists, psychiatrists, and psychometrists who have the proper training and qualifications. Thus, youth programs should maintain a directory of qualified professionals to whom they may make referrals.

The IQ test-in combination with other assessment strategies such as achievement, aptitude, and classroom testing-is a valuable tool contributing to the development of a youth's IEP. IQ tests may be helpful to youth service practitioners in planning educational objectives, teaching and learning strategies, and accommodations that may be needed by youth to succeed in various secondary and postsecondary career development programs-but IQ test scores should never be the sole criterion used to make decisions.

The most widely used IQ tests are the Stanford-Binet Intelligence Scale, Wechsler Adult Intelligence Scale (WAIS), Wechsler Intelligence Scale for Children (WISC), and Woodcock-Johnson III Tests of Cognitive Abilities. Each IQ test is unique, but all assess an individual's intellectual functioning by using various standardized scales or subtests. An IQ test measures a range of cognitive and intellectual functions such as verbal ability, critical reasoning ability, cognitive processing speed, knowledge comprehension, short-term memory, long-term retrieval, visual-spatial thinking, auditory processing, and creative problem-solving (Flexer, Simmons, Luft, and Baer, 2001).

It is essential for youth service practitioners to understand the meaning, uses, and limitations of IQ scores, and it is important to pay attention to overall IQ scores as well as the range of subtest scores. These may indicate specific problems in some cognitive areas or superior skills in others. By design, modern IQ tests provide an objective framework for identifying intellectual gifts and challenges. When an individual's IQ performance scores are significantly below the norm for peers, or when there is inconsistency among subtest scales, this is an indication that special education, academic tutoring, or remedial education may be helpful. When used properly, IQ tests offer a way to identify and better understand the learning and support needs of youth with disabilities. They should never be used as entrance criteria or as screening for access to services.

Some Web sites offer free online tests that purport to measure intelligence. Because IQ tests must be administered only by qualified professionals, these online tests should not be used by youth service practitioners.

### **Neuropsychological Testing**

Neuropsychological testing is used to examine brain function and identify cognitive disorders. The purpose of these tests is to diagnose localized organic dysfunction and to help determine rehabilitative

treatment that may be needed by individuals with brain injuries and related cognitive disabilities. For example, a youth with a brain injury may have cognitive dysfunction that results in the loss of memory, uncontrolled emotions, changes in physical capacities, or loss of communication abilities. All of these factors can directly impact a youth's academic, vocational, or employment success unless alleviated through rehabilitation and related services.

Neuropsychological testing is sometimes used to support educational and career planning for youth with diagnosed or undiscovered brain injuries. These highly specialized testing procedures can only be administered and interpreted by trained neuropsychologists and physicians. Reports can be made available to others with appropriate releases of information. It may be helpful to have the person who performed the assessment attend planning meetings if possible.

### **Testing for Learning Disabilities**

Psychological testing services are crucial to the formal diagnostic assessment of cognitive and intellectual disabilities. Tests such as the Diagnostic Assessment of Reading with Trial Teaching Strategies (DARTTS), Dyslexia Screening Instrument, Learning Disabilities Diagnostic Inventory, Peabody Individual Achievement Test-Revised Normative Update (PIAT-RNU), Peabody Picture Vocabulary Test-III (PPVT-III), Wechsler Intelligence Scales for Children (WISC), Woodcock Diagnostic Reading Battery, and the Woodcock-Johnson III Complete Battery (Tests of Achievement and Tests of Cognitive Abilities) are used to measure cognitive impairment, intellectual reasoning deficits, and other learning difficulties that may hinder present and future career development activities. Generally, only qualified psychologists or psychometrists should administer these tests.

The formal measurement of learning challenges and the identification of remedial strategies to enhance career development are vitally important skill sets for youth service practitioners. This is especially true for programs serving youth with developmental disabilities, mental retardation, learning disabilities, and other cognitive disorders. The presence of a cognitive or intellectual disability often requires specific academic accommodations to enhance participation in a postsecondary education or job training program.

### **Psychological Domain-Behavioral, Social, And Emotional Testing**

**Assessing Mental Health, Chemical Health, and Behavior** Manifestations of asocial, antisocial, self-injurious, age-inappropriate, or socially-inappropriate behaviors often limit job placement and other career opportunities for youth. The complexities associated with mental health, chemical health, and behavior management in the community often appear too risky, overwhelming, or costly to tackle. For example, secondary education students with emotional and behavioral disorders (EBD) or emotional disturbances (ED) are often wrongfully restricted from participating in community-based employment or job training activities in order to protect themselves as well as others. Other youth, including high school dropouts, substance abusers, or adjudicated youth, may also exhibit challenging patterns of social dependency, immaturity, instability, or impulsive behaviors.

A fundamental issue facing education and youth development agencies is the need to develop programs that fully engage youth who have mental health, chemical health, and behavioral issues. This means creating opportunities for youth to develop their knowledge, skills and abilities and to increase independence and self-sufficiency, yet retain proper safeguards to protect both the youth and others. Although this challenge is formidable, it is within the reach of education and youth development providers. If a youth's behavior impedes her performance and proves too challenging for the program, appropriate referral should be made to an alternative service program, such as vocational rehabilitation.

Programs are more successful if these youth have well-designed program plans that feature customized job placement goals, high attention to environmental conditions, structured supervision, and engagement of responsive behavior management plans that reward a youth's productivity and socially-acceptable behaviors. The development of customized job placement plans is best undertaken after conducting a formal assessment of a youth's problem behaviors. Mental health, chemical health, or behavioral diagnostic assessments can help to identify the possible causes (etiology), conditions under which the target behaviors occur (antecedents), and possible approaches that may be effective in reducing or minimizing the effects of the unwanted behaviors.

### **Behavioral Testing and Assessment**

A valid vocational profile for youth with ED, EBD, mental illness, or other conditions (such as autism or mental retardation) must include relevant information about their behavior in education, work, and community settings and how or if their medications may affect their work performance. Behavioral assessments may be more casual and gathered through informal processes, such as community-based assessments, using rating scales or pre-service assessment interviews with youth, educators, and family members. However, a formal, structured approach may be the most appropriate strategy for those who have serious and challenging behaviors. This is especially true for youth with histories of violence and socially aggressive or self-injurious behaviors.

Standardized behavioral testing instruments are available to assist youth service practitioners in the measurement of problem behaviors. These testing tools include the Behavior Rating Profile-2 (BRP-2), Behavioral Assessment System for Children (BASC), Conners Rating Scales-Revised (CRS-R), and the Vineland Adaptive Behavior Scales (VABS). These instruments can help to assess behavior in a number of core areas such as communications, daily living skills, socialization, and motor skills. Some behavioral assessment instruments such as the BASC can help identify students with a variety of maladaptive behaviors such as Attention Deficit/Hyperactivity Disorder or Adolescent Adjustment Disorder. Frequently, vocational evaluators, teachers, or work experience coordinators develop behavior observation forms that are aligned with educational, career technology or work programs.

The American Psychiatric Association's Diagnostic and Statistical Manual-Fourth Edition (2002), known as the DSM-IV, is also a valuable resource for educators, behavior analysts, psychologists, and other youth professionals who assist in the assessment and clinical diagnosis of mental illness or behavioral disabilities. The DSM-IV aids in the behavioral diagnostic testing of

youth by identifying maladaptive, aggressive, destructive, or other socially inappropriate behavior patterns. With these behaviors, screening skills can be very useful in trying to determine if and when assessment and intervention by psychologists or other is indicated.

Many education and youth development programs use interviews or custom-designed questionnaires in assessing youth suspected of having EBD or SED. These questionnaires can offer helpful insights about the possible etiology and future treatment needs of a youth with challenging behaviors. This information may be useful in developing effective behavior modification and intervention programs.

Addressing the maladaptive or socially disruptive behaviors of youth will often require the expertise of a trained behavior analyst, clinical psychologist, or psychiatrist. The implementation of effective behavior management plans can enable these youth to participate in appropriate career development opportunities. An effective assessment should address the origins and antecedents of the behaviors, as well as any ecological factors that tend to trigger them. A sound assessment will also examine potential medical reasons for unusual or unwelcome social behaviors. Finally, a good behavioral assessment should lead to ideas for treatment and intervention to help shape more socially acceptable behaviors and enhance opportunities for participation in community settings.

### **Mental Health Diagnostic Testing**

Since many education and youth development programs serve individuals with SED, EBD, and serious mental illnesses (SMI), youth service practitioners should understand the role of mental health diagnostic testing in facilitating a successful transition to adult mental health services. As previously discussed, the use of disability screening techniques can help identify symptoms of mental illness or emotional disturbance that are contributing to a youth's socially inappropriate behaviors. The goal of mental health diagnostic testing is to determine the presence, nature, and severity of a psychiatric, emotional, or behavioral disability. The information provided by mental health testing can be particularly helpful to those working to support youth who are experiencing serious psychiatric symptoms such as schizophrenia, major depression, bipolar disorder, or borderline personality disorder.

It is important to recognize and understand fundamental differences in mental health diagnostic testing procedures for children and adults. This is important for eligibility as well as therapeutic reasons. Unfortunately, local educational agencies and adult mental health systems do not use uniform testing procedures or nomenclature to define the presence of a disability. Students with EBD, for example, are rarely diagnosed with mental illness while in secondary education programs, possibly due to social stigma as well as difficulties in distinguishing adult psychiatric illness from the acute emotional turbulence that is common during adolescence. However, students with ED often do experience persistent mental health symptoms that are similar to psychiatric illness in adults.

An accurate clinical diagnosis is crucial to obtaining effective mental health treatment. This diagnosis will often determine a youth's eligibility for adult mental health services such as community support programs. They may include access to adult mental health case management services, supported employment, customized employment, independent living, residential, and other

psychosocial programs that many youth with psychiatric disabilities need to achieve stable community living.

Medications and maintaining a consistent regimen can be critical to work behavior and performance. It is necessary to work in concert with the youth, family members, and medical/psychiatric personnel to monitor medication usage and/or the need to alter medications. For example, a youth experiencing fatigue or lethargy on a new medication should be reported and monitored closely.

### **Chemical Health Diagnostic Testing**

It is common for troubled youth to turn to drugs and alcohol as a way to escape reality or defy authority. It is very challenging and often impossible to launch successful career education or job placement plans for youth who are actively abusing chemicals. For this reason, it is important for youth development professionals to be aware of any unusual changes in a youth's behavior that may be symptomatic of alcohol or illegal drug abuse. Sudden changes in mood or appetite, chronic absenteeism or tardiness, thought disorientation, or unusual physical symptoms may indicate a need for drug and alcohol screening. Referrals to inpatient or outpatient chemical health programs are often critical to the career development of youth with substance abuse problems. Proper diagnostic assessment and treatment of substance abuse must be managed by qualified alcohol and drug abuse treatment professionals.

### **Vocational Domain-Interests, Aptitudes, Skills, and Certification Testing**

**Purposes of Assessment in Work and Career Planning** One of the greatest challenges facing youth service practitioners is helping youth match interests, values, and abilities to suitable jobs, occupations, and career opportunities. Given their limited employment and life experiences, many youth need guidance to identify their vocational interests. Additionally, youth often have a limited understanding of the marketplace and the qualifications needed in their areas of interest. The ability of youth to benefit from work experiences, training, or employment opportunities depends largely on their interest in these activities.

Neubert (1985) and Leconte (1986) have identified seven major uses of informal and formal work and career assessment data:

- **Determination of career development:** To find out where the student stands in terms of career awareness, orientation, exploration, preparation, placement, or growth/maintenance.
- **Measurement:** To identify abilities, interests, capabilities, strengths, needs, potentials, and behaviors within the areas of personal/social, functional/academic, community/independent, employment, and employability.
- **Prediction:** To match an individual's interests and abilities with appropriate training, community employment, or postsecondary training.
- **Prescription:** To identify strengths and needs, and to recommend types of adaptive techniques and/or remedial strategies that will lead to improved career preparation and development.
- **Exploration:** To try out different work-related tasks or activities and to determine how interests match abilities for work-based experiences, community jobs, postsecondary, or other adult activities.

- **Intervention:** To implement the techniques or remedial strategies that will help a student explore career or work options.
- **Advocacy:** To develop a career profile to help students, their families, and others identify concrete ways to assist students in achieving their goals.

### Interest Testing

A variety of assessment inventories and tools are available to assist youth in recognizing their predominant interests and preferences. When used properly, these surveys can help youth understand how their interests have direct application to making good academic and career choices. Most career interest inventories are designed to assist youth (and adults) to identify and better understand their interests and connect them to specific job fields or occupational clusters. Interest testing can provide youth with a starting point to further study a range of job possibilities.

Some of the more common interest tests sold commercially include the Campbell Interest and Skill Survey (CISS), Career Exploration Inventory (CEI), COPSsystem Interest Inventory Form R (COPS-R), and the Harrington-O'Shea Career Decision-Making System (CDM-R). The Pictorial Inventory of Careers DV-2000 (PIC) and the Reading Free Vocational Interest Inventory 2 offer "reading-free" interest testing for youth who lack reading or English literacy skills.

A majority of interest inventories are surveys of self-reported interests and skills. When selecting interest inventories for youth, it is important to examine the test manuals to ensure the chosen test is appropriate for the age and grade level of the youth being assessed. It is also helpful to review the survey to determine the skills needed to take it, such as reading ability.

Computer software programs are being developed by both commercial and public service agencies to help match an individual's career interests and KSAs (knowledge, skills, and abilities) with specific careers or employment fields. These computer software programs can be helpful in a number of ways. First, electronic software programs can help to identify KSA clusters that are relevant to a spectrum of jobs and occupational fields. Secondly, these products enable youth service practitioners to quickly match a youth's career interests and KSAs with a range of possibilities under consideration by a youth and his or her advisors.

There are a number of high profile job search Web sites that offer career matching software programs for job seekers and employers alike. Some commercial companies such as Monster Board (<http://www.monster.com>), HotJobs (<http://hotjobs.yahoo.com>) or Career Builder (<http://www.careerbuilder.com>) offer useful job search tools. Career interest and job match software programs are sponsored in the public domain by federal agencies including the Department of Labor (DOL). For example, DOL's Career One-Stop (<http://www.careeronestop.org>), Career Voyages (<http://www.careervoyages.gov>), CareerInfoNet (<http://www.acinet.org/acinet>), America's Job Bank (<http://www.ajb.org>), and Employer Assistance and Referral Network (<http://www.earnworks.com>) are useful sites with many assessment tools used by career advisors serving youth throughout the United States. Finally, many state job service agencies, universities and colleges, and One-Stop workforce centers administer career interest and customized job match programs in the public domain to help job seekers, employers, and career counselors find current information about labor markets, economic trends, and emerging workforce issues.



### **Assessing Aptitudes, Work Behaviors, and Skills**

Although aptitudes, work behaviors, and skills are in different categories, it is difficult to separate them when it comes to assessment. Formal and informal assessments can identify an individual's ability to perform specific jobs and to exhibit behaviors and habits that match the work culture. By measuring these areas with paper and pencil, audio-visual, or computer-based assessment, and by analyzing physical activity, insight can be gained regarding an individual's potential.

### **Aptitude Testing**

The ability to identify a youth's KSAs is fundamental to planning and using academic and vocational assessment information. Identifying aptitudes, or potential to learn, provides meaningful information for youth and service providers to inform future career exploration. By design, an aptitude test measures the vocational potential or capacities of an individual to succeed in future career endeavors. Specific aptitude tests, such as the APTICOM, Armed Services Vocational Aptitude Battery (ASVAB), and Occupational Aptitude Survey and Interest Schedule (OASIS), measure an individual's aptitudes to succeed in specific areas. These may include a youth's capacities for numerical or abstract reasoning, mechanical proficiencies, form perception, verbal or language abilities, or other innate or learned talents under study.

When used with other assessment tools, aptitude testing can contribute to a more complete vocational profile and offer guidance concerning suitable secondary and postsecondary options. This is especially true in identifying career development pathways where specific academic or job strengths are known to be crucial and relevant. The use of aptitude assessment isolated from other vocational assessment information tends to screen out youth with significant disabilities. However, aptitude tests may be helpful when used as tools to identify customized job training, supports, or accommodations that may be needed by an individual to succeed in an occupation of high interest.

Keep in mind that aptitude means potential to learn. Aptitudes and skills should always be correlated with interests (and to a lesser degree, temperaments). For example, a youth may be interested in engineering but have poor academic skills and aptitudes-or another may perform poorly academically but have high interest and motivation for welding. Young people with high motivation may eventually succeed despite low reading or math achievement or aptitude scores.

Learning style preferences should also be determined in order to assist youth in understanding and articulating how they best receive or process information. A youth who is an auditory learner may not perform as well when given written instructions or assessments, and as a result his or her scores may not accurately represent his or her performance.

### **Situational Work Assessments**

Occupational skills and work behaviors can be assessed in situational work assessments and include capacities and competencies to perform essential job

duties of specific competitive employment positions. For example, the measurement of a youth's keyboarding proficiency may be predictive of his abilities to succeed in a job where the duties

require minimum standards of speed for data entry or word processing. Allowing a youth to try essential job functions of different jobs will help her decide if she really enjoys the work and if she has the stamina to meet work requirements.

In a similar way, situational skills assessment can be used to assess the KSAs of youth for a wide range of competitive jobs. This is accomplished by determining the core job competencies and duties required of a skilled worker and then comparing the actual performance of a youth who is being assessed. For example, a competitively employed housekeeper may be required to clean ten hotel rooms over an eight-hour work period. In this instance, the skills and productivity of a youth can be measured by comparing his capacity to clean a similar number of rooms while meeting the hotel's standards for cleanliness and job performance quality. Similarly, an assessment can be designed to assess other skills such as those needed to write a computer program used in business or manufacturing.

The outcomes of occupational skills assessment are not entirely predictive of future success in a competitive job situation but they often can lead to job skills training, apprenticeships, or internships that help youth to increase their competency and productivity. They can also lead to the development of creative, individualized job placement plans such as customized employment or "job carving"-a restructuring of job duties or tasks so that a youth with documented KSAs can successfully perform job functions of high interest. Typically, job carving is provided for people who cannot, for a variety of reasons, perform the entire job or the whole range of skills required.

In special education programs and community rehabilitation organizations, situational work assessments are also often used to study the "soft skills" needed in employment. They include an assessment of basic work behaviors and skills through practical hands-on work experiences.

Situational work assessments are often supervised by trained vocational evaluators, educators, or community rehabilitation professionals.

Situational work assessments are ideally provided in partnership with community businesses but may also be offered in settings controlled by education or youth service providers. Business settings work well because they offer a more accurate view of a youth's performance within the context of normal business rules and practices. Situational work assessments can lead to the development of baseline data and assist youth service practitioners in engaging customized job training or other work supports a youth may need to obtain a satisfactory job placement outcome.

Youth with identified behavioral disorders can benefit greatly from situational work assessments. In a work setting with appropriate supports and careful supervision, youth with behavior problems can often experience success. If work assessments are provided in local businesses, it is very important to educate employers about working with youth with disabilities. This may mean receiving permission from a youth and his or her guardians to share information with a business before it agrees to host a situational work assessment.

Wages can sometimes be an issue in work-based assessments. On-the-Job Training (OJT) or wage subsidy programs can be used on a time-limited basis to help compensate a participating business for their contributions of time and support on behalf of a youth receiving assessment

services. DOL permits the use of time-limited waivers when a youth with a disability is undergoing a vocational evaluation or work assessment in partnership with a community business. More information about wage issues can be found at your state's department of labor or at the U. S. Department of Labor's Wage and Hour Division (<http://www.dol.gov/esa/whd/>).

### Work Sampling

Work samples are standardized testing instruments that are sometimes used to help assess the job potential of youth. Standardized work samples offer the qualities of testing validity and reliability because they are statistically normed to specific populations. A number of commercially available work samples, such as the VALPAR Work Samples, are sometimes used to assess a youth's vocational potential or abilities to perform in jobs within specific career fields. Following each testing procedure, the outcome performance of a youth is compared to the performance scores of target populations. The goal is to gain a better understanding of the vocational potential of a youth in comparison to his peers or other groups. Frequently for youth, commercially available work samples are used for career exploration, and norms are not used.

In addition to commercially developed products on the market, some secondary education, youth development, and community rehabilitation programs have chosen to design and use their own work samples. Custom-designed work samples enable trained vocational evaluators to measure the skills and performance of a youth with regard to specific tasks or occupations. The advantage of using custom-designed work samples is the ability to use locally developed norms to compare the job performance of the youth to peers or industry standards (i.e., other students, youth, co-workers, master craftsmen, etc). The disadvantage is the limited amount of validity and reliability data available. But most locally developed work samples have high face validity: they look like work, sound like work, and feel like work. They provide hands-on work exploration while also identifying interests, skills, aptitudes, work behaviors, and temperaments. Most youth enjoy performing work samples and get a real taste of the tools, materials, and equipment a job or training program might entail.

In recent years, there has been much criticism concerning the use of standardized work samples because of their potential for misuse in screening people with disabilities away from postsecondary and employment options. A growing number of school settings, youth development programs, and community rehabilitation programs are adopting assessment methods that are more inclusive in exploring career opportunities for youth. Although work samples may offer useful information in controlled situations, test scores should be used with great care. It is never appropriate to use only standardized testing procedures of any kind to make sweeping, predictive assumptions about a youth's ability to work in the competitive labor market.

### A Word about Work Environments

Ecological or environmental assessments examine a variety of factors that may contribute significantly to the success of an individual at work. These may include, but are not limited to, availability of close supervision; style of supervision (i.e., casual vs. autocratic); physical building

structures and layout of the learning or working environment; flow of product or service processes; effects of formal and informal rules; social interaction demands of others (i.e., co-workers, classmates); sensory stimuli such as noise, motion, temperature, air quality, etc.; work schedules and time requirements; opportunities for independence and decision-making; performance expectations of authorities; and opportunities for self-correction. Temperaments (preference of working with data, people, or things; preference for indoor vs. outdoor work; working with people or alone) play a large role in ecological assessments.

Some environmental conditions are more likely than others to promote unwanted social behaviors. For example, classroom or business settings that produce high levels of sensory stimulation may tend to increase discomfort and anxiety in some youth. These types of environments may supply the trigger for socially unacceptable behaviors or work habits. Certain types of education and business environments may be more tolerant of nonstandard behaviors exhibited by a youth. For example, the loading dock of a trucking company may be more tolerant of a youth's use of profanity than the local community library. Or a youth with a diagnosis of Attention Deficit Disorder (ADD) may function more effectively in a warehouse that requires rapid movement, changes in job tasks, and physical stamina than in a sedentary job that requires continuous concentration.

Some companies or organizations are better than others in welcoming and mentoring new employees. However, all youth who are placed in jobs or work experiences should be prepared for the particular workplace culture they will encounter. Appropriate job matches and effective career preparation or training can help a new employee feel more comfortable and adapt to the work environment.

**Certification of Occupation Specific Skills and Credentialing** Employers often require certification of skills and knowledge based on industry standards for the hiring or promotion of employees. Therefore, a youth's vocational development goals may dictate the need for training leading to standardized assessments certifying skill levels or ensuring that minimum standards of proficiency have been achieved.

Skills certification testing is used for performance assessment and credentialing by postsecondary vocational technical training schools, colleges, on-the-job training programs, and other job preparation programs. Skills certification testing is also an industry and business requirement for recruiting qualified employment candidates. Procedures used for credentialing can include the administration of written or computerized examinations as well as functional skills assessments. Some require performance-based activities.

Skills standards established by industries help secondary and postsecondary education and job training programs produce better qualified candidates to meet the skilled labor needs of businesses and industries. Credentialing exams help job candidates communicate their skills to prospective employers; they also help learners identify training they will need to advance in their chosen career fields. Ultimately, the certification process helps employers build a workforce capable of meeting the highest performance standards in an increasingly competitive global economy.

### **Vocational/Medical Domains-Physical and Functional Capacities Testing Assessing Work Capacities**

In some instances, it may be helpful to assess the muscular strength, endurance, motor coordination skills, and other physical capacities of youth with disabilities. This is particularly true for youth who are physically or medically fragile due to chronic diseases, progressive illnesses, and other health conditions that limit physical strength or motor capacities. For example, a youth's ability to manage a full-time work schedule or perform tasks that demand physical exertion, strength, or motor skills coordination is very important information for matching a student to suitable employment or career fields. This information is also critical to identifying needs for accommodations so a youth who is physically or medically fragile can handle the essential functions of a job or participate successfully in a postsecondary education program. It is important to remember that youth may eventually develop physical capacities as they grow and mature physically.

Work capacities testing can also give some indication if a particular type of work is appropriate for an individual based on age or maturity level. For example, an immature youth may not be ready to function in a job with high social demands and responsibilities such as a nursing assistant or child care aide. Or a youth who is lacking in emotional maturity may not be ready to manage the hectic pace of a typical lunch hour at a local fast-food restaurant chain.

The following assessment techniques are used to assist in identifying a youth's physical capacities.

### **Work Tolerance and Functional Capacities**

Assessment Work tolerance testing (also known as work hardening assessment) is a structured process for examining and measuring the physical endurance, strength, motor coordination skills, and emotional capacities of a worker when performing essential job tasks. These types of assessments are commonly used for people who have serious medical problems or who have had significant injuries, often job-related. The goal of work tolerance testing is to measure whether a worker can manage a regular job routine or full-time work schedule and perform essential job tasks without excessive fatigue or pain. Work tolerance testing also measures range of motion, lifting and carrying, manual dexterity, and motor coordination skills that are necessary to do a job successfully.

Work tolerance and functional capacities assessments can be conducted in formal as well as informal testing formats. A number of commercially developed testing strategies are available to assess physical capacities, and work tolerance assessments also can be conducted in real job settings in ways similar to situational work assessments. In these instances, the assessment of physical and emotional work capacities is achieved by observing and recording the job performance of youth in competitive business environments. Standardized work samples are sometimes used to measure a worker's ability to perform specific physical movements (e.g., stooping, reaching) or coordination of motor skills (e.g., hand-eye coordination).

Work tolerance testing is normally conducted by trained vocational evaluators who are skilled in these assessment methods and procedures. Job coaches, occupational therapists, physical therapists, and rehabilitation engineers are often knowledgeable about assistive technologies or

accommodations that can enhance the functionality of people with physical or emotional limitations. Care must be taken to follow a physician's guidelines in order to prevent harm or additional physical or medical injury to the youth.

### **Motor Skills and Manual Dexterity Testing**

Some standardized assessment tests, such as the Crawford Small Parts Dexterity Test or the Purdue Pegboard Test can measure a youth's finger dexterity, manual dexterity, or hand-eye coordination. These dexterity tests can help to measure a youth's capacities to move hands, fingers, arms (gross movement), or to control the movement and manipulation of small objects. This information may be helpful to youth with complex physical disabilities who are considering careers or job opportunities in fields that require good manual dexterity. Also, these tests can help to determine needs for assistive technology or accommodations that may enable a youth to perform the essential functions or tasks of a desired job.

### **Assessing Assistive Technology Needs and Making Accommodations**

Sometimes youth can improve their skills or behaviors through education or training so they can manage the essential functions of a desired job. And sometimes tasks can be restructured or workplaces can be modified so a youth can perform the essential functions of a desired job. Assistive technologies can also be introduced to bridge gaps in a youth's functional skills or capacities, thereby enabling him or her to perform the essential functions of a desired job.

The Rehabilitation Act of 1988 first acknowledged the rights of youth with significant disabilities to obtain assistive technology assessments in order to determine their ability to benefit from vocational rehabilitation services. According to the Act, "assistive technology means any item, piece of equipment, or product system, acquired commercially, modified, or customized, that is used to increase, maintain, or improve the functional capabilities of individuals with disabilities." The Technology and Related Assistive Technology Act of 1988 further defined the rights of people with disabilities to access needed technologies by: "(1) identifying federal policies that facilitate payment for assistive technology devices and assistive technology services, (2) identifying federal policies that impede such payment, and (3) eliminating inappropriate barriers to such payment."

### **Assistive Technology Assessments**

The field of rehabilitation engineering and assistive technology is rapidly evolving and is contributing amazing quality of life enhancements for people with disabilities. The expertise of rehabilitation engineers and technologists, occupational therapists, vocational evaluators, and supported employment professionals may be helpful in the technology assessment needs of youth with significant disabilities. The goal is to examine how commercially made products or custom-designed technologies can be used to improve the functionality and capabilities of youth with complex physical, intellectual, or emotional disabilities.

Assistive technology assessments can offer valuable information about the functional capacities of youth and whether technology can be effectively used to ameliorate the effects of a disability. For example, assistive technology applications can include high tech equipment such as hearing devices, robotic arms, or talking computers. However, a majority of assistive technologies involve low-tech applications such as the use of Braille or lowering the height of a work table for someone in a wheelchair. Frequently, low-tech devices can solve accommodation issues.

In summary, assistive technology assessments can examine and improve a youth's opportunities for integration so he or she can (a) participate and succeed in mainstream educational programs or (b) perform the essential functions of desired jobs in the competitive labor market. The use of assistive technology in the classroom and workplace requires creative problem-solving skills and ingenuity and access to an expert.

### **Assessing Postsecondary Training and Workplace Accommodations**

Youth with disabilities often need adaptations in classrooms or worksites to accommodate or alleviate the affects of their disability. Vocational assessments can lead to practical ideas for job or training accommodations at businesses or in postsecondary training programs. Such accommodations might include modifications to a job, restructuring of tasks, use of job coaches to assist with training, use of interpreters, or alternative methods of communication. Assessing the need for accommodations often goes hand in hand with assessing assistive technology needs.

### **Medical and Physical Capacities Testing**

The use of medical diagnostic testing information is fundamental to effective career planning for youth with serious health and physical disabilities. The use and integration of medical and physical capacities information is important in determining the suitability of career development goals and any specific needs a youth may have for accommodations in education, training, or employment settings. For example, the presence of chronic diseases or progressive illnesses such as multiple sclerosis, muscular dystrophy, diabetes, cancer, cystic fibrosis, or heart disease can have serious career development implications.

The use of diagnostic testing and the expert guidance of a physician or other medical specialist (e.g., a heart surgeon, oncologist, or physical therapist) is essential and can offer new information about functional or capacities limitations that may be associated with specific conditions. Medical professionals can also be instrumental in helping youth with chronic medical conditions monitor their situations and perform their own health care tasks.

### **Physical, Speech and Occupational Screening**

Some youth with disabilities may lack the physical, speech, or daily living skills they need to obtain desired academic or vocational goals. Many local education agencies and therapeutic service programs offer screening services to assist youth in identifying and measuring specific physical, speech, and functional living skills capacities. These diagnostic screening services are provided by therapists and clinicians who are trained in their respective disciplines (e.g., speech, audiology, or occupational therapies). Therapeutic screening support is often helpful to youth with some disability

conditions in planning for needed supports as they pursue their postsecondary education, training, employment, and independent living goals.

### **Independent Living Skills (ILS) Assessments**

This category of testing does not fit specifically in any domain but can be a very important piece of the assessment puzzle. By late adolescence, many youth are making plans for moving out and living on their own. Skills needed for independent living are taken for granted by many youth, but youth with disabilities may have physical or intellectual limitations that prevent them from engaging in many adult activities without supports or assistance. Assessment and instruction in these activities of daily living (ADLs) are common in schools and rehabilitation programs and are important to consider when planning for transition. ADL assessment areas include

- transportation and mobility,
- personal care (clothing, grooming, nutrition, medical),
- recreation and leisure,
- home maintenance, and
- communication skills.

Specially trained teachers, instructors, and therapists can assess individuals in these and other areas. Often the service provider has a specialty area (vision loss, deafness, mental retardation, etc.) and will work with individuals in the community, in schools, or in residential settings. Other times, extensive longer-term training is required and is done in the rehabilitation centers found in many communities. This training is sometimes called pre-vocational because it may need to be completed prior to individual participation in vocational activities.

## **12.2 SELECTION ASSESSMENT METHODS**

Organizations compete fiercely in the war for talent. Many invest an enormous amount of money, time and other resources in advertising and recruiting strategies to attract the best candidates. This is because today's executives understand that one of the most important resources in organizations—if not the most important—is human resources. Yet, when it comes to actually assessing which job candidates are likely to perform most effectively and make the most significant contributions, a large number of organizations employ rudimentary and haphazard approaches to selecting their workforces.

This represents a serious disconnect for organizations that purport to have a strategic focus on increasing their competitive advantage through effective talent management. The disconnect stems from the fact that many organizations fail to use scientifically proven assessments to make selection decisions, even though such assessments have been shown to result in significant productivity increases, cost savings, decreases in attrition and other critical organizational outcomes that translate into literally millions of dollars. Thus, there are real and very substantial bottom-line financial results associated with using effective assessments to guide selection decisions. One reason why more organizations do not use rigorous assessments to select employees is because many executives



and HR professionals have misconceptions about the value of using them. Some of the most common misconceptions are presented below.

### **12.3 COMMON MISCONCEPTIONS ABOUT SELECTION TESTS (ALL MYTHS)**

- Myth: Screening applicants for conscientiousness will yield better performers than screening applicants for intelligence.
- Myth: Screening applicants for their values will yield better performers than screening applicants for intelligence.
- Myth: Integrity tests are not useful because job candidates misrepresent themselves on these types of tests.
- Myth: Unstructured interviews with candidates provide better information than structured assessment processes.
- Myth: Using selection tests creates legal problems for organizations rather than helps solve them.

Another reason why formal assessments are not used more in organizations is that there tends to be a lack of knowledge about the types of assessment methods that research has shown to be most effective for identifying who will perform best on a job.<sup>2</sup> This, coupled with the fact that the area of selection testing is inherently technical and difficult to understand, leads many organizational decision makers and HR professionals to shy away from using formal assessments to guide their selection decisions.

A final reason why more organizations do not use effective assessments may be attributable to the multitude of consulting firms selling different selection products and tools. It is important for organizational decision makers and HR practitioners to be educated consumers regarding these products to ensure they are bringing competently developed and effective assessment methods into their organizations. Most organizations use a funneling approach to selection, where more informal tools and procedures are used initially to reduce the pool of candidates to a manageable number of individuals who may then be put through a more extensive assessment process.

Common initial screening devices include resumes, application blanks and reference checks, which are generally used to identify and exclude obvious misfits or poor performers from further consideration. Another initial screening device is the informal meeting or phone interview, which is often used to allow organizational members direct interaction with potential candidates. While these initial screening devices have a useful place in the overall selection process, the focus of this paper is on more formal assessment methods. We specifically focus on those that research has shown to have a proven track record of helping organizations build high-quality workforces by identifying individuals who will perform effectively, achieve results and make important contributions on the job.

## 12.4 WHAT ARE SELECTION CRITERIA AND HOW ARE THEY USED?

Selection criteria describe the personal qualities, skills, abilities, knowledge and qualifications (if any) a person needs to perform the role effectively. They are used to identify the right person for the role.

Selection criteria are sometimes divided into:

- IMPORTANT criteria
- LESS IMPORTANT criteria

Important criteria are weighted equally (unless explicitly stated otherwise).

Less Important criteria are rated equally and have a lower weighting than Important criteria. However, your chances of progressing through the selection process (e.g. being short-listed) will be greater if you meet all the selection criteria, as you may be competing against many applicants.

Selection criteria can also be divided into:

- Essential criteria ('must have' criteria)
- Desirable criteria ('nice to have' criteria).

The selection advisory committee will rate applicants against the criteria in order to select the right applicant.

You must meet all of the 'essential' criteria in order to be seriously considered for a role. It is not necessary for you to have the qualifications, skills and knowledge outlined in 'desirable' criteria. However, your chances of progressing through the selection process (e.g. being short-listed) will be greater if you meet all the selection criteria, as you may be competing against many applicants.

## 12.5 HOW DO APPLICANTS ADDRESS SELECTION CRITERIA?

The key is to:

- demonstrate capability by providing evidence of how you meet the selection criteria;
- provide specific details; and
- where possible, include an indicator of success or a result.

An easy way to do this is to use the **STAR** model - that is:

Situation - provide a brief outline of the situation or setting

Task - outline what you did

Approach or action - outline how you did it

Result - describe the outcomes.

### Step one - Understanding the selection criteria

As an example, take the capability written communication skills. The associated selection criterion could be;

Well developed written communication skills. This includes the ability to:

- structure written communications such as reports to meet the needs and understanding of the intended audience;
- express opinions, information and key points of an argument clearly and concisely; and to
- write convincingly in an engaging and expressive manner’.

It is important that you clearly understand what is meant by each selection criterion before putting pen to paper.

### **Step two - Opening sentence**

When addressing each selection criterion, you should begin with an opening sentence that clearly states your claim to this criterion. For example:

I possess strong written communication skills, which I have developed over the course of my career’.

This opening statement needs to be supported by detailed examples of where you demonstrated these skills in the workplace (or other context if workplace examples are not possible). The following steps will help you to provide a structured, easy-to-understand response.

### **Step three - Brainstorm ideas for each criterion**

For each selection criterion, brainstorm ideas from your recent work life. Ideally, you should confine your examples to the last two or three years of employment. Where you do not have relevant work examples, situations from different aspects of your life (e.g. university, clubs or the community) may also demonstrate relevant strengths. For instance, acting as the secretary for a large club may be an appropriate example for the selection criterion described above.

Let’s take an example of a Senior Project Officer (APS6) role, which includes ‘well developed written communication skills’ as one of the selection criteria. An applicant may come up with the following situations which could illustrate their written communication skills:

- Project Officer at Department of XYZ - needed to write report on project planning methodologies
- when Research Support Officer at Department of XYZ - designed and compiled a monthly newsletter
- research project when at GBL Company - needed to collate diverse sets of data, organise the information into topic areas, and synthesise into a paper for senior management.

At this stage, it is useful to generate as many examples as possible.

### **Step four - Expand on your brainstorming ideas - provide the evidence**

You should then expand upon the points that you have noted as part of the brainstorming activity in step three. Go back to each specific criterion and make your final choice on which examples to use, by matching them against the wording of the criterion.

Once you have finalised your examples, you need to demonstrate how they meet the different aspects of the criterion. In doing so, it is important that you are very specific and describe exactly

what you did, including the outcome. This is to demonstrate convincingly that you have met the requirements of each criterion.

Here, the **STAR** method described earlier can be used.

For example:

- Situation - Role as Research Support Officer at Department of XYZ
- Task - Needed to ensure that managers were kept informed of policies and procedures
- Action or approach - Initiated monthly newsletter, which was emailed to each manager. Took responsibility for writing the main articles. This involved obtaining ideas and input from other stakeholders to ensure that the articles reflected managers' needs (in terms of content and language)
- Result - Feedback was consistently excellent. Received divisional achievement award for newsletter quality. Led to improved lines of communication between managers and the Research Support Unit.

Once this has been achieved, the applicant can then write the draft paragraph in full. For example:

‘As Research Support Officer at the Department of XYZ, I needed to ensure that managers were kept informed of policies and procedures. To do this, I initiated a monthly newsletter, which was emailed to each manager. I took responsibility for writing the main articles in each publication. This involved obtaining ideas and input from other stakeholders to ensure that the articles reflected the needs of managers, both in terms of content and language. I received consistently excellent feedback in relation to this newsletter from these internal clients and my own manager. I received a divisional achievement award for the quality of this newsletter from management. Importantly, this initiative resulted in improved lines of communication between managers and the Research Support Unit’.

### Step five - Checking work

At this stage, you should read through your application, and check the following points:

- **Have I used positive and specific language?**

It is important that you avoid ambiguous or unclear expressions such as ‘involved in’ or ‘assisted’.

These expressions make it difficult for the reader to understand exactly what you did. For example, instead of ‘I assisted the process through a monthly newsletter’, this idea has been phrased as ‘I initiated a monthly newsletter’.

Words and phrases which could reduce credibility should also be avoided (e.g. some, a little, limited, somewhat).

- **Have I used strong action (doing) words?**

- Avoid using passive language when describing your experience. For example, ‘I received consistently excellent feedback in relation to this newsletter from these internal clients and my own manager’, is better than simply stating, ‘Feedback in relation to this newsletter was consistently excellent’.

- **Have I avoided unsupported claims about my capabilities?**

For example, rather than simply saying, ‘The newsletter was received well by others’, this assertion is substantiated in the following way:

‘I received a divisional achievement award from management for the quality of this newsletter’.

- **Have I addressed all aspects of the criterion?**

At this stage, it is important that you go back to the wording of the particular selection criterion. As mentioned earlier, ‘Well developed written communication skills’ includes the following components:

- structure written communications such as reports to meet the needs and understanding of the intended audience;
- express opinions, information and key points of an argument clearly and concisely; and to
- write convincingly in an engaging and expressive manner.

In reading the paragraph written earlier, it is clear that its content refers mainly to the first descriptor, that is, ‘Structure written communications to meet the needs and understanding of the intended audience’.

Therefore, it will be important that the applicant addresses the remaining two descriptors in additional paragraphs which will comprise the full statement for the criterion ‘well developed written communication skills’.

- Have I paid attention to the language of the criterion?

For example, writing a paragraph around an example which demonstrates ‘Well developed written communication skills’ requires the applicant to focus on actual experiences which show the extent of their skills in this area. However, if the criterion was phrased as ‘Knowledge of effective written communication skills and techniques’, this would require different examples which do not necessarily rely on the applicant describing their actual performance in the workplace.

## 12.6 STRUCTURE OF THE DOCUMENT

### *Layout*

Where appropriate, dot points should be used, rather than using long paragraphs of text. This ensures that the statement is as easy as possible for the selection team to read (and also demonstrates written communication skills in the document itself).

### *Length*

Conciseness is important in a document of this type. About 250 words is generally an appropriate length for each criterion. However, this may depend upon factors such as the role being applied for.

### *Presentation*

You should ensure that:

- there are no errors anywhere in the document;
- the document is formatted neatly; and
- the sentences are grammatically correct and concise.

## 12.7 DEVELOPING AN EFFECTIVE WORKFORCE

A workforce is a company's employees, or staff. No matter the size of the staff, a company's productivity depends on having competent employees and, on top of that, employees who work well together. Developing a workforce that maintains a company's success is a common challenge that many business owners, administrators, managers and team leaders must face.

These are guidelines for how to develop an effective workforce

- 1. Identify your goals.** In order to develop a workforce that best meets your company's needs, it is first necessary to determine what you want to accomplish. For example, if your primary focus is to exceed last year's sales, then your workforce development goals may be to hire talented sales people and to employ support staff that will work closely with the sales team to follow-up on customer service issues
- 2. Consider the scope of projected tasks.** Your workforce must be qualified to successfully navigate through every aspect of what needs to be accomplished. Therefore, you must take the following into account when determining how proficient your workforce is in relation to your company's goals:
  - Employee competence. Consider the amount of experience your current employees have, and also how competent they are. Identify areas of strength and weakness. You may need to offer more training, supplement your workforce with more support staff or hire new employees altogether.
  - Time frame. Developing a workforce takes time. Taking your company's immediate and projected needs into account, determine if you have time to train new employees, or if you need to focus on promoting existing employees into revised roles.
  - Company culture. A culture that promotes autonomy, personal growth and skill development, and that embraces change, is most conducive to building an effective workforce.
- 3. Organize the workforce in a way that promotes teamwork.** Departments and employees must be interdependent if they are to work together effectively.
  - Question company policies and procedure that have been in use for long periods of time. If your workforce is not effective, those policies and procedures may need some updating. Identify roadblocks in productivity caused by faulty company practices.
  - Take inventory of employees' strengths. Determine if you can revise occupational roles in a way that makes the best use of those strengths, and that encourages employees to make use of task management methods that are best suited to them.
  - Involve employees on every level in the organization and policy-making process. Ask for input, and take that input into consideration.

4. **Provide additional training.** Seminars, meetings, classes, weekend retreats, team building exercises, mentoring and web-based training programs are several ways you can help improve your employee's knowledge, skill set and cooperative efforts. Remember that retention requires repetition, so make sure to offer training consistently and often.
5. **Hold employees accountable for their productivity.** Once you've made the effort to develop an effective workforce by defining your goals, revising employee roles and responsibilities, rethinking the organizational structure of your company and providing the necessary training, it is up to your team to work toward maximum productivity. Make it clear to your employees that you expect their best work, and that you will be making regular assessments of the effectiveness of your new workforce model and making changes accordingly.
6. **Assess productivity regularly.** Establish a method of measuring employee performance so that you can continuously make accommodating changes in staff, training, resources and/or project scope. Keep in mind that developing a workforce is a process-not an event.
7. **Use reinforcement.** Encourage the repetition of productive behaviors and the avoidance of counterproductive behaviors by employing the principle of reinforcement in its 4 forms: positive, negative, punishment and extinction.
  - Positive reinforcement involves offering recognition for accomplishments, attitudes and practices that contribute to an effective workplace.
  - Negative reinforcement pertains to situations in which employees practice a desired behavior in order to avoid a negative consequence.
  - Punishment requires that you instate a consequence in response to an employee's negative behavior.
  - Extinction implies the threat of firing due to counterproductive behavior.

## 12.8 DEVELOPING EFFECTIVE WORKFORCE

The dominate trend in corporate America over the past ten years is to cut cost through headcount reduction, reducing maintenance activities and a variety of other arbitrary means. Many view headcount reduction as the only means of achieving a competitive position that would permit our industries to survive in the ever-increasing competitiveness of the world market. Unfortunately, companies cannot cost cut their way to prosperity. If cutting cost is not the answer, to only real option is to increase the productivity of our critical assets. This is certainly true of our workforce.

Research has clearly show that a one per cent increase in workforce productivity will produce more than ten times the financial impact as a one per cent reduction in operating costs. Unfortunately, old habits are slow to die and this is evident in the manner in which corporate America approaches workforce productivity. Instead of a focused effort that would universally improve productivity, we continue to rely on a small core group of superstars who somehow get us through the myriad of crises that are a constant part of our day-to-day activities. The challenges generate by growing competition worldwide are too broad and too deep for this old approach to succeed. Instead, our survival depends on the ability to achieve and sustain maximum productivity from the entire workforce, not just a cadre of over-achievers.

Achieving a universal maximum effort from our workforce will not be easy, but it is certainly not impossible. There are four essential steps required to achieve sustainable workforce performance levels:

### **Develop A Team Culture**

The first step is to develop a process that will integrate your superstars into a cohesive, focused team. In addition to increasing the performance levels of the over-achievers, this integration will multiply the superstar's performance contribution, as well as provide the mentoring and training needed to raise both the skills and performance levels of the entire workforce. We learn best through imitation and without good models there is little chance that overall workforce performance will change. Integrating the superstars into the organizational team will raise the bar for the entire organization.

### **Align Roles and Responsibilities**

In too many cases, the organizational structure and staffing do not coincide. Instead of creating structures based on the functional needs for effective planning, management and execution of the work necessary to cost-effectively perform the company's mission; they are created around the cadre of superstars. While this approach may work in the short-term, it cannot sustain the performance levels are essential for long-term survival.

The key to workforce productivity is to ensure that each worker is in a role, for which he or she is competent, or can become competent, as well as effectively and efficiently perform his or her duties. In addition to the technical skills, each employee must want to perform his or her function and have a passion to excel.

### **Clear Performance Goals**

The workforce will function at the expectation levels established by the corporation. If mediocrity is acceptable, that is exactly the level of performance that the workforce will produce. Every employee will respond to a realistic challenge, management must establish performance goals that will stretch performance levels of the entire workforce and each of its individuals.

Universal Accountability Management must uniformly hold the workforce accountable for its actions. This does not mean punishing employees for mistakes or falling back to the well-established mentality of fixing blame whenever things go wrong. Instead, the workforce must understand that management is serious about achieving established performance levels and will not tolerate behavior that is not supportive or is contrary to them.

Relying on superstars or cost reductions for long-term survival has not and cannot work. Organization decision-makers must find a way to raise the performance level for all of their workers, from the boardroom to the shipping dock. To do so mean thinking holistically and systematically about the structure and processes that affect your ability to compete in the marketplace and ensuring that all restrictions or impediments to excellent performance are eliminated. Let your workforce do its job. They might surprise you.



### **Motivation**

There is a widely held misconception that the only factor that motivates the workforce is money. Too many corporate managers, at all levels, fail to understand that many other methods are more effective in motivating their workforce. The key to motivation is getting employees to want to do a good job. In this light, motivation is something that must come from within an employee, but the supervisor must create an environment that encourages motivation on the part of employees.

### **Recognizing Needs**

Every supervisor knows that some people are easier to motivate than others are. Why is this true? Are some people simply born more motivated than others are? No person is exactly like another. Each individual has a unique personality and makeup. Because people are different, different factors are required to motivate different people. Not all employees expect or want the same things from their jobs. People work for different reasons. Some work because they have to work; they need money to pay bills. Others work because they want something to occupy their time. Others work so they can have a career and its related satisfactions. Because they work for different reasons, different factors are required to motivate employees.

To understand the behavior of an employee, the supervisor should always remember that people do things for a reason. The reason may be imaginary, inaccurate, distorted, or unjustified, but it is real to the individual. Identifying the reason is necessary before the supervisor can understand the employee's behavior. Too often, the supervisor disregards an employee's reason for a certain behavior as being unrealistic or based on inaccurate information. Such a supervisor responds to the employee's reason by saying, "I don't care what he thinks—that is not the way it is!" Supervisors of this kind will probably never understand why employees behave as they do.

Another consideration in understanding the behavior of employees is the concept of the self-fulfilling prophecy, known as the Pygmalion effect. This concept refers to the tendency of an employee to live up to the supervisor's expectations. In other words, if the supervisor expects an employee to succeed, the employee usually will succeed. If he expects them to fail, failure usually follows. The Pygmalion effect is alive and well in most plants. When asked the question, most supervisors and managers will acknowledge that they trust that small percentage of their workforce will effectively perform any task assigned to them. Further, they will state that a larger percentage is not trusted to perform even the simplest task without close, direct supervision. They exhibit these beliefs their interactions with the workforce and each employee clearly understands where he or she fits into the supervisor's confidence and expectations of them as individuals and employees. The "superstars" respond by working miracles and the "dummies" continue to plod along. Obviously, this is no way to run a business, but it has become the status quo. They make little, if any effort, to help under-achievers become productive workers.

### **Reinforcement**

The workforce will repeat reinforced behavior more often than behavior than those that are not. For instance, given a pay increase when their performance is high, employees are likely to continue to strive for high performance in hopes of getting another pay raise.

There are four types of reinforcement: positive, negative, extinction, and punishment.

**Positive reinforcement** involves providing a positive consequence because of desired behavior. The majority of plant and corporate managers follow the traditional motivation theory that assumes money is the only motivator of people. Under this assumption, financial rewards are directly related to performance in the belief that employees will work harder and produce more if these rewards are great enough. However, money is not the only motivator. In fact, money can be a negative motivator. For example, many of the incentive bonus plans for production workers based on total units produce within a specific time (i.e. day, week or month). Since there is nothing in the incentive that addresses product quality, production or maintenance costs, the typical result of these bonus plans is an increase in scrap and total production cost.

**Negative reinforcement** involves giving a person the opportunity to avoid a negative consequence by exhibiting a desired behavior. Both positive and negative can be use to increase the frequency of favorable behavior.

**Punishment** involves providing a negative consequence because of undesirable behavior. Both extinction and punishment are used to decrease the frequency of undesirable behavior.

## Conclusions

With some exceptions, employees are not self-motivated. The management philosophy and methods adopted by plants and individual supervisors determine whether the workforce will constantly and consistently strive for effective day-to-day performance or continue to plod along as they always have. As a supervisor or manager, it is in your best interest, as well as your duty to provide the leadership and motivation that is need for your workforce to achieve and sustain best practices and excellent performance.

It is not about monetary incentives. In many cases, a simple, sincere pat on the back or a handshake with a heartfelt “well-done” will accomplish more positive benefits than you think. It is not the monetary value, but the sincere recognition of one’s supervisor of a job well done that has lasting, positive motivation.

## CASE QUESTIONS

1. What do you mean by local selection?
2. Define the assessment.
3. Discuss in detail development of effective workforce.
4. Define the guidelines for how to develop an effective workforce.
5. Define reinforcement.
6. Common Misconceptions about selection Tests.
7. How do Applicants address Selection Criteria?
8. What Are Selection criteria and How are They used?
9. Employment and Training Common Measures
10. There are a number of factors to consider when choosing tests and assessments.
11. Selection Assessment Methods.

# EMPLOYEE ORIENTATION PROGRAMS

## 13.1 EMPLOYEE ORIENTATION PROGRAMS

Orientation Programs for new employees help reduce anxieties since they provide information on organizational policies, procedures, rules, work requirements, and sources of other information. Orientation programs may also be used to educate employees about any career programs, career paths, and opportunities for advancement.

For example, Texas Instruments has developed an orientation program to address the unique concerns of new employees regarding career options. The program includes a realistic job preview, an introduction to the formal mentoring program, a bibliography of readings relevant to career planning, and a guideline for career planning based on a study of Texas Instrument employees. The American Express Learning Network, a team of learning and development professionals, recently launched Connections, an orientation program that educates new employees about the firm's values, vision, and customers. A specially trained facilitator developed a customized curriculum for each group of new employees, based on their pre-hire screening assessments. At Wakemed Health and Hospitals, a private health care system based in Raleigh, North Carolina, nursing fellows attend orientations and ongoing educational programs throughout the year, and during their first months on the job they participate in a personalized clinical orientation on their units. This thorough training and support enhances their patient-care skills and professional development.

### 13.1.1 Anticipatory Socialization Programs

Socialization programs (internships, cooperative education programs) are beneficial for individuals to develop accurate, realistic expectations about their chosen career field and about the world of work. Socialization through peer support in organizations and universities is also beneficial for reducing stress. By working for an organization part-time or for several months, individuals may learn how well they are suited to the particular job or organization. This knowledge may help them gain a better sense of responsibility, maturity, and self-confidence about work. At Wipro Technologies, an India-based technology company, students enrolled in schools use a portal called Campus-2-Career to receive training on Open Source standards technology and development methods. They are assigned

to work units and are paired with mentors from the organization to whom they report their progress. This project work has helped the students meet mandatory requirements for their school degrees and has cut down on the training they would need at Wipro once working there (from 10 weeks to 3 weeks). In addition, the program has contributed revenue to the firm's bottom line.

Frito-Lay, IBM, Procter and Gamble, BB&T, GE, Campbells, Johnson & Johnson and Saturn are some of the many companies that hire interns and then make permanent offers if those internships are successful experiences. At Scottrade, a retail brokerage firm, the training department created a 20-week intern learning map, which is an online program that resembles a college campus. Each week interns learn about topics such as customer service, corporate culture, and account funding. Within six months of the introduction of the new program, 64 interns had been hired as associates and were on the pathway to leadership in the company.

### **13.1.2 Realistic Recruitment**

When job applicants are given a realistic, balanced, accurate view of the organization and the job (i.e., provided with positive and negative information), they experience less reality shock, dissatisfaction, and turnover. This is true for new employees as well as current employees who are transferring to new jobs in the organization. To meet career development needs, job applicants should be informed in realistic job previews about the skills required of various positions in the organization and their own readiness and aptitude for those positions. 360-degree Performance Feedback can provide them with information about their own skills relative to other jobs in the firm. Such data should assist them in developing their future career goals and action plans.

## **13.2 LATE RETIREMENT**

In recent years, the number of older workers has increased because of the aging of the Baby-Boom generation. With increasing corporate restructurings, and economic difficulties, many of these older employees have lost their jobs. Some firms have opted to use early retirement for their older employees rather than retraining and redeploying them. And more employees have been choosing to retire early. As a result, late-career and retirement issues have become increasingly important to organizations.

Some organizations offer programs to help supervisors increase their awareness of issues facing late-career employees. It is critical that employers handle retirement issues effectively since they affect not only the retirees, but also the morale of the remaining staff. Generally, supervisors are instructed on the changing demographics of the workforce, laws regarding older employees, stereotypes and realities of the aging process, and strategies for dealing with the loss of older employees who retire (i.e., the loss in their departments of expertise and skills). Supervisors also may be taught to develop action plans for enhancing the performance of their older workers. These plans involve giving older workers more concrete feedback, allowing them to serve as mentors, and providing them with training and cross-training opportunities. It is important that managers help employees deal with career plateaus so they can continue to be challenged and productive. Just offering one or two workshops is not enough. In some cases, providing ongoing coaching and

opportunities for personal and professional development is needed. This will be particularly important for those older workers who take on intra-organizational job changes or international assignments.

It is critical that older employees are aided in their transition to retirement. To do this, many companies have instituted retirement planning programs. The focus of preretirement workshops is to help preretirees understand the life and career concerns they may face as they prepare for retirement. Topics that may be discussed include health, finances, making the transition from work to retirement status, safety, housing and location, legal affairs, time utilization, Social Security, second careers, use of leisure time, and problems of aging. Often, individual counseling and group workshops are used, and efforts are made to tailor the programs to the needs of the participants and their spouses. Another type of assistance given to preretirees may be for education such as the Retirement Education Assistance Plan available to potential retirees at IBM.

It is also important to offer flexible work schedules for late-career employees. Some do not want to quit their jobs but want to cut back the number of hours they work so they can enjoy their hobbies, go back to school, travel, or spend more time with their families. Polaroid gave its older employees the option to share jobs rather than be laid off. Many companies, such as McDonald's, Home Shopping Network, Aetna, Prudential, GEICO, Wal-Mart, and Monsanto, have hired older employees to work part-time or for temporary jobs. This has been beneficial due to the critical shortage of young people to hire. In fact, a study by the Society for Human Resource Management found that over 80 per cent of firms that aggressively recruited and hired older employees found them to be more amenable than younger individuals to working part-time. As employees age, it is going to be imperative for organizations in the United States, and in other parts of the world, to make good use of the expertise and talent residing in their older employees if they are to remain competitive. To do this, firms will need to make sure that their older workers feel valued in the workplace. Ageism and indulging in stereotypes toward older workers can reduce the effectiveness of all employees.

### **13.3 WORK FAMILY BALANCE**

Society has seen increasing numbers of working mothers and two-income households. Recent reports have indicated that 90 per cent of working adults expressed a concern about not spending enough time with their family. In addition the total number of hours worked by employees has increased continuously over the last 20 years. In recent years, organizations have been much more interested in developing family-responsive policies and programs designed to alleviate individuals' conflicts between work and family. Several such organizational trends in these practices include:

- Increasing use of flexible work schedules and training for managers in implementing the schedules.
- More openings of on-site child-care centers.
- A greater number of companies (e.g., Xerox, Motorola) setting aside monies employees can use for paying child-care costs or buying a first home.
- Greater use of paid leaves for fathers and adoptive parents.

- More programs that set goals for advancing women into senior management positions and increasing numbers of companies holding managers accountable for meeting these goals.
- Continued support and funding for American Business Collaboration for Quality Dependent Care, which is a \$100 million, six-year commitment that participating companies have made to improve and expand child and elder care in their communities.

In recent years, organizations have become more interested in helping individuals balance demands from their work and family roles. Employers are beginning to realize that individuals may experience role conflict and difficulties dealing with travel, child care, household tasks, job transfers, and relocations, and may have trouble determining priorities for their various roles and responsibilities. This may be especially true for dual-career couples since each partner has a high level of commitment to his or her career. Working Mother magazine routinely rates the best companies for *working mothers*. The top 10 rated in 2007 were Baptist Health South Florida, Booz Allen Hamilton, Ernst & Young, General Mills, IBM, KPMG, The McGraw-Hill Companies, PricewaterhouseCoopers, UBS, and Wachovia.

### 13.4 POLICIES ON HIRING COUPLES AND RELOCATION ASSISTANCE

Many employees, particularly members of **dual-career couples**, have expressed less willingness to accept relocation offers from their employers. In a large-scale study of U.S. firms, spouse willingness to relocate was shown to be the most important factor related to employee willingness to relocate. It is not surprising then that some organizations have begun offering relocation assistance to the spouses of their employees. Companies vary in the amount and type of assistance provided to employees and spouses considering relocations. Assistance ranges from none at all to locating jobs for spouses. One study found that 50 per cent of U.S. firms provide job-related assistance to a **“trailing spouse.”** Unisys pays up to \$500 to a spouse to help with résumé writing and job hunting. Motorola provides assistance to dual-career couples by finding jobs for spouses of employees who take international assignments. Both the spouse and the expatriate were found to view the policy positively. Johnson & Johnson offers personal counseling and job search information to relocating families. Some companies (ConAgra, Burlington Northern Santa Fe Railway) have hired relocation consultants and firms to assist them in planning the relocation of large numbers of employees. They also involved employees throughout the planning process.

Some firms have altered their policy on **“nepotism”** to allow hiring both spouses. They may still keep the rule that an employee cannot work under the direct supervision of his or her spouse. There are a number of benefits to hiring both spouses, including lower recruiting and relocation costs for the employer, and the practice encourages employees to remain with the firm or to accept intraorganizational moves or transfers. It also helps employers who are trying to hire for branches in remote geographical areas. Of course, one downside is that if one of the spouses wants to leave the firm, the other may also leave.

**13.5 WORK–FAMILY PROGRAMS**

Organizations are becoming more involved in designing programs to help employees manage their work–family role conflict by providing a place and procedure for discussing conflicts and coping strategies. For example, in 2007 KPMG launched Web-based training for employees and managers to help them have more productive conversations about career development and introduced an interactive Web site to help staffers identify steps for building satisfying careers. Organizations are changing their practices for recruitment, travel, transfers, promotions, scheduling hours, and benefits to meet the needs of the larger numbers of dual-career couples. For example, General Electric and Procter and Gamble require fewer geographic moves in order to advance. Booz Allen Hamilton has created new part-time career models. DuPont has been very active in providing assistance to their more than 3,500 dual-career couples and has developed more flexible employment plans to accommodate the family demands of both male and female employees. DuPont also trains its supervisors to be more sensitive to family issues, allows longer parental leave for fathers and mothers, and has instituted adjustable work schedules. Mobil Oil provides flexible work schedules, a part-time option, childbirth and other leaves, and a national network of child care information. General Mills created new time-off options to help staffers maintain balance, including flex vacation and sabbaticals. IBM offers a range of programs from flexible work schedules and meeting-free Fridays to online resources that identify job and learning opportunities.

**13.6 FLEXIBLE WORK ARRANGEMENTS AND TELECOMMUTING**

Employers have been adopting a number of flexible work arrangements in order to assist employees. Some of these include flextime, job sharing, part-time work, compressed work weeks, temporary work, and work at home (telecommuting). These programs enable employees to address their work and family concerns and reduce their potential stress or conflict between their various life roles. Of the 100 firms rated the best for working mothers, 54 have established training programs to educate managers on how to implement alternative work arrangements, including Aetna, TRW, Texas Instruments, SAS Institute, Sara Lee Corporation, and Prudential.

**Telecommuting** is growing in popularity, although only 55 per cent of U.S. companies surveyed offer fully supported flexible working environments compared with much higher adoption rates in other regions such as France (75 per cent) and Switzerland (73 per cent). In a telecommuting survey, U.S. employees cited upper management's lack of trust in employees and concerns regarding reduced productivity as the major reasons why they were not allowed to telecommute. On the other hand, companies across Europe and in Australia cited "increasing employee productivity" as the key driver behind the adoption of a flexible work arrangement. American firms cited "employee retention" as their top reason for using telecommuting.

In another survey, a third of U.S. companies surveyed offered employees the option of working at home, and many gave them computers linking them to the office. Home-based work is found primarily in firms in industries such as education, professional services, consulting, small business, repair, and social-service occupations. Gandalf Technologies, a computer networking company, allows employees to telecommute from home several days a week. AT&T lets many of its employees telecommute at least part of the week from home via computer. Many U.S. companies now have call-center operations that are handled by part-time employees working at home.

Some difficulties with telecommuting are communication problems with other employees, limited access to necessary supplies and equipment, and family interruptions. Another issue is how to supervise such workers.

There are a number of benefits to telecommuting. IBM has saved considerable money on office space by going mobile through telecommuting, “hoteling” (being assigned to a desk via a reservations system), and “hot desking” (several people using the same desk at different times). About 10,000 employees share offices with four people on average. Many studies show that people’s strategic planning skills go up when they telecommute since they have uninterrupted time to think clearly. In fact, it has been estimated that people who work at home are 5 to 20 per cent more productive because they have fewer distractions. It may be important to provide orientation or training to educate employees and managers on the rules of telecommuting. It will be important to see how different generations of workers feel about telecommuting.

### 13.7 MATERNITY AND PATERNITY

Leave With the passage in 1993 of the **Family and Medical Leave Act (FMLA)**, employers with more than 50 employees are required to allow 12 weeks of unpaid leave from work for either parent following the birth, adoption, or severe illness of a child. By 1996, more companies were offering financial aid for adoption. Two-thirds of the top-rated 100 companies for working mothers provided this benefit (e.g., Eli Lilly offers up to \$10,000). The McGraw-Hill Companies, rated as one of the 2007 top 10 places to work for working mothers, provides adoption assistance in addition to parental leave. Many of the top-rated firms for working mothers include additional benefits for leave time. For example, in 2007 Ernst & Young enhanced their parental leave policy to include six weeks of fully paid leave for primary caregivers and six weeks of fully paid short-term disability for birthmothers. They also introduced the Working Mothers Network to help women make the transition back to work following parental leave. Also, Price water and house keepers began giving mothers an extra three weeks of fully paid maternity leave to be used at any time up to one year following a child’s birth or adoption.

Despite these advances, some unresolved issues and obstacles facing pregnant employees still exist. With pressures at work, they may be rushed by their bosses through maternity leave or denied comparable jobs or promotions when they return to their jobs. The workplace culture may emphasize overtime work to such a degree that employees are discouraged from taking advantage of maternity or paternity leave policies. Employees may be reluctant to take time off out of fear of losing their jobs in this era of downsizings. Mothers, in particular, may be concerned about being passed over for promotions, which researchers have found does happen.

Job pressures are related to increased risks for pregnant women. One study found that women lawyers who worked more than 45 hours a week were three times more likely to experience a miscarriage in the first trimester of pregnancy than were women who worked less than 35 hours a week. Pregnant employees may face stereotypes among their colleagues who believe they will lose interest in their jobs or quit. A study of bank employees found that their performance actually increased during pregnancy. In addition, it was noted that 80 per cent of women return to work after maternity



leave. Cigna Health Care in Hartford, Connecticut, developed a training program to debunk stereotypes about pregnant women and to help managers be supportive in dealing with pregnant employees. A few tips follow:

- Discuss and reach agreement with a pregnant employee on how her work will be covered during her leave.
- Discuss with co-workers worries they have about covering for a woman on leave. Make sure the work is distributed fairly.
- Be patient with new mothers' efforts to balance their expanded responsibilities.
- Weigh short-term scheduling hassles against the long-term benefits of retaining an employee.

### 13.8 CHILD CARE AND ELDER CARE SERVICES

Today, employees must concern themselves with both child care and elder care. Elder care may be of great concern to employees, particularly if their parents suffer from health problems. Firms providing elder care as a benefit to employees include Gannett Co., First Union Corporation, General Motors Corporation, Eddie Bauer, The DuPont Merck Pharmaceutical Company, Corning, The McGraw-Hill Companies, Baptist Health South Florida, and Deloitte & Touche LLP.

Generally, employers find it beneficial to provide child care assistance to employees, which results in higher morale, easier recruitment of parents as employees, lower turnover, and tax savings. When employers assisted employees with child care or elder care concerns, it was found that these employees did not have to use company time to make phone calls, visit doctors, and so on. DuPont reported savings of \$6.78 for every dollar spent on resource and referral, and Aetna reported \$3.59 in savings per dollar spent. Marriott reported savings in reduced turnover with its "Associate Resource Line," a toll-free hot line with bilingual social workers who provide advice on child care and elder care issues, among other things.

Some employers (e.g., Bankers Trust New York Corporation, Merrill Lynch & Co.) have opened backup centers to help employees who run into problems with their child care arrangements. First Tennessee Bank opened a center for mildly sick children to cut down on employee absences when parents had to stay home with sick children. The center has saved the company considerable money.

### 13.9 EFFECTIVENESS OF PROGRAMS

Businesses that offer flexible schedules, part-time or alternative work options, work-family conflict seminars, and telecommuting are not just being nice to their employees. These programs have an impact on the bottom line. They have been shown to increase employees' loyalty, thereby reducing turnover and absenteeism and increasing organizational productivity. One survey of 2,376 pregnant women in 80 communities across the United States found that those in the most accommodating companies in terms of health insurance, sick days, job-protected leave, flexible scheduling, and supervisor understanding were more satisfied with their jobs, took fewer sick days, worked more on their own time, worked later into their pregnancies, and were more likely to return to work. One survey of 75 large corporations with these programs found increased commitment to the job, higher

morale, higher productivity, superior job performance, and reduced absenteeism. Flextime, job sharing, and part-time work seem to be the most effective and least costly programs in terms of keeping employees and increasing productivity. Neuville Industries, a 575-employee sock manufacturer in North Carolina, found that with its work–family programs (on-site day care center, flextime, emergency backup child care) turnover was half (45 per cent a year) the industry average (80 to 100 per cent at other plants). At Aetna Health Plans, telecommuting has increased productivity of claims processed by 29 per cent. The firm is also saving \$12,000 per year in office space. Deloitte & Touche allowed reduced hours for partners, provided the opportunity for employees to be made partner while working part-time, and made more women partners, decreasing turnover 8 per cent between 1993 and 1995.

### 13.10 BASIC SKILLS TRAINING

Because employers have not been successful at finding job candidates with appropriate levels of basic skills (a recruiting and selection issue), employers have been forced to develop basic skills training programs. Also, as companies move toward high-performance workplace systems, they may find that current employees lack the skills needed to realize these systems' benefits. Basic skills include the ability to read instructions, write reports, and do math at a level needed to perform job duties.

Basic skills programs involve several steps. First, the necessary skill level needs to be identified. That is, what level of basic skills do employees need to be successful in their jobs? Second, employees' current skill levels must be assessed. The training programs that are developed will be based on the gap between current skill level and desired skill level. Training programs need to include an emphasis on basic skills in the context of work problems to increase their meaningfulness to trainees. In 24-hour operations (such as manufacturing plants) that use several shifts of employees, basic skills training needs to be available to employees during their off-shift times. Finally, many employees who lack basic skills do not want their peers to be aware of these deficiencies. Participation in basic skills training needs to be as private as possible. If privacy cannot be guaranteed, those employees who most need basic skills training may not participate.

Consider how Smith & Wesson dealt with its need for qualified workers. Smith & Wesson, the firearms manufacturer, reorganized its production department. The reorganization made jobs more interesting and challenging by requiring employees to interpret process control statistics and operate in work teams. The reorganization revealed that some employees' basic skills deficiencies kept them from being successful in the new production environment. Smith & Wesson conducted an assessment of the skills that employees needed in the new production environment. This assessment identified three skills: higher math skills for understanding numerical control equipment, better reading and writing skills, and better oral communication skills for working in teams and interacting with other employees. A literacy audit showed that employees needed to have at least an eighth-grade reading level. To determine which employees needed training, Smith & Wesson used tests. To ensure employee confidentiality, the test results were sent to employees' home addresses. Thirty per cent of employees scored below the eighth-grade level in either reading or math. These employees were told that they would not lose their jobs, but they were expected to take basic skills classes on

company time, paid for by the company. Management presentations on the business benefits of the classes helped encourage employees who were reluctant to participate.

Evaluations of the first classes were very positive. Seventy per cent of employees who attended the classes improved their reading skills to the eighth-grade level or higher. A company survey found that the program helped employees improve their writing and ability to read charts, graphs, and bulletin boards; increased their ability to use fractions and decimals; and improved their self-confidence.

Public Service Enterprise Group (PSEG) was trying to recruit new technicians and linemen to replace retiring employees. However, PSEG found that many new recruits could not pass the math section on pre-Employment Tests. As a result, PSEG joined six New Jersey community colleges and technical high schools to create a new degree program in energy technology. Since starting the new degree program, PSEG has hired almost all of the 85 program graduates. The company has saved money hiring low-level employees since it no longer needs to advertise or spend money and time training new hires in basic skills. Likewise, Bristol-Myers Squibb has started a relationship with a technical school and community college located near its new manufacturing plant. Bristol-Myers is working with the educational institutions to train students in the maintenance and mechanical skills, technical writing, and Food and Drug Administration–approved manufacturing practices they need to work in the new plant.

### 13.11 LIFE LONG LEARNING

A **Lifelong Learning Account (LiLA)** refers to an account for adult education into which both the employee and the company contribute and the employee keeps—even if he or she leaves the company. The money in the LiLA can be used to pay for a range of educational expenses, including tuition, books, fees, supplies, and non-job-specific certification courses. The money in the account can be rolled over from year to year. Maine and Washington were the first states to create LiLAs. The federal Lifelong Learning Accounts Act of 2008 (proposed but not yet voted on) would allow individuals to contribute up to \$5,250 to LiLA accounts each year and the contributions would be excluded from their gross incomes for federal tax purposes. Employers could match the contributions and receive tax credits for each dollar matched, up to \$500 per year for each employee.

Some companies have taken the initiative to introduce their own type of LiLA to make continuing education a priority. IBM's Matching Accounts for Learning Initiative program allows employees to contribute up to \$1,000 per year into a portable, interest-bearing account with a 50 per cent company match. Employees can use the money to gain skills not directly related to their current jobs, such as learning a new language. University of California at San Francisco (UCSF) Medical Center set up a small pilot LiFA program that was so successful it is being expanded. During the pilot phase of the program, employees took training in health care–related skills as well as real estate, finance, and word processing. Managers at UCSF Medical Center believe that, although employees are using the LiLA accounts to learn skills unrelated to their jobs, they are unlikely to leave for other job opportunities because of the investment that UCSF has made in their careers.

### 13.12 MELTING THE GLASS CEILING

A major training and development issue facing companies today is how to move women and minorities into upper-level management positions—how to break the glass ceiling. Although women represent half of all managers and professionals, they hold only approximately 10–15 per cent of corporate officer positions. Seventy-four of the top 500 companies have no female corporate officers. The glass ceiling is a barrier to advancement to the higher levels of the organization. This barrier may be due to stereotypes or company systems that adversely affect the development of women or minorities. The glass ceiling is likely caused by lack of access to training programs, by lack of access to appropriate developmental job experiences, by lack of access to developmental relationships such as mentoring and informal social networks, and by an organizational culture that may work against women. Male managers' development experiences tend to be given to them; female managers have to be more proactive about getting development assignments. Research has found no gender differences in access to job experiences involving transitions such as handling new job responsibilities or creating change such as fixing business problems or making strategic changes in the business. However, male managers received significantly more assignments involving high levels of responsibility (high stakes, international assignments managing business diversity, handling external pressure) than did female managers of similar ability and managerial level. Also, female managers reported experiencing more challenge because of lack of personal support (a type of job demand considered to be an obstacle that has been found to relate to harmful stress). Career encouragement from peers and senior managers does help women advance to the highest management levels. Managers making developmental assignments must carefully consider whether gender biases or stereotypes are influencing the types of assignments given to women versus men.

Consider Safeway's efforts to melt the glass ceiling. Safeway has 1,775 grocery stores in the U.S. and Canada. To meet the challenges of specialty grocers and big-box, low-price competitors such as Wal-Mart and Target, and recognizing that 70 per cent of its customers are women, Safeway has taken steps to help develop women for advancement into management. Safeway's women's initiative, "Championing Change for Women: An Integrated Strategy," includes programs that focus on leadership development, mentoring, and work life balance. One example is the Retail Leadership Development (RLD) program. Safeway typically promotes from within and has focused on the retail level as a source for potential managers through the RLD program. Ninety per cent of Safeway's 1,800 store managers have moved up through the company's management ranks through the RLD program and all but one of the company's 10 division presidents began their career working in one of the stores.

The RLD program is helping women and minorities achieve top level management positions. Those who complete the program are assigned to a store or an assistant manager position that can lead to corporate-level leadership positions. To help support women's efforts to gain leadership positions, Safeway ensures that women who work part-time and use flexible schedules have similar opportunities for coaching, advancement, and development as those employees who are on traditional work schedules. The company also has realized that frequent relocations don't work for some employees, especially women. As a result, rejecting a relocation assignment is no longer considered a career-busting decision.

Safeway also provides a women's leadership network for women interested in advancing into management. The network sponsors events such as presentations at different company locations that highlight the success of Safeway women and provide learning opportunities. Executives who attend these presentations meet with women who have been identified as candidates for management positions and are targeted for development opportunities in stores. These discussions focus on the women's career interests and the executives suggest job opportunities and encourage them to apply for positions that can help them advance to the next management level. Safeway's mentoring program emphasizes that a manager's first protégé should be a woman because of the lack of female mentors. Safeway's work-life balance program includes flextime and encourages all women, regardless of their family status, to have a healthy balance between work and life. Safeway realizes that its managers are responsible for helping women reach management positions. As a result, all managers attend a Managing Diversity Workshop. Managers are evaluated on their success in meeting diversity goals. Managers who reach their targets can increase their bonus pay by 10 per cent.

Safeway's women's initiative has been successful. Since 2000 the number of female store managers has increased by 42 per cent. The number of women who have qualified for and completed the RLD program has increased 31 per cent during the past five years. A research report prepared by Lehman Brothers shows that the program has increased the company's sales and earnings. By enhancing its reputation as an employer of choice for women and minorities, Safeway has received the Catalyst Award, which is presented annually to outstanding companies that promote the career advancement of women and minorities. Table 10.8 provides recommendations for melting the glass ceiling and retaining talented women.

Like Safeway, other companies are also working to melt the glass ceiling. Although most of Lease Plan USA's 450 employees were women, the majority of the company's top managers were men. To help promote more women to management positions, Lease Plan USA hired a consultant to develop a program that focused on skill assessment, career guidance, and communication. The program also featured networking events and a panel discussion with female executives from other companies. For every five women participating in the program, one has been promoted. In addition, 6 of the company's top 14 managers are now women, an increase of our women from two years ago. The program is also improving job satisfaction and engagement among women employees. Survey results show that one year after the program's implementation, the number of women who feel that management supports their efforts to manage their careers and who think that positions at Lease Plan are fairly awarded has increased by 12 per cent.

Women and minorities often have trouble finding mentors because of their lack of access to the "old boy network," managers' preference to interact with other managers of similar status rather than with line employees, and intentional exclusion by managers who have negative stereotypes about women's and minorities' abilities, motivation, and job preferences. Potential mentors may view minorities and women as a threat to their job security because they believe affirmative action plans give those groups preferential treatment. Wal-Mart's strong corporate culture—emphasizing leadership, trust, willingness to relocate on short notice, and promotion from within—may have

unintentionally created a glass ceiling. Eighty-six per cent of store manager positions were held by men.

More than two-thirds of Wal-Mart managers start as hourly employees. Hourly job openings are posted at each store, but Wal-Mart never posted openings for management training positions that allowed hourly employees to move up into salaried, management positions. Part of the reason for this practice was that Wal-Mart values efficiency and never saw the need for job postings to fill open management positions. The other reason is that Wal-Mart trusts its managers to promote individuals who deserve promotion. However, women who work at Wal-Mart claimed that it was difficult to find out about manager jobs. Male employees had more access to information about management job openings because they spent more time socializing and talking with management employees (who were primarily male). Wal-Mart's corporate attitude that managers had to be willing to relocate on short notice resulted in management opportunities that accommodated men more than women. Wal-Mart has taken many steps to ensure that the company remains a good place to work. For example, to give women more opportunities for management positions, Wal-Mart developed a posting system for all management jobs.

Through Women in Leadership seminars, Wal-Mart has been able to help its female employees improve those skills required for management positions. The company also provides employees with a database that notifies them of job openings at stores across the country. As a result of its efforts, Wal-Mart's board of directors now includes three women and more than 40 per cent of the company's officials and managers are women. The company has received a number of awards for its development of women (e.g., *Working Mother* magazine's 2007 Best Company for Multicultural Women).

Many companies, as part of their approach to managing a diverse work force, are using mentoring programs to ensure that women and minorities gain the skills and visibility needed to move into managerial positions. Procter & Gamble (P&G) has a unique program called Mentoring Up, which asks mid- and junior-level female managers to mentor senior-level male managers to raise their awareness of work-related issues affecting women. The goals of the program are to reduce turnover of promising female managers, to give female managers greater exposure to P&G's top decision makers, and to improve crossgender communications. Mentoring Up was developed because of the turnover of highpotential female employees who in exit interviews cited not feeling valued (rather than money, promotions, or better assignments) as the reason they were leaving the company. Although the program was designed to help upper-level male managers better understand how to work with women, the program also includes five upper-level female managers who participate as protégés.

The Mentoring Up program incorporates many characteristics of effective mentoring programs. All eligible junior-level female managers and senior-level male managers are expected to participate. The female managers must have at least one year of tenure and be good performers. Junior mentors are matched with senior mentors based on their responses to a questionnaire. Both mentors and protégés attend an orientation session that includes a panel discussion by past participants in the program and a series of exercises probing women's workplace issues and reasons for success at

P&G. The mentor-protégé pairs are required to meet at least once every two months. Mentors and protégés receive discussion guides designed to facilitate dialogue. For example, one guide asked the mentor-protégé pairs to explore the keys to success and failure for women and men in company leadership positions. The discussion guides also include questions designed to elicit attitudes about when women feel valued. The mentor and protégé explore differences and similarities in responses to these questions to identify how people like to be recognized. Two issues have frequently been raised in the mentor-protégé relationships: the barriers that women face in achieving a balance between work and life, and differences in managerial and decisionmaking styles between men and women.

One of the biggest benefits of the program has been that mentors and protégés have shared advice and perspectives and feel comfortable using each other to test out new ideas. Junior female managers also get exposure to the top executives who make promotion and succession-planning decisions. The program has reduced the turnover rate of female managers. Turnover of female managers whom the company wanted to retain is down 25 per cent and is now at the same rate as male manager turnover.

TABLE 13.1

#### **Recommendations for Melting the Glass Ceiling**

Make sure that senior management supports and is involved in the program.

Make a business case for change.

Make the change public.

Using task forces, focus groups, and questionnaires, gather data on problems causing the glass ceiling.

Create awareness of how gender attitudes affect the work environment.

Create accountability through reviews of promotion rates and assignment decisions.

Promote development for all employees.

### **13.13 UNION-MANAGEMENT**

To be more competitive, U.S. industries that have lost considerable market share to foreign competition (e.g., the auto industry) have developed joint union-management training. Both labor and management have been forced to accept new roles. Employees need to become involved in business planning and strategic decision making, and management needs to learn how to share power and allow worker participation in decision making.

The initial goal of these programs was to help displaced employees find new jobs by providing skill training and outplacement assistance. Currently, **joint union-management training programs** provide a wide range of services designed to help employees learn skills that are directly related to their job and also develop skills that are “portable”—that is, valuable to employers in other companies or industries. Both employers and unions contribute money to run the programs, and both oversee their operation. Major joint efforts include the United Auto Workers (UAW) with Ford, General

Motors, and DaimlerChrysler; and the Communications Workers of America (CWA) with Qwest Communications and Verizon Communications.

The National Coalition for Telecommunications Education and Learning (NACTEL) is a partnership between telecommunications companies, including AT&T, Qwest Communications, and Verizon Communications, and labor unions (CWA and International Brotherhood of Electrical workers) that have developed online education programs. NACTEL includes courses that allow employees to work toward associate degrees (e.g., Telecommunications) and certificate programs (e.g., Introduction to Telecommunications). The NACTEL programs are offered by Pace University's School of Computer Science and Information Systems. The curriculum is based on training programs offered by Qwest and Verizon.

The UAW-Ford joint effort offers a number of programs, including a technical skills program that helps employees gain skills needed to function in the high-performance workplace and including UAW-Ford University, which offers online courses from accredited universities that can be taken by employees for credit toward certificate programs and toward associate, bachelor's, master's, and even doctoral degrees. A negotiated central fund and local training funds support the joint training efforts. Program administration is provided by the first national training center ever negotiated in a labor contract in the United States and by a network of local committees at each UAW-Ford location in the United States. At both the national and local levels, the programs address issues in product quality, education and development, team structures, health and safety, and employee assistance (e.g., counseling, help with care of elders). For example, the UAW-Ford "Best in Class" Quality Program established a new certification training for quality representatives, established a review process for quality concerns, and helped employees work together to improve quality.

Union-management partnerships are also providing education and training programs that help less skilled workers advance and increase productivity. The Farmworker Institute for Education and Leadership Development (FIELD) was founded by the United Farm-Workers union to help low-income and low-skilled Latino and other workers. One of FIELD's employer partners is Monterey Mushrooms, a California-based distributor of mushroom products. FIELD designed a training program for Monterey Mushrooms that encouraged collaboration, conflict resolution, and safety. These partnerships help the United States stay competitive in the worldwide agriculture market. Traditionally, U.S. farm workers have relied on a technological advantage to sell and distribute their products. In the current market, productivity and quality can make the difference against foreign competition.

Yes, these programs are costly (General Motors has spent over \$1.6 billion jointly with the UAW), and employees may get trained in skills that are not directly related to their current jobs. But both labor and management believe that these programs improve the literacy levels of the work force and contribute to productivity. Both parties want to encourage lifelong learning as a key aspect of a work force that can adapt to new technologies and global competition.



### 13.14 SUCCESSION PLANNING

Many companies are losing a sizable number of upper-level managers because of retirement and company restructurings that reduce the number of potential upper-level managers. Companies are finding that their middle managers are not ready to move into upper management positions because of skill weaknesses or lack of experience. One estimate is that less than half of today's companies have succession plans in place. Succession plans are needed long before there is a need to fill an open position. Otherwise, when managers and executives leave, the company must hire outsiders who likely need time to understand markets and customers, the business strategy, key employees, and the company culture. Also, if companies have to resort to hiring chief executives from the outside, they pay a premium. One study found that CEOs hired from outside the company receive 65 per cent more compensation in their first year than internally promoted CEOs. These issues create the need for succession planning.

**Succession planning** refers to the process of identifying and developing the future leadership of the company. Succession planning is especially important given that the baby boomers are preparing to retire or reduce their participation in organizations, creating vacancies at all management levels. Succession planning helps organizations in several different ways. It requires senior management to systematically conduct a review of leadership talent in the company. It ensures that top-level managerial talent is available. It provides a set of development experiences that managers must complete to be considered for top management positions, which avoids the premature promotion of managers who are not ready for upper-management ranks. Succession planning systems also help attract and retain managerial employees by providing them with development opportunities that they can complete if upper-level management is a career goal for them. For example, at Xerox, Chairman and CEO Anne Mulcahy named Ursula Burns as her successor. Ms. Burns was an engineer who had managed Xerox's operations and research. To prepare Ms. Burns for the CEO position, Ms. Mulcahy gave her responsibilities for marketing and human resources and invited her to collaborate on solutions to problems facing Xerox as they occurred.

**High-potential employees** are employees that the company believes are capable of being successful in higher-level managerial positions such as general manager of a strategic business unit, functional director (e.g., director of marketing), or chief executive officer (CEO). Replacements for top-level managers are usually made from the pool of highpotential employees. High-potential employees typically complete an individualized development program that involves education, executive mentoring and coaching, and rotation through job assignments. Job assignments are based on the successful career paths of the managers that the high-potential employees are being prepared to replace. High-potential employees may also receive special assignments, such as making presentations and serving on committees and task forces.

Research suggests that the development of high-potential employees involves three stages. A large pool of employees may initially be identified as high-potential employees, but the numbers are reduced over time because of turnover, poor performance, or a personal choice not to strive for a higher-level position. In Stage 1, high-potential employees are selected. Those who have completed elite academic programs (e.g., an MBA at Stanford) or who have been outstanding

performers are identified. Psychological tests—such as those done at assessment center—may also be used.

In Stage 2, high-potential employees receive development experiences. Those who succeed are the ones who continue to demonstrate good performance. A willingness to make sacrifices for the company is also necessary (e.g., accepting new assignments or relocating to a new location). Good oral and written communication skills ease in interpersonal relationships, and talent for leadership are a must. In what is known as a tournament model of job transitions, high-potential employees who meet the expectations of their senior managers in this stage are given the opportunity to advance into the next stage of the process. Employees who do not meet the expectations are ineligible for higher-level managerial positions in the company.

To reach Stage 3, high-potential employees usually have to be viewed by top management as fitting into the company's culture and having the personality characteristics needed to successfully represent the company. These employees have the potential to occupy the company's top positions. In Stage 3, the CEO becomes actively involved in developing the employees, who are exposed to the company's key personnel and given a greater understanding of the company's culture. Note that the development of high-potential employees is a slow process. Reaching Stage 3 may take 15 to 20 years.

Table 13.1 shows the steps that a company takes to develop a succession planning system. The first step is to identify what positions are included in the succession plan, such as all management positions or only certain levels of management. The second step is to identify which employees are part of the succession planning system. For example, in some companies only high-potential employees are included in the succession plan. Third, the company needs to identify how positions will be evaluated. For example, will the emphasis be on competencies needed for each position or on the experiences an individual needs to have before moving into the position? Fourth, the company should identify how employee potential will be measured. That is, will employees' performance in their current jobs as well as ratings of potential be used? Will employees' position interests and career goals be considered? Fifth, the succession planning review process needs to be developed.

Typically, succession planning reviews first involve employees' managers and human resources. A talent review could also include an overall assessment of leadership talent in the company, an identification of high-potential employees, and a discussion of plans to keep key managers from leaving the company. Sixth, succession planning is dependent on other human resource systems, including compensation, training and development, and staffing. Incentives and bonuses may be linked to completion of development opportunities. Activities such as training courses, job experiences, mentors, and 360-degree feedback can be used to meet development needs.

Companies need to make such decisions as whether to fill an open management position internally with a less-experienced employee who will improve in the role over time or to hire a manager from outside the company who can immediately deliver results. Seventh, employees need to be provided with feedback on future moves, expected career paths, and development goals and experiences. Finally, the succession planning process needs to be evaluated. This includes identifying and

measuring appropriate results outcomes (such as reduced time to fill manager positions, increased use of internal promotions) as well as collecting measures of satisfaction with the process (Reaction Outcomes) from employees and managers. Also, modifications that will be made to the succession planning process need to be identified, discussed, and implemented.

Software or Web-based solutions that allow companies to manage large amounts of data regarding the requirements of various positions and the strengths and weaknesses of employees are critical for the success of succession planning systems. The software also gets employees involved in succession planning by giving them responsibility for updating information about their education, experience, and interests. With succession planning software, companies can quickly view information on the strengths, weaknesses, and development plans for individual employees and can obtain analyses of succession gaps and strengths in departments, work groups, or level hierarchies.

For example, Pep Boys, an auto parts and service company, needed a system that could track all 20,000 of its employees. The system chosen by Pep Boys eliminated the previous multiple databases for performance information and succession plans that had made it difficult to Analyze Data for different parts of the company. The new system automatically provides performance and potential evaluations for every employee, and it can create an organizational chart that shows each employee's performance level, his or her risk of turnover, the impact of turnover, whether that person has a successor, and the time frame for when that successor can take over the position. Pep Boys's new system has allowed for better managerial talent discussions and individual career discussions with employees.

Another example of an effective succession planning system is the system at Well-Point, a health care company headquartered in Thousand Oaks, California. WellPoint has a Web-based corporate database that identifies employees for management jobs throughout the company and tracks the development of employee talent. WellPoint has operations across the United States, including locations in California and Georgia. The succession planning system includes 600 managers and executives across five levels of the company. The Human Resource Planning System (HRPS) has detailed information on possible candidates, including performance evaluations, summaries of the candidates' accomplishments at the company, self-evaluations, information about career goals, and personal data such as the candidates' willingness to relocate to another part of the company.

Part of the development of HRPS involved identifying the company's strengths and weaknesses at each position. Senior management team members developed standards, or benchmarks, to use to identify the best candidates for promotion. The HRPS system allows managers and the human resource team to identify and evaluate candidates for every management position in the company. It helps identify and track the development of promising internal candidates and also identifies areas where internal candidates are weak, so that

(1) external candidates can be recruited, (2) a special development program can be initiated to develop employee talent, and (3) the company can place more emphasis on developing the missing skills and competencies in internal candidates. For example, because WellPoint lacked candidates for two levels of management, the company created a special training program that used business case simulations for 24 managers and executives who had been identified as high-potential candidates

for upper-level management positions.

WellPoint's process of succession planning includes several steps. Each employee who is eligible for succession planning is asked to enter into the HRPS such information as educational background and preferences in types of jobs and company locations. That employee's manager adds a performance appraisal, a rating on the employee's core competencies, and a promotion assessment, that is, an assessment of the employee's potential for promotion. The promotion assessment includes the manager's opinion regarding what positions the employee might be ready for and when the employee should be moved. It also includes the manager's view on who might fill the open position if the employee is promoted. The information from the employee and the manager is used to create an online résumé for each eligible employee.

The company holds "talent calibration" meetings that provide preparation for departures as well as development of leaders. The system has benefited the company's bottom line. WellPoint has realized an 86 per cent internal promotion rate, which exceeds its goal of filling 75 per cent of management positions from within. By improving employees' opportunities for promotion, WellPoint has reduced its turnover rate by 6 per cent since 1997 and has saved \$21 million on recruitment and training expenses. The time to fill open management positions has been reduced from 60 days to 35 days.

**TABLE 13.2**

**The Succession Planning Process**

1. Identify what positions are included in the plan.
2. Identify the employees who are included in the plan.
3. Develop standards to evaluate positions (e.g., competencies, desired experiences, desired knowledge, developmental value).
4. Determine how employee potential will be measured (e.g., current performance and potential performance).
5. Develop the succession planning review.
6. Link the succession planning system with other human resource data and systems, including training and development, compensation, and staffing systems.
7. Determine what feedback is provided to employees.
8. Measure the effectiveness of the succession planning process.

### **13.14 TOXIC MANAGERS**

A number of studies have identified managerial behaviors that can cause an otherwise competent manager to be a "toxic" or ineffective manager. These behaviors include insensitivity to others, inability to be a team player, arrogance, poor conflict-management skills, inability to meet business objectives, and inability to change or adapt during a transition. For example, a skilled manager who is interpersonally abrasive, aggressive, and autocratic may find it difficult to motivate subordinates, may alienate internal and external customers, and may have trouble getting ideas accepted by superiors.

These managers are in jeopardy of losing their jobs and have little chance of future advancement because of their dysfunctional behaviors. Typically, a combination of assessment, training, and counseling is used to help managers change dysfunctional behavior.

For example, a chief technical officer at TaylorMade-addidas Golf (TMaG), a golf equipment company and U.S.-based subsidiary of adidas Group, had decades of experience, and his education and technical abilities were sufficient to effectively manage the more than 100 engineers and other staff who reported to him. However, his people-skills needed improvement. In meetings he made cynical comments and quickly reviewed technical information with his staff, not taking time to answer their questions. His lack of people-skills caused a high turnover rate in his department. To improve his people-skills, the manager began working with a coach to help him identify his strengths and weaknesses. Now he meets his coach twice a month to develop his people-skills based on a set of clearly defined improvement objectives which they developed together. As a result of the coaching, employees now come to him first with their issues and problems because he is a good listener.

One example of a program designed specifically to help managers with dysfunctional behavior is the Individual Coaching for Effectiveness (ICE) program. Although the effectiveness of these types of programs needs to be further investigated, initial research suggests that managers' participation in these programs results in skill improvement and reduced likelihood of termination. The ICE program includes diagnosis, coaching, and support activities. The program is tailored to the manager's needs. Clinical, counseling, or industrial/organizational psychologists are involved in all phases of the ICE program. They conduct the diagnosis, coach and counsel the manager, and develop action plans for implementing new skills on the job.

The first step in the ICE program, diagnosis, involves collecting information about the manager's personality, skills, and interests. Interviews with the manager and the manager's supervisor and colleagues plus psychological tests are used to determine whether the manager can actually change the dysfunctional behavior. For example, personality traits such as extreme defensiveness may make it difficult for the manager to change the problem behavior. If it is determined that the manager can benefit from the program, then typically the manager and the manager's supervisor set specific developmental objectives tailored to the manager's needs.

In the coaching phase of the program, the manager is first presented with information about the targeted skills or behavior. This information may be about principles of effective communication or teamwork, tolerance of individual differences in the workplace, or methods for conducting effective meetings. The second step is for the manager to participate in behavior-modeling training. The manager also receives psychological counseling to overcome beliefs that may inhibit learning the desired behavior.

The support phase of the program involves creating conditions to ensure that on the job the manager is able to use the new behaviors and skills acquired in the ICE program. The supervisor provides feedback to the manager and the psychologist about progress the manager has made in using the new skills and behavior. The psychologist and manager identify situations in which the manager may tend to rely on dysfunctional behavior. The coach and manager also develop action plans that outline how the manager should try to use new behavior in daily work activities.

### 13.15 TRAINING SYSTEMS

Compensation refers to pay and benefits that companies give to employees in exchange for performing their jobs. Companies use compensation systems to achieve many objectives, including attracting talented employees to join the company, motivating employees, and retaining employees by paying wages and benefits that meet or exceed those the employee might receive from other companies in the labor market (local as well as national or even international companies). To remain competitive, companies need employees who possess a wide range of skills and are willing and able to learn new skills to meet changing customer service and product requirements.

Training is increasingly linked to employees' compensation through the use of skill-based pay systems. In **skill-based** or **knowledge-based pay systems**, employees' pay is based primarily on the knowledge and skills they possess rather than the knowledge or skills necessary to successfully perform their current job. The basic idea is that to motivate employees to learn, pay is based on the skills that employees possess. Why would a company do this? The rationale is that this type of system ensures that employees are learning and gives the company additional flexibility in using employees to provide products and services. Skill-based pay has been found to be related to an increase in employees' skills and their maintenance of skill proficiency over time. Skill-based pay systems are often used to facilitate cross-training. Cross-training involves training employees to learn the skills of one or several jobs. This system is especially critical for work teams in which employees need to be able to rotate between jobs or substitute for employees who are absent.

The skill-based pay approach contributes to better use of employees' skills and ideas. It also provides the opportunity for leaner staffing levels because employee turnover or absenteeism can be covered by employees who are multiskilled. Multiskilled employees are important where different products require different manufacturing processes or where supply shortages call for adaptive or flexible responses. These are characteristics typical of many so-called advanced manufacturing environments (e.g., flexible manufacturing or just-in-time systems).

Table 10.10 shows a skill-based pay system. In this example, skills are grouped into skill blocks. Employees' compensation increases as they master each skill block. Entry level employees begin at \$15 per hour and can progress to \$25 per hour by mastering other skill blocks.

Skill-based pay systems have implications for needs assessment, delivery method, and evaluation of training. Since pay is directly tied to the amount of knowledge or skill employees have obtained, employees will be motivated to attend training programs. This means that the volume of training conducted as well as training costs will increase. Although employee motivation to attend training may be high, it is important to conduct a thorough needs assessment (e.g., using testing) to ensure that employees have the prerequisite knowledge needed to master the new skills.

Training must also be accessible to all employees. For example, if the company manufactures products and provides services on a 24-hour basis, training must be available for employees working all shifts. Computer-assisted instruction or intranet-based training is ideal for skill-based pay systems. Training can be easily offered at all hours on an as-needed basis—employees only need access to a computer! Also, computer-based instruction can automatically track an employee's progress in training.

In skill-based pay systems, managers and/or peers usually serve as trainers. Training involves a combination of on-the-job training and use of presentation techniques such as lectures or videos. As a result, employees need to be trained in how to be trainers.

Finally, a key issue in skill-based pay systems is skill perishability—ensuring that employees have not forgotten the skills when it comes time to use them. Skill-based pay systems require periodic evaluation of employees’ skills and knowledge using behavior and Learning outcomes. Although employees may be certified that they have mastered skills, many skill-based pay programs require them to attend refresher sessions on a periodic basis to remain certified (and receive the higher wage).

TABLE 13.3 EXAMPLE OF SKILL BASED PAY SYSTEM

| Skill Block | Description  | Pay Rate       |
|-------------|--|----------------|
| A           | <i>Molding:</i> Operates molding machines and performs machine setup                       | \$15 per hour  |
| B           | <i>Finishing:</i> Operates finishing machine and performs finishing machine set function   | \$ 20 per hour |
|             | <i>Inspection:</i> Opeatres both inspecion machines and makes scrap/rework decisions       |                |
|             | <i>Packaging:</i> Operates packging equipment and performs inventory and shipping function |                |
| C           | <i>Quality control:</i> Performs quality control funcions                                  | \$25 per hour  |

13.16 EMPLOYEE TRAINING AND LEARNING

At Walt Disney Company, over the last 10 years training has evolved to include flexible learning delivery, customized learning experiences, and collaborative development with internal training customers. Disney has moved from an instructor-led training approach to an approach that uses face-to-face instruction (classroom, on-the-job) combined with online instruction (game simulation, e-learning). This matches Disney’s business strategy, which has always emphasized matching the appropriate technology and methods to the audience regardless of whether the audience is a guest or an employee (cost member).

A single training event or program is not likely to give a company a competitive advantage because explicit knowledge is well-known and programs designed to teach it can be easily developed and imitated. However, tacit knowledge developed through experience and shared through interactions between employees is impossible to imitate and can provide companies with a competitive advantage. Pixar’s development of successful computer-animated films such as WALL-E (a robot love story in a post-apocalyptic world of trash) and *Ratatouille* (a tale of a French rat who longs to be a chef) requires the cooperation of a team of talented directors, writers, producers, and technology artists who may be located in different buildings, have different priorities, and speak different technical languages. Pixar follows three operating principles: (1) all employees must have the freedom to communicate with other employees, regardless of their position or department, (2) it

must be safe for everyone to offer ideas, and (3) the company must stay close to innovations occurring in the academic community. Pixar University offers a collection of in-house courses for training and cross-training employees within their specialty areas. But it also offers optional classes that provide opportunities for employees from different disciplines to meet and learn together. Screenplay writing, drawing, and sculpting are directly related to the business while courses in Pilates and yoga are not. The courses are attended by employees with all levels of expertise— from novices to experts— which reinforces the idea that all employees are learning and it is fun to learn together.

The emphasis on learning has several implications. First, there is recognition that to be effective, learning has to be related to helping employees' performance improve and the company achieve its business goals. This connection helps ensure that employees are motivated to learn and that the limited resources (time and money) for learning are focused in areas that will directly help the business succeed. Second, unpredictability in the business environment in which companies operate will continue to be the norm. Because problems cannot be predicted in advance, learning needs to occur on an as-needed basis. Companies need to move beyond the classroom and instead use job experiences and Web-based training to teach employees skills while they focus on business problems. Third, because tacit knowledge is difficult to acquire in training programs, companies need to support informal learning that occurs through mentoring, chat rooms, and job experiences. Fourth, learning has to be supported not only with physical and technical resources but also psychologically. The company work environment needs to support learning, and managers and peers need to encourage learning and help employees find ways to obtain learning on the job. Also, managers need to understand employees' interests and career goals to help them find suitable development activities that will prepare them to be successful in other positions in the company or deal with expansion of their current job.

Creating and sharing knowledge refers to companies' development of human capital. Human capital includes cognitive knowledge (know what), advanced skills (know how), system understanding and creativity (know why), and self-motivated creativity (care why). Traditionally, training has focused on cognitive and advanced skills. But the greatest value for the business may be created by having employees understand the manufacturing or service process and the interrelationships between departments and divisions (system understanding) as well as motivating them to deliver high-quality products and services (care why). To create and share knowledge, companies have to provide the physical space and technology (e-mail, Web sites) to encourage employee collaboration and knowledge sharing. Ford Motor Company has communities of practice organized around functions. For example, all the painters in every Ford assembly plant around the world belong to the same community. At each plant, one of the painters serves as a "focal point." If a local painter discovers a better way to improve one of the 60 steps involved in painting, the focal person completes a template describing the improvement and its benefits. The template is submitted electronically to a subject matter expert located at Ford headquarters, who reviews the practice and decides whether it is worth sharing with other assembly plants. If so, the practice is approved and sent online to the other assembly plants. Ford has collected \$1.3 billion in projected value for the company and has realized over \$800 million of actual value from its communities of practice.



**As companies recognize the value of training and development and view them as part of a broader learning strategy, seven key capabilities are needed, according to a survey by Accenture Learning.**

These capabilities are:

1. Alignment of learning goals to the business goals.
2. Measurement of the overall business impact of the learning function.
3. Movement of learning outside the company to include customers, vendors, and suppliers.
4. A focus on developing competencies for the most critical jobs.
5. Integration of learning with other human resource functions such as knowledge management, performance support, and talent management.
6. Training delivery approaches that include classroom as well as e-learning.
7. Design and delivery of leadership development courses.

### 13.17 TRAINING LINKS TO BUSINESS STRATEGY

Three factors influence the company's business strategy. First, the company's mission, vision, values, and goals help to determine the strategy. These are usually determined by the top management team. The **mission** is the company's reason for existing. It may specify the customers served, why the company exists, what the company does, or the values received by the customer. The **vision** is the picture of the future that the company wants to achieve. Values are what the company stands for. Second, a **SWOT analysis** (strengths, weaknesses, opportunities, threats) involves an analysis of the company's operating environment (e.g., product markets, new technologies) to identify opportunities and threats as well as an Internal Analysis of the company's strengths and weaknesses including people, technology, and financial resources. The business challenges may also represent an opportunity (or threat) to the company. Recall that these business challenges include globalization, the need for leadership, increased value of human capital, change, attracting and winning talent, and a focus on customers and quality. Third, the company has to consider its competition. That is, how will the company successfully compete? The decisions that a company has to make in determining how to compete are shown in Table 13.3.

Although these decisions are equally important, companies often pay less attention to the "with what will we compete" issue, resulting in failure to reach the goals. This decision includes deciding how human, physical, and financial capital will be used. To use human capital to gain a competitive advantage requires linking the company's human resources practices (such as training and development) to the business strategy.

Consider how training contributes to the business strategy at Nokia Corporation. Nokia, the world leader in mobile communications, has over 68,000 employees and net sales of \$30 billion. Nokia's business strategy is to build trusted customer relationships by offering compelling and valued consumer solutions that combine the best mobile devices with context-enriched services (business mobility and Internet). Nokia's vision is a world where everyone can be connected and feel close to what is important to them. Nokia consists of the following business units: Devices, Software and Services, Markets (management of supply chains, sales, and brand and marketing activities), Nokia Siemens Networks (infrastructure and related services business), NAVTEQ (provider of

digital map data for automotive navigation systems and other mapping applications), and the Corporate Development Office (which focuses on strategy and future growth and supports the other units). Nokia wants to create personalized communication technology that enables people to create their own mobile world. Nokia continues to target and enter segments of the communications market that the company believes will experience faster growth than the industry as a whole. As the demand for wireless access to services increases, Nokia plans to lead the development and commercialization of networks and systems required to make wireless content more accessible and rewarding for customers.

The management approach at Nokia, known as the “Nokia way,” consists of the Nokia values, its organizational competencies, and its operations and processes used to maintain operational efficiency. The company has built its current and future strength on the Nokia way. The Nokia way has resulted in a flat, networked company emphasizing speed and flexibility in decision making. Nokia’s values include “engaging you” (customer satisfaction and engaging with all stakeholders, including employees), “achieving together” (trust, sharing, working in formal and informal networks), “passion for innovation,” and “very human” (understanding that how the company does business impacts people and the environment). Continuous learning provides employees with the opportunity to develop themselves and to stay technologically current. Employees are encouraged to share experiences, take risks, and learn together. Continuous learning goes beyond formal training classes. At Nokia, continuous learning means that employees support each other’s growth, developing and improving relationships through the exchange and development of ideas. E-learning is used to provide employees with the freedom to choose the best possible time and place for personal development.

Nokia’s top management is committed to continuous learning shows how Nokia links training and development to its business strategy. For example, the business group presidents are the “owners” of all global management and leadership programs for senior managers. They personally provide input into the development of these programs but they also appoint “godfathers” from their management teams. These godfathers participate actively throughout the program and are also designers of program content. Together with the training and development staff, the godfathers help the learning processes in the programs. Most of the programs involve strategic projects (Action Learning) learn in pants are responsible for completing. Top managers invest time in reviewing the projects and have the authority to take action based on the project team recommendations.

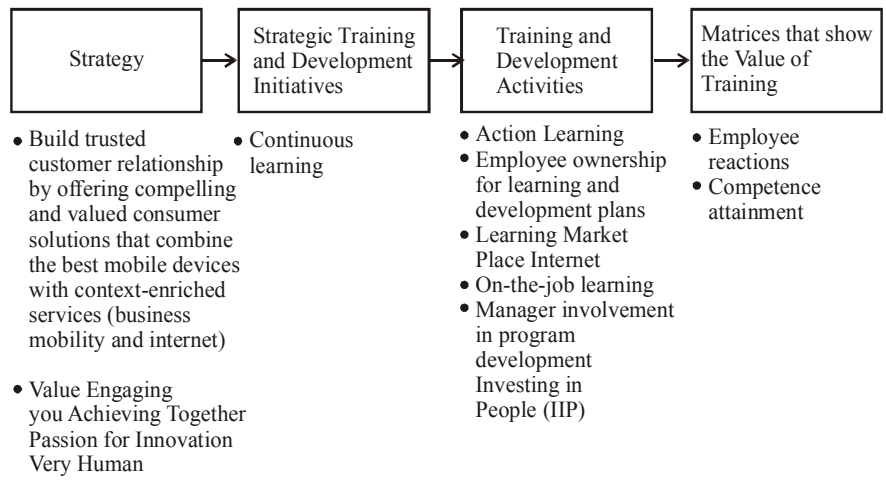
The value of continuous learning translates into personal and professional growth opportunities including a commitment to self-development, coaching, learning solutions and training, management training, a vibrant internal job market, and performance management. Employees are encouraged to create their own development plan and use available learning solutions and methods. Coaching with highly skilled colleagues helps employees develop and gives them the opportunity to share ideas and goals with each other. Nokia employees have access to a wide variety of training and development opportunities, including learning centers and the Learning Market Place Internet, which has information on all the available learning solutions including e-learning and classroom training. Through the learning centers, Nokia has integrated the learning activities of all the business groups into one place. Nokia believes that by mixing participants from across business groups, knowledge is created because traditions and experiences can be shared among employees. In addition

to formal programs offered in classrooms or on the Internet, Nokia emphasizes on-the-job learning through job rotation and through managers giving their employees challenging new job assignments. There is also a wide range of opportunities for managers to improve their management and leadership skills. The emphasis on the internal labor market encourages employees to improve their skills by changing jobs. Nokia’s **performance management process, known as Investing in People (IIP)**, involves twice yearly discussions between employees and their managers. The IIP process consists of objective setting, coaching and achievement review, competence analysis, and a personal development plan. The entire IIP process is supported electronically. Employees can choose their profile from the company intranet, conduct a self-evaluation, create a personal development plan, and investigate what learning solutions are available at the learning centers.

Nokia uses a combination of measures to evaluate the value of training. Nokia always asks employees for their immediate reactions after they have completed a program. Other measures include attainment of competence and resource strategy in all parts of the company. Top management believes that the largest benefit of the learning is that employees have opportunities to network, creating more knowledge, reinforcing continuous learning, and creating committed employees.

**TABLE 13.4 DECISIONS A COMPANY MUST MAKE ABOUT HOW TO COMPETE TO REACH ITS GOALS**

1. Where to compete? In what markets (industries, products, etc.) will we compete?
2. How to compete? On what outcome or differentiating characteristic will we compete? Cost? Quality? Reliability? Delivery? Innovativeness?
3. With what will we compete? What resources will allow us to beat the competition? How will we acquire, develop, and deploy those resources to compete?



*Fig. 13.1: How Nokia Corporation links training and development to business strategy*

### 13.18 STRATEGIC EMPLOYEE TRAINING

Strategic training and development initiatives are learning-related actions that a company should take to help it achieve its business strategy. The strategic training and development initiatives vary by company depending on a company's industry, goals, resources, and capabilities. The initiatives are based on the business environment, an understanding of the company's goals and resources, and insight regarding potential training and development options. They provide the company with a road map to guide specific training and development activities. They also show how the training function will help the company reach its goals (and in doing so, show how the training function will add value).

There is a tendency to have a disconnect between strategy and execution of the strategy. To avoid this, learning professionals need to reach out to managers to ensure that the strategic training initiatives and training activities are aligned with the business strategy and the necessary financial resources and support are provided to carry out the training activities. This requires consideration of people and cultural issues that might inhibit execution of training initiatives. In addition, the success or failure of previous training activities should be identified and addressed to ensure that future training activities support strategic training initiatives and are successfully implemented.

*Diversify the learning portfolio* means that companies may need to provide more learning opportunities than just traditional training programs. These learning opportunities include informal learning that occurs on the job through interactions with peers; new job experiences; personalized learning opportunities using mentors, coaches, and feedback customized to the employee needs; and the use of technology (including Web-based training). Such training is self-paced and available outside a formal classroom environment. Consider how Freddie Mac, the mortgage finance company based in Virginia, provides learning when it is needed. A Freddie Mac employee who has a learning need can go to the learning portal on the Web to find solutions. The learning portal includes online courses, books, videos, discussion groups, and articles. Learning consultants are available to help employees use the learning portal, address special needs, and incorporate learning needs into their personal development plan. Accenture Resources Group, a consulting company in New York, uses informal learning as a way to increase communications between executives, managers, and consultants in the field. Each Accenture consultant is assigned to a community of 100 people that meets four times a year. The community meetings often feature senior executives leading discussions on topics such as leadership and the creation of shareholder value.

*Expand who is trained* refers to the recognition that because employees are often the customer's primary point of contact, they need as much if not more training than managers do. Also, to provide better customer service to suppliers, vendors, and consumers, companies need to distribute information about how to use the products and services they offer. Companies are beginning to train suppliers to ensure that the parts that suppliers provide will meet their customers' quality standards. To be successful, companies have to be able to deal with changes in technology, customer needs, and global markets. Training needs have to be quickly identified and effective training provided. That is, companies have to accelerate the *pace of employee learning*. Also, companies are relying on Electronic Performance Support Systems (EPSS) that provide employees with immediate access to information, advice, and guidance. EPSS can be accessed through personal computers or

handheld computers whenever they are needed. Because customers now have access to databases and Web Sites and have a greater awareness of high-quality customer service, they are more knowledgeable, are better prepared, and have higher service expectations than ever before. Employees must be prepared to *improve customer service*. Employees have to be knowledgeable about the product or service, they need to have customer service skills, and they need to understand the types of decisions they can make (e.g., can they make an exception to the policy of no cash refunds?).

***Providing development opportunities and communicating*** them to employees is important to ensure that employees believe that they have opportunities to grow and learn new skills. Such opportunities are important for attracting and retaining talented employees.

***Capturing and sharing knowledge*** ensures that important knowledge about customers, products, or processes is not lost if employees leave the company. Also, giving employees access to knowledge that other employees have may quicken response times to customers and improve product and service quality. For example, rather than “reinventing the wheel,” service personnel can tap into a database that allows them to search for problems and identify solutions that other service reps have developed.

***Aligning training and development with the company’s strategic direction*** is important to ensure that training contributes to business needs. Companies need to identify what employee capabilities (e.g., knowledge, skills) are needed and whether training programs and services are helping to improve these capabilities. Lastly, *a supportive work environment* is necessary for employees to be motivated to participate in training and learning activities, use what they learn on the job, and share their knowledge with others. Tangible support includes time and money for training and learning as well as work areas that encourage employees to meet and discuss ideas. Psychological support from managers and peers for training and learning is also important.

How might a company ensure that its training and development initiatives are linked to its business strategy? Table 13.5 shows the questions that a company needs to answer to identify and develop its strategic training and development initiatives. To help answer these questions, trainers need to read the annual reports, strategic plans, earnings releases, and analyst reports for their companies. To understand the business strategy and its implications for training, it may be useful to invite managers to attend training and development staff meetings and present information on the company’s business strategy. Also, in companies with multiple divisions, it is important to understand each business, including how it measures effectiveness, how it monitors and reports performance, and what challenges it faces, such as supply chain management, new product development, competitive pressures, or service warranty issues.

TABLE 13.5: QUESTIONS TO ASK TO DEVELOP STRATEGIC TRAINING AND DEVELOPMENT INITIATIVES

| Strategic Training and Development Initiatives  | Implications  |
|---|---|
| Diversify the Learning Portfolio  | <ul style="list-style-type: none"> <li>• Use new technology such as the Internet for training</li> <li>• Facilitate informal learning</li> </ul>  |
| Expand Who is Trained   | <ul style="list-style-type: none"> <li>• Provide more personalized learning opportunities</li> <li>• Train customers, suppliers, and employees</li> <li>• Offer more personalized learning opportunities</li> </ul>   |
| Accelerate the Pace of Employee Learning  | <ul style="list-style-type: none"> <li>• Quickly identify needs and provide a high-quality learning solution</li> <li>• Reduce the time to develop training programs</li> </ul>   |
| Improve Customer Service  | <ul style="list-style-type: none"> <li>• Facilitate access to learning resources on an as-needed basis</li> <li>• Ensure that employees have product and service knowledge</li> <li>• Ensure that employees have skills needed to interact with customers</li> <li>• Ensure that employees understand their roles and decision-making authority</li> </ul>  |
| Provide Development Opportunities and Communicate to Employees  | <ul style="list-style-type: none"> <li>• Ensure that employees have opportunities to develop</li> <li>• Ensure that employees understand career opportunities and personal growth opportunities</li> <li>• Ensure that training and development addresses employees needs in current job as well as growth opportunities</li> </ul>   |
| Capture and Share Knowledge   | <ul style="list-style-type: none"> <li>• Capture insight and information from knowledgeable employees</li> <li>• Logically organize and store information</li> <li>• Provide methods to make information available (.g. resource guides, Web Sites)</li> </ul>  |
| Align Training and Development with the Company's Strategic Direction<br>Ensure that the Work Environment Support Learning and Transfer of Training | <ul style="list-style-type: none"> <li>• Identify needed knowledge, skills abilities or competencies</li> <li>• Ensure that current training and development programs support the company's strategic needs</li> <li>• Remove constraints to learning, such as lack of time, resources, and equipment</li> <li>• Dedicate physical space to encourage teamwork, collaboration, creativity, and knowledge sharing</li> <li>• Ensure that employees understand the importance of learning</li> <li>• Ensure that managers and peers are supportive of training</li> </ul> |

1. What is the vision and mission of the company? Identify the strategic drivers of the business strategy.
2. What capabilities does the company need as a result of the business strategy and business environment challenges?
3. What types of training and development will best attract, retains, and develops the talent needed for success?
4. Which competencies are critical for company success and the business strategy?
5. Does the company have a plan for making the link between training and development and the business strategy understood by executives, managers, and employees or customers?
6. Will the senior management team publicly support and champion training and development?
7. Does the company provide opportunities for training and developing not only individuals but also teams?

### 13.19 TRAINING AND DEVELOPMENT

#### Definitions–

##### According to “Edwin B. Flippo;

“Training is the act of increasing knowledge and skill of an employee for doing a particular job.”

##### According to Michael Armstrong

“Training is the systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job.”

#### Introduction

After a company chooses its strategic training and development initiatives related to its business strategy, it then identifies specific training and development activities that will enable these initiatives to be achieved. These activities include developing initiatives related to use of new technology in training, increasing access to training programs for certain groups of employees, reducing development time, and developing new or expanded course offerings.

For example, one of the strategic training and development initiatives for American Express Financial Advisors, located in Minneapolis, Minnesota, is to prepare employees to offer world-class service. Training the company’s customer service representatives is especially important because of the breadth of the job requirements. The customer service representatives have to be able to discuss the content of financial products as well as handle transactions of these products over the phone with both customers and financial experts. Also, the representatives work in the securities industry, which is highly regulated, and some are required to have a license to sell securities. American Express’s emphasis on training is related not only to the company needs but also to the basic business principle that it costs less to serve customers well and keep them than to try to replace them after they have left. Providing good customer service and maintaining customer loyalty depend on how

well customer service representatives work the phones, take orders, offer assistance, and develop relationships with customers.

When new employees report for work in the customer services section of American Express, they begin an eight-week training program designed to help them succeed in building and solidifying the company's client base. First, they split their days into learning about American Express's investment products and practicing how they will work with the company's financial advisers and clients. After employees complete the initial training and begin to work on the phone with actual clients, they still receive at least two weeks of training each year. The ongoing training includes a mix of classroom and Web-based training on subjects such as new financial products or changes in security regulations. Online training modules are used to teach computer skills such as how to use a new software product or how to reduce the number of screens a representative must go through to retrieve a particular piece of information. American Express's training includes active participation by the trainees. Customer service trainees are given time to review material, ask questions, and practice on the computer systems they will be using.

Sun Microsystems, a manufacturer of computer workstations and workstation software based in Santa Clara, California, has made sure its training function and training activities support its business strategy. Sun's mission statement discusses how Sun views computer networks (a vision of network participation driven by shared innovation, community development, and open source leadership). Sun has established a history of innovation and technology leadership, helps companies in every industry leverage the power of the Internet, has established relationships with leading suppliers of computing solutions that Sun can rely on to develop integrated solutions, and is committed to high-quality service and technical support. In his letter to stockholders in the 2005 annual report, Scott McNealy, then chairman of the board and chief executive officer, identified six priorities: making money; growing; capitalizing on acquisitions; leveraging partners; reenlisting champions (creating passion for Sun in customers, partners, employees, and shareholders); and simplifying the business. The training and development activities that Sun develops can help the company achieve these business priorities.

A good example of how a training function can contribute to business strategy is evident in the changes made by SunU, the training and development organization of Sun Microsystems. SunU realigned its training philosophy and the types of training it conducted to be more linked to the strategy of Sun. Sun was in a constantly evolving business due to new technologies, products, and product markets. SunU found that its customers wanted training services that could be developed quickly, could train many people, and would not involve classroom training. Because of its importance for the business, Sun was also interested in maintaining and improving the knowledge and competence of its current work force.

As a result of the need to better align the training function with the needs generated by the business strategy, SunU took several steps. First, it developed a new approach to determining the knowledge and skills that the employees needed to meet business goals. SunU identified several basic competencies (such as customer relations). A team of trainers at SunU constantly reviews these competencies and discusses them with key senior managers. For example, in the customer



service competency, vice presidents and directors of sales and marketing are interviewed to identify training needs. As a result of this process SunU learns more about the business needs and is able to develop relevant training. To help deliver training quickly to a large number of trainees without relying on the classroom, SunU developed videoconferencing programs that allow training to be delivered simultaneously to several sites without requiring trainees to travel to a central location. To help maintain and improve the knowledge and abilities of its employees, SunU developed a desktop library that enables all employees to access CD-ROMs containing up-to-date information on technologies and products as well as profiles on customers and competitors. SunU also delivers Web-based training to more than 400,000 students, and more than 80,000 online training sessions are accessible daily to employees, customers, suppliers, and partners.

In 2001, when SunU was faced with the business need to train and certify all Sun employees in Sun Sigma (Sun’s version of Six Sigma quality training) in less than six months, SunU turned to online training. SunU’s training program needed to reach employees who worked in 170 different countries and who spoke a variety of languages, and it needed to be tailored to both individuals and groups. The customized course material was incorporated into e-learning, which allowed SunU to train twice as many employees as would have been possible in a classroom approach. The Sun Sigma training initiative was able to save the company approximately \$1.2 million.

**TABLE 13.6 SUN MICROSYSTEMS’S VISION, MISSION, AND STRATEGY**

**Vision:** “The Network Is the Computer.” Sun drives network participation (the Participation Age) through shared innovation, community development, and open source leadership.

**Mission:** To create the technologies and fuel the communities that power the Participation Age.

**Strategy:** We engineer solutions for our customers’ biggest, most important problems. We share our solutions to grow communities, increase participation, and create world changing new market opportunities: We will build and run the world’s participation infrastructure, The network, to make sure the job is done right.

**TABLE 13.7 SUNU’S ANALYSIS TO ALIGN TRAINING WITH BUSINESS STRATEGY**

**Customers**

Who are our customers and how do we work for them?

**Organization**

What is the nature of practices required to complete our mission?

**Products and Services**

How do we ensure that our products and services meet strategic requirements?

**Research and Development**

How do we stay current in the training and learning fields and use our knowledge in these areas?

**Business Systems**

What are the processes, products, tools, and procedures required to achieve our goals?

**Continuous Learning**

How do we recognize that learning at Sun Microsystems is continuous, is conscious, and comes from many sources?

**Results**

How do we obtain results according to our customers' standards?

**13.20 TRAINING METRICS**

How does a company determine whether training and development activities actually contribute to the business goals? This determination involves identifying and collecting outcome measures, or metrics. The metrics that are typically used to identify training success or effectiveness include trainees' satisfaction with the training program; whether the trainees' knowledge, skill, ability, or attitudes changed as a result of program participation (cognitive and skill-based outcomes); and whether the program resulted in business-related outcomes for the company.

The business-related outcomes should be directly linked to the business strategy and goals. Business-related outcomes could evaluate, for example, customer service, employee satisfaction or engagement, employee turnover, number of product defects, time spent in product development, number of patents, or time spent filling management positions. Some companies use the balanced scorecard as a process to evaluate all aspects of the business. The **balanced scorecard** is a means of performance measurement that provides managers with a chance to look at the overall company performance or the performance of departments or functions (such as training) from the perspective of internal and external customers, employees, and shareholders. The balanced scorecard considers four different perspectives: customer, internal, innovation and learning, and financial. The emphasis and type of indicators used to measure each of these perspectives are based on the company's business strategy and goals. The four perspectives and examples of metrics used to measure them include:

- Customer (time, quality, performance, service, cost).
- Internal (processes that influence customer satisfaction).
- Innovation and learning (operating efficiency, employee satisfaction, continuous improvement).
- Financial (profitability, growth, shareholder value).

Metrics that might be used to assess training's contribution to the balanced scorecard include employees trained (employees trained divided by total number of employees), training costs (total training costs divided by number of employees trained), and training costs per hour (total training costs divided by total training hours). For example, EMC Corporation, a technology company, uses a balanced scorecard to track and measure learning. Company performance is tracked quarterly with metrics measuring business alignment, work-force readiness, time-to-market, globalization, and effectiveness. The company has also implemented performance metrics that are directly linked to present and future business needs. Employees are given individual development plans that are based on an analysis of their jobs. Ingersoll Rand requires its business units to make strong business cases for new spending. Following this model, Ingersoll Rand University shows that learning makes

a difference and contributes to the business strategy by using metrics such as expected benefits, one-time versus ongoing costs, shelf-life of learning products, and employee participation rates in its programs. Each year Ingersoll Rand University (IRU) provides the company with an annual report communicating accomplishments, challenges, strategic directions, and operational efficiencies. For example, IRU has offered process improvement workshops related to Lean Six Sigma (a quality initiative), which is a business priority. IRU has been able to demonstrate that its workshops have resulted in saving the company hundreds of thousands of dollars by reducing vendor delivery costs by 76 per cent. The process of identifying and collecting metrics is related to training evaluation.

### 13.21 MANAGERS' ROLES

The roles that employees and managers have in a company influence the focus of training, development, and learning activity. Traditionally, employees' roles were to perform their jobs according to the managers' directions. Employees were not involved in improving the quality of the products or services. However, with the emphasis on the creation of intellectual capital and the movement toward high-performance work systems using teams, employees today are performing many roles once reserved for management (e.g., hiring; scheduling work; interacting with customers, vendors, and suppliers). If companies are using teams to manufacture goods and provide services, team members need training in interpersonal problem solving and team skills (e.g., how to resolve conflicts, give feedback). If employees are responsible for the quality of products and services, they need to be trained to use data to make decisions, which involves training in statistical process control techniques. Team members may also receive training in skills needed for all positions on the team (cross training), not just for the specific job they are doing. To encourage cross training, companies may adopt skill-based pay systems, which base employees' pay rates on the number of skills they are competent in rather than what skills they are using for their current jobs.

Research suggests that managers in traditional work environments are expected to do the following:

- **Manage individual performance.** Motivate employees to change performance, provide performance feedback, and monitor training activities.
- **Develop employees.** Explain work assignments and provide technical expertise.
- **Plan and allocate resources.** Translate strategic plans into work assignments and establish target dates for projects.
- **Coordinate interdependent groups.** Persuade other units to provide products or resources needed by the work group, and understand the goals and plans of other units.
- **Manage group performance.** Define areas of responsibility, meet with other managers to discuss effects of changes in the work unit on their groups, facilitate change, and implement business strategy.
- **Monitor the business environment.** Develop and maintain relationships with clients and customers, and participate in task forces to identify new business opportunities.
- **Represent one's work unit.** Develop relationships with other managers, communicate the needs of the work group to other units, and provide information on work group status to other groups.

Regardless of their level in the company (e.g., senior management), all managers are expected to serve as spokespersons to other work units, managers, and vendors (i.e., represent the work unit). Of course, the amount of time managers devote to some of these roles is affected by their level. Line managers spend more time managing individual performance and developing employees than midlevel managers or executives do. The most important roles for midlevel managers and executives are planning and allocating resources, coordinating interdependent groups, and managing group performance (especially managing change). Executives also spend time monitoring the business environment by analyzing market trends, developing relationships with clients, and overseeing sales and marketing activities.

The roles and duties of managers in companies that use high-performance work systems (such as teams) are shown in Table 13.7. The managers' duty is to create the conditions necessary to ensure team success. These roles include managing alignment, coordinating activities, facilitating the decision-making process, encouraging continuous learning, and creating and maintaining trust.

To manage successfully in a team environment, managers need to be trained in "people skills," including negotiation, sensitivity, coaching, conflict resolution, and communication skills. A lack of people skills has been shown to be related to managers' failure to advance in their careers.

**TABLE 13.8 THE ROLE AND DUTIES OF MANAGER IN COMPANIES THAT USE HIGH – PERFORMANCE WORK PRACTICE**

| Roles                                   | Key Duties   |
|---|--|
| Managing Alignment                      | Clarify team goal and company goals.<br>Help employees manage their objectives<br>Scan organization environment for useful information or the team.  |
| Coordinating Activities                 | Ensure that team is meeting internal and external customer needs.<br>Ensure that team meets its quantity and quality objectives<br>Help team resolve problems with other teams.<br>Ensure uniformity in interpretation of policies and procedures. |
| Facilitating<br>Decision-making process | Facilitate team decision making.<br>Help team use effective decision-making processes (ideal with conflict resolution process control).  |
| Encouraging Continuous Learning         | Help team identify training needs.<br>Help team become effective at on-the-job training<br>Create environment that encourages learning.  |
| Creating and Maintaining Trust          | Ensure that each team member is responsible for his or her work load and customers<br>Treat all team members with respect<br>Listen and respond honestly to team ideas.  |

### 13.22 TOP MANAGEMENT SUPPORT

The CEO, the top manager in the company, plays a key role in determining the importance of training and learning in the company. The CEO is responsible for

- A clear direction for learning (vision).
- Encouragement, resources, and commitment for strategic learning (sponsor).
- Taking an active role in governing learning, including reviewing goals and objectives and providing insight on how to measure training effectiveness (governor).
- Developing new learning programs for the company (subject-matter expert).
- Teaching programs or providing resources online (faculty).
- Serving as a role model for learning for the entire company and demonstrating a willingness to constantly learn (learner).
- Promoting the company's commitment to learning by advocating it in speeches, annual reports, interviews, and other public relations tools (marketing agent).

For example, James Hackett, CEO of Steelcase, a company in the office furniture industry, declared publicly that learning is the core of Steelcase's strategy. The key, said Hackett, is for Steelcase to study space and help companies use it more efficiently and effectively. At Ingersoll Rand, to ensure that top managers understand and support the role that training and development can play in the company, a "ladder of engagement" model has been created. Top managers are engaged in training and development in many different ways, including providing input into learning program development, serving as trainers or co-trainers, visiting courses as executive speakers, or serving as advisory council members for Ingersoll Rand's corporate university.

### 13.23 INTEGRATION OF BUSINESS UNITS

The degree to which a company's units or businesses are integrated affects the kind of training that takes place. In a highly integrated business, employees need to understand other units, services, and products in the company. Training likely includes rotating employees between jobs in different businesses so they can gain an understanding of the whole business.

## GLOBAL TRAINING

The development of global product and service markets is an important challenge for U.S. companies. For companies with global operations, training is used to prepare employees for temporary or long-term overseas assignments. Also, because employees are geographically dispersed outside the United States, companies need to determine whether training will be conducted and coordinated from a central U.S. facility or will be the responsibility of satellite installations located near overseas facilities.

Consider how globalization has affected the training practices of KLA-Tencor, a manufacturer of equipment and systems for semiconductor manufacturers. KLA-Tencor has factories in China, Taiwan, Singapore, and India in order to better serve its customers, such as Intel, which also have global locations. At KLA-Tencor, employees are trained in installing and servicing machine tools

in its global operations. Employees also need to know how to adjust the machines to maximize productivity so they can educate customers on how to use them more effectively. Technology training is provided regionally because trainees need hands-on experience with the machines. KLA-Tencor finds local instructors who are qualified to teach in the local language. The local instructors are trained in how to deliver the technical training and use the machines. Before teaching courses on their own, the local instructors co-teach a class with another trainer to ensure that they are comfortable and proficient in delivering training. Network Appliances, a data storage technology company, is headquartered in the U.S. but has locations in the Middle East, Asia, and Africa. NetApp University provides training to account managers, systems engineers, technical support employees, customers, and maintenance suppliers. NetApp training centers in overseas locations provide training that is delivered in English. Some courses, such as customer training, are available in 23 different languages.

At Intel, a semiconductor and microprocessor manufacturer, providing for the company's global strategic needs begins with a needs assessment. Regardless of whether employees are in China or Arizona, they are going to receive the same training content. Intel's programs are delivered by local instructors (subject-matter experts, not full-time trainers) who tailor the training content to meet the needs of the learners at each location. Intel uses local instructors to ensure that the training content is not too generic or U.S.-focused. Typically, the content is 80 to 90 per cent consistent across the company, but instructors have the flexibility to use examples that are geographically and/or business-unit relevant.

### 13.24 BUSINESS CONDITIONS

When unemployment is low and/or businesses are growing at a high rate and need more employees, companies often find it difficult to attract new employees, find employees with necessary skills, and retain current employees. Companies may find themselves in the position of hiring employees who might not be qualified for the job. Also, in these types of business conditions, companies need to retain talented employees. In the knowledge-based economy (including companies in information technology and pharmaceuticals), product development is dependent on employees' specialized skills. Losing a key employee may cause a project to be delayed or hinder a company's taking on new projects. Training plays a key role in preparing employees to be productive as well as motivating and retaining current employees. Studies of what factors influence employee retention suggest that employees rate working with good colleagues, challenging job assignments, and opportunities for career growth and development as top reasons for staying with a company. Across all industries, from high tech to retailing, companies are increasingly relying on training and development to attract new employees and retain current ones. For example, companies such as Eli Lilly (a pharmaceutical company) and Microsoft are successful in terms of financial returns. They are typically found on lists of great places to work (for example, Fortune magazine's list of "Best Companies to Work For"). They are quite successful in attracting and retaining employees. Not only do they provide employees with very competitive pay and benefits, but they also are committed to training and development. Retailers such as Macy's and Nordstroms cannot generate sales unless they have enough skilled employees. For example, Macy's begins its employee retention strategy by starting with executives.

Executives are accountable for retention of the employees who report to them. Managers have been trained to run meetings and conduct performance evaluations (skills that influence employees' perceptions of how they are treated, which ultimately affects whether they remain with Macy's). Macy's has also provided training programs and courses for employees

For companies in an unstable or recessionary business environment—one characterized by mergers, acquisitions, or disinvestment of businesses—training may be abandoned, be left to the discretion of managers, or become more short term (such as offering training courses only to correct skill deficiencies rather than to prepare staff for new assignments). These programs emphasize the development of skills and characteristics needed (e.g., how to deal with change) regardless of the structure the company takes. Training may not even occur as a result of a planned effort. Employees who remain with a company following a merger, acquisition, or disinvestment usually find that their job now has different responsibilities requiring new skills. For employees in companies experiencing growth—that is, an increased demand for their products and services—there may be many new opportunities for lateral job moves and promotions resulting from the expansion of sales, marketing, and manufacturing operations or from the start-up of new business units. These employees are usually excited about participating in development activities because new positions often offer higher salaries and more challenging tasks.

During periods when companies are trying to revitalize and redirect their business, earnings are often flat. As a result, fewer incentives for participation in training—such as promotions and salary increases—may be available. In many cases, companies downsize their work forces as a way of cutting costs. Training activities under these conditions focus on ensuring that employees are available to fill the positions vacated by retirement or turnover. Training also involves helping employees avoid skill obsolescence.

### 13.25 HUMAN RESOURCE MANAGEMENT PRACTICES

**Human resource management (HRM) practices** consist of the management activities related to investments (time, effort, and money) in staffing (determining how many employees are needed, and recruiting and selecting employees), performance management, training, and compensation and benefits. The type of training and the resources devoted to training are influenced by the strategy adopted for two human resource management practices: staffing and human resource planning.

#### *Staffing Strategy*

**Staffing strategy** refers to the company's decisions regarding where to find employees, how to select them, and the desired mix of employee skills and statuses (temporary, fulltime, etc.). For example, one staffing decision a company has to make is how much to rely on the internal labor market (within the company) or external labor market (outside the company) to fill vacancies. Two aspects of a company's staffing strategy influence training: the criteria used to make promotion and assignment decisions (assignment flow) and the places where the company prefers to obtain the human resources to fill open positions (supply flow).

Companies vary in terms of the extent to which they make promotion and job assignment decisions based on individual performance or group or business-unit performance. They also vary in terms of the extent to which their staffing needs are met by relying on current employees (internal labor market) or employees from competitors and recent entrants into the labor market, such as college graduates (external labor market). The interaction between assignment flow and supply flow results in four distinct types of companies: fortresses, baseball teams, clubs, and academies. Each company type places a different emphasis on training activities. For example, some companies (such as medical research companies) emphasize innovation and creativity. These types of companies are labeled baseball teams. Because it may be difficult to train skills related to innovation and creativity, they tend to handle staffing needs by luring employees away from competitors or by hiring graduating students with specialized skills.

Another staffing strategy is deciding what skills new employees will be expected to possess and what skills the company will develop through training. MidAmerican Energy was having trouble finding skilled, ready-to-hire meter readers and increasing the diversity of its meter readers. Turnover was 50 per cent, and customers increasingly complained about incorrect meter reads, which translated into higher bills. These problems were blamed on the company's traditional hiring, which involved employee referrals. As a result, Mid American decided to change its hiring practices in order to hire more skilled people. First, Mid American identified that the important skills for the job were reading for information, locating information, and observation. Next, Mid American Energy decided to use tests on these skills as part of the hiring process. The tests ask questions that assess these skills in the context of the work of meter readers. As a result of the tests, turnover has been reduced, customer service has improved, the diversity of the work force has increased, and new meter readers are completing Mid American's apprenticeship programs more quickly.

### 13.26 HUMAN RESOURCE PLANNING

**Human resource planning** includes the identification, analysis, forecasting, and planning of changes needed in the human resource area to help the company meet changing business conditions. Human resource planning allows the company to anticipate the movement of human resources in the company because of turnover, transfers, retirements, or promotions. Human resource plans can help identify where employees with certain types of skills are needed in the company. Training can be used to prepare employees for increased responsibilities in their current job, promotions, lateral moves, transfers, and downward job opportunities that are predicted by the human resource plan.



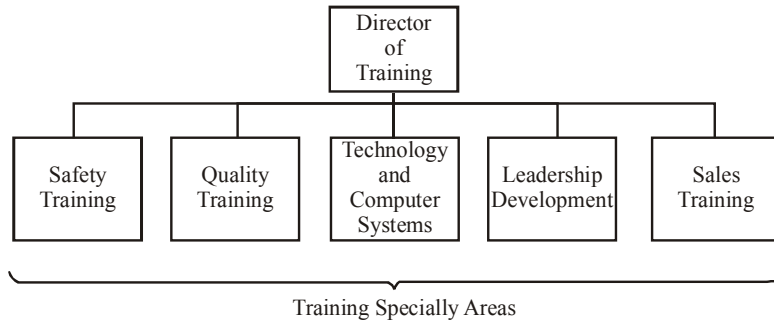


### 13.28 STAFF INPUT

How often and how well a company's training program is used are affected by the degree to which managers, employees, and specialized development staff are involved in the process. If managers are not involved in the training process (e.g., determining training needs, being used as trainers), training may be unrelated to business needs. Managers may also not be committed to ensuring that training is effective (e.g., giving trainees feedback on the job). As a result, training's potential impact on helping the company reach its goals may be limited because managers may feel that training is a "necessary evil" forced on them by the training department rather than a means of helping them to accomplish business goals.

If line managers are aware of what development activity can achieve, such as reducing the time it takes to fill open positions, they will be more willing to become involved in it. They will also become more involved in the training process if they are rewarded for participating. Constellation Energy, located in Baltimore, Maryland, links employee learning to individual and organizational performance. Each summer the company is involved in its business planning process until December, during which time a comprehensive five-year plan detailing organizational and business goals and objectives is developed. The human resources plan, which includes learning, ensures that employee development strategies are aligned with business strategies. Individual development plans and goals jointly established between employees and their managers are established based on the business goals and objectives and human resource needs. Managers are held accountable for developing employees. One of the competencies they are evaluated on is human capital management, which includes employee engagement, talent management, and diversity. Part of each manager's bonus is based on the evaluation he or she receives on this competency.

303 An emerging trend is that companies expect employees to initiate the training process. Companies with a greater acceptance of a continuous learning philosophy require more development planning. Companies will support training and development activities (such as tuition reimbursement and the offering of courses, seminars, and workshops) but will give employees the responsibility for planning their own development. Training and development planning involve identifying needs, choosing the expected outcome (e.g., behavior change, greater knowledge), identifying the actions that should be taken, deciding how progress toward goal attainment will be measured, and creating a timetable for improvement. To identify strengths and weaknesses and training needs, employees need to analyze what they want to do, what they can do, how others perceive them, and what others expect of them. A need can result from gaps between current capabilities and interests and the type of work or position the employee wants in the future.



*Fig. 13.3: Faculty model*

## FACULTY MODEL

Training departments organized by the **faculty model** look a lot like the structure of a college. Figure 13.3 shows the faculty model. The training department is headed by a director with a staff of experts who have specialized knowledge of a particular topic or skill area. These experts develop, administer, and update training programs. For example, sales trainers are responsible for sales skills training (cultivating clients, negotiating a sale, closing a sale), and computer experts provide training on topics such as using e-mail and the World Wide Web as well as software design language.

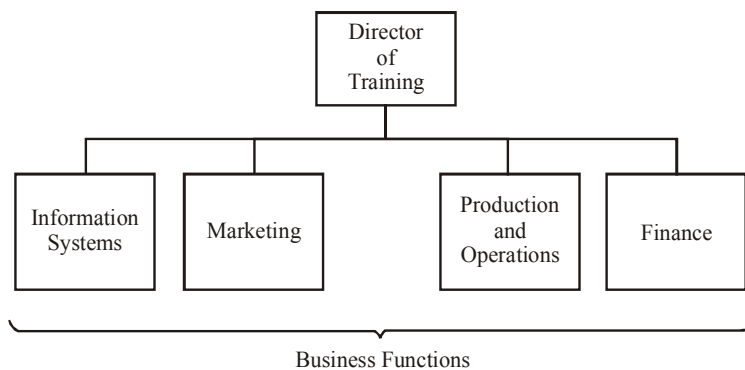
The faculty model has several strengths. First, training staff are clearly experts in the areas in which they train. Second, the training department's plans are easily determined by staff expertise. The content and timing of programs are determined primarily by when they are available and the expertise of the trainers. Organizing by the faculty model also has several disadvantages. Companies that use the faculty model may create a training function that has expertise that does not meet the needs of the organization. Trainers in a faculty model may also be unaware of business problems or unwilling to adapt materials to fit a business need. This can result in demotivated trainees who fail to learn because course content lacks meaning for them—that is, it does not relate to problems or needs of the business. Programs and courses that may be needed may not be offered because trainers are not experts in certain areas. Skill and knowledge emphasized in programs may not match the needs of the company. To overcome these disadvantages of the faculty model, managers need to frequently survey training's customers to ensure that course offerings are meeting their needs. Expert trainers also need to ensure that they adapt course materials so they are meaningful for participants.

## CUSTOMER MODEL

Training departments organized according to the **customer model** are responsible for the training needs of one division or function of the company. For example, trainers might be responsible for programs related to information systems, marketing, or operations. The trainers might also be human resource generalists whose job responsibilities include a broad range of human resource functions

such as training, performance management, hiring, and benefits. Figure 13.4 shows the customer model. This model overcomes a major problem of the faculty model. Training programs are developed more in line with the particular needs of a business group rather than based on the expertise of the training staff. Selection, training, compensation, and development are all based on a common set of knowledges, skills, abilities, or competencies. That is, training is integrated with other human resource responsibilities. Trainers in this model are expected to be aware of business needs and to update courses and content to reflect them. If needs change such that training is no longer available from a source inside the company, the trainers may use outside experts (e.g., consultants). Materials provided by a training staff organized by this model are likely to be meaningful to trainees.

There are several disadvantages to this model. First, trainers have to spend considerable time learning the business function before they can be useful trainers. Second, a large number of programs covering similar topics may be developed by customers. These programs may also vary greatly in effectiveness. It may be difficult for the training director to oversee each function to ensure that (1) a common instructional design process is used or (2) the company's quality philosophy is consistently emphasized in each program. For example, quality training may be developed separately for marketing and for operations employees. This type of structure is likely to be unattractive to trainers who consider presentation and teaching to be their primary job function. In the customer model, trainers are likely to be employees from the functional area (e.g., manufacturing engineers) who have great functional expertise but lack training in instructional design and learning theory. As a result, courses may be meaningful but poor from a design perspective (e.g., have inadequate feedback and practice opportunities).



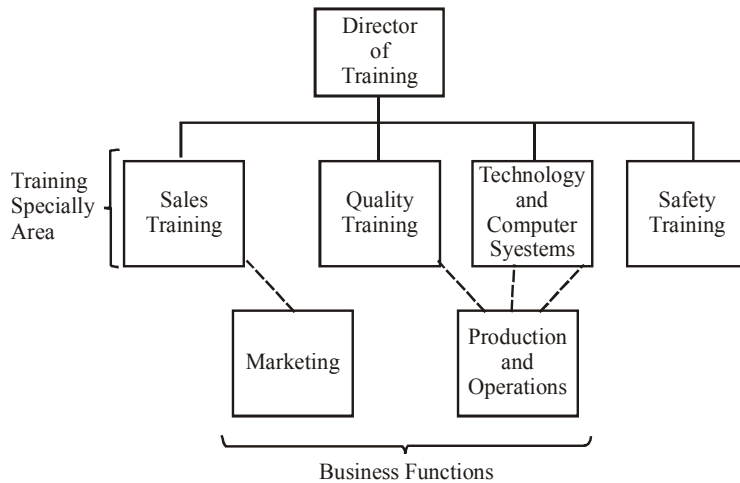
*Fig. 13.4: Customer model*

For example, Transamerica Life Companies has identified skills that are needed companywide. These skills include communications, accountability, initiative, and collaboration. Transamerica Life also has identified technical knowledge that is needed only in certain business units of the company. These skills and this knowledge are used to make hiring, promotion, and compensation

decisions. All employee training and development activity focuses on knowledge and skills that are needed companywide or within a business unit.

**MATRIX MODEL**

In the matrix model, trainers report to both a manager in the training department and a manager in a particular function. Figure 13.5 shows the matrix model. The trainer has the responsibility of being both a training expert and a functional expert. For example, as Figure 13.5 shows, sales trainers report to both the director of training and the marketing manager. One advantage of the matrix model is that it helps ensure that training is linked to the needs of the business. Another advantage is that the trainer gains expertise in understanding a specific business function. Because the trainer is also responsible to the training director, it is likely that the trainer will stay professionally current (e.g., up-to-date on new training delivery mechanisms such as the Internet). A major disadvantage of the matrix model is that trainers likely will have more time demands and conflicts because they report to two managers: a functional manager and a training director.



*Fig. 13.5: The Matrix Model*

**CORPORATE UNIVERSITY MODEL**

Because of the trend to centralize training, many companies use the corporate university model, as shown in Figure 13.6. The **corporate university model** differs from the other models in that the client group includes not only employees and managers but also stakeholders outside the company, including community colleges, universities, high schools, and grade schools. Training functions organized by the university model tend to offer a wider range of programs and courses than functions

organized by the other models. Important culture and values also tend to be emphasized more often in the training curriculum of corporate universities than the other models. The university model centralizes training to make sure that “best training practices” that may be used in one unit of the company are disseminated across the company. Also, the corporate university enables the company to control costs by developing consistent training practices and policies. For example, when Capital One Financial Services created Capital One University, it reduced learning and Development Cost and training staff by one-third and reduced course offerings by 43 per cent. The company consolidated five training organizations into a facility called Town Center, located in Richmond, Virginia. The Capital One University has four goals: meeting business needs, building organizational capability, establishing and sustaining operational excellence, and creating a world-class experience.

Corporate universities also can help effectively utilize new technology. The University of Toyota, a division of Toyota Motor Sales, oversees external vendors’ development of classroom and e-learning training for employees and dealerships. Trainees were frustrated because there was considerable variability in course navigation and quality. The group responsible for uploading courses to the company’s learning management system and distributing the courses to learners was also frustrated because it had difficulties integrating different software and explaining to users why courses coming from the university had different bandwidth requirements. To ensure that courses meet minimum standards for quality and usability, the University of Toyota has developed a single set of development standards, benchmarks, purchasing specifications, and best practices. The information is housed on e-Source, the university’s Website. Vendors are required to visit e-Source to bid on any e-learning projects for Toyota University. Courses that do not meet the specifications are revised at the vendor’s expense. E-mail bulletins are sent to course owners and developers to notify them of any content additions or changes to the Web site.

Both large and small companies have started their own universities to train new employees and to retain and update the skills and knowledge of current employees. Caterpillar University comprises six colleges: leadership, marketing and distribution, technology, business and business processes, Six Sigma, and product support. The deans of the colleges report to the president of the university. Caterpillar’s CEO, vice presidents, and two group presidents provide policy guidance, approve budgets, and identify priorities for the university. One priority was to support new business growth goals through the development of leaders who are willing to collaborate with others, have a global mindset, and understand the financial aspects of the business. The College of Marketing and Distribution focuses on providing a comprehensive curriculum for sales professionals and sales marketing managers. It includes product knowledge, sales skills, and management skills. All learning goals are tied to business goals. The College of Product Support focuses on training dealer employees to meet certification standards. Caterpillar University staff members help the business units deal with their learning needs. Lead learning managers in each unit have a dual reporting relationship to the university and to the unit’s human resource manager. The learning managers work with the business unit managers to set up learning plans.

Hamburger University, the corporate university for McDonald’s Corporation, is charged with continuing to teach the core values that founder Ray Kroc believed were the key to success: quality,

service, cleanliness, and value. McDonald's conducts research design to identify the characteristics of its work force that influence learning. As a result, Hamburger University has transitioned away from teaching courses with a lecture format and is moving toward fewer large group sessions and more interactive learning in classes of 25–35 students, which are then further divided into small groups for discussion and exercises. McDonald's changed its learning format to accommodate how most of its students (who would be considered Generation Y) learn. The typical education level of frontline service workers has influenced curriculum design through the development of more easily understandable coursework. E-learning is used to deliver the basics of restaurant operations or management training and classroom instruction and simulations are used to help the learner apply the basics on the job. Because students come from around the world, learners are provided with headphones that connect them with translators who provide instruction in the learner's native language during class. Besides classroom instruction, Hamburger University includes a simulated kitchen and drive-thru window. Despite having learners at the university who are already familiar with behind-the-counter operations, everyone takes part in the simulation, making real food and filling orders just as they would at a real McDonald's restaurant. Learners have performance goals to meet and receive feedback from fellow learners and trainers.

Are corporate universities effective? Corporate University Xchange surveyed corporate universities at 170 different companies. The top five organizational goals of corporate universities were to improve customer service and retention, improve productivity, reduce costs, retain talented employees, and increase revenue. The survey found that measuring business impact was a high priority. Seventy per cent of the companies surveyed measure business impact through product and service quality and customer service, and more than 50 per cent measure reductions in operating costs and increased revenues. For example, CoreTech Consulting Group in King of Prussia, Pennsylvania, found that compensation was less of an issue with its employees than growth opportunities and career development. CoreTech started CoreTech University, which offers short training courses to help employees improve their technical and interpersonal skills. While the company spends approximately \$4,500 per employee each year on training, it helps certify employees in different areas of information technology (e.g., a Microsoft certified systems engineer), which is tied directly to the company's mission and goals. CoreTech even used the in-house courses offered by the university to create a separate for-profit training company that offers courses to the public. It has generated \$325,000 in revenues through courses offered primarily to chief information officers and information technology managers.

Ritz-Carlton Hotel manages 58 luxury hotels worldwide. The Ritz-Carlton hotels and resorts are renowned for indulgent luxury. Beautiful surroundings and legendary awardwinning service are provided to every guest. The Ritz-Carlton Leadership Center is designed to support the growth and expansion of the company's products and services. The Leadership Center includes the School of Performance Excellence, which houses all the training and development for hourly employees; the School of Leadership and Business Excellence, which trains leaders; and the School of Service Excellence, which helps ensure high customer service. Programs at the School of Service Excellence are offered to other companies, which has resulted in yearly revenues for Ritz-Carlton of more than

\$1 million. These revenues help offset the costs of training and development for employees. For example, a new customized training certification system for housekeeping staff utilizes CD-ROM and Web-based training. The training is linked to the results of room inspections that highlight defects for the day, week, and year. The housekeeper can then identify the correct processes that are needed to remedy the defects. This just-in-time training has helped increase customer satisfaction scores at Ritz-Carlton. One hotel increased its satisfaction with cleanliness from 82 per cent to 92 per cent within six months.

Steelcase's business is making workspace more effective to facilitate innovation, productivity, efficiency, and creativity. To highlight Steelcase's capabilities for effective workspace design and to facilitate learning, creativity, and collaboration, Steelcase University Learning Center was developed. Many organizations visit annually to benchmark the university, the social network capabilities, and the learning tools. Also, the Steelcase University Learning Center has centralized all of the company's training and development efforts—reducing redundancies, facilitating consistency, and ensuring knowledge sharing. The learning center includes 70 per cent formal and 30 per cent informal learning space, putting into practice research results regarding how learning and social networking occur. The learning center provides flexible, informal space that allows employees to meet privately as well as interact in groups, facilitating cooperation and collaboration. Nine classrooms and ten breakout areas include flexible furniture and the newest technology. Each room and area can be changed to fit the specific needs of the users. The learning center is also the gathering place for Cross-Functional Teams. Activities held in the learning center include town hall meetings, lunch-and-learn sessions, and virtual teaching sessions. The learning center is also known as the place for employee leadership development. The company's global leadership teams can use the center to meet both physically and virtually.

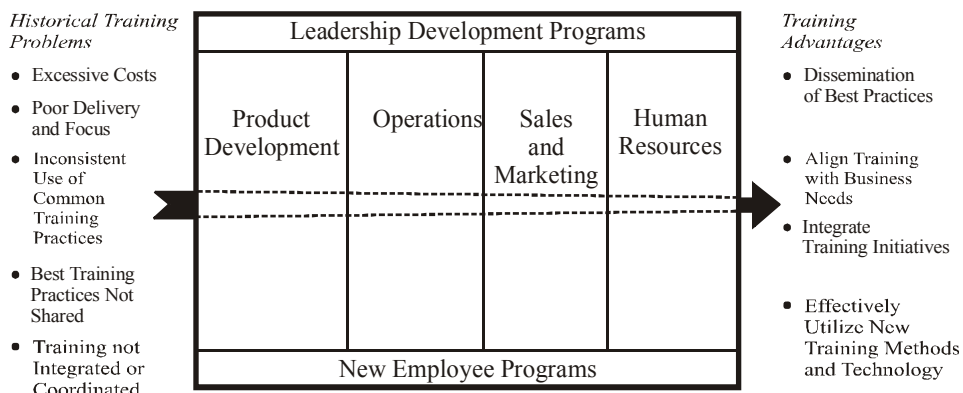


Fig. 13.7: The Corporate University Mode



**CREATING A CORPORATE UNIVERSITY**

Creating a corporate university from scratch involves several steps. First, senior managers and business managers form a governing body with the responsibility of developing a vision for the university. (This group answers questions such as, What are the university's policies, systems, and procedures? What are the key functional areas for which training courses will be developed?) Second, this vision is fleshed out, and the vision statement is linked to the business strategy. For example, Ingersoll Rand has a business goal of obtaining 38 per cent of its revenue in 2010 from new product innovation. As a result, most of the programs and courses offered through Ingersoll Rand University discuss how to get close to the customer, innovation, and strategic marketing. The programs are designed for teams working on real business issues. Subject matter experts and managers teach these programs, which are scheduled based on key product launch dates. Third, the company decides how to fund the university. The university can be funded by charging fees to business units and/or by monies allocated directly from the corporate budget. Fourth, the company determines the degree to which all training will be centralized. Many universities centralize the development of a learning philosophy, core curriculum design, and policies and procedures related to registration, administration, measurement, marketing, and distance learning. Local and regional on-site delivery and specialized business-unit curriculum are developed by business units. Fifth, it is important to identify the needs of university "customers" including employees, managers, suppliers, and external customers. Sixth, products and services are developed. The Bank of Montreal uses a service team that includes a client-relationship manager, a subject-matter expert, and a learning manager. The client-relationship manager works with the business units to identify their needs. The subject-matter expert identifies the skill requirements for meeting those needs. The learning manager recommends the best mix of learning, including classroom training as well as training based on, say, the Web or CD-ROM. The seventh step is to choose learning partners including suppliers, consultants, colleges, and companies specializing in education. Eighth, the company develops a strategy for using technology to train more employees, more frequently, and more cost-effectively than instructor-led training. Ninth, learning that occurs as a result of a corporate university is linked to performance improvement. This involves identifying how performance improvement will be measured (tests, sales data, etc.). For example, Sprint's corporate university, the University of Excellence, has developed the Standard Training Equivalent (STE) unit, an evaluation tool for its customers who are internal business units. The STE unit is equal to one hour of the traditional instructor-led classroom time that would be required to deliver a course to a group of employees at a central location. An STE unit consisting of a one-hour course over the company intranet is worth much more than the same amount of time spent in the classroom. The STE program helps the University of Excellence demonstrate its value to Sprint's business units, who fund the university. Finally, the value of the corporate university is communicated to potential "customers." Questions about the types of programs offered, how learning will occur, and how employees will enroll are addressed.

**BUSINESS-EMBEDDED MODEL**

Many companies are organizing their training function so that they can better control their training costs and ensure that training is aligned with the business strategy but at the same time respond

quickly to client needs and provide high-quality services. The **businessembedded (BE) model** is characterized by five competencies: strategic direction, product design, structural versatility, product delivery, and accountability for results. Strategic direction includes a clearly described goal and direction to the department as well as a customer focus that includes customizing training to meet customer needs and continuously improving programs. A BE training function not only views trainees as customers but also views managers as customers who make decisions to send employees to training and views senior-level managers as customers who allocate money for training. Table 2.8 contrasts a BE training function with a traditional training department. Compared to a traditional training department, a BE function is customer focused. It takes more responsibility for learning and evaluating training effectiveness, provides customized training solutions based on customer needs, and determines when and how to deliver training based on customer needs. To ensure that EMC's business strategy is supported by training, the company uses learning councils and development frameworks. Every business unit, including sales, technical, and engineering units, has education and development performance consultants who serve on the unit's learning council. The consultants report to EMC's central training organization, thus ensuring that the needs of the business units are discussed when training delivery or design is discussed. EMC uses a consistent training design framework, which makes it easier for managers and employees in all business units to understand how training leads to skill development and career advancement.

The most noticeable difference between a BE function and a traditional training department is its structure. The traditional training organization tends to operate with a fixed staff of trainers and administrators who perform very specific functions such as instructional design. In traditional training departments developers and instructors often take a "silo" approach, focusing only on their particular responsibilities. This approach can hinder the development of successful training programs. In BE training functions all persons who are involved in the training process communicate and share resources. Trainers—who are responsible for developing training materials, delivering instruction, and supporting trainees—work together to ensure that learning occurs. For example, access to project managers and subject-matter experts can be provided by developers to instructors who usually do not have contact with these groups. The number of trainers in BE training functions varies according to the demand for products and services. The trainers not only have specialized competencies (e.g., instructional design) but can also serve as internal consultants and provide a wide range of services (e.g., needs assessment, content improvement, customization of programs, results measurement).

### ***Current Practice: Business-Embedded Model with Centralized Training***

Because many companies are recognizing training's critical role in contributing to the business strategy, there is an increasing trend for the training function, especially in companies that have separate business units, to be organized by a blend of the BE model with centralized training that often includes a corporate university. This approach allows the company to gain the benefits of centralized training but at the same time ensure that training can provide programs, content, and delivery methods that meet the needs of specific businesses.

At Carter & Burgess, a professional services company, every learning program is aligned with the business strategy. Because the company has federal contracts, employees must complete yearly compliance training and professional education courses to maintain their licenses. Other learning programs are determined based on an annual needs analysis, exit interviews, and information from focus groups and stakeholders. The training and development team lets offices determine their training needs based on business needs. Office managers review the training programs and decide which ones they want to invest in. The training and development team monitors the usage of training and consults with the office on strategy and delivery. Allowing customization based on office needs, while at the same time centralizing strategy and training delivery, has helped to decrease costs. A companywide commitment to a single external vendor of training practices has resulted in a savings of more than 34 per cent in the first year.

Nextel Communications provides wireless communications services in the United States. The company offers a suite of advanced wireless services that include digital wireless mobile telephone service; walkie-talkie features, including its Nextel Direct Connect; Nextel Nationwide Direct Connect; Nextel International Direct Connect; and wireless data transmission services. To stay ahead of the changing business environment, Nextel's training organization embeds business training managers (BTM) in every business function. The BTMs report to the training organization but they are expected to contribute to the business teams and to earn their trust and respect as a way to appreciate the businesses' learning needs. The BTMs are also learning experts for the business units. Because the BTMs have a detailed understanding of the business units they support, they are better able to take into account long- and short-term business goals when choosing or designing training and to identify metrics that show how the training impacts the business.

Prior to the formation of a strategic training organization and Nextel University, business functions determined their own training needs and funded their own training initiatives. The result was limited knowledge-sharing across the company, costly redundancies in training programs, and training that was developed simply as a response to business function management requests without a consideration of how training fit into the business function's strategy or whether training really was appropriate. Now, all company programs with significant impact or cost must be accepted by Nextel's program oversight committee. Committee members include representatives from information technology, engineering, new product development, marketing, legal, and the human resource development (HRD) organization. By involving HRD in the program approval process, Nextel ensures that any training and development needs are included at the beginning rather than at the end of the project and that adequate training funds are allocated to programs and products. Training and development are linked directly to critical business decisions, and new products and programs are cost-effective, timely, and support the business strategy.

At Nextel, all funding for training and development is controlled by the HRD organization. To reduce training and development costs and to ensure that these activities are linked to business needs and are of high quality, each employee has a development plan. The Business Management Institute is responsible for Nextel's core business literacy. Its functions include all business management training and new-hire orientation. Nextel's Leadership Institute provides services to

150 employees who are viewed as the next company leaders. Nextel University enables efficiency and quality in training program design, development, and implementation. It provides a variety of technical, management, and sales training. Besides creating training on an as-needed basis, Nextel University increases the company's talent pool by participating in programs that develop the company's future leaders.

Is Nextel's HRD organization paying dividends? Recent surveys suggest that internal customers are satisfied and that more than 90 per cent of business function leaders believe that HRD is doing a good job of supporting company business objectives and goals.

TABLE 13.9

| <b>Traditional Training Department Strategic Direction</b>  | <b>Business-Embedded Training</b>  |
|---|--|
| Leaves objectives unstated or vague<br>Assumes that class participants are its only customers   | Broadly disseminates a clearly articulated mission<br>Recognizes that its customer base is segmented<br>Provides customized solutions to its clients needs                         |
| Limits offerings to predetermined courses<br>Continues to supply products that are no longer useful   | Understands product life cycles<br>Organizes its offerings by competences<br>Competes for internal customers   |
| Organizes its offerings by courses<br>Tries to mandate training   |  |
| <b>Product Design</b><br>Uses rigid and cumbersome design methodologies<br>Views suppliers as warehouses of materials   | Uses benchmarking and other innovative design strategies to develop products quickly<br>Involves suppliers strategically   |
| <b>Structural Versatility</b><br>Employs trainers who serve primarily as facilitators and classroom instructors<br>Operates with a fixed number of staff<br>Relies solely on training staff to determine the department's offerings | Employs professionals who serve as product managers and internal consultants<br>Leverages resources from many areas<br>Involves line managers in determining direction and content |
| <b>Product Delivery</b><br>Distributes a list of courses<br>Offers courses on a fixed schedule at fixed locations   | Offers a menu of learning options<br>Delivers training at the work site  |
| <b>Accountability for Results</b><br>Believes that the corporation manages employee development<br>Ends its involvement with participants when courses end  | Believes individual employees must take responsibility for their personal growth<br>Provides follow-up on the job to ensure that learning supporting learning                      |

|  |  |
|--|--|
| Considers the instructor the key player in supporting learning | Considers the manager the key player in supporting learning            |
| Relies on course entiques as its primary source of feedback    | Evaluates the stratgic effects of training and its botton-line results |
| Vaguely describes taining outcomes                             | Guarantees that training will improve performance                      |

**13.29 METHODS OF TRAINING**

**On the Job Trainings:** These methods are generally applied on the workplace while employees is actually working. Following are the on-the-job methods.

**Advantages of On-the-Job Training:**

- It is directly in the context of job
- It is often informal
- It is most effective because it is learning by experience
- It is least expensive
- Trainees are highly motivated
- It is free from artificial classroom situations

**Disadvantages of On-the-Job Training:**

- Trainer may not be experienced enough to train
- It is not systematically organized
- Poorly conducted programs may create safety hazards

**Techniques of Training Methods**

- 1. Job Rotation:** In this method, usually employees are put on different jobs turn by turn where they learn all sorts of jobs of various departments. The objective is to give a comprehensive awareness about the jobs of different departments. Advantage – employee gets to know how his own and other departments also function. Interdepartmental coordination can be improved, instills team spirit. Disadvantage – It may become too much for an employee to learn. It is not focused on employees own job responsibilities. Employees basic talents may remain under utilized.
- 2. Job Coaching:** An experienced employee can give a verbal presentation to explain the nitty-gritty’s of the job.
- 3. Job Instruction:** It may consist an instruction or directions to perform a particular task or a function. It may be in the form of orders or steps to perform a task.
- 4. Apprenticeships:** Generally fresh graduates are put under the experienced employee to learn the functions of job.
- 5. Internships and Assistantships:** An intern or an assistants are recruited to perform a specific time-bound jobs or projects during their education. It may consist a part of their educational courses.

**6. Off the Job Trainings:** These are used away from work places while employees are not working like classroom trainings, seminars etc. Following are the off-the-job methods;

**Advantages of Off-the-Job Training:**

- Trainers are usually experienced enough to train
- It is systematically organized
- Efficiently created programs may add lot of value

**Disadvantages of Off-the-Job Training:**

- It is not directly in the context of job
- It is often formal
- It is not based on experience
- It is least expensive
- Trainees may not be highly motivated
- It is more artificial in nature

**Off the Job Training Methods**

- 1. Classroom Lectures:** It is a verbal lecture presentation by an instructor to a large audience. Advantage – It can be used for large groups. Cost per trainee is low. Disadvantages – Low popularity. It is not learning by practice. It is One-way communication. No authentic feedback mechanism. Likely to boredom.
- 2. Audio-Visual:** It can be done using Films, Televisions, Video, and Presentations etc. Advantages – Wide range of realistic examples, quality control possible,. Disadvantages – One-way communication, No feedback mechanism. No flexibility for different audience.
- 3. Simulation:** creating a real life situation for decision-making and understanding the actual job conditions give it. Following are some of the simulation methods of trainings
  - (a) Case Studies:** It is a written description of an actual situation and trainer is supposed to analyze and give his conclusions in writing. The cases are generally based on actual organizational situations. It is an ideal method to promote decision-making abilities within the constraints of limited data.
 

**Role Plays:** Here trainees assume the part of the specific personalities in a case study and enact it in front of the audience. It is more emotional orientation and improves interpersonal relationships. Attitudinal change is another result. These are generally used in MDP.
  - (b) Sensitivity Trainings:** This is more from the point of view of behavioral assessment, under different circumstances how an individual will behave himself and towards others. There is no preplanned agenda and it is instant. Advantages – increased ability to empathize, listening skills, openness, tolerance, and conflict resolution skills. Disadvantage – Participants may resort to their old habits after the training.
- 4. Programd Instructions:** Provided in the form of blocks either in book or a teaching machine using questions and Feedbacks without the intervention of trainer. Advantages – Self paced,

trainees can progress at their own speed, strong motivation for repeat learning, material is structured and self-contained. Disadvantages – Scope for learning is less; cost of books, manuals or machinery is expensive.

- 5. Computer Aided Instructions:** It is extension of PI method, by using computers. Advantages – Provides accountabilities, modifiable to technological innovations, flexible to time. Disadvantages – High cost.

### **6. Laboratory Training**

#### **Barriers to Effective Training:**

1. Lack of Management commitment
2. Inadequate Training budget
3. Education degrees lack skills
4. Large scale poaching of trained staff
5. Non-coordination from workers due to downsizing trends
6. Employers and B Schools operating distantly
7. Unions influence

#### **How to Make Training Effective?**

1. Management Commitment
2. Training and Business Strategies Integration
3. Comprehensive and Systematic Approach
4. Continuous and Ongoing Approach
5. Promoting Learning as Fundamental Value
6. Creations of Effective Training Evaluation System

## **TRAINING AND DEVELOPMENT**

### **Training Process**

Training is the systematic development of the attitude, knowledge, skill pattern required by a person to perform a given task or job adequately and development is ‘the growth of the individual in terms of ability, understanding and awareness’

### **Management of Training Function**

- Training Needs Assessment
- Identification of Training Needs (Methods)
- Individual Training Needs Identification
  1. Performance Appraisals
  2. Interviews
  3. Questionnaires

4. Attitude Surveys
5. Training Progress Feedback
6. Work Sampling
7. Rating Scales

#### **Group Level Training Needs Identification**

1. Organizational Goals and Objectives
2. Personnel / Skills Inventories
3. Organizational Climate Indices
4. Efficiency Indices
5. Exit Interviews
6. MBO / Work Planning Systems
7. Quality Circles
8. Customer Satisfaction Survey
9. Analysis of Current and Anticipated Changes

#### **Benefits of Training Needs Identification**

1. Trainers can be informed about the broader needs in advance
2. Trainers Perception Gaps can be reduced between employees and their supervisors Trainers can design course inputs closer to the specific needs of the participants
3. Diagnosis of causes of performance deficiencies can be done

The process of examining a training program is called training evaluation. Training evaluation checks whether training has had the desired effect. Training evaluation ensures that whether candidates are able to implement their learning in their respective workplaces, or to the regular work routines

#### **Techniques of Evaluation**

The various methods of training evaluation are:

- Observation
- Questionnaire
- Interview
- Self diaries
- Self recording of specific incidents

#### **Types of evaluation**

Evaluating the Training (includes monitoring) addresses how one determines whether the goals or objectives were met and what impact the training had on actual performance on the job.

Generally there are four kinds of standard training evaluation:



1. Formative
  2. Process
  3. Outcome
  4. Impact.
1. Formative evaluation provides ongoing feedback to the curriculum designers and developers to ensure that what is being created really meets the needs of the intended audience.
  2. Process evaluation provides information about what occurs during training. This includes giving and receiving verbal feedback.
  3. Outcome evaluation determines whether or not the desired results (e.g., what participants are doing) of applying new skills were Achieved in the short-term.
  4. Impact determines how the results of the training affect the strategic goal

### Evaluation Methods

- Evaluation methods can be either qualitative (e.g., interviews, case studies, focus groups) or quantitative (e.g., surveys, experiments)
- Training evaluation usually includes a combination of these methods and reframes our thinking about evaluation in that measurements are aimed at different levels of a system.

### Formative Evaluation

- Formative Evaluation may be defined as “any combination of measurements obtained and judgments made before or during the implementation of materials, methods, or programs to control, assure or improve the quality of program performance or delivery.”
- It answers such questions as, “Are the goals and objectives suitable for the intended audience?” “Are the methods and materials appropriate to the event?” “Can the event be easily replicated?”
- Formative evaluation furnishes information for program developers and implementers.
- It helps determine program planning and implementation activities in terms of (1) target population, (2) program organization, and (3) program location and timing.

It provides “short-loop” feedback about the quality and implementation of program activities and thus becomes critical to establishing, stabilizing, and upgrading programs.

### Process Evaluation

- Process Evaluation answers the question, “What did you do?” It focuses on procedures and actions being used to produce results.
- It monitors the quality of an event or project by various means. Traditionally, working as an “onlooker,” the evaluator describes this process and measures the results in oral and written reports.
- Process evaluation is the most common type of training evaluation. It takes place during training delivery and at the end of the event.

### **Outcome Evaluation**

Outcome Evaluation answers the question, “What happened to the knowledge, attitudes, and behaviors of the intended population?”

This project would produce both “outcomes” and “impacts.”

Outcome evaluation is a long-term undertaking.

Outcome evaluation answers the question, “What did the participants do?”

Because outcomes refer to changes in behavior, outcome evaluation data is intended to measure what training participants were able to do at the end of training and what they actually did back on the job as a result of the training.

Impact Evaluation takes even longer than outcome evaluation and you may never know for sure that your project helped bring about the change.

Impacts occur through an accumulation of “outcomes.”

### **CASE QUESTIONS**

1. Define employee orientation.
2. What do you mean by training and development?
3. Define the different types of training.
4. Discuss in detail training evaluation.
5. How to Make Training Effective?

# ORGANIZATIONAL LEARNING

## 14.1 ORGANIZATIONAL LEARNING

**Organizational learning** is an area of knowledge within organizational theory that studies models and theories about the way an organization learns and adapts.

In Organizational development (OD), *learning* is a characteristic of an *adaptive* organization, i.e., an organization that is able to sense changes in signals from its environment (both internal and external) and adapt accordingly. (see adaptive system). OD specialists endeavor to assist their clients to learn from experience and incorporate the learning as feedback into the planning process.

### 14.1.1 Models

Argyris and Schön were the first to propose models that facilitate organizational learning; others have followed in the tradition of their work:

- Argyris and Schön (1978) distinguished between single-loop and double-loop learning, related to Gregory Bateson's concepts of first and second order learning. In single-loop learning, individuals, groups, or organizations modify their actions according to the difference between expected and obtained outcomes. In double-loop learning, the entities (individuals, groups or organization) question the values, assumptions and policies that led to the actions in the first place; if they are able to view and modify those, then second-order or double-loop learning has taken place. Double loop learning is the learning about single-loop learning.
- Kim (1993), integrates Argyris, March and Olsen and another model by Kofman into a single comprehensive model; further, he analyzes all the possible breakdowns in the information flows in the model, leading to failures in organizational learning; for instance, what happens if an individual action is rejected by the organization for political or other reasons and therefore no organizational action takes place?
- Nonaka and Takeuchi (1995) developed a four stage spiral model of organizational learning. They started by differentiating Polanyi's concept of "tacit knowledge" from "explicit knowledge" and describe a process of alternating between the two. Tacit knowledge is personal, context specific, subjective knowledge, whereas explicit knowledge is codified, systematic,

formal, and easy to communicate. The tacit knowledge of key personnel within the organization can be made explicit, codified in manuals, and incorporated into new products and processes. This process they called “externalization”. The reverse process (from explicit to tacit) they call “internalization” because it involves employees internalizing an organization’s formal rules, procedures, and other forms of explicit knowledge. They also use the term “socialization” to denote the sharing of tacit knowledge, and the term “combination” to denote the dissemination of codified knowledge. According to this model, knowledge creation and organizational learning take a path of socialization, externalization, combination, internalization, socialization, externalization, combination . . . etc. in an infinite spiral. Recently Nonaka returned to this theme in an attempt to move this model of knowledge conversion forwards (Nonaka and von Krogh 2009)

- Bontis, Crossan and Hulland (2002) empirically tested a model of organizational learning that encompassed both stocks and flows of knowledge across three levels of analysis: individual, team and organization. Results showed a negative and statistically significant relationship between the misalignment of stocks and flows and organizational performance.
- Flood (1999) discusses the concept of organizational learning from Peter Senge and the origins of the theory from Argyris and Schön. The author aims to “re-think” Senge’s *The Fifth Discipline* (Senge 1990) through systems theory. The author develops the concepts by integrating them with key theorists such as Bertalanffy, Churchman, Beer, Checkland and Ackoff. Conceptualizing organizational learning in terms of structure, process, meaning, ideology and knowledge, the author provides insights into Senge within the context of the philosophy of science and the way in which systems theorists were influenced by twentieth-century advances from the classical assumptions of science.
- Watson, Bruce D., 2002 argues that organizational learning has proven to be a somewhat elusive concept to grasp and therefore its practical implementation has also been difficult. There are various positions on what “learning” is understood to be and there is a lack of synthesis of theoretical and empirical investigations. He argues that the conception of “learning” in the organizational learning literature has received insufficient attention and that this has largely contributed to the lack of clarity in the concept of organizational learning. It is proposed that cognitive science, especially connectionism, provides a model of individual learning that is capable of incorporating implicit and explicit elements of learning and knowledge. Connectionist models of learning mimic the physiological neural processes of the brain and connectionism demonstrates the capacity to combine cognitivist and constructivist theories of learning. To accomplish the transition to an explanation of collective cognitive processes as occur in organizations, and while continuing to recognize the individual neural processes that must be involved, it is proposed that the theory of situated action is united with connectionism. On the basis of such, a reconceptualisation of organizational learning and a new framework to guide management practice is proposed.
- Imants (2003) provides theory development for organizational learning in schools within the context of teachers’ professional communities as learning communities, which is compared

and contrasted to teaching communities of practice. Detailed with an analysis of the paradoxes for organizational learning in schools, two mechanisms for professional development and organizational learning, (1) steering information about teaching and learning and (2) encouraging interaction among teachers and workers, are defined as critical for effective organizational learning.

- Common (2004) discusses the concept of organizational learning in a political environment to improve public policy-making. The author details the initial uncontroversial reception of organizational learning in the public sector and the development of the concept with the learning organization. Definitional problems in applying the concept to public policy are addressed, noting research in UK local government that concludes on the obstacles for organizational learning in the public sector: (1) overemphasis of the individual, (2) resistance to change and politics, (3) social learning is self-limiting, i.e. individualism, and (4) political “blame culture.” The concepts of *policy learning* and *policy transfer* are then defined with detail on the conditions for realizing organizational learning in the public sector.
- Bontis and Serenko (2009a), and Bontis and Serenko (2009b) proposed and validated a causal model explicating organizational learning processes to identify antecedents and consequences of effective human capital management practices in both for-profit and non-profit sectors. The results demonstrate that managerial leadership is a key antecedent of organizational learning, highlight the importance of employee sentiment, and emphasize the significance of knowledge management.
- Van Niekerk and Von Solms (2004) Compares and discusses organizational learning models for information security learning within organizations. Double-loop learning, as presented by Argyris and Schön (1978) is compared to outcome-based education, and information security specific standards published by the National Institute of Science and Technology (NIST), to determine its suitability for the fostering of an information security culture.
- Bushe (2001, 2009a, 2009b) defines organizational learning as an inquiry into the patterns of organizing among two or more people that leads to new knowledge and a change in those patterns of organizing. Arguing that since everyone creates their own experience, in every interaction everyone is having a different experience, and so learning from collective experience is a lot more difficult than simply discussing what happened in the past to decide what people want to do in the future. Bushe argues that many of dysfunctional patterns of organizing are sustained by sense-making processes that lead people to make up stories about each other that are more negative than the reality. Through an “organizational learning conversation” people come to understand their own experience and the experience of others which often allow them to revise their patterns of organizing in positive ways.

#### 14.1.2 Organizational knowledge

Some of this knowledge can be termed technical-knowing the meaning of technical words and phrases, being able to read and make sense of data and being able to act on the basis of generalizations. Scientific knowledge is 'propositional'; it takes the form of causal generalizations - whenever A,

then B. For example, whenever water reaches the temperature of 100°C, it boils; whenever it boils, it turns into steam; steam generates pressure when in an enclosed space; pressure drives engines.

A large part of the knowledge used by managers, however, does not assume this form. The complexities of a manager's task are such that applying A may result in B, C, or Z. A recipe or an idea that solved very well a particular problem, may, in slightly different circumstances backfire and lead to ever more problems. More important than knowing a whole lot of theories, recipes and solutions for a manager is to know which theory, recipe or solution to apply in a specific situation. Sometimes a manager may combine two different recipes or adapt an existing recipe with some important modification to meet a situation at hand.

Managers often use knowledge in the way that a handyman will use his or her skills, the materials and tools that are at hand to meet the demands of a particular situation. Unlike an engineer who will plan carefully and scientifically his or her every action to deliver the desired outcome, such as a steam engine, a handyman is flexible and opportunistic, often using materials in unorthodox or unusual ways, and relies a lot on trial and error. This is what the French call 'bricolage', the resourceful and creative deployment of skills and materials to meet each challenge in an original way. Rule of thumb, far from being the enemy of management, is what managers throughout the world have relied upon to inform their action.

In contrast to the scientific knowledge that guides the engineer, the physician or the chemist, managers are often informed by a different type of know-how. This is sometimes referred to a 'narrative knowledge' or 'experiential knowledge', the kind of knowledge that comes from experience and resides in stories and narratives of how real people in the real world dealt with real life problems, successfully or unsuccessfully. Narrative knowledge is what we use in everyday life to deal with awkward situations, as parents, as consumers, as patients and so forth. We seek the stories of people in the same situation as ourselves and try to learn from them. As the Chinese proverb says "A wise man learns from experience; a wiser man learns from the experience of others".

Narrative knowledge usually takes the form of organization stories (see organization story and organizational storytelling). These stories enable participants to make sense of the difficulties and challenges they face; by listening to stories, members of organizations learn from each other's experiences, adapt the recipes used by others to address their own difficulties and problems. Narrative knowledge is not only the preserve of managers. Most professionals (including doctors, accountants, lawyers, business consultants and academics) rely on narrative knowledge, in addition to their specialist technical knowledge, when dealing with concrete situations as part of their work. More generally, narrative knowledge represents an endlessly mutating reservoir of ideas, recipes and stories that are traded mostly by word or mouth on the internet. They are often apocryphal and may be inaccurate or untrue - yet, they have the power to influence people's sense making and actions.

### 14.1.3 Individual learning

Learning by individuals in an organizational context is the traditional domain of human resources, including activities such as: training, increasing skills, work experience, and formal education.

Given that the success of any organization is founded on the knowledge of the people who work for it, these activities will and, indeed, must continue. However, individual learning is only a prerequisite to organizational learning.

Others take it farther with continuous learning. The world is orders of magnitude more dynamic than that of our parents, or even when we were young. Waves of change are crashing on us virtually one on top of another. Change has become the norm rather than the exception. Continuous learning throughout one's career has become essential to remain relevant in the workplace. Again, necessary but not sufficient to describe organizational learning.

What does it mean to say that an organization learns? Simply summing individual learning is inadequate to model organizational learning. The following definition outlines the essential difference between the two: A learning organization actively creates, captures, transfers, and mobilizes knowledge to enable it to adapt to a changing environment. Thus, the key aspect of organizational learning is the interaction that takes place among individuals.

A learning organization does not rely on passive or ad hoc process in the hope that organizational learning will take place through serendipity or as a by-product of normal work. A learning organization actively promotes, facilitates, and rewards collective learning.

Creating (or acquiring) knowledge can be an individual or group activity. However, this is normally a small-scale, isolated activity steeped in the jargon and methods of knowledge workers. As first stated by Lucilius in the 1st century BC, "Knowledge is not knowledge until someone else knows that one knows."

Capturing individual learning is the first step to making it useful to an organization. There are many methods for capturing knowledge and experience, such as publications, activity reports, lessons learned, interviews, and presentations. Capturing includes organizing knowledge in ways that people can find it; multiple structures facilitate searches regardless of the user's perspective (e.g., who, what, when, where, why, and how). Capturing also includes storage in repositories, databases, or libraries to ensure that the knowledge will be available when and as needed.

Transferring knowledge requires that it be accessible to as needed. In a digital world, this involves browser-activated search engines to find what one is looking for. A way to retrieve content is also needed, which requires a communication and network infrastructure. Tacit knowledge may be shared through communities of practice or consulting experts. Knowledge needs to be presented in a way that users can understand it, and it must suit the needs of the user to be accepted and internalized.

Mobilizing knowledge involves integrating and using relevant knowledge from many, often diverse, sources to solve a problem or address an issue. Integration requires interoperability standards among various repositories. Using knowledge may be through simple reuse of existing solutions that have worked previously. It may also come through adapting old solutions to new problems. Conversely, a learning organization learns from mistakes or recognizes when old solutions no longer apply. Use may also be through synthesis; that is creating a broader meaning or a deeper level of understanding. Clearly, the more rapidly knowledge can be mobilized and used, the more competitive an organization.

An organization must learn so that it can adapt to a changing environment. Historically, the life-cycle of organizations typically spanned stable environments between major socioeconomic changes. Blacksmiths who didn't become mechanics simply fell by the wayside. More recently, many Fortune 500 companies of two decades ago no longer exist. Given the ever-accelerating rate of global-scale change, the more critical learning and adaptation become to organization relevance, success, and ultimate survival.

Organizational learning is a social process, involving interactions among many individuals leading to well-informed decision making. Thus, a culture that learns and adapts as part of everyday working practices is essential. Reuse must equal or exceed reinvent as a desirable behavior. Adapting an idea must be rewarded along with its initial creation. Sharing to empower the organization must supersede controlling to empower an individual.

Clearly, shifting from individual to organizational learning involves a non-linear transformation. Once someone learns something, it is available for their immediate use. In contrast, organizations need to create, capture, transfer, and mobilize knowledge before it can be used. Although technology supports the latter, these are primarily social processes within a cultural environment, and cultural change, however necessary, is a particularly challenging undertaking.

#### **14.1.4 Learning organization**

The work in Organizational Learning can be distinguished from the work on a related concept, the learning organization. This later body of work, in general, uses the theoretical findings of organizational learning (and other research in organizational development, system theory, and cognitive science) in order to prescribe specific recommendations about how to create organizations that continuously and effectively learn. This practical approach was championed by Peter Senge in his book *The Fifth Discipline*.

#### **14.1.5 Diffusion of innovations**

Diffusion of innovations theory explores how and why people adopt new ideas, practices and products. It may be seen as a subset of the anthropological concept of diffusion and can help to explain how ideas are spread by individuals, social networks and organizations.

### **14.2 LEARNING THEORIES AND TRAINING**

Learning theories are the basic materials which are usually applied in all educational and training activities. The more one understands learning theories, the better he or she will be able to make decisions and apply them to achieving the objectives. The behaviourists, the cognitivists, and the humanists emphasize different aspects of the teaching-learning process in their approaches. While the behaviourists stress external conditions (environment) resulting in observations and measurable changes in behaviour, the cognitivists are more concerned with how the mind works (mental processes such as coding, categorizing, and representing information in memory). The humanists, on the other hand, emphasize the affective aspects (e.g., emotions, attitudes) of human behaviour that influence learning (IRRI, 1990). In extension systems, effective training must be able to take care



of all the theories of learning in order to change the action, belief, and knowledge components of a trainee simultaneously. Andragogy (a theory of adult learning) is usually used rather than pedagogy (a theory of child learning) in extension training.

### **14.3 TRAINING APPROACH**

There are three approaches to training:

1. the traditional approach,
2. the experiential approach, and
3. the performance-based approach (Rama, Etling, and Bowen, 1993).

In the traditional approach, the training staff designs the objectives, contents, teaching techniques, assignments, lesson plans, motivation, tests, and evaluation. The focus in this model is intervention by the training staff. In the experiential approach, the trainer incorporates experiences where in the learner becomes active and influences the training process. Unlike the academic approach inherent in the traditional model, experiential training emphasizes real or simulated situations in which the trainees will eventually operate. In this model, the objectives and other elements of training are jointly determined by the trainers and trainees. Trainers primarily serve as facilitators, catalysts, or resource persons. In the performance-based approach to training, goals are measured through attainment of a given level of proficiency instead of passing grades of the trainees. Emphasis is given to acquiring specific observable skills for a task. This performance-based teacher education (PBTE) model, developed by Elam (1971), is mostly task or skill centred and is also applicable to nonformal educational organizations such as extension.

### **14.4 DEFINE AND EXPLAIN INTERNATIONAL BUSINESS STRATEGY**

International strategy is "A strategy through which the firm sells its goods or services outside its domestic market."

Companies adopt an international strategy when they aim to leverage their core competencies by expanding opportunistically into foreign markets. International firms include the likes of McDonald's, Kellogg, Google, Haier, Wal-Mart, and Microsoft.

The international model relies on local subsidiaries in each country to administer business as instructed by headquarters. Some subsidiaries may have freedom to adapt products to local conditions as well as to set up some light assembly operations or promotion Programs. Still, ultimate control resides with managers at headquarter who reason they best know the basis and potential extension of the company's core competencies.

International strategy and the value Chain: Historically, critical elements of the company's value chain, such as research and development to branding, have been centralized at headquarters.

Firms that pursue an international strategy try to create value by transferring core competencies and unique products to those foreign markets where rivals are unable to develop, match, or sustain them. The international strategy, therefore, facilitates the transfer of skills, expertise, and products

from the parent company to its subsidiaries. Headquarters can translate their expertise in and control over important activities into powerful positions to command foreign operation to follow their lead.

This expertise and control can take place in manufacturing processes or general management skills. The latter, for example, explains the growth of international hotel chains such as Hilton International, Four Seasons, and Sheraton.

**Liability of International Strategy:** Under an international strategy, however, the central of headquarters often hinders identifying and responding to local conditions.

These limitations become costly when other companies emphasize customizing their goods and services to local conditions. Carrefour, for instance, ran into this problem in the United States. Carrefour tried shifting its strategy to deal better with local tastes and preferences, but this eventually proved too costly and the company shut down its U.S. operations.

International business strategy refers to plans that guide commercial transactions taking place between entities in different countries. Typically, international business strategy refers to the plans and actions of private companies rather than governments; as such, the goal is increased profit.

Most companies of any appreciable size deal with at least one international partner at some point in their supply chain, and in most well-established fields competition is international. Because methods of doing business vary appreciably in different countries, an understanding of cultural and linguistic barriers, political and legal systems, and the many complexities of international trade is essential to commercial success.

As historically developing countries become increasingly prominent, new markets open up and new sources of goods become available,[1] making it increasingly important even for long-established firms to have a viable international business strategy. This is often facilitated with the use of international management consulting firms such as Oliver Wyman, Roland Berger, Amritt, or the Everest Group.

#### **14.4.1 Philosophy**

The three most prevalent philosophies of international business strategy are:

- industry-based, which argues that conditions within a particular industry determine strategy;
- resource-based, which argues that firm-specific differences determine strategy;
- institution-based, which argues that the industry- and resource-based views need to be supplemented by accounting for relevant societal differences of the types mentioned above.

### **14.5 DEVELOPING A TRAINING STRATEGY FOR THE INTERNATIONAL BUSINESS**

Over the past two decades, IT and telecommunications markets have become increasingly more global. Today, most major computer hardware manufactures and software publishers operate internationally. Similarly most of the national telephone companies have disappeared; merged within larger multinational telecommunications organizations. In both instances this change has been spurred by globalization, a term used to describe the rapid spread of free trade, the development of free and

open markets, and the growth of borderless capital. Additionally, technological advances in transportation and communication have permitted companies of all sizes to locate their operations far from both raw material supplies and the consumer markets they serve. Nowadays, it is common for manufacturing plants and support call centers to be located half a world away from the consumers of these products and services.

The political changes which have led to the globalization of markets have also had a significant impact upon corporate governance and organization. In order to stay competitive in the face of these changes organizations, and individuals within these organizations, must adapt and grow. But frequently the group that is often chartered to advance organizational growth and change, the training department, remains hopelessly provincial. While changing this perspective can be a difficult process, this transformation can release a tremendous potential within the organization. In this article, the first in a series, we propose a path for this initiating and planning for this transformation within the training organization.

### 14.5.1 Where to begin

It is said that "if you do not know where you are going, then any road will take you there." So instead of jumping into a specific localized project under a tight deadline, the first step should be to develop a plan for implementing what will become an organizational transformation. Ideally this plan would be developed by a small but diverse team of individuals and would map the company-wide business goals and objectives to the chartered organization's internal and external training goals. This mapping is significant as it can impact all areas of the company and will include product marketing and human resource capital management, as well as employee training, product training and support. The extent of your organization's charter will determine the scope of the assessment.

During this scoping phase it is important to understand two distinct concepts - Internationalization versus Localization. The internationalization phase is often referred to by the acronym "I18N." This acronym helps avoid the discussions regarding the correct spelling of the word ("internationalization" versus "internationalisation") by representing the word as the letter "I" followed by 18 letters, followed by the letter "N" (I.1.2.3.4.5.6.7.8.9.10.11.12.13.14.15.16.17.18.N). I18N is the process of developing and deploying an infrastructure whose content and features do not make assumptions based upon a single language or locale. Localization on the other hand, referred to as "L10N" (for the letter "L" followed by 10 letters, followed by the letter "N"), is the process of adapting original content to a specific market. During this step you translate the content, make user interface adjustments and test within the market context. In other words, internationalization abstracts out local details, localization specifies those details for a particular locale.

During the scoping phase your team will identify candidates for globalization and outline, at a high level, both the localization demands and the necessary steps for delivery. From this inventory, an initial deployment strategy can be developed. While not inherently obvious, key to a successful deployment strategy would be the identification of corporate advocates. These are individuals, usually from outside the working team, whose objective is to secure "corporate buy-in" across the

organization. One advocate is simply not enough, as these advocates will need to operate both the executive and local market levels. The executive advocate's job is to secure support for the inherent budgeting and organizational issues associated with the change. The local advocate's job is to provide local market "buy-in" as well as insight into the local language and culture.

### 14.5.2 Corporate and Learner Benefits

The executive advocate will likely be most interested in the corporate benefits of the globalization effort. But since the ROI of the initial effort may be difficult to determine the executive advocate must fully understand the globalization vision. Learning content, be it instructor-led or an e-Learning initiative, has a time-value. This means that by reducing the deployment time into each market you will significantly increase both the ROI and learning objective effectiveness within each of the localized markets. By reducing the latency of the content delivery, your organization will also achieve its corporate learning goals sooner. This decreased latency will also benefit the organization through an increase of the effectiveness of both the product and customer support teams. For these reasons, internationalization efforts benefit the entire organization and are not limited to the foreign markets. Likewise the cost of the internationalization effort should be shared across the entire organization, and should not be carried by the foreign subsidiary (however the costs of the localization effort are sometimes carried by that locale's subsidiary).

There are also significant learner benefits in making the transition. While the prevalence of workers with English-speaking skills is higher in both the European and Asian workplace than is the prevalence of foreign language skills in the American workplace, one should not assume that business English skills equal effective knowledge transfer. Language and cultural barriers will inherently inhibit a successful transfer, as very few individuals can "think" in a language outside their own. By delivering in the native language, you permit the learner to focus on the understanding of concepts and mastery of content, instead of spending energy concentrating on the language of delivery. Properly executed localized language delivery will always reduce confusion and ambiguity.

## 14.6 WHAT ARE THE COMPONENTS OF AN EFFECTIVE PRE-DEPARTURE TRAINING PROGRAM?

### Components of effective

#### *pre-departure training*

- o Cultural awareness programs
- o Preliminary visits
- o Language training
- o Practical assistance
- o Training for the training role
- o TCN and HCN expatriate training
- o Non-traditional assignments and training

### Language training

- o The role of English as the language of world business
- o Host country-language skills and adjustment
- o Knowledge of the corporate language

### Practical assistance

- o Makes an important contribution to adaptation of expatriate and accompanying family members to the host location
  - Information that assists relocation
  - Assistance in finding suitable accommodation and schooling
  - Further language training

### Effectiveness of pre-departure training

Pre-departure training can have many different components. There can be cross cultural training, preliminary visits, language training, involvement of the children and spouse, trainer role training and inclusion of repatriation issues. Training is used to improve the employees current knowledge, skills and attitudes. It is performed for a short term and it is focused on some specific job or task. (Högel, 2010-11)

### *Components of effective pre-departure training programs and effectiveness of the training*

Cultural awareness training deals with for example social customs, taboos and rules, verbal and non-verbal communication, business management structures, business protocol and etiquette and decision-making techniques. When talking about pre-departure training it is considered country specific cultural awareness training. In order to be as effective as possible the training should include more than one dimension but all the areas included should be studied deeply. The spouse and family should be involved in the process in order to guarantee its success. (Högel, 2010-11)

It is suggested that creating positive attitudes towards foreign cultures is the key to successful cross-cultural communication in the fields of economy, politics and social culture. (Christopher, 2012)

## CASE QUESTIONS

1. Define organizational learning.
2. What do you mean by integrating business strategy?
3. Discuss in detail components of predeparture training program.
4. Define and Explain International Business Strategy.
5. How to Develop a Training Strategy for the International Business?

# CROSS-CULTURAL TRAINING

## 15.1 CROSS- CULTURAL TRAINING

Internationalization in social, economic and political areas has led to deeper interpersonal cross-cultural contact. Due to this cross cultural training has become more important. There is a variety of different training courses that are covered with the term. There are two parallel approaches to the training which are general cross cultural awareness training and culture or country specific training. Cross cultural awareness training focuses on how different cultures are shown at the workplace and it has many applications. Its main purpose is to deal with the challenges that different cultures may cause to the workplace. In this study cross cultural training refers to the other approach because the training given to the expatriates is specified to their destination. (Cross Cultural Training, 2012)

### 15.1.1 Aspects of expatriate training

As the expatriation becomes more common, the role of cross cultural training is emphasized. Training is versatile and includes many different aspects, for example *business culture, etiquette, interpersonal communication, conflict resolution* and *man-management*. Business culture and etiquette can vary depending on the host country of the expatriate so it is essential to familiarize oneself with the new culture. Even though these will be “learned by doing” it is beneficial to have a basic understanding about the cultural differences in business life. These will aid in communication and working more effectively in the new host country right from the beginning. If the expatriate has a family or a spouse joining him they will also receive consultation of these cultural issues. (Expatriate Cross Cultural Training, 2012)

By using cross cultural training, chances of relocations going wrong can be reduced. The importance of intercultural understanding and the potential impact of it in relocations is now realised more by employees. Cultural training helps the employee and the family to reduce ‘culture shock’ and other negative consequences during relocation. They can deal with the new circumstances better using the training. Essence in cross cultural training is for the expatriate to understand the culture of the relocation country and provide strategies for coping to help them when they feel vulnerable. All participants benefit from cross cultural training by emphasizing the cross cultural differences that might be faced in the new country. (Expatriate Cross Cultural Training, 2012)

Cross cultural preparation for assignments is provided by 80 per cent of the MNEs but 57 per cent of those MNEs have it available only for certain countries. Also the cross cultural training was mandatory only in 17 per cent of those MNEs. Comprehensive expatriate training program could consist of *area and cultural briefings, films and books about the host country, cultural sensitivity training, role playing, critical incidents, case studies, preliminary visit to the host country and complete cross cultural training for the family.* (Högel, 2010-11)

Language training is ranked lower than cultural awareness training by Anglo-Saxon firms. Even though English might seem the business language of the world there are different perceptions. The conception about how critical language is to success varies between firms from Europe, Asia and South America. Language training is important for task performance and cultural adjustment. Also it improves the expatriates negotiating ability, access to information and effectiveness. (Högel, 2010-11)

Preliminary visits to the host country can be done as a part of the selection process and part of the pre-departure training. Suitability for the assignment can be assessed with a well planned trip. Preliminary visits also help with introduction to the host country's business context and establishing contact with possible local expatriate community. These visits can assist in the adjustment process. Even though the visits can cost a lot the cost must be weighed against the costs of premature recall or poor performance from the expatriate. Possible disadvantage of the visit is assignment refusal after it. Majority of companies provide preliminary visits and the average duration of the visit is one week. (Högel, 2010-11)

It is vital to also help the family and spouse to adjust to the host country because it is the single most important factor for assignment success. Often needs of the spouse are disregarded and they are left on their means when it's time to move. Companies need to keep in mind that the main causes of expatriate failure are family concerns and spouse dissatisfaction. Spouses can be in the same training as the employee. Also companies can provide counseling and assistance about the dual-career issue and setting up a household at the foreign country. Of the 80 per cent of the MNEs that offer cross cultural preparation only 55 per cent provide it to the whole family. (Högel, 2010-11)

Repatriation program aims to prepare the expatriates for the reverse culture shock, assist the repatriate and his family in readjusting in professional and private life and prevent the repatriate from leaving MNE after the foreign assignment. Components of the repatriation program include surveying former expatriates about their repatriation experiences, making repatriation issues essential part of the pre-departure training, developing mentoring systems for the expatriates, establishing a global career path system, providing practical assistance for repatriation, establishing a "welcome back" procedure and initiating internal repatriation training program. (Högel, 2010-11)

### 15.1.2 Cultural differences

Because of globalization managers have to increasingly deal with people from different cultural backgrounds and this may impact the company's profitability. People of different nationalities may have differences in the *ways of looking things, dressing and expressing personality.* This can cause

three basic kinds of problems which are *interpreting actions and comments, predicting behavior* and *conflicting behavior*. (Analytic Technologies)

## 15.2 CULTURE ASSIMILATOR AND CROSS-CULTURAL UNDERSTANDING

American teachers for teaching different ethnic groups. Many studies, although differing greatly in certain respects (such as the population of trainees, the target culture, and the length and context of investigation), have shown that a culture assimilator is an effective method for providing cultural information, facilitating interpersonal relations between trainees and members of the target culture, and improving cross-cultural adjustment. Albert (1983) concluded from available evidence that the culture assimilator may be ideally suited for educational purposes.

However, despite its advantages, the culture assimilator has never been tested in the way proposed for this study. The culture assimilator has been researched with only four groups: subjects who are already in the target culture (Worchel and Mitchell, 1970); subjects who will possibly be in the target culture in the near future, because of military service or participation in a cultural program (Mitchell and Foa, 1969; O'Brien et al., 1971); subjects who already have some exposure to the target culture, such as white subjects using the Black Culture Assimilator (Weldon et al., 1975; Randolph et al., 1977); and subjects who are likely to encounter the target people, such as Anglo American teachers or future teachers using the Hispanic Culture Assimilator (Crespo, 1982).

### 15.2.1 Theoretical Background of Culture Assimilators

#### *Attribution Theory*

Attributions are inferences about the cause of an event or a person's motives. Attribution theory began with Heider's (1944, 1958) seminal analyses of how people perceive and explain the actions of others. According to Heider (1958), people operate very much like quasi-scientists in their attributional activities. They observe an event, and then often in a logical, analytical way, attempt to connect it to possible causes and various effects. In general, attributions are considered to be dependent on the norms, affect, roles, and the consequences of actions seen as operating in a social situation (Triandis, 1975). Although these are learned, attributions often become habits of thought that are difficult to distinguish from perceptions of observed behavior (Triandis, 1975). Therefore, attributions are crucial determinants of how one will evaluate another's behavior.

Discrepancies in attributions may result in misunderstanding, low interpersonal attractions, and even conflicts. Two individuals from different cultures are more likely to face such discrepancies, because of their differences in norms, attitudes, and values. When members of two different cultures interact, the attributions that each makes about the causes of the other's behavior are even more critical determinants of how that behavior will be evaluated. Triandis (1975) introduced the concept of isomorphic attributions to discuss the situation in which a person attributes the behavior of another to the same causes to which the other attributes his or her own behavior. When isomorphic attributions occur, each person is particularly likely to appreciate why the other has acted the way he or she has.



**15.2.2 Basic features of the culture assimilator**

The culture assimilator is a programmed learning instrument that can be Culture Assimilator and Cross-Cultural Understanding used to teach people from two different cultural groups to make isomorphic attributions regarding the behavior of people from a specific culture (Triandis, 1977). Culture assimilators make use of episodes involving cross-cultural encounters which might be misinterpreted by a person from one culture. Each short episode describes a “critical incident” of cross-cultural interaction. The critical incident was originally developed by Flannagan (1954), who utilized the technique for investigating effective and ineffective job behaviors. The basic premise of the critical incident is identified as follows:

- (a) a situation in which two persons from different cultures interact;
- (b) a situation in which a person from one culture finds himself or herself in conflict, in the midst of a misunderstanding, or simply puzzlement; and
- (c) a situation which can be interpreted in a fairly unequivocal manner, given sufficient knowledge about the culture (Fiedler et al., 1971, p. 97).

No single culture assimilator exists; different assimilators are needed for each pair of cultures. Given culture A, B, and C, a person could use different assimilators to teach people from A about B, B about A, A about C, and C about A. In typical assimilators, each incident is followed by three or four attributions, with one or two tending to be attributions made by people in the target culture, and two or three usually being interpretations that members of the learners’ culture typically select. The learner is asked to select the attribution chosen by people from the target culture. After the learner chooses an attribution, culturally relevant feedback is given to him or her. If an incorrect choice is made, the learner is asked to make another choice. The learner is instructed to keep trying until he/she selects the attribution chosen by members of the target culture (Albert, 1983).

A number of culture assimilators have been constructed for use. These culture assimilators have been used extensively to train such groups as American army officers for assignments in a specific culture (e.g., Iran, Honduras, Thailand, Greece), and white, middle-class Americans for work with different minority groups (e.g., African-Americans, Mexican-Americans). While the culture assimilators mentioned above are designed to prepare individuals for interactions with particular culture groups, the culture-general assimilator, which can be used widely in preparing people to interact in a variety of settings, has been newly developed (Brislin et al., 1986). Existing culture assimilators vary in their emphasis on different aspects of cultures, since “there is no one definite format, nor one method of constructing assimilators” (Albert, 1983, p. 189).

**CASE QUESTIONS**

1. Define the impact of different learning styles on training.
2. Explain the cross cultural training.
3. Discuss about cultural assimilators.

# REPATRIATES

## 16.1 REPATRIATES

One recent article on the “**boundaryless**” trend examined the perceived impact of an international assignment on career advancement and the effectiveness of expatriate Career Management Systems. The majority of expatriates viewed their international assignment as an opportunity for professional development and career advancement yet expressed skepticism that the assignment would be helpful for advancement within their own companies. In fact, individuals and organizations have different views on why employees take international assignments in the first place. Employers often underestimate the importance of career, work–life balance, and development considerations and overestimate the financial reasons for why individuals take the assignments.

More organizations have been offering training for expatriates to prepare them for overseas assignments. While this is important, it is also critical to offer some developmental opportunities for Repatriates to prepare them for their return back to the firm after an overseas assignment. It has been estimated that 15 to 40 per cent of *repatriates* leave the company within 12 to 18 months of their return from overseas assignments. Many organizations find themselves losing valuable, highly skilled employees simply because the repatriation process was handled poorly. Commonplace in Japanese and European firms, repatriation programs often do not exist in U.S. firms. One survey revealed that only 30 per cent of U.S. companies reported any type of repatriation program for managers reentering the domestic organization. This may explain why U.S. managers who are repatriates have more difficulties adjusting than do their Japanese and European counterparts.

Often the difficulties associated with reentry are not anticipated by an employee, his or her family, or the organization. Most U.S. repatriates experience considerable adjustment problems and “reentry shock” upon their return to their firm. They report having difficulty getting back to high levels of productivity. If they have been abroad for a long time, they may be technologically obsolete. Problems often occur because the organization does not realize that the repatriate needs assistance in readapting to work-related and non-work-related routines. Because the person is coming “home,” issues such as reverse culture shock often are not addressed. Yet foreign experience may have changed the employee’s attitudes and beliefs in a profound way. The changes may have occurred so subtly that the employee does not initially recognize these internal changes. Repatriates often

are not given enough time to become re-acclimated to life in the United States. Some experts state that it may take as long as 18 months for them to readjust. Repatriates often report feeling disoriented in their communities and among co-workers.

Repatriates report frustration with their organizations' limited attempts to place them back in permanent assignments. Many complain that they are penalized for taking international assignments because they are placed in lower-level positions than their peers when they return. They may find that they have been passed over for promotion opportunities. In one survey of 56 U.S.-based multinational firms, 56 per cent said a foreign assignment was detrimental or immaterial in one's career, 47 per cent said the repatriates are not guaranteed jobs with the organization upon completion of the assignment, and 65 per cent reported that the foreign assignment was not integrated into their overall career planning. In addition, only 20 per cent considered the organization's repatriation policies adequate to meet repatriates' needs. In a more recent survey, expatriates reported low satisfaction with and serious concerns about their company's repatriation program and policies. They experienced major setbacks in their careers upon their return home. This is not surprising since most organizations do not fully utilize the new skills and experiences that repatriates bring back to their firms. Managers often are not sure how to establish career paths or ladders for those who have taken an international assignment.

**The following is a list of problems repatriates may face within their companies:**

- Feeling out of place in the corporate culture of the home office.
- Receiving little, if any, guidance regarding the career opportunities available upon their return.
- Being passed over for promotions that go to co-workers who did not go abroad.
- Receiving lower salaries than while they were on the international assignment.
- Not being able to effectively utilize the new skills that were acquired while abroad; not receiving support for using those skills.
- Not receiving recognition for the work that was completed during the international assignment.
- Losing the social status as a key employee at the foreign office.

For a repatriation program to be effective, it must be part of an overall organizational philosophy that values continued productive employment of international employees. The organization must be committed to addressing all phases of international assessments beginning with a pretraining program to prepare employees before they leave on their assignments to a reentry program when they return. The career or training staff must be willing to take on the role of a **"repatriation advocate."** They should track international assignments and reasons employees leave assignments early or leave the company early. Many companies have set up permanent offices in other countries. Career staff should collect information that addresses cultural, communication, and job-related issues faced by most employees assigned to regions of the world. Linkages between the region or foreign country, the type of assignment held, and the difficulties experienced with returning to the home office should be documented. By using this information, the career staff can more accurately determine the specific career needs of repatriates and advocate for them.

For repatriates' transitions to be successful, several career development practices are recommended:

- A year before they return they should begin a repatriation program.
- Once back to the firm, retraining and reorientation should be provided to help them learn of any new changes in their job, department, corporate culture, or organization.
- Repatriates should be given opportunities to use the experiences and skills they gained from their international assignments.
- They should be given definite assignments, and these assignments should be clearly linked to their career paths.
- Mentors should be provided to repatriates to help them cope with their transition.
- Ongoing career management should be provided to them.
- Assistance in housing and compensation should be provided to ease their transition.

Taken together, these practices should reduce the stress and disorientation experienced by repatriates as well as improve their performance. Repatriates if assisted in these ways may become more committed to the firm and opt to remain the

### **Repatriation: Problems and Solutions**

Repatriation is often a bittersweet experience for the returning expatriate. *Repatriation*, the process of moving back to the parent company and country from the foreign assignment, means returning one's family to familiar surroundings and old friends. The returning employee all too often discovers, however, that in many respects his or her employer has ignored the manager's career and personal needs.

Several repatriation problems are very common. One is the expatriate's fear that he or she has been "out of sight, out of mind" during an extended foreign stay and has thus lost touch with the parent firm's culture, top executives, and those responsible for the firm's management selection processes. Such fears can be well founded, as many repatriates are temporarily placed in mediocre or makeshift jobs.

Ironically, the company often undervalues the cross-cultural skills acquired abroad, and the international posting becomes a career-limiting, rather than career-enhancing, move. Perhaps more exasperating is the discovery that some of the expatriate's former colleagues have been more rapidly promoted while he or she was overseas. Even the expatriate's family may undergo a sort of reverse culture shock, as spouse and children face the often daunting task of picking up old friendships and habits or starting schools anew upon their return. Expatriates who experience problems fitting back into the organization often leave, and the firm loses a valuable resource.

Progressive multinationals anticipate and avoid these problems by taking a number of sensible steps. These can be summarized as follows:

1. **Write repatriation agreements.** Many firms use repatriation agreements, which guarantee in writing that the international assignee will not be kept abroad longer than some period (such as five years), and that on return he or she will be given a mutually acceptable job.

2. **Assign a sponsor.** The employee should be assigned a sponsor, such as a senior manager at the parent firm's home office. This person's role is to keep the employee apprised of significant company events and changes back home, to monitor his or her career interests, and to nominate the person to be considered for key openings when the expatriate is ready to come home.
3. **Provide career counseling.** Provide formal career counseling sessions to ensure that the repatriate's job assignments upon return will meet his or her needs.
4. **Keep communication open.** Keep the expatriate "plugged in" to home-office business affairs through management meetings around the world, frequent home leave combined with stays at headquarters to work on specific problems, and regularly scheduled meetings at headquarters.
5. **Offer financial support.** Many firms pay real estate and legal fees and help the expatriate to rent or in some other way to maintain his or her residence, so that the repatriate and his or her family can actually return "home."
6. **Develop reorientation programs.** Finally, provide the repatriate and his or her family with a reorientation program to facilitate the adjustment back into the home culture.
7. **Build in return trips.** One study concluded that, particularly when they come from a more homogeneous culture (in this case Finland) and are sent to a more "novel" culture, expatriates can benefit from more frequent trips to the home country "to ensure that expatriates stay in touch with home country norms and changes during their international assignment."

### **CASE QUESTIONS**

1. What do you mean by repatriates?
2. Explain the process of repatriation.
3. Discuss about the problem and solution of repatriation.

## CASE STUDY

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### **RUNNING CASE: LEARNINMOTION.COM**

#### **Going Abroad**

According to its business plan, and in practice, LearnInMotion.com “acquires content globally but delivers it locally.” In other words, the courses and other material that it lists on its site come from content providers all over the world. However, the “hard copy” (book and CD-ROM) courses are delivered, with the help of independent contracting delivery firms, locally, in three Canadian cities. Now the company is considering an expansion. While the most logical strategic expansion would probably entail adding cities in Canada, one of its major content providers—a big training company in England—believes there is a significant market for LearnInMotion services in England, and particularly in London, Oxford, and Manchester (all of which are bustling business centres, and all of which have well-known universities).

The training company has offered to finance and crown a branch of LearnInMotion.com, in London. They want it housed in the training firm’s new offices in Mayfair, near Shepherds Market. This is an easily accessible (if somewhat expensive) area, within easy walking distance of Hyde Park and Hyde Park corner, and not far from the London Underground Piccadilly line, which runs directly through the city to Heathrow airport. Everyone concerned wants to make sure the new operation can “hit the ground running.” This means either Jennifer or Pierre will have to move to London almost at once, and take one salesperson and one of the content management people along. Once there, this small team could hire additional employees locally, and then, once the new operation is running successfully, return to Kanata, probably within three or four months.

Jennifer and Pierre have decided to go ahead and open the London office, but this is not a decision they’ve taken lightly, since there are many drawbacks to doing so. The original, Kanata-based site is not generating anywhere near the sales revenue it was supposed to at this point, and being short three key employees is not going to help. Neither the board of directors nor the representatives of the venture capital fund were enthusiastic about the idea of expanding abroad, either. However, they went along with it; and the deciding factor was probably the cash infusion

that the London-based training firm was willing to make. It basically provided enough cash to run not just the London operation but the Kanata one for an additional six months. Having made the decision to set up operations abroad, Jennifer and Pierre now need to turn to the multitude of matters involved in the expansion—obtaining the necessary licences to open the business in England, and arranging for phone lines, for instance (all carried out with the assistance of the London based training firm). However, it's also obvious to Jennifer and Pierre that there are considerable human resource management implications involved in moving Learn In Motion employees abroad, and in staffing the operation once they're there. Now, they want you, their management consultants, to help them actually do it. Here is what they want you to do for them.

### **QUESTIONS AND ASSIGNMENTS**

1. What do you see as the main HR-related implications and challenges as a result of opening the operation in London?
2. How should they go about choosing the person who will be the permanent manager for the new operation? Should they hire someone locally, or use one of the people from the existing operation? Why?
3. Based upon any sources available, including the Internet, explain what they need to know about the comparative cost of living of London and Kanata, including housing and transportation, as well as comparative salaries.
4. Create a checklist of necessary HR-related activities in regard to sending three people abroad.





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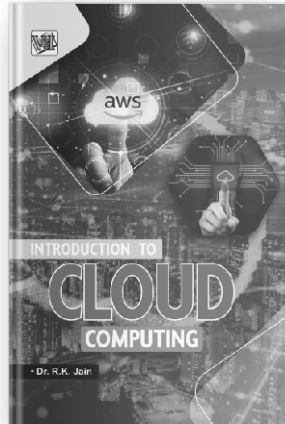
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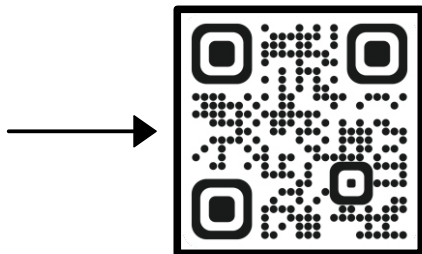
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