EVOLUTION OF GLOBAL HUMAN RESOURCES MANAGEMENT

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ABSTRACT

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. Management of human resources 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 ensure 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. This paper outlines a global H.R. action agenda based on the approaches used by some leading multinational companies. The goal is to build sustainable competitive advantage by attracting and developing the best managerial talent in multinational companies. The strategy demands global H.R. leadership with standard systems but local adaptation. The key underlying ideas are to satisfy multinational companies' global human resources needs.

Key Words: *multinational companies, sustainable competitive advantage and human resources*

INTRODUCTION

According to Armstrong (2009), International Human resource management is the process of managing people across international boundaries by multinational companies. It involves the worldwide management of people, not just the management of expatriates. Companies that function globally comprise international, multinational, transnational and global firms. The main contrast between national and global HR practice is the need to see the bigger picture; the difference is the higher complexity and the need for sensitivity to different cultures and different environments.

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. According to Downling et al. (1999) global competition is becoming the norm and, at current growth rates, trade between nations will exceed total commerce within nations by 2015. This is according to the draft done in 1997. In industries such as semiconductors, automobiles, commercial aircraft, telecommunications, computers and consumer electronics, it is impossible for them to survive without scanning the world for competitors, customers, human resources, suppliers and technology (Gregersen et al., 1998). In this environment, the global human resource management becomes more important to the success of the firm, while at the same time becoming more complicated and difficult to administer (Grant, 1996).

This therefore calls for pro-active human resources management practices in multinational companies to come 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 ensure 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.

Objectives of International Human Resources Management

International Human Resources Management, commonly known as Global Human Resource Management aims to: Provide policy for International Human Resource management of culture; create a local appeal without compromising upon the global identity; generate awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries; and, train on cultures and sensitivities of the host country.

Evolution of Global Human Resources Management

Domestic HRM is typically defined as a broad typology that covers three areas: **Work relations**: the way work is organized, the division of labor and the deployment of workers around technologies and production processes; **Employment relations**: the arrangements governing such aspects of employment as recruitment, training, promotion, job tenure and the reward of employees; **Industrial relations**: the representational aspirations of employees and the 'voice

systems' that may exist. This encompasses issues such as work consultation, employee involvement practices, work councils and Collective Bargaining (Gospel, 1992).

Domestic HRM has not developed in isolation, but rather in the context of industrial change and economic development. As such, HRM represents a set of responses to the dramatic and continued effect that industrialization has had on society and the world of work (Dulebohn et al., 1995).

Evolution of International Human Resources Management

The next step in the evolution of Human Resource Management is the International Human Resources Management (IHRM). According to Morgan, (1986), IHRM is becoming increasingly complex as new types of employees and their unique attributes are considered as part of the IHRM activities. Numerous new issues have arisen given the diversity of employees in an international context i.e., the expatriates, host-country nationals (HCN), third-country nationals, and, most recently, the in-patriates.

The complexity of operating in different countries and employing different national categories of workers is a key variable that differentiates domestic and international human resource management, rather than any major differences between the HRM activities performed (Dowling et al., 1999). According to Napier et al. (1995) there are critical issues that IHRM needs to traditionally focus on which include: Issues facing employees in terms of transferring expatriates overseas; IHRM function and its attendant activities; and, the types of factors (firm level and otherwise) that may influence IHRM.

Evolution of Strategic Global Human Resources Management

The present level in the evolutionary process of human resource management, which complicates the human resource functions and systems much more, is strategic Global Human Resource Management (SGHRM). Viewing the human resource functions in a SGHRM context exacerbates the international human resource issues due to the co-ordination efforts required to implement the strategy of the corporation. In today's global business environment, global organizations must utilize all possible sources of competitive advantage, of which human assets are one of these sources (Barney, 1991). The success or failure of an organization in a global context will be determined by its managerial capabilities, and the development of globally sophisticated managers is a major challenge in order to obtain global competitiveness.

Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. If we are successful in solving that problem, I am confident we can cope with all others (Duerr, 1986).

An example of one of the issues in SGHRM is where to focus the location of the workforce. The location of the workforce is an important strategic consideration, but one that is all too often given only limited attention. Frequently, decisions are based purely on quantitative attributes of the decisions, such as trade-off transportation costs, economies of scale and other explicit cost-based variables. This quantitative practice, however, can lead to sub-optimal results, as decision-makers tend to focus only on factors that are easily quantifiable. Important qualitative issues are frequently neglected and are often central to supporting or creating a global competitive advantage. For example, location dictates the level of knowledge embedded in the workforce; as such, it can affect the ability of firms to implement skill-based process technologies or it can limit the effectiveness of quality programs. SGHRM practices.

LITERATURE REVIEW

The traditional SIHRM models have been developed to capture the influence of HR Programs (e.g. policies, practices and issues) on a multinational organization's outcomes and vice versa. The most cited models take either a contingency perspective, emphasizing consistency between HRM and the organization's strategy (Schuler et al., 1993), or a universalistic perspective, emphasizing complementarily between HRM and Strategy (Taylor et al., 1996). The SIHRM models seem to be appropriate under the conditions of strategic stability supported by the hierarchical structure and strong organizational culture. In these models, it is assumed that multinational organizations compete primarily under low ambiguity and within clearly defined geographic and industry boundaries. In other words, it is assumed that slow-cycle pressures for organizational renewal and corporate restructuring are salient. In such an environment, organizations are assumed to compete for economic surplus to achieve a structural competitive advantage by aligning their competencies with these activities.

In most SIHRM models international variables, like national culture (contingency) or employment systems (complementarily) (Boxall and Purcell, 2000), are dominant. However, De Cieri and Dowling (1999) argue against further development of specific international models. Moreover, Dowling et al., (1999) argue that the SIHRM models fail to capture HR effectiveness within global networks. Rather, models encompassing the evolution process from SIHRM to an SGHRM system need to be developed as organizations globalize their operations. The shift from an SIHRM to an SGHRM system is crucial for the evolution of the processes and mechanisms found in HRM systems in order to match the personnel needs of global organizations. This shift is not a semantic one but rather a very definite difference in the manner of managing the human resource function.

RESEARCH METHODOLOGY

This paper has adopted qualitative data analysis.

DISCUSSION

When managers sign on with multinational 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. The goal is to build sustainable competitive advantage by attracting and developing the best managerial talent in the 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 the company's current assets to the fullest extent by actively engaging people in developing their own careers.

Approaches that various Multinationals adopt in their Global HR Strategy

The most fundamental step toward building a global H.R. program is to end all favouritism 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:

1. 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.
2. 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.
3. 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.

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4. Insufficient attention and budget are devoted to assessing, training and developing the careers of valuable local nationals already on the company payroll.

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

Integration and Coordination of Personnel in the SGHRM

More than just a complicated unique valuable resource, people are also a source of capabilities that are firm specific and more valuable than resources that are available and transferable. These human capabilities are seen as developing, carrying and exchanging information (Amit and Shoemaker, 1993). The integration and co-ordination of personnel throughout the global system in SGHRM has proved to be difficult to manage due to barriers of distance, language, time, culture, turf battles and accountability, and the proliferation of communication channels, to name a few (Bartlett and Ghoshal, 1990).

The strategic effectiveness of the human organization in the global market is of considerable importance and both practitioners and researchers have begun to explore the theoretical and empirical linkages between SGHRM and strategy (Adler and Ghadar, 1990). SGHRM is seen as positioning its resources through vertical and horizontal fit. The alignment of SGHRM practices and strategic management is referred to as vertical fit and is seen as directing human resources towards the primary initiatives of the organization (Schuler and Jackson, 1987). Congruence of SGHRM practices is referred to as horizontal fit and is viewed as instrumental for efficiently allocating human resources (Baird and Meshoulam, 1988).

SGHRM is a relatively young profession and, because SGHRM is of an applied nature, there is tension between SGHRM researchers and practitioners. Due to this apparent tension, the output by researchers is judged primarily by its usefulness to practice. The research-practice-development-theory-cycle is both epistemological (nature of knowledge) and ontological (nature of reality) and assists in a multi-paradigm view in SGHRM. This view is more conducive to the multifaceted nature of human and organizational realities, and to constantly transforming contexts of human and organizational reality (Gioia and Pitre, 1990).

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 Team Leaders 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.

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.

Challenges Facing Global Human Resources Management

Global networks require flexible capacities, skills and knowledge that go beyond those of hierarchical human resource management. These multi-skill demands for managing within a SGHRM system include:

1. Agile and decisive leadership behavior expressed in continuing engagement and assertive acting on a changing information base (i.e. thinking and acting in options).
2. Ability to identify, access and tap into the skills, knowledge and resources of internal and external network stakeholders (i.e. global human resource managers need to know who possesses or controls the critical resources: capital, technology, information, expertise, time and the absorptive capacity indispensable for flexible human resource management designs.
3. Capability to formulate mutual benefits and engender purposeful interactions among the identified stakeholders with the objective of pursuing human resource management-related aspects of a co-operative idea/project/program.

4. Building trust with the stakeholders who possess needed resources (i.e. expertise).
5. Multi-level co-ordination across many global human resource cultures, procedures and divisions of labour incorporated into the global network; and 6) trans-disciplinary competence quickly to acquire, utilize and apply knowledge from multiple disciplinary practices.

Managing expatriates is very critical factor for determining the success or failure in an international business. Expatriates are expensive in terms of monthly emoluments and benefits as compared to if they are paid in their mother countries. They can also be difficult to manage because of the problems associated with adapting to and working in unfamiliar environments, concerns about their career development, difficulties encountered when they enter their parent company after an overseas assignment and how they should be remunerated.

The dilemma facing many multinational companies is how to achieve the balance between international consistency and local autonomy. They have to decide on the extent to which their HR policies should either 'converge worldwide to be basically the same in each location or 'diverge' to be differentiated in response to local requirements. Strategic choices surrounding employment relationships may be influenced primarily by 'home country' values and practices. However, those that operations in one or a range of host country environments face the challenge of transplanting ethnocentric principles, justifying the consequential policies and practices in their interactions with the local managers, other employees and external representatives.

There is a tendency for managerial traditions in the parent company to shape the nature of key decisions but there are strong arguments for giving as much local autonomy as possible in order to ensure that local requirements are adequately taken in to account. Hence the mantra 'Think globally but act nationally'. This leads to the fundamental assumption that balancing the needs of coordination, control and autonomy and maintaining the appropriate balance are critical to the success of the multinational company. Where global integration and coordination are important, subsidiaries need to be globally integrated with other parts of the organization and/or strategically coordinated by the parent. In contrast, where local responsiveness is important, subsidiaries will have far greater autonomy and there is less need for integration.

It is important to consider environmental differences when managing globally. These differences rotate around differences in the centrality of markets, institutions, regulations, collective bargaining and Labour-force characteristics. For instance, in Western Europe, collective bargaining coverage is much higher like in countries like the United States of America, Canada and Japan. Works councils are mandated by law in western European countries like Germany but not in Japan and USA. In China, Eastern Europe and Mexico, Labour costs are significantly lower than in Western Europe, Japan and USA.

The dilemma in developing international pay structure is whether to pay expatriates home-based salary with allowances or pay them host-based salary. The home-based pay approach aims to ensure that the value of the remuneration (pay, benefits and allowances) of expatriates is the same as in their home country. The home-based salary is usually based on the home country (parent country), which is usually hefty as compared to the host-based (local) salary. The dilemma here is that the local staff is demotivated since they view the expatriates as doing jobs of lower or similar value with theirs and yet they (local staff) are paid low.

On the other hand, if the multi-national company adopts the local salary structure, it will not attract and retain high performing and talented expatriates. Besides expertise, there is need to consider various factors when coming up with the expatriate pay structure which includes: Cost of Living Adjustment; separation from family members and friends; and, unfamiliarity with the environment in the host country in terms of hardship which may attract for instance hardship allowance.

CONCLUSIONS

Domestic HRM has had to evolve along with the global marketplace, as new employees such as expatriates, third-country nationals, host-country nationals and in-patriates have provided a plethora of new and often contradictory demands. SGHRM demands new research tools effectively to understand and evaluate this global phenomena. Exacerbating this trend is the predilection of Western researchers to continue using out-dated theories and methods to evaluate methodologically the global issues whose applicability is in doubt. A mixed-method research stream is considered the most appropriate method to examine these new global issues in SGHRM. Unfortunately, both the time and the cost of this type of research are either prohibitive or frighten researchers who are on the 'tenure clock'. A combination of qualitative and quantitative through a mixed-method technique provides the researcher with the flexibility to adapt to uncertain global issues and the ability to delve deeply to discern the cultural, societal and institutional nuances present. In essence, the uncertain global marketplace will only continue to grow and, along with it, the many issues for SGHRM. The human element in global organizations becomes increasingly important in this setting and both global co-ordination and control of their workforce will affect corporations' strategies. These global employees may also provide the necessary core competency with which to maintain global competitiveness. As SGHRM takes the forefront in corporate strategy and practitioners recognize the complexity of a global workforce, the mixed-method technique will be needed to develop both theoretical and practical global SGHRM applications.

RECOMMENDATIONS

Based on the company's business strategy, it is critical for a company to identify 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 the company. Typically, they account for about 10 percent of management. The company then needs to define the technical, functional and soft skills needed for success in each "lifeline" role. 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.

To build this type of global H.R. database, a company should begin with the 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.

Multinational companies need to evaluate their 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.

To encourage managerial mobility, each personal profile in the company's database should have a field where managers and functional experts assess 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.

Leadership in multinationals should also facilitate in building a database of the 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. They need to Jump-start the process by having their senior managers and those in the lifeline posts complete the forms first. It is also prudent to add others worldwide with the potential to move up. It is important to include functional specialists who show general management potential. Good

leadership should also ensure that every executive joins 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 through their leadership 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. However, care should be exercised to ensure that consent is sought from the employees before circulating their CV's. And any other information related to them. It is strategically prudent for companies to 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 the company's management development and training programs and show whether companies have time to prepare internal candidates for new job descriptions.

The key to success in the global marketplace is the ability to attract, train and retain a diverse workforce. The global organization must be flexible enough to develop products/services that attract consumers, yet maintain a fit of organization systems and controls that maintain corporate culture and quality. Global organizations are more efficient and effective when they achieve fit relative to when there is no fit and yet a focus on maximizing fit can be counterproductive if the firm has adopted conflicting competitive goals to correspond to a complex competitive environment. SGHRM will be an integral part of the firm's strategy to find organizational fit yet maintain employee/customer flexibility, or, as coined, to 'think globally/act locally'. Multinational companies need to do their search for new recruits in every local market as regularly as they do in the headquarters country. They need to develop a reputation as "the company to join" among graduates of the best universities, as Citibank has in India, for example.

However, it is important to note that an organization can choose to hire according to any of the staffing policies mentioned below: **Ethnocentric:** Here the Key management positions are filled by the parent country individuals; **Polycentric:** In polycentric staffing policy the host country nationals manage subsidiaries whereas the headquarter positions are held by the parent company nationals; **Geocentric:** In this staffing policy the best and the most competent individuals hold key positions irrespective of the nationalities. Geocentric staffing policy it seems is the best when it comes to Global HRM. The human resources are deployed productively and it also helps build a strong cultural and informal management network. The flip side is that human resources become a bit expensive when hired on a geocentric basis. Besides the national immigration policies may limit implementation.

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