Multinational Enterprises and International Human Resource Management with respect to Culture and Diversity Management

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Abstract:

A general theme or guideline for most of the trainings for top level executives in an organisation will be, “An effective cross cultural management of 7 P’s is a successful approach for any multinational organization”. But some of the questions arise out of this theme are, will it be the ultimate to be successful? Is effective management enough? And very important one which came across to me is, ‘Effective cross cultural management? or creation of a new culture?’ When we have the ability to create a new, why to manage the same old. Are we training or guiding the top executives in a right way or not? This research paper is to identify whether managing culture has effectively been enough to sustain in the present competitive world or it is necessary to create a new culture to be successful in the corporate world. When we have a specific definition of a term, we can easily identify the way to create it.

So, what is the definition of culture? Can top level executives get a proper definition of culture, which can show the easiest way to create it? In 1952, A. L. Kroeber and Clyde Kluckhohn could identify more than one hundred and sixty different definitions of culture. Can’t we get more than three hundred by now? When we have three hundred different ways of defining culture, it shows that we have three hundred different ways to create it. This knowledge is what is required for our top level executives of MNCs. If we identify some of the buzz words such as, ‘McDonaldisation’ instead of ‘Globalization’ and ‘Flipkart’ instead of ‘Shop’, I completely agree with the Idea of creating and replacing the existing social culture into a corporate culture. But a question remains ‘How?’ In this paper an exertion has been put to identify the various answer to this question.

Keywords: Culture, Cross Cultural Management, Multinational Business Strategy, Creation of Culture.

Introduction:

In this research paper we discover what is meant—and what is not meant—by the term culture and Diversity for an International or Multinational company. It also establishes the various concepts to choose to create or manage with employees’ culture and diversity to adapt themselves for international consequences. The term culture has been defined in a variety of methods. Even anthropologists, who precise culture as their guiding theoretical attitude, have not arranged always on a sole definition of the term. Multinational enterprises (MNEs) are major employers of labour. Estimates for the early 1990s suggested that MNEs employed some 70 million in host and home countries. Management of MNEs grapples with a wide range of challenges in hiring and managing workers within the distinctive cultural and legal frameworks that govern employee practices around the world.

Can ‘Culture’ be created?

Culture is meant to be the collective encoding of the observance that discriminates the members of one set of people from those of another. Some of the major characteristics of a culture are learned (from family, peer groups etc.), interrelated (e.g. status often reflects language & vice versa) and shared (across a society). If we see the characteristics of culture, it’s easy to say that it can be created, because it has been created such a way before. If we identify the factors of culture such as, Language, manners...
and customs, technology, social institutions, Education, values and attitudes, aesthetics and religion, it also shows us the complexity in it. But as I proposed earlier it is not enough to just manage the culture but it is necessary to create it at any cost to lead the industry.

Springs of personnel talent:

Various sources are available for an organisation which deals multinational situations. But the important sources can be classified as, Host country nationals, Parent country nationals and Third country nationals. Host country Nationals are the employees or citizens of the country where the subsidiary or affiliate is located. Typically, HCNs are the major section of the employees that the firm employs abroad. The company’s labour potency in manufacturing, assembly, basic service activities, clerical work, and other non-managerial functions principally comprises of HCNs. (Tamer, 2009) Parent-country nationals are also known as home-country nationals. These are personnel who belong to abroad but are populaces of the country where the MNE is headquartered. These individuals are typically called as EXPATRIATES.

Third-country nationals are those employees who are citizens of countries other than the home or host country nationals. Most TCNs work in management and are hired because they own special knowledge or skills. For IHRM managers, the ultimate challenge is to ensure that the right person is in the right place at the right time in the right location with the right compensation scale. (Tamer, 2009)

Density of IHRM in Multinational Corporations:

There are various factors that raise the complexity of human resource management in the international context. These factors are: New human resource responsibilities added recently, grander involvement in the employees’ personal lives, the need for a wider international outlook in compensation policy, greater risk exposure, managing the mix of expatriate versus locals, external influences of the government and national culture. The efficiency of IHR manager would be totally based on; the way he makes the organizational culture by effectively managing the cultural diversity among them.

Some of the Key chores and trials of international human resource management are,

International Staffing Policy—Staffing activities are mostly directed at recruiting, selecting, Induction and placement of parent, third and host country employees. One of the major IHRM challenges facing MNEs is that of selecting adoptable people for overseas assignments. INTERNATIONAL SCREENING CRITERIA are those factors used to identify the individuals regarded as most appropriate for overseas assignment. Some MNEs use an extensive list, whereas others rely on only a handful of factors. A number of screening criteria are commonly used in determining who to send overseas. (Peter Dowling, 2008)

The criteria focus on both individual and family considerations. Some of these considerations are adaptability, self-reliance, age, experience, and education, health and family status, and motivation and leadership.

The most common selection procedure is the interview. A common consensus is that interviews of candidates and their spouses by senior executives still ultimately provide the best method of selection. They have to be interviewed to understand the adaptability of the candidates and their spouse in international culture, family situation and host country cultural understandings by the prospect. One of the major tasks the MNE performs is identifying the ideal mix of employees in the firm’s international divisions.

Preparation and Drill of Employees—effective preparation and drill are very much important for situations in the firm’s international divisions. In Airways industry we can identify the importance of
effectiveness for MNEs. Particularly noteworthy airways for two reasons. First, if national culture can have significant – not to say existential – consequences among people of the same cultural origin, we need to be very cautious in how we deal with national cultural differences in cross-border interactions. Second, it is interesting to note that the attitudes and behaviors revealed by Korean Air co-pilots and flight engineers persisted in such a highly regulated environment like commercial aviation. (Peter Dowling, 2008) National culture shapes behavior and this influence reaches beyond administrative attributes such as governmental policies, laws and public institutions.

*Therefore, this note focuses on how the influence of culture materializes and how cultural differences affect the operation of firms around the globe.* (Reiche, 2011)

As we can easily define, training is the method of altering employee approaches and knowledge in ways that intensify the chance of attaining organisational goals, objectives and vision. For employees on international assignment, training typically have three components: Area studies, practical information, and cross-cultural awareness. Training methods vary. In order of increasing the intensity, they include: Audio recordings, videos, lectures, workshops, assigned readings, tutorials, case studies, books, Web-based instruction, critical incidence analysis, simulations, role playing, language training, field experience, and long-term immersion.

**International Performance Appraisal** – Delivers opinion necessary for worker proficient improvement. Performance appraisal is a formal process of measuring how efficiently workers perform their roles and responsibilities under international circumstances. Performance appraisals help MNEs identify problem areas where employees need to improve and where training is required and warranted. (Peter Dowling, 2008) Cultural diversity may affect employees in MNCs on overseas assignments to culture shock which can be ended in frustration, coercion, confusion and stress of an employee who, at least initially, faces difficulties in adapting to an international culture. These problems may decrease an individual’s performance, increase his/her negative attitudes towards other individuals of the new culture and eventually hamper the cross-cultural interactions among employees. (N. J. Adler, 2008)

**Compensation of Employees** – Compensation methods are quite different across nations because of differences in economically and legally mandated remuneration bases, benefits, tax laws, cost of living, local acceptance, and culture. Employees employed at foreign divisions typically expect to be paid at a level that allows them to be at their regular standard of living, which can definitely and substantially added to the cost. (Peter Dowling, 2008)

When we develop the compensation packages for employees working internationally, there are generally four factors to be considered:

**Base remuneration or wages or salary**– The salary or wages that the employee typically receives in his or her home country. Parent or Third country national’s salaries are usually paid in the home currency, the local currency, or some combination of both. But it is the general tendency of the employee that to believe his/her company is responsible for the amount to reach his/her home country in safe mode.

**Allowance** is an extra payment that allows the emigrants to maintain a standard of living same as to home. The allowance is usually used to pay for housing, travel, and sometimes food and clothing. Additional support will also be provided to cover expenses such as relocation and children’s education, as well as business-related entertainment in many countries. MNEs also deliver hardship allowances to reimburse personnel who work in countries with civil strife or developing countries that lack essential housing, education, and other facilities and services.
Benefits which include health care plans, life insurance, unemployment insurance, and a certain number of paid vacation days. Benefits differ significantly from country to country to the extent that they may make up an extensive percentage of the overall reimbursement set. Benefits are also vary in terms of whether they are tax deductible or not. Emigrants receive the benefits normally accorded to home country employees typically do not differ. (S. Tamer Cavusgil, 2011)

Incentives - Given the potential hardships of working abroad, many MNEs also provide incentives to expatriate employees. The incentive is like a bonus intended to motivate the employee to undertake extraordinary efforts to accomplish company goals abroad, particularly in new foreign markets. The incentive is typically a one-time, lump-sum payment. (S. Tamer Cavusgil, 2011)

International Labour Relations includes the collaboration with labour unions and collective bargaining. LR is the method for supervision and employees to recognize and control the job relationships in the workplace. Labour unions provide a means for collective bargaining. Collective negotiations among management, labour and technical staff regarding pay and working environments. Negotiation of relationship between workers and the organisation happens, they formalise it with a contract. Almost all the countries keep a minimum trade union standards under regional law. (Hill, 2001) But trade union regulations vary significantly as we see with smallest regulations in Indian and African continents to highly detailed trade union regulations and laws embedded in EU countries.

Employees who work in safe environment and enjoy good health are more likely to be productive and yield long-term benefits to organization. All HRM functions are interrelated and each function affects other areas. Occurrences in the external environment that could not be foreseen. Every disaster, whether man-made or by nature, requires a tremendous amount of adjustment with regard to human resource management.

Another major challenge faced by MNEs is that of positioning their strategy to come across the different requirements of organised trade unions around the world. (Hill, 2001) Differences in the systems in economic, political, and legal create a variety of trade union relations systems, and the policy that is effective in one country or region can be of little value in another country/region. In some economies the economy is solid and unions are able to make major demands; in other countries the economy is weak and the union’s ability is also weak. Also, some countries have strong pro-management governments while others are heavily union-oriented. In general, trade union relations practices are invariably subject to the influence of home country values and practices.

The factors to make a way to create an organisational culture to fit in all the nationals:

- Developing awareness
- Self-Reference Criterion (SRC)
- Adapting to local culture
- Economic integration
- Personal contact
- Political engagement
- Technological connectivity

Motivation to adapt the new international organisational culture is built on three basic elements:
1. Motivation starts with a need, vision, dream or desire to achieve the seemingly impossible. Creativity is associated with ideas, projects and goals, which can be considered a path to freedom.
2. Develop a love-to-learn, become involved with risky ventures and continually seek new opportunities. Success is based on learning what works and does not work.
3. Developing the ability to overcome barriers and to bounce back from discouragement or failure. Achievers learn to tolerate the agony of failure. In any worthwhile endeavor, barriers and
failure will be there. Bouncing back requires creative thinking as it is a learning process. In addition, bouncing back requires starting again at square one.

**Diversity in the International Workforce** – Most of the multinational businesses who are industry leaders typically have the diverse employees who bring intensive and predominant knowledge to solve the various problems and utilize the opportunities of the MNCs. Dissimilar employees in the international company are recognized by the companies around the world and they make a momentous contribution to firms’ success. However, the problem remains same. Cultural diversity increases the complexity of interaction. Language and verbal as well as nonverbal communication styles change from region to region, as can traditional views of the hierarchy and decision-making processes. Associated with variety in the MNE’s workforce are the different roles that men and women perform in the workforce of multinational business.

In most developed countries, men and women incline to have same opportunity in the workplace, and working women have become the custom. e.g. Interactions in multiethnic teams, subordinate-superior relationships, negotiations, office contacts with other foreign affiliates of a MNC or with foreign partners, training, business trips, carrying out tasks, knowledge sharing, etc. (Rozkwitalska, 2013)

However, every society enforces guidelines on men and women, especially in terms of working culture. But in some countries, women are controlled for a narrow set of work roles, & may have smaller amount of legal rights than men. In reality most of the countries in Asian region economically, women are often dependent on men. It is their responsibility to fill agreed roles, responsibilities may be excluded from commercial actions. In many countries, female expatriate will have an advantage. Especially the experienced women executives have learned and regularly take advantage of this element. They are good in developing and leveraging their strengths as women and as managers. Women stand out more, and experienced women earn much more respect than their male colleague. Managerial competence definitely wins out over prejudice eventually. It is the MNE’s responsibility to take steps so that it ensures women achieve greater equality in international business. (Tamer, 2009) They can also fill leadership roles in foreign projects with competent colleagues.

They also can follow strategies where a minimum proportion of executive posts at higher level and selection committees are made up of women employees. They can set aims to achieve the number of women on the executive board. A number of female executives are now serving as mentors and role models for aspiring women. Progressive firms appear to understand the need to forge a new paradigm of diversity and internationally successful female managers. (S. Tamer Cavusgil, 2011) Most organisations (e.g. Accenture, Ernst & Young, Vinson & Elkins, etc.) now sponsor programmes that assist women to advance in the workplace.

Implementation must be evaluated based on the way of learning after training. Learning levels can be evaluated by measuring how well trainees have learned facts, ideas, concepts, theories, and attitudes. Tests on the training material are commonly used for evaluating learning and can be given both before and after training to compare scores. To evaluate training courses at some firms, test results are used to determine how well the courses have provided employees with the desired content.

**Conclusion:**

After identifying and analyzing the major factors of IHRM, Culture and Diversity, it is evident that an international organisation must carry out all the functions of IHRM by considering the influencing factors of culture and diversity. In this research paper, we can also identify the important ways of influencing IHRM functions by various factors of culture and diversity. It also proposes that instead of just managing the cultural diversity, they have to create a new organisational culture which can be
suitable for all personnel talents. The ways proposed in this research paper could be one of the adoptable paradigms to use for IHRM in multinational businesses to achieve the organisational goals.

References