

**International Business**  
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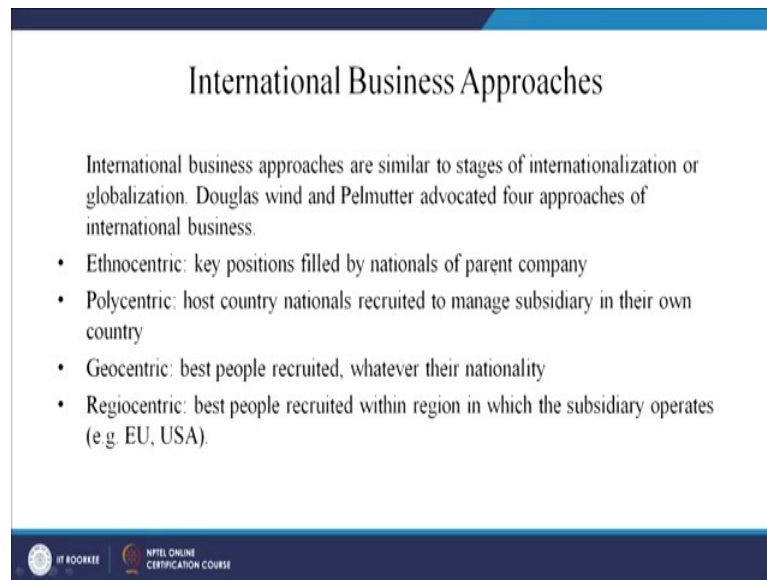
**Lecture – 60**  
**Recruitment and Training in International HRM**

Welcome friends, we will continue from the last lecture where we had stopped. So, we are discussing in the last lecture about the International Human Resource Management; this will be the last session of the course, you know of this course. So, I thought we should discuss about the importance of Human Resource Management in International Business. It is well understood everybody knows, you know how important it is; what is the role of a human resource, right.

Why we are discussing it here because obviously, the complexity becomes very high when you talk about you know human resource in a international scenario. The point is very simple that, when you talk about international business, a today businesses are spread over maybe hundreds of company countries, right. For example, companies like Coca Cola, Gillette, Johnson and Johnson, ABB. So, they are a spread up Siemen's; they are spread up in so many different countries and they are operating in so many different places with different culture, different climate, different political ideology, with different economic condition.

And when you, when they are when you are working and you have your people out there or somebody has come to work from outside to India; so there is a, obviously there is a challenge, right. So, this challenge we discussed in the last lecture about the political and legal challenges, the economic issues and the cultural challenges; so how do you talk to them, how do you what, shall how would you make them feel comfortable, so the language and the you know climate everything is very important.

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**International Business Approaches**

International business approaches are similar to stages of internationalization or globalization. Douglas Wind and Pelmutter advocated four approaches of international business.

- Ethnocentric: key positions filled by nationals of parent company
- Polycentric: host country nationals recruited to manage subsidiary in their own country
- Geocentric: best people recruited, whatever their nationality
- Regiocentric: best people recruited within region in which the subsidiary operates (e.g. EU, USA).

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So, when you talk about international, today we will talk about the international business approaches. So, international business approaches are similar to the stages of internationalization or globalization. Douglas Wind and Pelmutter advocated four approaches; the ethnocentric approach, polycentric approach, geocentric approach, and regiocentric approach.

So, they said ethnocentric approach is where key positions are filled by the nationals of the parent company. So, what it is very simple as says, ethno is key positions are filled by the nationals. So, people of the locals of the parent company, you know the local people of this where the company is; that key positions will be filled by them, so that is a ethnocentric approach.

In a polycentric approach the host country nationals right; the host country nationals are recruited to manage the subsidiary in their own country. So, here the host country, whichever is the host country, wherever the company is going; the host country nationals are recruited to manage the subsidiary.

In a geocentric approach, the best people are recruited whatever be the nationality, right. So, it feels the whole world is one; so it does not matter. In the regiocentric, the best people are recruited within the region SAARC or you can say the G 20 summit. So, the SAARC or you know any the NAFTA, any zone or block for that right; so in which the

subsidiary operates, example European Union, USA, right So, you have a different regio, regional zones, right.

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The slide is titled "Types of employees" and contains the following text:

- Companies search for prospective employees both from within the country of operations and outside the country.
- Companies recruit three category of prospective employees.
  - parent country nationals, ✓ PCN
  - host country nationals, HCN
  - and third country nationals. TCN

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Similarly, what are the types of employees? Now, companies search for prospective employees both from within the country of operations and also outside the country. Now, it recruits three category of employees; parent country nationals, so it is largely said as PCN right, host country nationals which is called HCN, and third country nationals.

So, what is this parent country nationals, host country nationals, third country and what is the advantage and disadvantage? We will see slowly.

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The slide is titled "Parent country nationals" and is divided into two columns: "Benefits" and "Risks".

Benefits	Risks
<ul style="list-style-type: none"><li>• Better familiarity with the parent organisation's goal's, objectives, policies and practices</li><li>• Easy organisational control and coordination</li><li>• Effective communication with parent country staff</li><li>• Worldwide experiences for employees</li></ul>	<ul style="list-style-type: none"><li>• Difficulties in adjustment to the foreign language, political, cultural and legal climate</li><li>• Cost involved in selection and training is high</li><li>• Impose inappropriate headquarter style</li><li>• Family adjustment problems</li></ul>

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So, when you talk about the parent country nationals; so that means nationals of the country or the parent country where the company is, right. So, when you hire somebody from the parent country nationals in a parent country; what is the benefit? So, better familiarity with the parent organizations goals, objectives, policies and practices.

So you are hiring the people from where the company is, right. Easy organizational control and coordination; obviously, because the people you are hiring are from that place, where the company is, so they can easily control and coordinate with the headquarters, where the major decisions are taken. Effective communication with the parent country staff, so that becomes very simple; because these are the people who can easily communicate and that these people have a worldwide experience gives a, it also sometimes gives a worldwide experience for the employees

So, if you give, if these people are hired; they go into different countries and then they share their experiences, so that is also a good learning for them also. But what is the risk when you have a parent country national concept? So, when you, the risk is difficulties in adjustment to the foreign language. So, suppose I have heard hired sorry somebody you know and when he comes here, he finds it tough because the of the foreign language; the political climate, the cultural and the legal climate, right.

The cost involved in selection and training is also very high, right. I want to hire somebody from the parent country you know where the company is; so the selection and

hiring is also very costly. Impose inappropriate headquarters style; sometimes people, you know the employees who come from the parent country where the company is, they try to force their you know ideas there is this the headquarter styles and to try to create a sense of difference and discrimination among the employees.

So, the ethos, the ethical values are sometimes compromised and that creates a sense of despair, sometimes it is a sense of you know disturbance in the among the employees.

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The slide is titled "Host country nationals" and is divided into two columns: "Benefits" and "Risks".

Benefits	Risks
<ul style="list-style-type: none"><li>• Familiarity with the foreign language, political, cultural and legal climate</li><li>• Cost of hiring would be less</li><li>• Creates better career opportunity for locals</li><li>• Fast response to the <u>host country's demands</u></li></ul>	<ul style="list-style-type: none"><li>• Difficulty in controlling the <u>subsidiary's operations</u></li><li>• Difficulty in communicating with the parent company</li><li>• Less opportunity for <b>HCM</b> nationals to gain international experience</li></ul>

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And then it also creates a family adjustment issues, right. Similarly, the host country nationals. So, host country, suppose the host country is the country which is where the company now is; for example, maybe it is a subsidiary or the whatever, right. So, when you are hiring somebody from the host country right; the familiarity with the foreign language, political, cultural and legal climate is one advantage, right.

So, there is they know the language well; the cost of hiring would be less, because this is the host country there that is where you are hiring from, right. So, creates better career opportunity for the locals.

So, the locals get a better opportunity to grow and do well in their career. And they can also respond to the host country's demands very fast; because you have we have hired from the local people, so they understand the climate much better, the response of the

and the importance sometimes also, right. So, understanding the importance and not clinging to the only values always; makes them little more smart, agile and faster.

But what are the risks? The risks are difficulty in controlling the subsidiaries operations. So, so there are subsidiaries operations might not be able to control it, because the headquarters are at different place and you might not be able to communicate with the parent company well. So, this is the point; difficulty in communicating with the parent company. Less opportunity for the host country you know nationals; this is not M, N, host country nationals to gain international experience.

So, once you have hired from the host country; so there is no opportunity for them to go, less opportunity to go outside and create get an international experience.

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The slide is titled "Third country nationals" and is divided into two columns: "Benefits" and "Risks".

Benefits	Risks
<ul style="list-style-type: none"><li>• These people are generally found to have a rich experience</li><li>• They might be better informed than the PCN'S</li></ul>	<ul style="list-style-type: none"><li>• Host country's sensitivity to locals of other countries</li><li>• Locals may not get growth opportunities</li></ul>

Handwritten notes in red ink at the bottom right of the slide include a question mark and the text "Am Australian".

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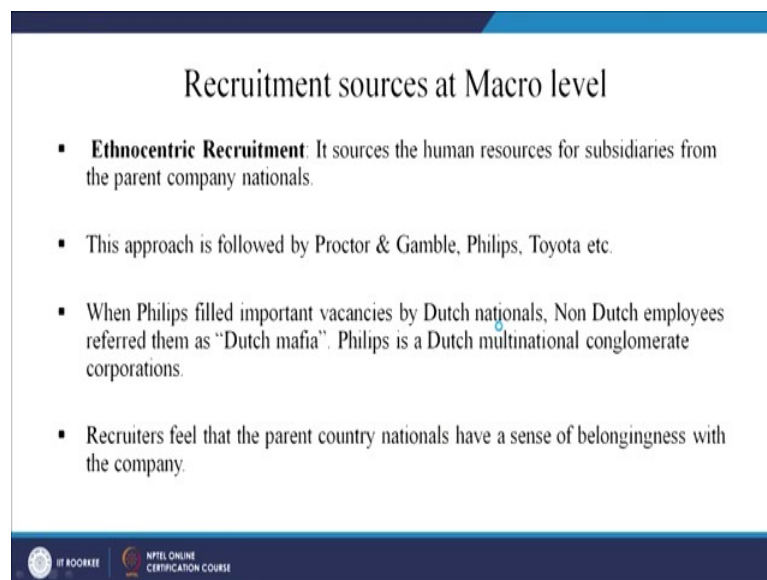
Similarly, the third country nationals we say; that means these are the people who are you know working from in a in a, let us say in one country neither they are from the parent company, the parent you know the country, nor they are in the host country, they are working in a third country, right.

So it is like an Indian working for an American company and a posted in let us say Australia, right. So, this is a case we are talking about. Now, these people are generally found to have a richer experience right; because they have lot of experience in going to different countries that is a advantage. They might be better informed than the parent

country nationals, right. And, but the risks are that the host country sensitivity; now this was an issue which happened with many Indians right and the Asian economy, people from the Asian economy.

Now, these people were you know looked at a way that they were eating up the jobs of the localities in many countries. So, the local people of those countries, they became little agitated and they became aggressive towards the Indians and the Chinese like you know and that created a problem. So, locals might, may not get growth opportunities, so that is why they get angry right or they get upset.

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The slide is titled "Recruitment sources at Macro level" and contains the following text:

- **Ethnocentric Recruitment:** It sources the human resources for subsidiaries from the parent company nationals.
- This approach is followed by Proctor & Gamble, Philips, Toyota etc.
- When Philips filled important vacancies by Dutch nationals, Non Dutch employees referred them as "Dutch mafia". Philips is a Dutch multinational conglomerate corporations.
- Recruiters feel that the parent country nationals have a sense of belongingness with the company.

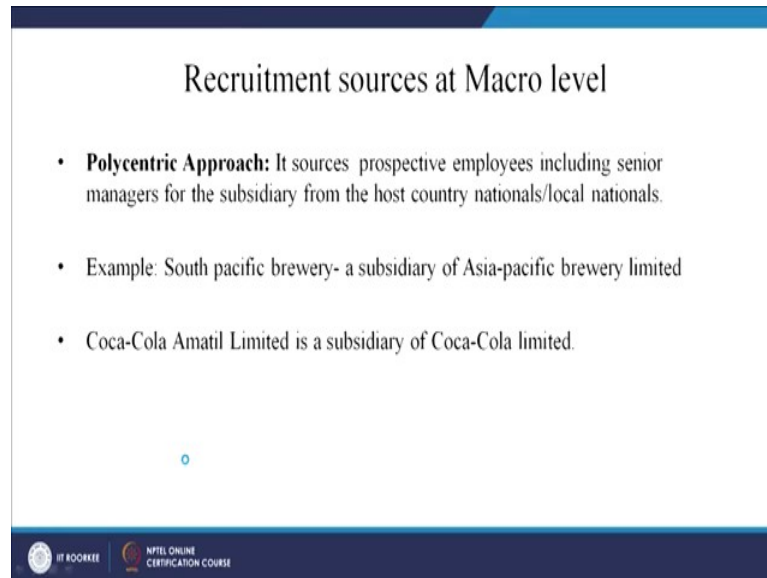
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Now, how is recruitment, what are the recruitment sources? So, at the macro level if you see; ethnocentric require recruitment, it sources the human resources for subsidiaries from the parent company nationals. This approach is followed by Proctor and Gamble, P and G, Phillips, Toyota etcetera like these companies, right.

So, what they are doing? The human resource four subsidiaries are from the parent companies, nationals. When Phillips filled important vacancies by the Dutch nationals, because Phillips is a Dutch company; non Dutch employees referred them as the Dutch mafia, so, right. Recruiters feel that the parent countries nationals have a sense of belongingness with the company.

So, this is why they are generally hired right; because they have a sense of belongingness with the company which is in the other country.

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Recruitment sources at Macro level

- **Polycentric Approach:** It sources prospective employees including senior managers for the subsidiary from the host country nationals/local nationals.
- Example: South Pacific Brewery- a subsidiary of Asia-Pacific Brewery Limited
- Coca-Cola Amatil Limited is a subsidiary of Coca-Cola Limited.

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Recruitment as sources when it as a form a polycentric approach if you see. Now, it is sources prospective employees including senior managers for the subsidiary from the host country right; so where they are, so the nationals and the local nationals, example south Pacific Brewery, a subsidiary of Asia Pacific Brewery Limited, so it hires local people. Coca Cola Amatil Limited is a subsidiary of Coca Cola Limited and hires the local people, right.



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Recruitment sources at Macro level

- **Regiocentric approach:** subsidiary sources the prospective employees within the region in which the subsidiary is located.
- **Example:** Bata sources its employees from south east Asian region.
- LG Sources its employees from Asian region.

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Regiocentric approach similarly subsidiary sources the prospective employees within the region, right. Bata sources its employees from south east Asian region. LG sources its employees from Asian region. So, you can say they hire the people from the south east Asian region or the Asian region mostly.

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Recruitment sources at Macro level

- **Geocentric Approach:** Global recruitment approach
- They source all kind of resources like materials, parts, finance, human, technology and equipment from all the countries in the world.
- Company sources the best prospective employee in term of suitability for the job from entire globe.
- Example: Ms. Indra Nooyi, the Indian national appointed as CEO of Pepsi cola limited.

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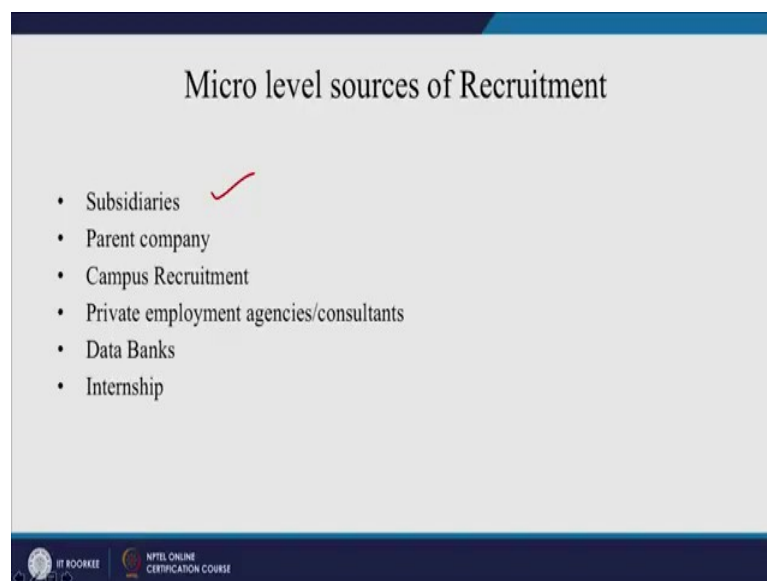
Now, the finally, geocentric approach in this, they source all kinds of resources like material, parts, finance, human technology; it sounds or to put you know humans in

between parts finance and technology, but the truth is when you hire, there is an cost involvement that is why I have put it here, from all countries in the world.

Company sources the best prospective employee in terms of suitability for the job from the entire globe. Example you see, Indra Nooyi, the Indian national appointed as CEO of Pepsi Cola Limited; it was a very famous personality, she retired I think recently. And you now have as you know people like Sathya Nadella and Sundar Pichai right, Dinesh Paliwal. So, there are different leaders Indians at the moment, there are lot of Indians who are you know in very top positions, leadership positions in across in different MNCs across the globe, right.

One reason is very simple, because these MNCs are see an opportunity; that these Indians can help them to enter into the Indian markets well, and not only that they the Indian leadership talent also has got a lot of expertise with them, right. So, that is the one of the reasons.

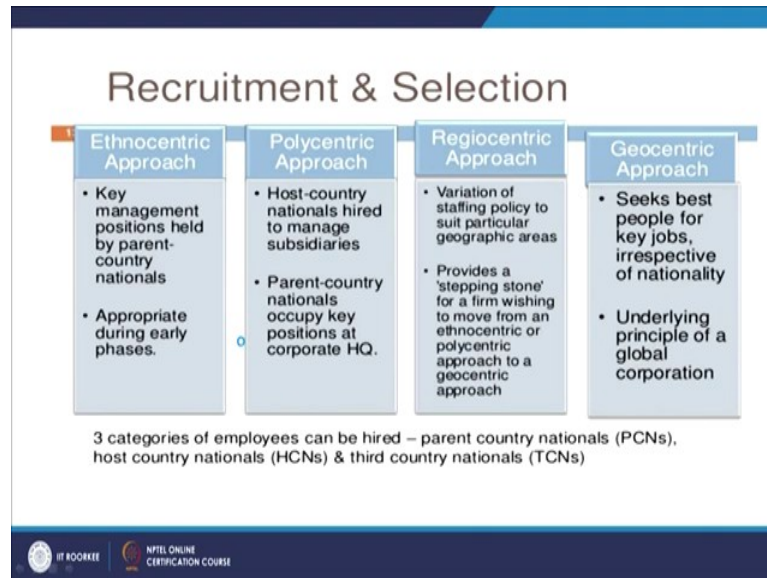
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And when you come to the micro level sources of recruitment; you look at the subsidiaries, the parent company, the campus recruitment that takes place, then the agencies through the consultants, data banks and internship, summer internship or you know which is given

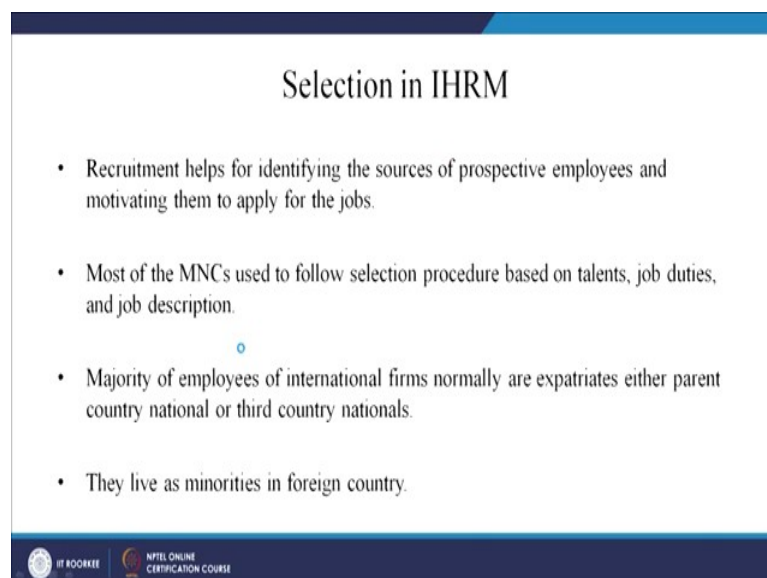
So, these are some of the micro levels of recruitment, right. So, this is for you know generally the, you know low level and the front level managers. So, this is how it looks like.

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So, this is the same thing we have discussed, you can see it later on, right.

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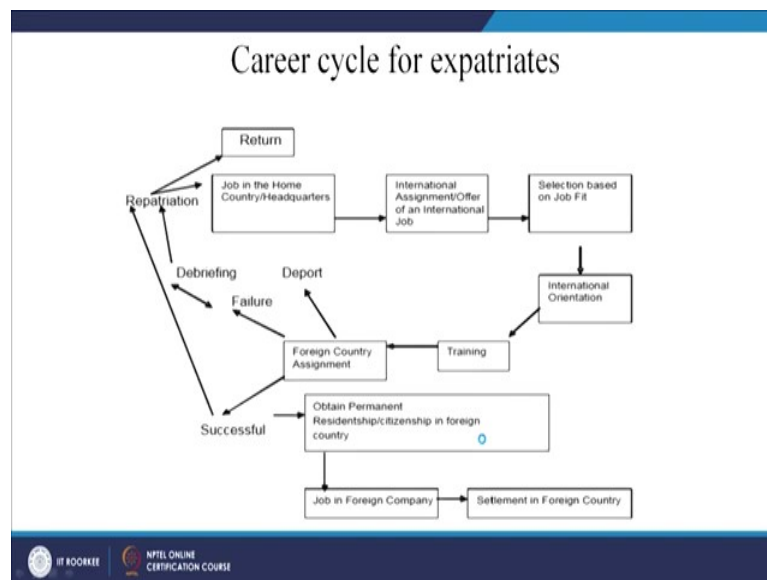
Selection in IHRM. Now, recruitment helps for identifying the sources of prospective employees and motivating them to apply for the jobs. Most of the MNCs, the

multinationals used to follow selection procedure based on the talent, job duties, and job description, right.

And majority of employees of international firms normally are expatriates either from the parent company country national or third country nationals. So, generally the, you know employees of the you know international firms they are generally hired from the parent country or from a third country; looking at the leadership, their ability, their talent they are hired, right.

But they live, they live as minorities in a foreign countries right; but they are given all kind of benefits, so that they feel comfortable.

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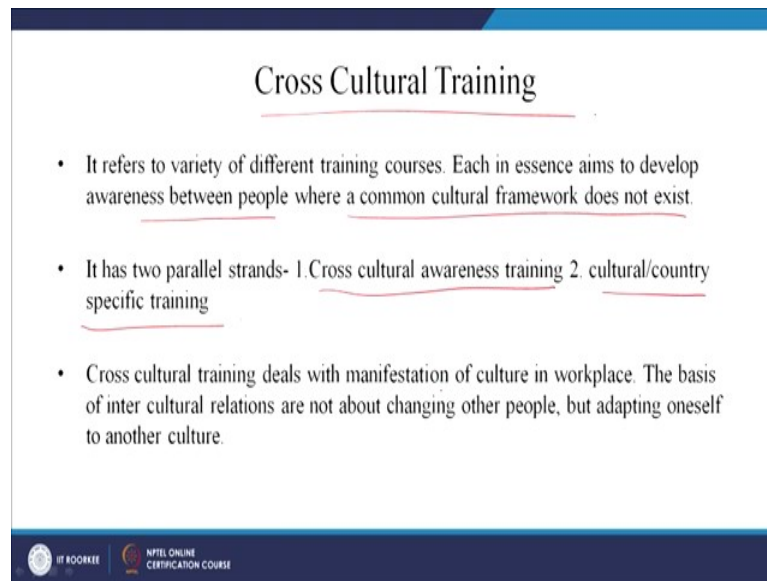
So, this is how the carrier cycle of an expatriate looks like somebody who is staying outside, right. So, you can go through it. So, job in the home country right or headquarters; international assignment, offers of an international job is given. So, selection based on job fit, international orientation is checked, and training is given if required; so then the foreign country assignment happens.

So, if we and then they are deported to the country; if there is a failure, either they are debriefed or they are sent back; if they are successful, they are maybe they obtain permanent citizenship or residentship in a foreign country, that also can happen and they might work. So, many a times expatriates they go to another country and if that is a

normal condition today, you must have seen people working in the IT sector in India at least.

They move outside, they stay in some other country and after a certain time period, they get a green card and then they may be settled down in the country in like US and Canada and Australia and they do not want to move back to the home land, to the mother country.

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**Cross Cultural Training**

- It refers to variety of different training courses. Each in essence aims to develop awareness between people where a common cultural framework does not exist.
- It has two parallel strands- 1. Cross cultural awareness training 2. cultural/country specific training
- Cross cultural training deals with manifestation of culture in workplace. The basis of inter cultural relations are not about changing other people, but adapting oneself to another culture.

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Now, what is the importance? When you talk about international business, international human resource; cross cultural training is a very important issue

Now, what is cross cultural training let us discuss about it. It refers to the variety of different training courses. Each in essence aims to develop awareness between people where a common cultural framework does not exist.

So, somebody is a German and when he comes to India, he will find a cultural misfit, right. So, it has to be some kind of training given to, some orientation given to them. It has two parallel strands; cross cultural awareness training, cultural country specific training.

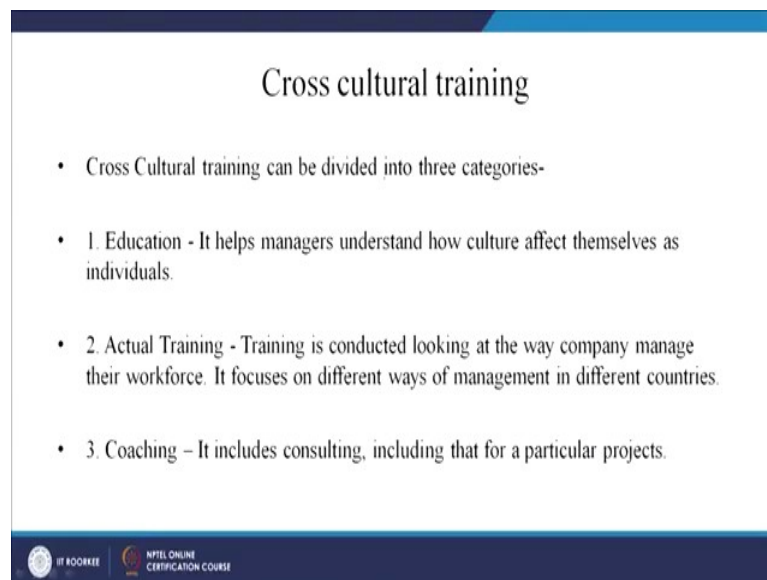
So, cross cultural as well as cultural specific right; cross cultural training deals with the manifestation of culture in the workplace, so how people of different cultures can work together without any problem. The basis of intercultural relations are not about changing

other people, but adapting oneself to the other culture that becomes a challenge, right. So, there was a case of Daimler Chrysler; so Daimler Chrysler, Chrysler being the American part and Daimler being the German part.

So, when they you know joined hands, initially they found lot of difficulties; the reason was. So, very simple that the culture of both these countries are very different; the Americans are very outspoken, they are not considered to be as punctual as the Germans you know, and the Germans are very savvy and they are very technically very fit also, and they are very you know serious in their job. So, this created a kind of difference among the work culture and that led to a disturbance, right. So, this kind of issues happen when a lot of people work together.

Even I have seen in projects; for example in a lot of L and T projects; when people are last into, when people are working. So, there are lot of Indians and there are also people from other countries likes Singapore, Vietnam, Japan. So, there is a difficulty in adjustment to the because of the cultural problems.

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The slide is titled "Cross cultural training" and lists three categories of training:

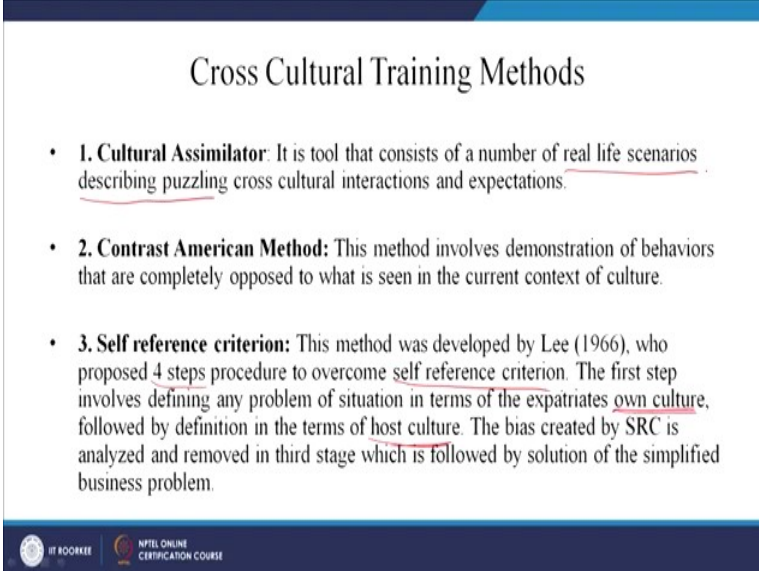
- Cross Cultural training can be divided into three categories-
- 1. Education - It helps managers understand how culture affect themselves as individuals.
- 2. Actual Training - Training is conducted looking at the way company manage their workforce. It focuses on different ways of management in different countries.
- 3. Coaching - It includes consulting, including that for a particular projects.

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Cross cultural training can be divided into like education; actual training and coaching. It helps managers understand how culture affect themselves as individuals; to educate the managers, to understand how culture affect themselves as individuals. Then training is conducted looking at the way the company can manage their workforce.

So it focuses on different ways of management in different countries. So, when you go to different countries, what would happen? So, actual training is given, right. And coaching it includes consulting, including that for a particular project. So, at a particular project; what kind of specific knowledge, skill and cultural knowledge is required all these are given, right.

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### Cross Cultural Training Methods

- **1. Cultural Assimilator:** It is a tool that consists of a number of real life scenarios describing puzzling cross cultural interactions and expectations.
- **2. Contrast American Method:** This method involves demonstration of behaviors that are completely opposed to what is seen in the current context of culture.
- **3. Self reference criterion:** This method was developed by Lee (1966), who proposed 4 steps procedure to overcome self reference criterion. The first step involves defining any problem of situation in terms of the expatriates own culture, followed by definition in the terms of host culture. The bias created by SRC is analyzed and removed in third stage which is followed by solution of the simplified business problem.

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So, some of the methods let us see more methods are; cultural assimilator is a tool that consists of a number of real life scenarios describing puzzling cross cultural interaction expectations.

So, you are, you know this assimilator helps you to go through a real life scenario and then asks you or expects you to behave in a particular or a manner and then they try to correct you. So, the contrast American method is a method where it involves demonstration of behaviors that are completely opposed to what is seen in the current context of culture.

So, if you expect somebody to be very, you know in your culture; suppose in our culture, people to be very well behaved and somebody would give a welcome gesture. They will do the opposite of it, so that how does the person adjust to it; when he goes to a place suppose he does not get this kind of a hospitality or a welcome.

Self-reference criterion this method was developed by Lee in 1966, who proposed 4 steps to overcome self-reference criterion. I think I have explained what is self-reference criterion in the past also. So, self-reference criterion is the problem or a criteria, where the where an individual tries to compare or think everything in the way he or she has been thinking in his you know home or native place, right.

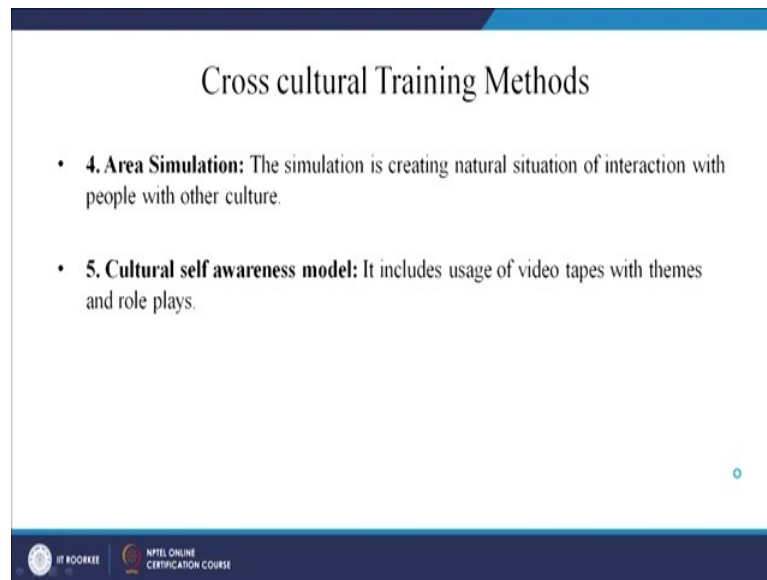
So, whatever I have learned from my culture since my childhood; if I go to another place and I still I start thinking things to happen in that way, that is called self-reference. So, if suppose I expect that in India we all give respect to our elders or senior or anybody who is a stranger also. So, suppose a self-reference criterion says, if I go other place; I would be thinking that everybody would welcome me and would be treating me well, but that is not true, that is not might happen.

So, self-reference, reference criterion is to see the world through your own eyes which is dangerous and to just standardize it that is dangerous; it will not happen, so that is what it says. The first steps involves defining any problem or situation in terms of the expatriates own culture, followed by definition in the terms of the host culture.

So, own culture and host culture. So, how the problem is can be defined? The bias created by SRC is analyzed and removed in the third stage, right. So, this is the first case, first stage followed by definition, second stage; third stage is it is analyzed and removed in the third stage, and then finally a solution is a simplified business solution is given in the fourth stage So, through this four stages, the self-reference criterion is managed or handled, right.



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### Cross cultural Training Methods

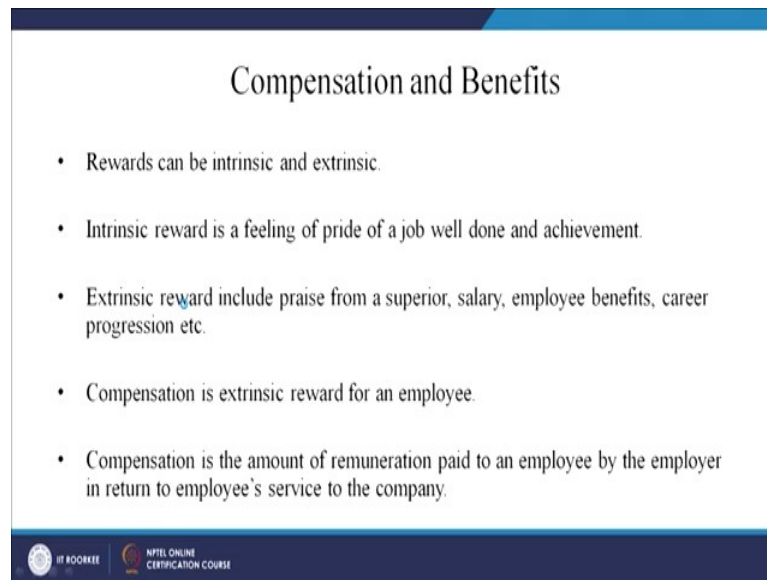
- **4. Area Simulation:** The simulation is creating natural situation of interaction with people with other culture.
- **5. Cultural self awareness model:** It includes usage of video tapes with themes and role plays.

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Area simulation is another technique which says is the simulation is creating natural situation of interaction with people with other culture, right. So, other areas, so the different areas of people and they are a simulation or a artificial condition is created, where they feel like a real life scenario and they are expected to behave and learn out of it. Cultural self awareness model it includes usage of videotapes with themes and role plays.

So, these are the various methods of how you know cross cultural training can be offered to people who are moving from one country to another.

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### Compensation and Benefits

- Rewards can be intrinsic and extrinsic.
- Intrinsic reward is a feeling of pride of a job well done and achievement.
- Extrinsic reward include praise from a superior, salary, employee benefits, career progression etc.
- Compensation is extrinsic reward for an employee.
- Compensation is the amount of remuneration paid to an employee by the employer in return to employee's service to the company.

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Now, when you talk about international human resource, another issue is the compensation and benefits. So, what are these saying? Rewards can be intrinsic and extrinsic, so there can be both sides, right. So, intrinsic reward is a feeling of pride of a job well done and achievement. Extrinsic include praise from a supervisor, salary, employee benefits, career progression etcetera.

Now, compensation is extrinsic reward for an employee, right. Compensation is the amount of remuneration paid to an employee by the employer in return to the employee service to the company.

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So, what kind of you know compensations are given and what is the complexities involved, let us see? The complexities of compensation management, ok. So, there are a various complexities; varying requirement for facilities right, varying requirements, there are different kind of requirements. Exchange rate fluctuations, somebody has come from, they are do two different salaries going; so and the money there is an exchange rate fluctuation, so the money value is going changing.

Varying tax rates, inflation rates, varying local conditions, country perspectives, consistency and equity; so the consistency is also has to be there, cost of living, and expectations. So, when you talk about expectations, compensation and complexities; it also becomes very important from a company's point of view.

When you are hiring somebody and we are bringing them here; how do we compensate and how does he perceive this compensation to be or she perceives this compensation to be. So, now, I think you have understood that compensation and complexities arise when you talk about hiring an individual.

And that becomes a challenge; because if you do not, if we do not you know give good compensation or enough compensation, then the person might be unhappy or he might not like to settle down and then the whole purpose of the human resource management is lost.

Ok friends, so I have come to the end of this course, this is a huge course; it has obviously its own complexities, because you are talking about international business. It is very very important, there is no doubt about it; because you can understand how international business is getting affected nowadays, there are so many different reasons, so many different ways and the economics of countries are getting affected with globe. Somebody says you know some experts feel globalization is good, some critics say globalization is not good, it is bad.

So, in all among all these; but we have seen through different theories like Ricardo's theory you know so, and Adam Smith's theory. So, we have tried to understand how international business plays a very vital role. And today if you see in this condition when you know the corona pandemic is going on and company countries are feeling the heat, that too much of dependence on countries on a few countries like China and all has become a difficult situation, has created a difficult situation for them.

So and how do you manage in this you know; when it is suppose this condition goes over also, after that how do you settle your manufacturing, how do you settle your human resource, how do you settle the you know how do you understand the exchange rate fluctuations, how do you understand the country's economic condition, how does the political and legal conditions affect the country and all these taken together when you think about it. International business becomes a very very important factor.

And believe me if international business is not well understood, then the purpose of many subjects would be lost; because at the end of the day it is international business that has a big impact on the economy of our countries. And this economy of the countries is one which runs you know, which takes care of the livelihood, the poverty, the malnutrition, the condition of people the human, the medical facilities everything that you can think of.

That is directly or indirectly connected with international business; because through that only we can understand how much you know economy is growing, how much wealth is being created in a country. So, all this makes it a special subject and it is very important; so I have tried to give my best to you. I, if I have, if there is any limitation; I think we can solve it through your questions when you ask me and I will try to answer you all. So, that is all I have.

Thank you very much.