

Example answer on multinational corporations and complexity



Multinational corporations (MNCs), in their effort of globalisation normally face complexity that caused by multiculturalism and geographic dispersion. There are three characteristics of complexity in globalisation. 1) Multiplicity reflects the need of MNCs to be responsive to different viewpoints, public opinion concern and government rules and regulations. 2) Interdependence will means all operation and business activities are interrelated that can not be treated alone. 3) Ambiguity means the lack of information clarity that will lead to difficulty in interpreting events and people. Complexity in the international operating environment will then lead to various global challenges.

It is difficult for MNCs to achieve organizational effectiveness and sustainable competitive advantage locally as well as globally if it is operating without an efficient and systematic HRM practices that align with the business strategy. Paine & Co. which is building its international presence is facing some HR issues and challenges that typically will happen in MNCs. From the case study, the following main HR issues had been identified.

TABLE 1: MAIN HUMAN RESOURCE ISSUES FACED BY PAINE & CO.

A. Communication

Do not have a clear view of the corporate mission statement and vision set within the group.

Lack of communication channel between the management and the employees.

Do not have get-together among staff for idea exchange and employees feedback sessions.

B. Recruitment, selection and retention

Decentralised recruitment policies.

Do not have good image branding and company reputation.

C. Performance management and reward system

Do not have well designed performance review and appraisal system.

D. Training and development

Do not provide staff intensive training for all new employees.

Do not have further on-job or off-job training for improvement of skills and knowledge.

Do not have interchanging of staff between subsidiaries.

Communication being one of the most important components in human life is also the key of success for HR management. Effective communication is essential throughout an organization to ensure transpire of all information and knowledge sharing can be achieved. Communication is also vital for the organizational objectives setting. Effective communication between the employer and employees can lead to a greater understanding in achieving organization's goal. Study by Lindholm, N. (2000) found that it is important to communicate the company goal and job objective clearly to the host-country employees in MNCs to increase their job satisfaction.

Jack Welch, the CEO of General Electric Co. (GE) had introduced the “informal” culture across the company. The “ Informal” by Jack Welch means violating the conventional chain of command, creating communication across all layers of the organization and everyone can talk to the boss. During his tenure as GE’s CEO, Jack Welch organized a lot of corporate events that provide opportunities to all the employees to get-together and at the same time the management can communicate the company values and vision effectively to the employees. Besides that, Jack Welch also made unexpected visits to plants and offices abroad as well as scheduled luncheons with his managers to achieve good leading, guidance, and influence the behaviour of complex organization.

The weakness in communication within Paine & Co. can be seen in a few contexts. The communication problems started from their international expansion with some of the subsidiaries running on decentralised basis. There are no common strategies and objectives been set and communicate across all subsidiaries in the overall business operation. There is also no interchange of people between subsidiaries which can help to promote knowledge sharing and team spirit. Collecting workplace feedbacks from employees can facilitate in creating two-way communication which is important in an organization. Annual staff opinion survey is one of the methods that can be introduced to collect feedbacks from employees. In Paine & Co., the occasion that consultants from France made direct complaints to their MD bypassing their local manager had shown the lack in proper channel of communication within the organization. Besides that, Ferguson as the MD of Paine & Co. did not emphasize on knowledge sharing

and team work but only see personal results and performance as the key factors of determining the business success. Therefore, overall synergy can not be achieved for a greater sustainable competitive advantage.

Human assets are important for service industry as their people are core part of the source of services that have direct visibility from a customer point of view. Stringent recruitment and selection processes must be implemented to ensure the right people are to be engaged. Employer's reputation and corporate branding are other crucial factors that will affect the recruitment and selection process. Highly talented people are always looking for their " employer of choice" in seeking their job for better career advancement. Singapore Airlines (SIA) for example had been the " employer of choice" for many educated young people due to their reputation as a service leader in the airline industry. On the other hand, SIA adopts a highly rigorous and stringent selection process which the applicants are required to meet various criteria from outlook appearance, age ranges, academic qualifications as well as physical attributes. The stringent selection process is to ensure the right people be selected for the right job and at the same time improve the service quality of the organization.

In this case, Paine & Co. failed to carry out the " best-practice" in the recruitment and selection strategies. The company has had problems in developing a brand with a good company image in Germany, both for clients and staff. While facing the problem in recruiting good staffs, at the same time it also fails to retain the talented young employees. These have affected the efficiency and smoothness of the project and business operation and at the same time will incur higher cost for recruitment purpose. As <https://assignbuster.com/example-answer-on-multinational-corporations-and-complexity/>

recruitment and retention of employee is another challenging task in IHRM. Employers need to select the right people and put them to the right jobs, as well as managing their performance effectively and at the same time retain the quality employees from leaving the organizations. Only the right people will take the organization where they need to go. Hadhiphanis (2010) highlighted three issues that need to be considered by management when recruiting employees: Value of experience and skills for the proposed position; behavioural and technical competencies based in making hiring decision; and pre-screen candidates before interview. While for retention of staff, Hadhiphanis (2010) again suggested that three strategies need to be carefully implemented in order to ensure the company provide better value to their employees as compare to their competitors.

Options of remuneration, fringe benefits and rewards system to employees.

Clear in communicating expectations and ability to gauge the performance against expectations.

Rotational assignments, career development and planning as well as financial support (job-related and non-job related) to employees.

The implementation of good staff recruitment and retaining strategies will not only build good employee's capability for today but also for the future. Paine & Co. should identify the needs of their employees and should not assume employees in every country having the same needs. Most of the time, the employees' needs are reflected in the social-economy and culture of the country. Besides that, employees' needs will not be the same all the

time and review should be carried out periodically to ensure the HR practices are being implemented correctly to suit the current conditions.

As for the performance management and reward system (PMRS) in Paine and Co. Although employees' bonus and rewards are performance based, the final decision still subject to the senior management discretions without going through a proper appraisal and performance review system. Therefore their bonus system is not well-regarded. Performance management (PM) was defined as a HRM process involving constant evaluation of individual and corporate improvement progress against the predetermined objectives which are correlated to the company business strategy (Dowling et al., 1999 cited by Lindholm, N., 2000). The extrinsic and intrinsic motivations, understanding of job task and job satisfaction of the employees are mainly influenced by PM practices of a company (Lindholm, N., 2000). PM that is properly planned and implemented will also help in the objectives setting, reducing job errors as well as maximizing employees' satisfaction and motivation in achieving not only individual job objectives but also align with the company's business strategy in achieving organizational goals.

Evidence from research had shown that cultural differences among countries will affect the elements in implementing PM. PM practices will not be successful if MNCs implement and standardize their PM policies at both home country office and the overseas subsidiaries without consideration the cultural differences among the countries. Hofstede's cultural dimensions theory had been applied by researchers in their studies in relationship between the cultural differences and the transferability of PM as well as job satisfaction in MNCs. Lindholm, N. (2000) suggested that PM system should

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be modified to suit to the culture of host-country. “ Modular” type PM system that can suit to different cultures in different countries can be developed to improve the job satisfaction and performance of host-country employees.

Besides that, the design and implementation of a fair performance evaluation system by taking host-country employees’ feedback into consideration is crucial to create job satisfaction of employees in MNCs.

IHRM issue is one of the greatest challenges for all MNCs. Even world class companies like General Electric Co. and Black & Decker Corp. will face some challenges in managing HRM issues when it first going global. Mendenhall, M. E et al, (2003) had identified the following “ Big Five” global HR challenges for MNCs.

Enhancing global business strategy

Aligning HR issues with business strategy

Designing and leading change

Building global corporate cultures

Developing global leaders

The implementation of good IHRM practices has become very crucial in the success of all organization regardless their sizes and industry (Ulrich, 1997, cited by Nicolaou, N. and Costea, E. S). The “ fit of this type of culture” HR system shall be given more attention in order to create an effective organization. In today’s highly competitive globalization business environment, human resource become the main assets of an organization

and therefore the implementation of IHRM strategy is the key to the success of the organization and its continuous competitiveness in the global market.

ANSWER FOR QUESTION 2:

Barlett and Ghoshal (2000, cited by Harzing, A. W and Ruysseveldt, J. V., 2004) highlighted the three types of strategic objectives for MNCs are: meeting the challenges of global efficiency; multinational flexibility, and worldwide learning. Porter (1990, cited by Truong, et al, 2010) pointed out that the most significant source of competitive advantage for an economy is a skilled, flexible and well-educated workforce. While Heneman et al. (2000, cited by Truong, et al, 2010) stated that HR is important for all types of organizational sustainability. Many companies had realised the importance of strategic HR practices but only a few can implement it strategically in conjunction with the business strategy to gain competitive advantage (Schuler R. S & MacMillan I. C, 1984).

The following table shows the core components of HR practices that had been identified and the proposed HRM strategies in order to help Paine & Co. in building their corporate business strategy to gain long-term competitive advantage.

TABLE 2: CORE HRM COMPONENTS, CURRENT STATUS AND PROPOSED STRATEGIES FOR PAINE & CO.

HRM Core Components

Current Status

Strategies

Recruitment and Selection

Recruitment and selection procedures not regulated or standardised

Do not have clear and stringent criteria in selection

To use value-based hiring method

To carry out proper job analysis and description

Specification of minimum criteria in selection

Standardisation of recruitment and selection procedures (i. e. interview, psychometric test and social test)

Compensation and Benefits

Remuneration system not standardised or according to industry standard

To carry out industry remuneration review

To introduce profit sharing scheme

Performance Management and Reward System

Do not have proper appraisal review system

Rewards do not reflected on the individual performance

No relationship between reward policy and corporate business development strategy

To carry out KPI as PMRS

To create link between goal-setting and performance achievement

Training and Development

Do not have proper training and development program

To have intensive training for new staff

To provide continuous training throughout employment

Retention of Talents

Lack of support from management to staff

Lack of communication between employer and employees

Lack of motivation

Do not have succession plan

To create multiple channels for information sharing

To rewards the staff with innovative ways

To carry out employees' satisfaction survey

To develop career advancement plan for employees

Schuler R. S and MacMillan I. C (1984) suggested two ways for HRM practices to help in gaining organizational competitive advantage: by helping themselves and by helping others. They also clarified that good HRM practices should be first be targeted within the company before implement to the external parties (i. e. customers, suppliers, distributors). Strategic HRM practices should be ideally integrated with the business strategy of an organization in building long-term competitive advantage.

Wirtz, J., et al, 2007 believed that " The wrong people are liability".

Recruitment and selection is an important process in HRM that will decide whether the right person will be doing the right job at the right place. Value-based hiring method can be utilised by Paine & Co. in their recruitment and selection process. A detail job analysis and job functions description should be carried out before determining the selection criteria in their recruitment exercise. Other than qualifications and experiences, criteria like physical attributes, social and emotional competency should also be considered when selecting their consultants who are the front-line staff that serve their clients. Therefore, other than structured interviews, psychometric tests and social competency tests should also be included in the screening process to ensure high quality consultants are recruited. By having stringent selection criteria, the uncertainty of hiring the right applicants with the expected qualities will be reduced. In long run, the cost for recruitment and selection process can

be reduced due to the increased in efficiency of recruitment and selection process.

Besides the selection and recruitment process, Paine & Co. also facing problems in managing their compensation and benefits as well as PMRS. It is suggested that profit sharing scheme to be introduced to the consultant advisers and senior consultants. This will encourage employees to be part of the business partners and increase their commitment towards the company performance. While for PMRS, Paine & Co. should implement the Key Performance Indicator (KPI) system to ensure fair evaluation of performance review and structured appraisal throughout the whole group. Implement of KPI system will not only guarantee fair treatment to all staff but also make the objectives setting and performance management process more effective.

Training is one of the key components of success for service industry like Paine & Co. For organizations that are seeking competitive advantage through HR, Khandekar, A., and Shama, A. (2005) suggested that they should design their HR systems so that human resources can be utilised efficiently and enabling knowledge been used by employees to maximize their organizational competitive. In this situation, Paine & Co. is suggested to plan and provide an intensive training program to all its new employees before they carry out their duties. Intensive training programs are effective HRM tools because it can help the newcomers to master their jobs which probably causing fewer anxieties among them. Besides that, company values, objectives and the expectations from the employer can also be clearly communicated across to the new staff through intensive training.

Subsequent off-job and on-job trainings should be planned and provided
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regularly throughout the employment period to improve knowledge and skills of employees. The training and development program is part of the strategic HR management that is essential for Paine & Co. to obtain sustainable service excellence and long-term competitive advantage in the industry.

Last but not least, the talents retention is another area that needs to be strategically implemented. Tobia, P. M (1999) mentioned that lowering turnover of staff will increase profits of a company. Besides that, only employees who are motivated and satisfied with their working conditions are able to produce good services and products for better competitive advantage in the industry. Many young consultants in Paine & Co. left the company by joining the competitors proofed that its employees are not satisfied with their working conditions as compare to the competitors. Paine & Co. need to improve the provision of resources to the employees in carrying out their duties. Implementation of some long-term retention programs such as innovative and fair PMRS; people friendly policies and carry out employees' feedback survey will definitely help in reducing staff turnover rate. Opportunity for career advancement is another determinant of retention success. Succession plan and career path planning is important to retain talented employees and increase productivity.

By implementing all the above proposed HRM strategies will not guarantee the ultimate success of the company in achieving the long-term business competitive advantage if there are no continuous reviews and improvement plans on its strategies. Besides a good HRM systems, products and brand differentiation; focus orientation; global thinking; a sensitive " radar system"; perpetual spirit of innovations; social and environmental responsibilities are <https://assignbuster.com/example-answer-on-multinational-corporations-and-complexity/>

some of the other criteria for MSCs to become a real “ World Class Company” and achieve long-term business competitive advantage. All the above mentioned criteria will need to link people with the strategic needs of the business as people is the most valuable asset of an organization. If the business needs of an organization can be clearly identified and be integrated effectively with the HRM practices, long-term sustainable competitive advantage will not be far from achievable.

REFLECTION

Planning and formulating the HRM practices with business strategy for competitive advantage will be meaningless if the management do not understand the basic needs of their employees. Therefore, communications play an important role in the analysing and understanding the employees’ behaviour so that the right HRM practices can be strategized. All employers know what the company goals are, but not everyone is able to articulate their products or services with the market-place effectively to determine the types of employees needed. The “ needs-matching” process to get the right person to do the right job is another great challenge in HRM.

Another concern will be the consistency in the implementation of the best HRM practices in an organization. Only long-term consistency in the practices can bring great results and achieve sustainable competitive advantage instead of just short-term success. Commitment from the top management is an important factor that will determine the success. Total organizational commitment can not be achieved without starting from the top and working down. If the top management started to demonstrate good practices, concern and commitment to their job and products, the employees

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will also begin to follow the same practices and further synergizing their contributions to perform for sustainable competitive advantage.

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ABBREVIATIONS

GE - General Electric Co.

HRM - Human Resource Management

IHRM - International Human Resource Management

KPI - Key Performance Indicator

MD - Managing Director

MNCs - Multinational Corporations

PM - Performance Management

PMRS - Performance Management and Reward System

SIA - Singapore Airlines