CHAPTER II
RESEARCH DESIGN

1.0: Introduction

This chapter seeks to establish a suitable conceptual framework within which to study impact of external factors on HRM practices in India with special reference to Multinational companies, exploring the meaning of Human Resource Management and the different models of HRM and IHRM. There are two approaches which can be identified when analyzing IHRM practices and these will be referred to as the Universal paradigm and the Contextual paradigm. The question of the best practice – the universal paradigm and the social model of the contextual paradigm might contribute to generate the framework to study impact of external environment on Personal Management functions with reference to HRM in MNC.

Business Environment are key to Organizational growth and development. A successful business strategy will enhance the competitiveness of organization and plants a strong foundation for return on investments to the stake holders.

Mintzberg\(^1\) defined strategy as "a pattern in a stream of decisions" to contrast with a view of strategy as planning, while he argues that "strategy is about shaping the future" and is the human attempt to get to "desirable ends with available means". Kvint\(^2\) defines strategy as "a system of finding, formulating, and developing a doctrine that will ensure long-term success if followed faithfully". Thus Business strategy is an act of implementing and managing all the available resources like men, material, money, management and manufacturing optimally to get the best outcome.

In this study, the most important resources namely “Human Resources Management” function will be simulated with external environment functions, namely “Social, Technological, Economic, Ecology, Political, Legal and Ethical Factors, impacting HRM Function in MNC in Bangalore and is effects on Business Functions.

The roles and responsibilities of Human Resources departments are transforming as the modern business faces pressures of globalization. The global supply of talent is short of its long-term demand, and the gap is a challenge for employers everywhere. The shortage between the demand and supply of talent is likely to continue to increase, notably for high skilled workers and for the next generation of business executives. Now organizations need to place greater emphasis on attracting human capital rather than financial capital. Global staffing and management of a workforce diverse in culture and language skills and dispersed in different nations are the key goals of global human resources.

Only those multinational enterprises willing to adapt their human resource practices to the changing global labor market conditions will be able to attract and retain high performing employees. Companies with the ability to foresee their business needs and their workforce needs, especially for high skills, will gain the decisive competitive advantage.

The Indian multinationals seem to “represent a new breed of multinationals that build their competitive advantage in novel ways: multinational corporations that derive their advantage from service rather than technological innovations and manufacturing MNC that straddle a low-cost and medium technology position”.

Since, MNC are becoming more transnational than before they must change their strategies to address the similarities and differences in each market they enter.
Globalization has increased the pressure on the manager to recognize and adapt to cultural differences when doing business as identified by Nilsen in his empirical study-Managing Globally at Hewlett Packard.

For the managers at MNC who are operating in different countries cross-cultural practices become essential to maintain the business process. HRM covers all management decisions and actions that affect the relationship between organization and employees. The new manager introduces new technologies, relocate operations, arrange tasks in a new plant, and reward personnel and this will affect employees. Involvement of employees affects their work and how they trust the management.

HRM policies and practices, which are used to control and direct behavior and performance, are largely the result of managerial beliefs. Budhwar and Sparrow in their joint study—"An integrative approach for understanding Cross-national HRM", Managers at MNC are getting more and more interested in how HRM is managed in different regions of the world due to increasing competition from other MNC and if managers can get a greater understanding of cultural differences when managing employees with different backgrounds and cultures, it can make them more effective.

2.0: Literature Review.

The investigator has surveyed the literature on the subject per se critically. The literature review logically flowed from theoretical introduction, is long and divided into two broad sections: the first section deals with the issues and concerns of Personnel and Human Resource Management in general and its impact on environment, second section deals with the review of the relevant literature on

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HRM practices of global MNC and thirdly, MNC companies in India. The Literature review surveyed the literature on the subject *per se* critically ending with the identification of the research gap, which existed, in the earlier research works and the research question was framed. The literature surveyed was divided into three sections viz. Thesis, Books, research papers, reports, articles from Journals and conference proceedings and each set is presented in chronological order. The section concludes with a summary of the entire review. Since, the topic under study is new and not much work has been done on it till date, a frame work is developed for the proposed study with available literature.

2.0.1: Thesis Review:

Hamtono in his thesis work on Strategic HRM in Indonesia based on the grounded theory research report has said, "The Best Practice" approach focus on the organizational mindset, market conditions and stage of organization Life Cycle. In the best fit sections of the discussions, the focus of attention is the influence of the Internal or organizational context and external or environmental context and how these and the business strategy affect and relate to HRM Practices. The research findings suggest two approach being practiced by Indonesian Organization, they are Universal Approach or Best Practices approach and the Best Fit or the contingency approach. The Indonesian Organizations have a high awareness of the need to fit their HR Strategy into business strategy, internal or external factors. Internal determinants are organization size, structure and stage in organization life cycle, the access to capital or quality of business function as influential. External Factors they

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5 Arif Hartono, University as Islam Indonesia(UII),Murdoch University, Perth Australia, PhD.,Thesis on "An Investigation into Strategic HRM in Indonesia based on the grounded theory research", Oct 2010.
take into considerations are market competition, technology, global changes, Governmental rules, economic conditions, culture and Union presence.

**David Maki** in his thesis MNC Management in India, has postulated that, the challenges faced by MNC are that of the Managers, recognizing and effectively managing these similarities and differences.

In global business environment the manager’s position has evolved into a more complex form than it was before. Due to increasing globalization the companies are adopting more global business orientations and this makes the manager’s job to include many cultural adaptation issues. At the MNC the manager is shaped into developing managerial values which consist of collective directives, responding to the global communities acceptance and preference on how they want to work, think and manage business. The diversity of communication styles and expectations that employees have on their leaders across markets must be taken into consideration by the manager. New managerial values and multicultural policies provide reduced costs, resources acquisition, marketing advantage, creativity, problem solving and organizational flexibility.

**Gopal Prasad Mohapatra**, in his research thesis during 1991, on Personnel Policies and Practices and their impact on Industrial Relations has found that there are no proper linkages, in specific, performance of MNC Organizations. Hence this thesis based on analytic and descriptive study has found profound relations between personnel policies and practices, training and development, scheduling and work conditions, career progression, wages salary, administration, collective bargaining,

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6 **David Maki, Master Thesis:** “MNC Management of HRM in India” Lulea University of Technology 2009, p23.

workers participation, Management, technology change and job security, motivation and job satisfaction, grievances.

Manu Parashar⁸, in his thesis, on Social Networks in organization, Impact of Environment has seen that Social Network plays an important role on many levels of analysis from individual to societal. There are various streams of social network analysis that have been developed in the last two decades. It is found increasing application in organizational theory. Hence, Impact of Environment uncertainty on social capital network structure is under researched. Thus the nature of work in IT Industry which involves collaborative problems solving, makes social capital particularly its structural aspect an important determinant of team performance. A set of hypothesis examining, the interplay of environmental uncertainty and network characteristic and its effect on team performance were analyzed by the researcher. Since the above said thesis has given insight to, my current research on impact study on external factors on HRM related to IT Companies, a few findings are commented and further researched to add value to Body of Knowledge.

Shiban⁹ from his Thesis “CSR in an emerging market” clearly show that the “Top Management Team”, establishes and drives the Corporate Social Responsibility agenda, with supreme power to either stimulate or stifle the CSR policies and actions. Corporate communication and marketing departments also favorably view CSR actions, in light of their responsibilities of corporate reputation and brand management. The human resource department supports CSR actions that focus on

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⁸ Manu Parashar, “Social Networks in organization, Impact of environment on IT Companies in Bangalore Thesis for Fellow Program in Management at IIM Bangalore 2008 p26
⁹ Shiban, Researcher, University of St.Gallen, Graduate School of Business Administration, Economics, Law and Social Sciences (HSG) on the title “Corporate Social Responsibility from an Emerging Market Perspective: Evidences from the Indian Pharmaceutical Industry”, May 2008, pp 73-74.
employee development, or even involve employee contributions in the form of community involvement.

Sumana Chaterjee\textsuperscript{10} thesis “An economical Analysis of Foreign Direct Investment in India”, MNC Organization are the most important carriers of FDI and there are two alternates for compiling FDI statistics for Balance of Payment and to perform firms survey. Thus India should continue, its program of Economic reforms, as a sustained healthy economic growth is the biggest attraction for Foreign Capital.

Diana C. Cooper\textsuperscript{11} in his research thesis “Cross Cultures: A Qualitative Study of Expatriate Experiences with Mentors during International Assignments” concludes that, according to a model proposed, there are three dimensions of adjustment: the job itself, interaction with host Country national workers, and adjustment to the general culture of the society. Within this construct, there are two major components of expatriate adjustment: Anticipatory adjustment and “in-country” adjustment. The latter consists of four determinants: adjustment to the job, adjustment to the organization, non-work adjustment and individual adjustment.

Jennie Sumelius\textsuperscript{12} in her thesis work, “Developing and Integrating HRM Practices in MNC Subsidiaries in China, has found that the two HRM related capabilities, integrative and creative are drawn on knowledge based view to develop HRM Practices and Strategy across its various subsidiaries. The expatriate is constantly learning and needs to be trained on culture, while developing his or her cultural understanding and international business acumen on assignment. Organizations need

\textsuperscript{10} Sumana. Chaterjee, Shri Maharaja Sayajai Rao University of Baroda, Vadodara Gujarat, Thesis on “An economical Analysis of Foreign Direct Investment in India”, August 2009, p108

\textsuperscript{11} Diana C. Cooper - Graduate School of The University Of Minnesota. Ph.D Thesis - “Crossing Cultures: A Qualitative Study of Expatriate Experiences with Mentors during International Assignments 2008, p112-114

\textsuperscript{12} Jennie Sumelius\textsuperscript{12}, Publicatioon of Hankel School of Economics, Helsinki- Developing and Integrating HRM Practices in MNC Subsidiaries in China: June 2009, p49.
to engage in the same process and find ways to formally integrate expatriate expertise strategically across the organization.

The ability to align the subsidiary's HRM practices with the business strategies of the firm. The research also found that, integration - responsiveness framework as a starting point for studying the degree of standardization and localization of subsidiary HRM practices. In general tended to resemble local practices more closely rather than MNC Practices. While the MNC best practices were integrated into the subsidiary or local company HRM Practices. The subsidiary certain practices like compensation for instant were adapted in to the organization HR Polices which suited the local or subsidiaries requirement. The finding highlights significant differences between the social networks of HR Manager and general managers in terms of gender, nationality, expatriate and local.

Nakhle's thesis work: "The transfer of human resource practices from American and European multinational companies to their Lebanese subsidiaries: A study of the host-country effects and of the standardization- adaptation dilemma", was to study the transfer of HR practices from American and European MNC to their subsidiaries in Lebanon. However, the main research question was to know whether these transferred HR practices were adapted to the local context. The cultural and institutional framework and environment were studied to better understand host-country effects factors behind possible adaptations. Another contribution of this study to the field of IHRM is that it has used both cultural and institutional factors to examine the transfer of HR practices. Without the use of both frameworks, the understanding of host-country effects would not have been possible.

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13 Samer Francois Nakhle, University of Fribourg (Switzerland), Ph.D Thesis "The transfer of human resource practices from American and European multinational companies to their Lebanese subsidiaries: A study of the host-country effects and of the standardization- adaptation dilemma", May 2011, p124
This study has also confirmed the existing literature about IHRM and transfer approaches and thus could be considered as an extension of the existing research about standardization, adaptation dilemma, transfer approaches, factors affecting the transfer and differences between American and European MNC. The study has also contributed to the body of knowledge through the findings which were not researched before. Several findings dis-confirmed the literature about IHRM approaches of MNC and the adaptation of practices. Dis-confirming the literature is also a contribution to knowledge.

Another contribution of this study is the methodology used. Most of the studies in IHRM literature rely on large scale surveys which don’t allow a deep understanding of HR practices of subsidiaries. A qualitative study based on case studies and in-depth interviews gives a deep understanding of the transfer process. The use of multiple case studies comes to fill a gap found in the literature. The analysis of cases allows extracting, using in-depth interviews, documents, observations and contextual considerations, a group of relatively exhaustive.

Lisa Chen\textsuperscript{14} in her doctoral thesis: “The societal culture dimension within the HR practices of Taiwanese management in UK” has enumerated, the key findings of this research: Culture has been an important factor in the transfer of HRM and IHRM practices from Taiwan to the UK. A Contextual paradigm is more useful than a Universalist paradigm while researching in the field of HRM and IHRM. Both nationality effects and societal effects influenced management style in Taiwanese MNC in the UK, despite overall similarities in approach there were sector differences in strategies to key HRM areas such as recruitment and Western HRM theories still can apply in Eastern MNC, but HR practices are bonded to national

\textsuperscript{14} I Chun Lisa Chen University of Stirling, U.K. \textit{“Doctoral thesis “The societal culture dimension within the HR practices of Taiwanese management in UK”}, Dec 2005, p45
culture. This research which has largely taken a contextual perspective has demonstrated three major processes which arise within the relationship between the MNC and the host country. First, the nationality effect which emphasizes the work system and its essential values transferring from the home country. Secondly, a societal effect, which emphasizes the values and practices and institutional framework prevailing in the host country. Thirdly a dominance effect, of the diffusion within MNC of what are seen as best practices, mainly originating within Western HRM models. In addition, there are some other factors to be considered such as sector characteristics and company size of the MNC. This research also found an authority effect: the leadership of Taiwanese managers has a certain degree influence in managing human resource in the subsidiary, which depending on the international staffing strategy. The HR strategy in the subsidiary should take into account the composition of staffing, the strategy of international staffing and the degree of control from Head Quarters. These factors can be integrated to form a model to study international human resource management in the multinational firms.

Sigu Muringaseril in his thesis, “Control Concepts in Multinational Corporations- The Case of Swiss MNC with Foreign Subsidiaries in India”, has concluded that the main purposes of the present work was to examine the types and degrees of control imposed by Headquarters on their Foreign Subsidiaries depending on certain environmental and structural characteristics.

Multinational Companies, in their quest for ways to gain and sustain competitive advantages in a growing global business environment, have started to increasingly approach newly emerging markets. Parent companies, in their pursuit to not only to

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15Sigu Muringaseril -University of St. Gallen, Graduate School of Business Administration Economics, Law and Social Sciences (HSG) in his thesis “Control Concepts in MNC- The Case of Swiss MNC with Foreign Subsidiaries in India-Oct 2007p98.
peculiarity exploit arbitrages but to also explore and strategically benefit from location differences, assign their Foreign Subsidiaries with different mandates. In implementing these mandates, Foreign Subsidiaries encounter new and distinct market forces along with differing environmental conditions. These peculiarities in the corporate periphery necessitate appropriate differentiation in the internal structure of Multinational Companies - such as a stronger shift of locus towards the set-ups of subsidiaries, which will naturally be accompanied by various implications on the diverse vertical and lateral linkages between Headquarters and Subsidiary Company. These, among others, include a general revision of the Foreign Subsidiary's role or strategy, an increased delegation of decision making authority towards subsidiary managers, more operational flexibility to design its own processes and sufficient latitude to enhance organizational adaptiveness. However, this should not belie the fact that the ultimate responsibility for coordination and overall strategic direction lies with the Headquarters, generating a crucial need to compatibly coordinate the various activities executed at the subsidiary level, so that they ultimately support the overall objectives of the corporate group.

2.0.2 : Book Review

Locke et al\textsuperscript{16} in his book "Leadership: Do traits matter" has enumerated the "meaning of HRM". He says that the persistence of economic pressures that first challenged American industry in the 1970s reflects fundamental changes in the competitive environment of firms. International competitors, rapid technological advances with relatively cheap labor, shorter product life cycles and shifts in consumer preferences, have undermined the competitiveness of the American mass production strategy and its traditional industrial relations and people management. In response to these

\textsuperscript{16} Locke et al,"Leadership: Do traits matter?". Academy of Management Executive 5 (2).197, p12.
challenges, companies had to make changes, which directly affected the HRM function. American management experienced the “Japanese shock” and then engaged in the search for excellence through researching Japanese management in order to compete with it. The competition embraced technology, working methods, organization and attitudes, which were directed not only at costs, but also crucially at quality for example, the new goal of quality could only be achieved through employees’ training and commitment.

Mabey in his book titled “Human resource management: A strategic introduction” says, today, the notion of HRM indicates that people management can be a key resource to sustain competitive advantage. This belief is based on four core perspectives; firstly, people can ‘make the difference’ as human capability and commitment distinguish successful organizations, and people need to be treated as assets and not costs; secondly, managing human resource in fact is an important “strategic” matter; thirdly, line management should engage in managing human resources; fourthly, the key levers must be internally integrated with each other and externally integrated with the business strategy, as told by Mabey when these perspectives are translated into proposals for practice, two distinct models have been modified.

Engardio has said -“In the coming decades, China and India will disrupt work forces, industries, companies, and markets in ways that we can barely begin to imagine”. Research on MNC has tended to be focused on those from developed countries establishing subsidiaries either in other developed economies like U.S. to the UK or into developing economies like, the U.S.A into Latin America. U.S. firms

invested in Europe from before 1939 but the major push came after World War Two. Japanese MNC began to locate in advanced economies, particularly in the 1980s. While, there has been a rich stream of MNC research in this area, there has been relatively less research on newer industrialized country like, Taiwan, India and South Korea to the more industrialized economies. This is a new era which is often referred to as a ‘new geography of investments’ Whilst most MNC come from the world’s top five economies, a growing number are from developing and newer industrialized economies. UNCTAD categorizes developing economies into two groups - South Korea, Taiwan and Singapore who are newer industrialized and have an established track record as outward investors and those such as India and China that are rapidly developing.

Semper¹⁹, in their book titled “Human Resource Management :A success and failure factor in strategic alliances”, international human resource management have told that, IHRM involves six functional human resource areas, which are; recruitment and selection, classifying employees, performance evaluation, compensation and benefits, training and development, and labor relation. IHRM has been recognized as one major determinant of success in the global environment. There are a few reasons to why IHRM is so important for MNC to understand. Firstly, it is important because of global competition, since the number of MNC increases rapidly and therefore the role of IHRM grows in significance. Secondly, effective management of international human resources is seen as a key source of competitive advantage. Thirdly, the lack of experienced managers is becoming an increasing problem for international firms, and the successful implementation of global strategies depends on that. Furthermore, companies underestimate difficulties within HRM in

international operations. Finally, Lajara\footnote{Lajara,B, Lillo,F, 
Sempere,V, 2003, "Human Resources Management: A success 
and Failure factor in Strategic Alliances. Employee Relations", 25, 2003, pp61-80.} has explained in his book on HRM, 
organizational structures change due to the internationalization and therefore human 
resources play a key role in organizations, regarding success and failure of Strategic 
alliances of Employee relations about Managers and Cultural influences.

2.0.3 : Journal and Articles:

After review of doctoral Thesis and understanding some of fundamental definitions 
related to HRM Functions related to IHRM related to MNC organizations, we are 
scanning through latest articles, papers and research reports published in reputed 
national and international Journals published Online and printed, where we are able 
to find research work done with reference and the scope of the research study 
undertaken by the researcher. From the initial review of literature, the following 
journal articles which will provide insights to the study.

First is by Henstridge\footnote{Arthur Montague Henstridge : Fifty years a gamekeeper, Publisher Friary Press, 
1975,University of Chicago, Jul 2011,p47} which revolves on suggesting that the traditional 
descriptive approaches to personnel management do not provide the concrete 
definition for personnel management or explain the way in which it actually exists in 
work organizations. For Henstridge, the phenomenon of personnel management 
could be a meeting point of disciplines.

Akinmayowa\footnote{J.T. Akinmayowa, (1980) "Relationship of Personnel Managers to Others", Personnel 
Review, Vol. 9Iss: 4, pp.33 – 36 Publisher MCM UP Ltd.} who investigates the relationship between personnel managers and 
other managers within an organization. Personnel managers perceived themselves to 
be in the forefront with other professionals in contributing to corporate success, 
whereas managers in sales, finance and production departments have a less 
impressive view of personnel managers' influence in achieving corporate goals.
Oswick and Grant\textsuperscript{23} argued that different roles changes within an organization such as generalist and specialist personnel roles; relationships between personnel professionals and line managers; and perceptions of personnel activities. Along with these changes, however, are power ramifications. For personnel managers, these changes in roles had a detrimental impact on the duties and activities of the personnel practitioner and have also led to a dilution.

Ngo and Turban\textsuperscript{24}, says from his article on “Country of Origin Effect on Strategy”, “One of the key challenges facing the MNC is how to balance between the need for global integration and local adaptation”. National origin of MNC is seen as a major influence in determining this balance. Contrary to view of a border-less world and nation less corporations, cultural and institutional determinants in the country in which firms were located are seen to be salient determinants arising from a firm’s context examined the issues dealing with how MNC manage their foreign subsidiaries and concluded that the main influence on the MNC effort to have a degree of control over their subsidiaries was their country of origin. Supporting this view, state that although multinationals are highly internationalized, their organizational coordination and control practices at the international level tend to be explained by their country of origin.

Harzing and Sooge\textsuperscript{25}: In his empirical article -Internationalization strategies and corporate control in multinational enterprises”, there is empirical evidence that suggests that almost all MNC have a trace of their country of origin within them. It could be

subconscious choices which are influenced by the cultural and institutional characteristics of the country of origin of the MNC or it could be transferred through the people who work in the organization as researched by Harzing and Sooge.

Barrette and Ghoshal, discussed that, U.S. multinationals have been typically contrasted with Japanese multinationals in respect of their styles of HRM employed in their subsidiaries. As Japanese multinationals have the characteristic of being strong but with informal centralization and are highly reliant on establishing international networks. U.S. multinationals appear to have elaborate systems of control and standardized worldwide systems in place. Moreover, whether the country is high or low on cultural context will also determine the impact of their country of origin on the IHRM practices. This work draws on the work of HRM Department and his distinction between situations where things are less explicit where the context exerts more influence -high context and those that are much more explicit where the context is less of an influence -low context. Western countries are seen as generally low on cultural context whereas Eastern countries are mainly seen as high on cultural context. The interplay between national and organizational culture is a significant factor in the success of global mergers, acquisitions and alliances.

Hofstede, said that China and India are expanding mainly through acquisitions in Western countries. As stated before, “there is relatively little research on the internationalization of emerging economy firms either into other emerging economies or into developed economies”. The strategy literature on emerging economies predominantly use institutional theory followed by resource-based

theory, transaction cost theory and agency theory as conceptual perspectives. MNCs from emerging economies enter developed economies for ‘exploration’ and other emerging economies for ‘exploitation’. While in the past Japan and Korea internationalized through green field expansion, founding their own subsidiaries that mitigated cultural clashes. Moreover, their internationalization is very rapid and different from that of the conventional Western MNC and erstwhile developing country MNC. They also tend to use exporting and FDI as combined and simultaneous strategy, rather than being distant alternatives. Although in absolute terms the MNC from emerging economies are not very large, they are gaining importance and many companies are now globally diversified. The key advantages for these MNC are access to the most dynamic growth markets in the world with a vast pool of low cost resources like production workers, engineers and natural resources. Besides being small, most of the emerging market MNC is in their early stage of internationalization with limited international experience. Correspondingly within the MNC from the emerging economies, organizational culture, decision making and control on subsidiaries can be noticeably different as compared to their counterparts in developed markets due to national culture and economic differences.

Pradhan\(^28\) believes that the motivators for Indian firms to expand overseas, particularly into the developed markets include the need to acquire new technologies, raw materials, skills and expertise and also to leverage on their trade-supporting infrastructure overseas. MNC from emerging economies choose an adaptive or poly-centric approach to manage their subsidiaries in developed markets. With respect to their entry into other developing markets, the approach has been mixed. This is more to do with shifting investment patterns and markets than

managerial choice. Prior to the liberalization of the Indian economy in 1991, a small group of large-sized family owned Indian firms invested mostly in neighboring developing countries, opting for green field investments in joint ventures. This was predominantly an exporter or ethnocentric approach that involved wholesale transfer of parent firm's systems, policies and personnel. Since then, the very nature of Indian outward FDI has undergone fundamental changes and is now characterized by a large number of professionally run firms in the services sector investing mostly in developed countries.

In today's business environment there is a great global openness and national boarders are more transparent than before. There is an increasing acceptance of ideas and products from other cultures and a greater willingness to engage in multilateral actions between companies. This undeniably leads to that global competition is getting more and more intense for companies and more companies than ever are earning their revenues from international operations.

Mohan Thite\textsuperscript{29} in his research paper on "Internationalization and HRM Strategies across Subsidiaries in Multinational Corporations from Emerging Economies--A Conceptual Framework", says in the 21st century knowledge economy where services and creative industries dominate the economic landscape that is tilting more towards developing and transition economies, the theories and practices applicable to Western MNC that monopolized the 20th century industrial economy are slowly but steadily giving way to new economic and management paradigms. Accordingly, reexamining the management approaches and practices of MNC from newer

industrialized and developing economies such as India is likely to remain a key research issue for the next decade, given the speed of economic development and the increasing influence and numbers employed by such companies. A few key findings from his research are outlined below:

1. MNC from emerging economies adopt control and coordination mechanisms because of the double hurdle they face of 'liability of foreignness' and 'liability of country of origin'.

2. MNC from emerging economies adopt a predominantly 'adaptive' or 'poly-centric' approach to manage their subsidiaries in developed markets.

3. MNC from emerging economies adopt predominantly an 'exportive' or 'ethnocentric' approach to managing their subsidiaries in other emerging markets.

In this study, we widen the horizon of International HRM to include HRM strategies and practices from emerging economies. The purpose of the literature review is to explore how HRM strategy of the MNC in emerging economies is formed and how it operates in practice. First, we outline the issues relating to emerging MNC. Second, we develop a conceptual framework of global HR strategies and practices in MNC from emerging economies. This provides managerial insights and guidance into the motives, strategic opportunities and constraints in cross national transfer of HR policies and practices. It uses the data from the pilot study of an Indian multinational company to test the conceptual framework and propositions.

Thus we may, conclude with a discussion of how our findings relate to existing research and identify directions for future research. This helps identify and analyze 'the travel of ideas' between the East and West, in terms of the motive and opportunity behind cross-national transfer of HR policies and practices. Such an
understanding of corporate management thinking and practice in MNC helps practitioners understand their own strengths and weaknesses in the new scheme of things and assists them in strategizing, accordingly as to how best to influence the top management layers and players. This would in turn assist them to facilitate a smooth 'travel' of policies and practices across subsidiaries.

Since the available information is limited and confined to research carried out by academicians and industry researchers limited to the area of expertise available with reference to different foreign countries and Indian companies limited to specific industry and organization, this research and study is focused to the broader view of topic of research. Hence, a framework is developed from secondary information and primary data collected through Survey method to formulate the research objectives and find answers to the questions that arises from the research objectives.

3.0 : Statement of Problem :

The purpose of this study is to provide a better understanding of the IHRM issues encountered by MNC operating in Bangalore. Thus from literature study, we were able to identify the HRD factors which impacts the business from HRD Professionals who are working in MNC. Human Resource scholars emphasize that the essence of SHRM, is how organizations link HRM to their business or organizational strategy. This means that business strategy is the main determinant factor of strategy, followed by other internal or organizational and external or environmental factors. The literature study has focused on detailed micro analysis of the concepts rather than integrated learning of combining Micro and Macro factors.

Hence this thesis research work has focused on Macro Issues from External environment and Micro issues of Internal factors from HRM functions of MNC Companies. The study undertaken by all the researchers and organizations were
concerning HR issues in the global level and no empirical study have been taken on this topic. Thus, from the literature review, it is observed that there has been inadequate work done on the impact of external factors on HRM function from a holistic perspective.

Hence, this study entitled- “Impact of External Environment on Personnel Management - A study with special reference to Human Resources Management in Multinational Companies” is undertaken.

Thus above gaps can be represented by block/model diagram as shown below:

Figure- 2.1 : Block Diagram of Adaptive Comprehensive Integrated HRM System

4.0 : Objectives

The following are the important objectives of the study:

1. To map the growth of HRM function from personnel management function and outline the latest requirement and trends of MNC with reference to external environmental factors.
2. To design and develop an appropriate Comprehensive Integrated Human Resource Management model suitable for MNC from the perspective of the external environment and simulate the model with the primary data.

3. To analyze and understand the profile of MNC operating out of Bangalore, with reference to IHRM and SHRM from the perspective of personnel management.

4. To evaluate and analyze how the external environment factors, impact and interplay with HRM functions with reference to MNC in Bangalore.

5. To assess whether the external environment contributes to the personnel managers perception of their fit in MNC with reference to HRM functions.

5.0 : Hypothesis Testing

Inferences on population characteristics are often made on the basis of sample observations, especially when the population is large and it may not be possible to enumerate all the sampling units belonging to the population. Hence the procedure enables one to decide on certain hypothesis and tests its significance.

*Hence we use Non parametric Hypothesis tests in this study and draw inferences as below:*

1. *Null Hypothesis*- Ho: External environment factors significantly influence the personnel policies and Human Resources Management Function.

*Alternate-Hypothesis*-H1: External environment factors like Socio-Cultural, Technological, Economic, Ecological, Political, Legal and Ethical does not significantly influence the personnel policies and HRM Function.

2. *Null Hypothesis* - Ho: Internal Human Resources Management(IHRM) functions like work place planning, Strategic International Human resource Management, Human Resource Development, Maintenance of Human Resources and Employees
Industrial Relations have strong correlation among themselves with external environment factor being constant.

**Alternate Hypothesis** H1: Internal HRM Functions have negative or less correlations with reference to environment factors being independent or constant.

3. **Null Hypothesis** - Ho: External environment factors may significantly Influence on personnel management function in terms of Personnel Policies and behavior depending on nature of Industry.

**Alternate Hypothesis** – H1: External environment has less or no significant influence on personnel management functions with reference to specific industry.

6.0: **Scope of Study:**

The Present study is conceptual study of IHRM model, derived by research and based on the information gathered during the study. The study was conceptualized to the Global Universe and confined and simulated to MNC in Bangalore. Hence study covers some of the leading MNC globally and does not reflect the overall picture of MNC in India. However sampling is done such that the views of Corporate and global HR Professionals working in MNC were considered during data collection and Surveying the instruments. The Samples collected were from MNC in Bangalore City, who volunteered to share data.

7.0 **Research Methodology and Data Sources**

Having formulated the research objectives from literature study, the solution is half solved with identifying the objectives and defining the statement of problem. Hence by adapting and applying research methodology technique's, the data is validated as per the current external environmental factors which impacts business by surveying MNC. The structure of this Module begins by explaining the selection process of the
research Design, followed by a discussion and justification of the research paradigm, research methodology and research method. Thus, the research process can be separated into three main stages, which are adopted in this thesis. This process begins by determining the most suitable paradigm, including the ontology and epistemology, for the theoretical study called Secondary data. This is followed by the selection of research methodology and then finalized by choosing a research method for collecting and analyzing the data through Primary data.

7.1. Research Methodology - Qualitative and Quantitative Research.

Research methodology is defined as "a way of thinking about and studying social reality". Methodology is also the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of and give the researchers confidence that their findings are accurate or error free. As qualitative research, this study is discovery oriented, and uses an inductive approach to build a holistic picture of SHRM practices within India. This difference needs to be taken into consideration and should provide a deeper understanding of how SHRM and IHRM are operationalised in India. This methodology allows the researcher to produce descriptive data from the written or spoken words of the participants and other observable data resources.

Accordingly, the main purpose of this study is to discover and delineate how IHRM, SHRM is practiced by Indian organizations. Furthermore, this study intends to develop a theoretical model of IHRM/ SHRM within the Indian context.

7.2 : Research Method:

This study, employed both qualitative and quantitative methodology, which means that both numerical and non-numerical data and information were used. With this, it had helped the researcher to take advantage of the different benefits of both
methods. By using quantitative method, it is easier for the researcher to analyze the data and come up with the findings and results, consequently, conclusion and recommendation.

7.3 : Data Collection

In qualitative research, interviews have an essential and fundamental role in data gathering. Interviews are the main data collection method to investigate the nature of reality being studied. Interviews can provide researchers with insights into the participants' thoughts, knowledge, feelings, memories, and experiences, in their own words, rather than those of the researcher. More importantly, through interviewing, the phenomena, being studied can be explored independently from the real actors, so the richness and originality of data can be uncovered.

7.4 : Steps In Sample Design

Theoretical sampling refers to continuous data collection based upon emerging issues to achieve theory saturation. Data coding is concerned with the procedure of dis-aggregating the data and breaking it down into manageable segments, then identifying or naming those segments. The constant comparative method relates to the strategy of comparing and asking questions. Embedding these into the entire of research process sharpen the researcher's thinking and help him or her understand what is in the data. While developing a sampling design, the following steps, are followed.

Type of universe: The first step in developing any sample design is to clearly define the set of objects, technically called the Universe, to be studied. The universe can be finite or infinite. Thus the Universe in this study are HRM professionals working in MNC at Bangalore.
**Sampling unit:** A decision has to be taken concerning a sampling unit before selecting sample. Hence the sample chosen are minimum of 3 and above, the number of respondents being proportional to size of the MNC. Also MNC covering different industry segments like FMCG, Manufacturing and Engineering, Information Technology Enabled Services, Hotels, Hospitals and Health Care services, Banking, Financial Services and Insurance companies apart from Global Consultancy companies.

**Source list:** It is also known as ‘sampling frame’ from which sample is to be drawn. It contains the names of all items of a universe, in case of finite universe only. If source list is not available, researcher has to prepare it. Such a list should be comprehensive, correct, reliable and appropriate. It is extremely important for the source list to be as representative of the population as possible.

*Hence source list are database of MNC prepared by Government of Karnataka, Information Technology Department and MNC companies shortlisted for survey are those companies who have a turnover over INR five hundreds crore and above.*

**Size of sample:** This refers to the number of items to be selected from the universe to constitute a sample. The size of sample should neither be excessively large, nor too small. It should be optimum. *Hence sizes of samples are around 450 respondents from 150 MNC companies.*

**Parameters of interest:** In determining the sample design, one must consider the question of the specific population parameters which are of interest. For instance, we may be interested in estimating the proportion of persons with some characteristic in the population, or we may be interested in knowing some average or the other measure concerning the population. There may also be important sub-groups in the
population about whom we would like to make estimates. All this has a strong impact upon the sample design we would accept.

In this study we have given equal weight-age to junior, middle and senior level executives working in MNC and also considering their work experience and income level, age and designation.

Budgetary constraint: Cost considerations, from practical point of view, have a major impact upon decisions relating to not only the size of the sample but also to the type of sample. This fact can even lead to the use of a non-probability sample. Considering cost and time, social media like Linked-in and HRM associations database and support were utilized apart from direct mailers.

Thus summarizing, “Consistent with grounded theory principles, this study employed theoretical sampling for data gathering. Data was be collected from 146 MNC from approximately, 450 HR managers across different industry sectors, these being information Technology, Hotel, Hospital, Textile, Consultancy, Finance and agriculture sectors.

The respondents were drawn from cities in Bangalore and other cities where MNC Operates. The initial strategy was to collect data from companies in Bangalore city only, to contain time, accessibility, and cost. However, the preliminary interviews identified that local attributes, such as the local culture and local government regulations, were important variables in managing people, so the scope of the data collection was widened to other cities in case sufficient data is not collected.

HR managers were selected because, this study sought to investigate the implementation of IHRM, so participants needed to be at a managerial or strategic level, operational level and Senior Management. Consequently, the respondents need
to be people who were able to provide rich information and understandings of managerial or strategic practices based on their knowledge, feeling, and experiences. The choice for reason for this is to ensure sufficient data is captured to collect the breadth and depth of available information and achieve saturation. Data collection will took nearly six-eight months, including identifying potential participants, sending invitation letters, contacting respondents via telephone and or email then organizing a time and venue for the interviews.

**Field work:** The researcher initially sent survey questionnaire and interview requests to 456 respondents from around 147 MNC in Bangalore. Out of the 456 requests, the respondents acquired a total of 396 positive and complete answers, which enables the researchers to acquire a high response rate of 86.5 percent. The respondents were selected in random manner, where in the names of the willing HR Professionals in every MNC listed in databases were considered for survey. This was done in order to prevent any personal bias from the researcher. On the other hand, another set of respondents, were selected in order to undergo interview sessions. Due to time constraints, due to the schedule of the respondents, the companies and the researcher, as well as the physical distance of MNC, some of questionnaires were sent via e-mail, and some interviews were done via phone. With this, it enables both the researcher and the respondents to get hold of their schedule.

Primary and secondary data were used in this study. Primary data were gathered by survey interview and questionnaire from the respondents. The questionnaire Set-A and Set- B, consists of set of questions which focus on the different External factors that impact business with reference to Human resource Management Function and related to the current policies and practices of IHRM of MNC in India. The survey interview and questionnaire instrument were designed with close-ended and open-
ended questions. Close ended-questions help the respondents to choose the answer or responses that have already been given by the interview questions or the questionnaire. This was used in order to offer both the researcher and respondents the advantage of answering the questions faster and easier. Therefore, it is important for the questions to be easy to understand and answer. Conversely, open-ended questions or the supply questions are those questions were in the evaluator or the questionnaire does not supply the answer, which gives the respondents the freedom to answer the questions based on their own terms and words. The main advantage of this type of question is that, it help the respondents to express themselves, without limiting the answers which they can supply. With this, the data gathered using this question will be helpful in order to gather in-depth data or information, at the same time, help in order to support those data gathered using the close-ended one. In order to make the analysis of data easier, at the same time, in order to make the survey questionnaire friendly to the respondents, the five-point Likert scale was employed and use. This enables the respondents to express the level of the agreement and disagreement to a specific statement given in the questionnaire. Therefore, with the use of this scale, it is much easier for the researcher to analyze, describe and present the result of the study.

On the other hand, the secondary information were gathered from different Libraries namely Indian Institute of Management/Bangalore, Indian Institute of Science-Department,Management/Bangalore,Kuvempu,University,Library/Shankaraghatta, apart from online libraries such as Emerald, EBSCO, Questia, Science Direct and Google Book. These libraries helped the researcher to gather adequate data used in reviewing literature's and analyzing the results and findings of the study.
7.5: Data Analysis

Qualitative data analysis requires the huge amount of information summarized, described, and examined for patterns of relationship so the phenomena being studied can be explained and constructed. Qualitative analysis consists of three concurrent activities: data reduction, data display and finally conclusion drawing and verification. Data reduction is concerned with the process of selecting, simplifying, abstracting, and transforming the data so they can be made intelligible in terms of the issues being investigated.

7.5.1 The techniques and formulas used for Data Analysis.

1. **Percentage**: To determine the magnitude of the responses to the questionnaire. Information like total respondents and percentage error and valid responses are calculated. Pie chart shows profile of respondents.

2. **Weighted Mean**

\[ \bar{x} = \frac{f_1x_1 + f_2x_2 + f_3x_3 + f_4x_4 + f_5x_5}{x_t} \]

Where: \( f \) – weight given to each response /\( x \) – number of responses /\( x_t \) – total number of responses. This analysis gives information about Respondents choice of different factors of Environment like Social, Technological and Economical.

3. **Mean** – the most common measure of central tendency of mean or average

Mean analysis are used for determining, the preferred choice of respondents for a particular selection of industry types and common environmental factor.

4. **Range** – the difference between the largest and the smallest numbers in a list.

The selection of samples for analysis. Grouping the respondents who have similar views or characteristics while choosing a particular HRM Functions.

5. **Spearmen’s Correlations**: Spearmen’s Correlation has been used to understand the relationship between rank order data and variables. Pearson’s Correlations
analysis is used for continuous data like age, experience.

**Rank Co-relation / Spearmen’s Coefficient**: Factors scales are developed through factor analysis or on the basis of inter correlations of items which indicate that a common factor accounts for relations between them.

Factor scales are particularly useful in uncorrelated latent attitude discussion and applied scaling through the concept of multiple dimension, attribute space.

**Spearman’s coefficient of correlation or ‘r’**

\[ r = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} \]

where \( d_i \) = difference between ranks of \( i \)th pair of the two variables \( n \) = number of pairs of observations.

As rank correlation is a non-parametric technique for measuring relationship between paired observations of two variables when data are in the ranked form, ‘Non-parametric -Hypotheses Testing tests are conducted.

6. **Hypothesis Testing**

**Chi-square Tests**: As a non-parametric test, as such no rigid assumptions are necessary in respect of type of population. We require only the degree of freedom \(-d.f-\) implicates size of the samples, for using this test. As a non-parametric test Chi-square test can be used to test the hypothesis.

(a) As a test of goodness of fit
(b) Test of Independence.

As a test of independence, Chi-Square test enables whether or not two attributes are associated. Chi-Square as a non-parametric test is based on frequencies and not on the parameters like mean and standard deviation,

\[ \chi^2 = \sum \left( \frac{O_{ij} - E_{ij}}{E_{ij}} \right)^2 \]

where

\( O_{ij} \) = observed frequency of the cell in \( i \)th row and \( j \)th column.
If two distributions (observed and theoretical) are exactly alike, \( \chi^2 = 0 \); but generally due to sampling errors, \( \chi^2 \) is not equal to zero and as such we must know the sampling.

7. **Principal Component Factor Analysis**

Principal Component Analysis-PCA Analysis- measures, Eigen vector values which characterizes a group of similar factors.

8. **Analysis of Variance** ‘ANOVA’ techniques for Hypothesis Testing.

Types of Hypothesis concerning variations in the given data i.e. test analogous to **Analysis of Variance** test are conducted.

- \( H_0 \): *Null Hypothesis* ;Values are equal for all groups
- \( H_1 \): *Alternate Hypothesis* ;Values are not equal.

**Analysis of Variance**: One factor analyses, rank correlations i.e. when data are not available to use in numerical form for doing correlations analysis, but when info is sufficient to rank the factor.

**Interpretation**: Rank Correlation value is + means perfect and if value < 0.5 Group has less correlations. Value is >0.5 depicts positive correlations, When is is Negative, depicts Inverse Correlations.

9. **Cross Tabulations and Regression Analysis**.

**Measures of Associations**: Relations between two or more variables. Correlations nature of relations between variables, **Regressions** equations are developed to predict the values of Dependent variables.

- a) Parametric correlations requires two continuous variables measured on interval or ratio-scale.
- b) Co-efficient does not distinguish between independent and dependent variables.

It treats variables symmetrically, since co-efficient has same interpretations.
Thus, the detailed significance of use of research techniques used for processing and analyzing will be explained while analyzing data in Chapter 5 and justification for use of such techniques.

8.0 : Chapter Schemes

Chapter 1: “Introduction” : The first chapter will start with some background information to the research area. Discuss Progression from Personnel to Human Resources Management. Impact of various external environmental factor on HRM are discussed. This will be followed by a problem discussion which leads to the overall purpose of this thesis and outlining the research questions.

Chapter 2 : “Research Design ”

In this chapter, we will present literature review and comments, related to our stated purpose and research questions. At the end of this chapter, we will present a conceptual framework which will include those theories most relevant to our study and this will assist us in collecting data through. Research Methodology where we present, which methodology and techniques are proposed to be used and how we are going to collect data in order to answer our research questions and thereby reach the purpose of the thesis. The research strategy will be presented followed by a presentation of data collection, sample selection and a discussion about reliability and validity.

Chapter 3 : “Profile of MNC”: Introduction to MNC Organizations both Global and Indian, Profile of the respondents and those internal factors or micro factors which govern, the Indian MNC with reference to external factors.

Chapter 4:“Integrative Framework Model for HRM in MNC” Introduction: Definition and importance of Conceptual Modeling, Significance of Model study and Applying for “ Impact of External environments factors on HRM Function .
Integrative framework for understanding cross-national HRM. Knowledge Management System – Adaptive System and Background of Studies – Theory of Constraints. Integrative framework for Impact of External Environment Factors on Personnel Management Functions and a special study with reference to MNC in India by analyzing the industry in Bangalore.

Chapter 5: "Analysis of Data and Interpretation":

Empirical data collection and recording: Collected from sample survey indicate that there are strong relations between External factors identified by executives at various levels in the organization by survey methods and data recorded and tabulated by using research methodologies techniques and hypothesis. This chapter presents the data gathered from the literature review conducted by the researcher. Various sources consulted for this thesis are compared, so that the results and findings will be in-depth and substantial. There are also specific hypotheses that are either proven or not, are discussed in this chapter.

Rank Correlations on Factors which Impact the Business /the most: The data collected from the study will analyze in depth the factors of HRM like motivation or training or compensation or career mapping which the respondents most preferred at various levels in a company.

Chapter 6: "Summary, Findings and Conclusions"

Final answers to the research questions are recorded and discussed with empirical data both from primary and secondary research. Consultation of the researcher based on study and expert opinion collect will be enumerated. Finally suggestion will be written for future researchers to improve and validate the data by redefine the objectives and considering the dynamic external factors internal factors of organization and business at large.
The thesis report will be appended with Annexure/Appendix which supported the study along with bibliography and references.

9.0: Conclusion

This chapter has reviewed and justified the choice of research design, methodology and method. Why the phenomena of IHRM in India should be investigated within an interpretive qualitative methodology, and more specifically a grounded theory method has been discussed. How to operationalise, the research-design has also been explained. The interview methods and the procedures for analyzing the data have been discussed from both the theoretical and operational perspectives.

The primary aim of this thesis, study has been to develop an empirically verifiable model that explains key sources of variation in the ability of MNC to transfer know-how in the face of spatial, cultural, economic and educational distance. The model goes beyond previous efforts by not only considering the relationship between the three dimensions of social capital but also by delineating the dynamic capabilities that condition the development of a social context that promotes knowledge transfer considering both internal factors and external factors. The development of these dynamic capabilities is dependent on purposeful action and investment not least on the part of MNC managers. Thus the model is not only a response to the need to understand variations in knowledge transfer but also a response to practitioner needs to augment their understanding of those organizational mechanisms and practices that enhance the efficient intra MNC transfer of knowledge.